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REPORT NO. R21-0344
NOV 17, 2021

REPORT RE:

**FIRST AMENDMENT TO LEGAL SERVICES AGREEMENT FOR
THE CLEAN WATER CAMPUS BUILDING AND PARKING PROJECT**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Honorable Members:

This report summarizes the status of current legal work performed to date and the need for continued assistance by the law firm of Nossaman LLP relating to contracting associated with the Department of Public Works, Bureau of Sanitation's (LASAN) Clean Water Campus building (CWC building) and parking project (CWC Project).

Background

The law firm of Nossaman LLP is presently retained by the City of Los Angeles (City) under Contract No. C-133539 for a three-year term that began on May 21, 2019, and ends May 20, 2022. The contract is for legal services related to LASAN's CWC Project. The CWC Project is intended to be a public-private partnership with either a Design-Build-Operate-Maintain or Design-Build-Finance-Operate-Maintain project delivery. The contract budget is \$850,000. LASAN funds this contract through a special fund. As explained below, we are seeking to extend the term of the contract for two years and seek to increase the budget of the contract by an additional \$550,000 for a total contract not-to-exceed amount of \$1,400,000.

Brief Description and Status of the CWC Project

Currently, five of LASAN's 22 divisions are located at 2714 Media Center Drive (Media Center Building). This building is leased by LASAN and no longer meets the current or future needs of LASAN. Therefore, in December 2015, LASAN evaluated replacing the Media Center Building and concluded that it should construct a new facility to accommodate the staff and functions of LASAN. The new CWC building would be located at a LASAN-owned parcel (Humboldt Site) in the Lincoln Heights neighborhood. Although the Humboldt Site could accommodate the CWC Project, the site did not appear to fully satisfy LASAN's anticipated parking needs. Because of the expiration of the Media Center Building lease, LASAN needs to have its CWC building constructed by 2023, which is an important factor driving the construction completion schedule.

Goodwill Southern California (Goodwill), a 501(c)(3) organization, owns the property adjacent to the Humboldt Site. On March 12, 2018, the City received an unsolicited offer from Goodwill to deliver a turnkey project using P3 delivery for the CWC building and Goodwill facility on combined LASAN and Goodwill parcels. On June 13, 2018, the City Council approved a motion that directed LASAN to explore a partnership with Goodwill to deliver a joint project. On April 17, 2019, the Municipal Facilities Committee authorized LASAN to continue to engage with Goodwill regarding the Project and requested the City Attorney to assist with negotiating agreements and other relevant project documents.

During negotiations with Goodwill, LASAN performed extensive analysis of different alternatives and determined that the only method to achieve the full facility and parking needs for LASAN on a cost-effective basis, retain optionality to provide additional parking, and to deliver a comprehensive community development plan is by utilizing both the City site and Goodwill site. No longer would Goodwill build a facility on the Humboldt Site, but instead, the City's CWC building and associated parking facilities would occupy both sites.

In June 2021, the City Council authorized LASAN and other City departments to negotiate and execute a purchase and sale agreement for the land acquisition with Goodwill for the Goodwill site, execute a license agreement with Goodwill for 148 parking spaces, and to enter into an exclusive negotiation with the Goodwill proposed development team as a condition of the purchase and sale agreement for a period of up to 12 months, to determine if mutually agreeable terms can be reached on the design, construction, potential financing, operations and maintenance of the proposed CWC Project under a performance-based contract.

Changes to project contract documentation resulted from the change in direction of the project. Further, the schedule of the project has changed for the CWC Project transaction due to a temporary suspension of the project with a delay in closing on the land acquisition, further requested reporting and analysis by the City, revised California Environmental Quality Act (CEQA) review timelines, and significant modifications of the

deal structure based on input from the City and negotiations with Goodwill.

Scope of Work

Within the existing budget, Nossaman LLP has substantially drafted the land acquisition agreement, exclusive negotiating agreement (ENA), and draft contract documents, including applicable revisions to the City's General Conditions and General Requirements for this P3 project. However, substantial contractual work remains even before the ENA and proposal package can be completed. Additional contract work and changes depend upon decisions, including the financing decision, that the City has not yet made, and may depend on further negotiations with Goodwill and its developer team on the contract documents in development.

Under this proposed amendment, Nossaman LLP will perform work under the existing contract rates (blended attorney rate of \$495/hour) through the end of the current contract period (through May 20, 2022). Throughout the initial contract term, there have been no rate adjustments. Effective May 21, 2022, Nossaman LLP will charge a blended attorney rate of \$550/hour.

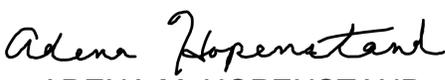
Recommendation

Based on the foregoing, this Office respectfully requests that the City Council approve a contract amendment that extends the term of the Nossaman LLP Contract (Contract No. C-133539) by two-years and increases the contract ceiling amount by \$550,000, for an amount not to exceed \$1,400,000, which will be paid for by LASAN special funds. LASAN supports this recommendation.

If you have any questions regarding this matter, please contact Deputy City Attorney Adena M. Hopenstand at (213) 978-8156. She or another member of this Office will be available when you consider this matter to answer questions you may have.

Sincerely,

MICHAEL N. FEUER, City Attorney

By 
ADENA M. HOPENSTAND
Deputy City Attorney

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