

CITY OF LOS ANGELES

CALIFORNIA



KAREN BASS
MAYOR

Agenda Item No. 2

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT

DEPARTMENT OF
GENERAL SERVICES
ROOM 701
CITY HALL SOUTH
111 EAST FIRST STREET
LOS ANGELES, CA 90012
(213) 928-9555
FAX No. (213) 928-9515

July 27, 2023

Honorable City Council
City of Los Angeles
c/o City Clerk
Room 395, City Hall
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Assistant

**REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE AN OFFICE LEASE
AT 5250 LANKERSHIM BOULEVARD, NORTH HOLLYWOOD, CA 91601 WITH
DWF VI GPI LANKERSHIM OWNER, LLC FOR COUNCIL DISTRICT TWO FIELD OFFICE**

The Department of General Services (GSD) requests authority to negotiate and execute a lease agreement for property owned by DWF VI GPI Lankershim Owner, LLC for 5,879 rentable square feet (sf) of office space for Council District Two (CD2) located at 5250 Lankershim Boulevard, North Hollywood, CA 91601.

BACKGROUND

In 2013, CD2 executed an office lease with Laemmle NoHo LLC for an initial term of five (5) years with two, five-year options to extend. Currently CD2 is in their last five-year option term which is due to expire in 2028. During the pandemic, Grubb Properties purchased the building with the intent to redevelop the property to a mixed-use multifamily development. As such, CD2 has been asked to relocate their current office with Grubb Properties paying reasonable costs associated with office relocation. The amount of reimbursement is being negotiated with the current landlord.

CD2 has identified a Class-A office space within the same block as their current location in the NoHo Arts District commercial core and Metro's North Hollywood Red Line and Orange Line transit hubs.

The proposed lease is located on the 5th floor and is 5,879 rentable square feet (sf). This location has ample space to accommodate the Councilmember's growing staff as well as provide conference facilities for community meetings, and will be CD2's only field office.

TERMS AND CONDITIONS

The initial lease term is four years with one, four-year option to renew. Lease term commences upon substantial completion of tenant improvements and certificate of occupancy. This is a full-service gross lease with the initial base rent of \$25,573.65 per month (\$4.35 per sf), escalating annually at a rate of 3% on each anniversary of the Lease Commencement Date.



The landlord is responsible for all maintenance of the building including common areas, janitorial, security, HVAC systems as well as utilities. City will be responsible for phones, internet connectivity and parking.

City shall have the right, but not the obligation, to purchase up to 17 parking spaces located in the parking structure at the rate of \$100 per permit per month for unreserved spaces, and \$175 per permit per month for reserved spaces. A complete set of terms and conditions are outlined on the attached term sheet.

TENANT IMPROVEMENTS

The landlord will provide and pay for all tenant improvements, and has engaged a space planner/architect to work with the Council Office to develop a space plan, utilizing the building standard materials and finishes. The landlord and City will mutually agree upon the final scope of tenant improvements.

FURNITURE, MOVING AND COMMUNICATION EXPENSE

Included herein is the rough order of magnitude cost for furniture, moving, communication and security expenses estimated at \$150,000. It should be noted that GSD is negotiating with the current landlord on the early settlement agreement, which will be needed to cover these costs.

MARKET ANALYSIS

Based on a recent market analysis, the monthly rate for similar locations and types of space ranges from \$4.16 to \$5 per sf. The proposed base rate of \$4.35 for rent reflects an acceptable rate for a Class A office building, full-service gross lease and is within the acceptable range for comparable office space in the NoHo Arts District area.

Location	Property Type	Rent Rate	Available Square Feet	Lease Type
5401 Lankershim Blvd	Mixed Use/Retail	\$5.00	600	MG
5300 Lankershim Blvd	Retail	\$4.16	1,384 - 4,618	MG
5200 Lankershim Blvd	Office	\$4.50	1,939 - 20,492	FSG
11135 Magnolia Ave	Office	\$4.38	1,591 - 4,097	MG
5161 Lankershim Blvd	Office	\$4.16	1,129 - 12,344	FSG
Average Rental Rate		\$4.44		

Note: Proposed base rent of \$4.35 psf is less than the average rent for comparable office space in the immediate area.

FISCAL IMPACT

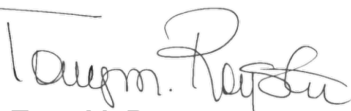
Funding for this location has been included in the Citywide Leasing Account 2023-2024 Fiscal Year Budget in the amount of \$93,236.71. The General Fund impact is estimated at \$290,432. This includes six months of rent estimated at \$153,438. Additionally, there is a parking cost of \$100 per non-reserved parking space and \$175 per reserved parking space a month, a maximum of 17 spaces totaling \$11,550 for six months. GSD is negotiating with the landlord at their current location to reimburse expenses associated with this move. This amount is expected to offset some, if not all, of these costs. GSD will manage any shortfalls within the Citywide Leasing Account.

FY 2023-2024 Proposed Amount CD2 5250 Lankershim Blvd, North Hollywood, CA 91601					
	Monthly Proposed Costs	2023-24 Estimated 6 Mo Rent & Expenses	Relocation Expenses Buyout	2023-24 Budgeted Funding	2023-24 Estimated Balance (Shortfall)
Base Rent	\$ 25,573	\$ 153,438			
Abated Rent - 3 months		\$ (76,719)			
Parking	\$ 1,925	\$ 11,550			
Furniture, Moving, & Communications (one time)		\$ 150,000			
Swing Space Costs		\$ 145,400			
TOTAL	\$ 27,498	\$ 383,669	\$ TBD	\$ 93,237	\$ (290,432)

Assumption: CD#2 takes occupancy January 2024, 3 months of abated rent @ \$25,573 a month, and 6 months of parking.

RECOMMENDATION

That the Los Angeles City Council, subject to the approval of the Mayor, authorize the Department of General Services to negotiate and execute a new lease with DWF VI GPI Lankershim Owner, LLC located at 5250 Lankershim Boulevard, North Hollywood, CA 91601 for field office space for Council District Two under the terms and conditions substantially outlined in this report.



Tony M. Royster
General Manager

Attachment: Term Sheet

LEASING TERM SHEET

MFC DATE	07/27/2023
LANDLORD	DWI VI GPI LANKERSHIM OWNER, LLC
ADDRESS	315 South Beverly Drive, Suite 310, Beverly Hills, CA 90212
TENANT	City of Los Angeles
ADDRESS	111 E. 1st Street, Los Angeles, CA 90012
LOCATION	5250 Lankershim Boulevard, North Hollywood, CA 91601
AGREEMENT TYPE	Full Service Gross Lease
USE	Office Space
SQUARE FEET	5,879 Square Feet
TERM	Four (4) Years
RENT START DATE	Upon substantial completion of tenant improvements and receipt of Certificate of Occupancy
LEASE START DATE	Upon City Clerk's Attestation
OPTION TERM	One (1) four (4) year option to renew upon 12 months written notice of intent
HOLDOVER	Two (2) months at existing rent; thereafter 150% if existing rent
SUBLET/ ASSIGNMENT	Right to assign - subject to Landlord approval
TERMINATION	Early termination language for elected officials upon six (6) months written notice to Landlord
RENTAL RATE	\$25,573.65 (\$4.35 psf)
ESCALATION	Three (3%) percent on each anniversary of the Lease Commencement Date
RENTAL ABATEMENT	Three (3) months to be taken in months: 2, 3, and 4 of the initial lease term
ADDITIONAL RENT	Yes. No Tax/OPEX/CAM charges for the first twelve (12) months of occupancy

PROPERTY TAX	City responsible for pro rata share (approx 3.21%) - Base Year 2024
OPEX	City responsible for pro rata share (approx 3.21%) - Base Year 2024
CAM	City responsible for pro rata share (approx 3.21%) - Base Year 2024
OTHER	6% annual cap on controllable operating expenses, on a cumulative and compounded basis, opex/taxes based on 95% gross up
SECURITY DEPOSIT	No security deposit required
MAINTENANCE/ REPAIR	Landlord responsible for all building maintenance, including the Premises, common areas, janitorial services, HVAC systems, 24/7 security, and utilities.
MAINTENANCE/ REPAIR DETAILS	
TENANT IMPROVEMENTS	Landlord shall perform all tenant improvements based on a mutually agreed upon work letter for Suite 520 utilizing Building Standard Materials and Finishes.
PARKING	17 non-exclusive parking spaces. Unreserved \$100/mo Reserved \$175/mo
UTILITIES	Landlord
CUSTODIAL	Landlord
SECURITY	Landlord
PROP 13 PROTECTION	Landlord will not provide Prop 13 protection
INSURANCE (City)	City shall indemnify and hold harmless Landlord
OTHER:	
PRINT:	Jared Crowley - Senior Director - Divcowest
SIGNATURE:	