


0220-05974-0000

TRANSMITTAL

TO Council	DATE 05-19-22	COUNCIL FILE NO. 14-1315
FROM Municipal Facilities Committee	COUNCIL DISTRICT 2	

At its meeting held on April 19, 2022, the Municipal Facilities Committee (MFC) approved the recommendation of the attached General Services Department (GSD) report, which is hereby transmitted for Council consideration. Adoption of the report recommendation would authorize GSD to negotiate and execute a new lease agreement with Milan Rei VIII (Milan) for 8,661 rentable square feet of office space at 6400 Laurel Canyon, Suite 610, in Council District 2, for use by the Los Angeles Housing Department (LAHD). The term of agreement is five years, with one five-year option to extend.

There is no General Fund impact. The Los Angeles Housing Department will pay the lease directly from the Rent Stabilization Trust Fund and Systematic Code Enforcement Fee Fund.


for Matthew W. Szabo
City Administrative Officer
Chair, Municipal Facilities Committee

MWS:ACG: 05220144

CITY OF LOS ANGELES

CALIFORNIA

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT



ERIC GARCETTI
MAYOR

DEPARTMENT OF
GENERAL SERVICES
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CITY HALL SOUTH
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LOS ANGELES, CA 90012
(213) 928-9555
FAX No. (213) 928-9515

April 14, 2022

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

Attention: Michael Espinosa, Legislative Assistant

REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A NEW LEASE AGREEMENT WITH MILAN REI VIII FOR OFFICE SPACE AT 6400 LAUREL CANYON, SUITE 610, LOS ANGELES

The Department of General Services (GSD) requests authority to negotiate and execute a new lease agreement with the Milan Rei VIII (Milan) for 8,661 rentable square feet (sf) of space at 6400 Laurel Canyon, Suite 610, Los Angeles for use by the Los Angeles Housing Department (LAHD) formerly known as Housing and Community Investment Department.

BACKGROUND

On August 26, 2016, the City of Los Angeles executed lease agreement C-126153, (CF 14-1315) for office space at 6400 Laurel Canyon for five years from August 26, 2016 to August 25, 2021. The lease contained a five-year option to extend effective August 26, 2021 to August 25, 2026. In August 2021, while LAHD was deciding on the amount of space they needed in light of possible telecommuting and other factors, the original contract went into holdover status and so a new one is now needed.

The terms and conditions agreed upon were finalized in late January 2022. The office is used for Housing Department's investigation operations.



TERMS AND CONDITIONS

The new proposed lease will change rentable square footage use from 8,457 to 8,661 as the most recent industry standard for measuring area was applied. The City will be charged for use of only 6,317 sf from August 24, 2021 to August 23, 2023 as a courtesy rent reduction. From August 24, 2023 through August 23, 2026, the City will be charged for the actual use of 8,661 sf. Annual increases will be 3%. Current rent is \$16,337.37 at \$1.93 per sf. New proposed rental terms are as follows:

Lease Term	Monthly Rent Rate	Total sf	Total Monthly Rent
8/24/21-8/23/22	\$2.50	6317	\$15,792.50
8/24/22-8/23/23	\$2.58	6317	\$16,297.86
8/24/23-8/23/24	\$2.65	8661	\$22,951.65
8/24/24-8/23/25	\$2.73	8661	\$23,644.53
8/24/25-8/23/26	\$2.81	8661	\$24,337.41
8/24/26-8/31/26	\$2.89	8661	\$25,030.29

MARKET ANALYSIS

Lease comparables for this location are included in the table below.

Note: Comparative rates are within one mile of the location evaluated from 2019 to present.

6400 Laurel Canyon, Suite 610	Monthly Rent (per sf)
6350 Laurel Canyon 4 th floor	\$2.50
6260 Laurel Canyon 2 nd floor	\$2.50
6400 Laurel Canyon, 2 nd floor	\$2.50
12150 Hamlin Street	\$1.87
Total Average	\$2.34
Proposed Rent*	\$2.50

*Proposed Rent is less than 7% above market range of comparables

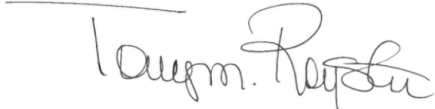
FISCAL IMPACT

There is no impact to the City's General Fund. The Los Angeles Housing Department is budgeted to pay the lease directly. Fiscal Year 2021-22 costs were anticipated to be \$196,033.80. Estimated costs total \$15,792.50 monthly, (\$189,510 annually), resulting in a potential surplus of \$6,523.80.

	Monthly Proposed Costs	2021-22 Estimated Expense	2021-22 Available Funding	2021-22 Estimated Surplus
Rent	\$15,792.50	\$189,510.00	\$196,033.80	\$6,523.80
TOTAL	\$15,792.50	\$189,510.00	\$196,033.80	\$6,523.80

RECOMMENDATION

That the Los Angeles City Council, subject to the approval of the Mayor, authorize GSD to negotiate and execute a lease agreement with Milan Rei VIII, LLC for the continued use of office space located at 6400 Laurel Canyon Blvd, Los Angeles, California 91606 for LAHD use under the terms and conditions substantially outlined in this report.

A handwritten signature in black ink, appearing to read "Tony M. Royster". The signature is written in a cursive style with a horizontal line above the first few letters.

Tony M. Royster
General Manager

Attachment: Term Sheet

LEASING TERM SHEET

MFC DATE	04/14/2022
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LANDLORD	Milan Rei VIII
ADDRESS	111 East 1st Street, Los Angeles, CA 90012
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TENANT	Los Angeles Housing Department
ADDRESS	1200 West 7th Street, Los Angeles, Suite 100, CA 90017
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LOCATION	6400 Laurel Canyon, Suite 610, Los Angeles, CA 90037
AGREEMENT TYPE	Modified Gross Lease
USE	Office Space
SQUARE FEET	8,661 square feet
TERM	5 years
RENT START DATE	8/26/21
LEASE START DATE	8/26/21
OPTION TERM	5 year at city option
HOLDOVER	Yes
SUBLET/ ASSIGNMENT	Right to Sublease - Landlord approval
TERMINATION	8/26/21
RENTAL RATE	\$15,792.50,\$16,297.86,\$22,971.14,\$23,660.28,\$24,370.08, \$25,101.18-(Yr 1-5)
ESCALATION	3% yearly after 8/31/26
RENTAL ABATEMENT	Tenant is charged for using 6317 sq feet first 2 years of lease
ADDITIONAL RENT	None
PROPERTY TAX	Included in rent
OPEX	None
CAM	None

OTHER	None
SECURITY DEPOSIT	None
MAINTENANCE/ REPAIR	Landlord <input type="button" value="v"/> <input type="text"/>
MAINTENANCE/ REPAIR DETAILS	Landlord fixes all common areas and general maintenance of site
TENANT IMPROVEMENTS	Tenant
PARKING	32 parking spaces
UTILITIES	Included in rent
CUSTODIAL	Included in rent
SECURITY	Landlord provides
PROP 13 PROTECTION	City is Exempt <input type="text"/>
INSURANCE	City shall indemnify and hold harmless Landlord <input type="button" value="v"/>
OTHER:	City will be charged for 6317 sq feet of space the first 2 years and then for 8,661 sq feet going forward. Rent rate is \$2.50 per sq ft per month which includes utilities, security, maintenance and property taxes.