

CITY OF LOS ANGELES

CALIFORNIA

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December 14, 2023

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

Attention: Mandy Morales, Legislative Assistant

**** REVISED ** REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A
NEW LEASE WITH AMHERST TOWER, LLC FOR FIELD OFFICE USE
FOR CD 5 AT 5416 WILSHIRE BLVD, LOS ANGELES, CA 90036**

The Department of General Services (GSD) requests authority to negotiate and execute a new lease for a Council field office with Amherst Tower, LLC located at 5416 Wilshire Blvd. Los Angeles, CA 90036.

This matter was originally considered by the Municipal Facilities Committee on June 6, 2023 and ultimately approved by the City Council on June 16, 2023. Based on ongoing negotiations with the Landlord, due to increased scope of tenant improvement costs, the Landlord is seeking assurance of a four-year term.

Originally, the MFC report and Council approval included a termination right upon the occurrence of the following events: change of Councilmember based on Council election results or change in district boundaries.

However, due to increasing Tenant Improvement costs and scope, the Landlord is requiring that the City's original termination right be limited. In the termination language, the City shall have the right to terminate the initial lease term after June 30, 2027. However, if the City elects to terminate, the City agrees to pay a one-time termination fee which includes half of the monthly base rent up to \$10,927.27, plus the unamortized portion of the Tenant Improvement cost which is a maximum of \$6,000 per month for each of the remaining months of the initial four-year term. Furthermore, during the option term, if the City elects to exercise the option, the City shall have the right to terminate the lease agreement for any reason with a 60-day notice without penalty.

BACKGROUND

CD5 requested that this proposed field office, located at 5416 Wilshire Boulevard, replace two field offices of the prior Councilmember at 6380 Wilshire Blvd and 15760 Ventura Blvd. The one located at 15760 Ventura Blvd. was terminated in October 2022 due to new redistricting boundaries. CD5 is currently utilizing 6380 Wilshire Blvd. as their current field office. This location, however, is not easily accessible for constituents since it is located on the 8th floor, parking



validation is expensive and it does not have enough work space to accommodate the 12 staff members who are using this office. Historically this office received little foot traffic and or community participation due to its location.

The proposed location at 5416 Wilshire Blvd., totaling 5,443 square feet (sf), is a former retail site with street frontage. It includes 3,300 sf of retail space on the ground floor and 2,143 of space on the mezzanine level. This location has ample space to accommodate the 12-person staff and CD5's Homelessness teams. It will also be used for district-wide staff meetings, as their downtown office does not have the space for the entire team to meet. Overall, this single location is considerably smaller compared to the previous combined two field offices which totaled 8,100 sf.

TERMS AND CONDITIONS

All previously negotiated and Council approved terms remain the same with the exception that the City shall have a limited termination right within the original four-year term of the lease.

The modified gross lease base rent is \$26,000 per month. This includes base rent of \$20,000 per month with 3% annual increases and \$6,000 a month for amortized tenant improvements, which is not subject to an annual increase. The lease term shall commence upon substantial completion of the tenant improvements or certificate of occupancy. The landlord will provide general maintenance of the premises and common area, janitorial services, maintenance of the HVAC system, and for water. City will pay for separately metered electricity, phones, internet and parking.

The City shall have a right, but not the obligation, to purchase up to ten (10) parking spaces behind the building at \$250 per space per month. A complete set of terms and conditions are outlined on the attached term sheet.

TENANT IMPROVEMENTS

The Landlord will provide and pay for tenant improvements. The Landlord hired a space planner/architect to work with the Council office to develop a space plan, as well as mutually agreed upon finishes for the office flooring, paint, type of office fronts, millwork, and other related work.

FURNITURE, MOVING AND COMMUNICATION EXPENSE

Included herein are updated cost estimates for furniture, moving expenses, and communication expenses which are approximately \$248,269. Furniture quotes for this office are \$125,346; moving costs are estimated at \$16,329; and ITA costs for network cabling, cameras, badge access, and alarms are estimated at \$106,594.

MARKET ANALYSIS

Based on a recent market analysis, the monthly rate for similar locations and types of space ranges from \$3.42 per sf to \$5.25 per sf. The proposed base rate of \$3.67 for rent reflects a modified gross lease and is within the acceptable range for comparable office space in the area.

Location	Property Type	Rent Rate PSF	Rentable sf	Lease Type
612 S.La Brea Ave	Retail/Storefront	\$4.00	7,700	NNN
5400-5420 Wilshire Blvd	Class B Office	\$3.42	400-48,017	Modified Gross
5900 Wilshire Blvd	Class A Office	\$5.25	59-217,942	Modified Gross
5670 Wilshire Blvd	Class A Office	\$5.25	2,119-126,663	Modified Gross
5455 Wilshire Blvd	Retail/Office	\$3.50	350-80,715	NNN
Average Rental Rate		\$4.28		

**Note: Proposed base rent of \$3.67 is 15% less of the average rent for comparable space in the immediate area.*

FISCAL IMPACT

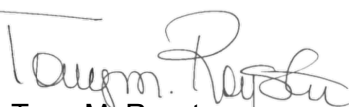
Funding for this location has been included in the Citywide Leasing Account 2023-24 Fiscal Year (FY) Budget in the amount of \$317,037. Total Fiscal Year costs are estimated at \$362,269, leaving a \$45,232 funding shortfall. FY costs include four months’ rent at \$26,000 per month or \$104,000 for the first FY, and parking costs at \$2,500 a month, totaling \$10,000 for the first FY. One-time furniture, moving, and communications costs are estimated at \$248,269. Available savings within the Citywide Leasing Account are projected to cover the funding shortfall of \$45,232 for this location. There is no impact to the General Fund at this time.

FY 2023-2024 Proposed Amount – CD-5 5416 Wilshire Blvd. Los Angeles CA 90036				
	Monthly Proposed Costs	2023-24 Estimated Expense (4 mos)	2023-24 Budget Funding	2023-24 Estimated Funding Balance
Base Rent	\$20,000	\$80,000		
Amortized TI	\$6,000	\$24,000		
Parking	\$2,500	\$10,000		
Furniture, Moving, Communications (one time)	\$248,269	\$248,269		
TOTAL	\$276,769	\$362,269	\$317,037	-\$45,232

Assume four months of occupancy in FY 2023-24

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 based on the revised terms with Amherst Tower, LLC located at 5416 Wilshire Blvd. Los Angeles, CA 90036 for a CD5 field office under the terms and conditions substantially outlined in this report.


 Tony M. Royster
 General Manager

LEASING TERM SHEET

MFC DATE

December 14, 2023

LANDLORD

Amherst Tower, LLC

ADDRESS

5410 Wilshire Blvd. Suite 201 Los Angeles, CA 90036

TENANT

City Of Los Angeles-GSD

ADDRESS

111 East 1st Street, Los Angeles, CA 90037

LOCATION

5416 Wilshire Blvd. Los Angeles, CA 90036

AGREEMENT TYPE

Modified Gross Lease

USE

Office Space

SQUARE FEET

Retail ground level 3,300 SF and Mezzanine level 2,143 SF totaling 5,443 SF

TERM

4 years

RENT START DATE

Upon substantial completion of tenant improvements & final issuance of a certificate of occupancy

LEASE START DATE

Lease effective date upon City Clerk's Attestation

OPTION TERM

Two (2) Four (4) year extensions

HOLDOVER

Month-to Month after lease term expiration, 150% of the then base rent

SUBLET/
ASSIGNMENT

Right to Assign – Landlord approval, to be further defined in the Lease

TERMINATION

City has a limited termination right during the initial 4 year term after June 30, 2027 by paying the remainder of half the base rent at then current rate plus up to \$6,000.00/month from the Tenant Improvement allowance as a one-time termination fee.

If the City exercises the extension option, the City shall have the right to terminate the lease with 60-day notice without any penalty.

RENTAL RATE

\$20,000 Base Rent & \$6,000 Amortized TI's total \$26,000 per month

ESCALATION	3% Annual Increase only Base Rent
RENTAL ABATEMENT	None
ADDITIONAL RENT	None
PROPERTY TAX	None
OPEX	None
CAM	None
OTHER	
SECURITY DEPOSIT	No Security Deposit
MAINTENANCE/ REPAIR	Landlord
MAINTENANCE/ REPAIR DETAILS	Landlord shall be responsible for general maintenance of the Premises and Common Area, Janitorial Services, HVAC system, and water.
TENANT IMPROVEMENTS	Landlord shall perform all tenant improvements based on mutually agreed work letter.
PARKING	Up to 10 spaces at \$250 with 10% cap annually
UTILITIES	Tenant pays for electrical services directly to provider
CUSTODIAL	Landlord to provide Janitorial Services
SECURITY	None
PROP 13 PROTECTION	Landlord will NOT provide Prop 13 protection
INSURANCE (City)	City is self-insured
OTHER:	
PRINT:	

SIGNATURE: