

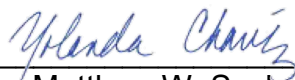
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**T R A N S M I T T A L**

|  |                       |                             |
|--|-----------------------|-----------------------------|
| TO<br>Council                          | DATE<br>01-25-23      | COUNCIL FILE NO.<br>12-0794 |
| FROM<br>Municipal Facilities Committee | COUNCIL DISTRICT<br>1 |                             |

At its special meeting held on January 12, 2023, the Municipal Facilities Committee (MFC) approved the recommendation of the attached Department of General Services (GSD) report, which is hereby transmitted for Council consideration. Adoption of the report recommendation would authorize GSD to negotiate and execute a fourth lease amendment (Contract No. 102929) between the City and Samko, LLC, for the continued use of 64,820 square feet (sf) of space located at 2714 Media Center Drive. The amendment extends the agreement three years to expire on April 30, 2026, with two one-year extension options.

There is no additional General Fund impact for the current year, as the incremental increase will be absorbed within the Citywide Leasing Fund, and the ongoing costs for subsequent years will be addressed through the City Budget process.

  
 for Matthew W. Szabo  
 Chair, Municipal Facilities Committee

MWS:LRR/ajw:05230112

CAO 649-d

# CITY OF LOS ANGELES

CALIFORNIA

TONY M. ROYSTER  
GENERAL MANAGER  
AND  
CITY PURCHASING AGENT



KAREN BASS  
MAYOR

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

January 12, 2023

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 FOURTH AMENDMENT LEASE WITH SAMKO LLC FOR OFFICE/TESTING SPACE AT 2714 MEDIA CENTER DR, LOS ANGELES**

The Department of General Services (GSD) requests authority to negotiate and execute a new fourth amendment to the original lease with Samko, LLC ("landlord") for approximately 64,820 rentable square footage (sf) of space at 2714 Media Center Drive, Los Angeles CA 90065 for use by the Los Angeles Sanitation Department ("LASAN").

### **BACKGROUND**

On July 3, 2012, Council File number (C.F# 12-0794) was adopted. This report provides background information and details on the proposed fourth lease amendment. LASAN leases approximately 64,820 square feet of light manufacturing and industrial space at the subject location.

LASAN's lease agreement was effective May 6, 2002. Through amendments, the term has been extended through April 30, 2023. The proposed fourth amendment extends the agreement from May 1, 2023 to April 30, 2026 with two, one-year options to extend.

Please note the property ownership changed on October 10th of 2018 to Samko, LLC.

LASAN operations at this location include office and warehouse use for a receiving station for wastewater samples.



## **TERMS AND CONDITIONS**

The lease amendment which maintains the current premises at 64,820 sf, will be for three years with two, one-year options to renew subject to termination, starting May 1, 2023 through April 30, 2026. The one- year options could extend the lease through April 30, 2028. LASAN and the Landlord have agreed to pay the rent in advance quarterly. The Landlord has inserted a mutually agreed upon late fee assessment of 5%.

Payments are as follows:

| <b>2714 Media Center Drive</b> | Monthly Rent | Per Sq. foot |
|--------------------------------|--------------|--------------|
| 5/1/2023-4/30/2024             | \$119,917.00 | \$1.85       |
| 5/1/2024-4/30/2025             | \$123,515.00 | \$1.91       |
| 5/1/2025-4/30/2026             | \$127,220.00 | \$1.96       |
| 5/1/2026-4/30/2027             | \$131,037.00 | \$2.02       |
| 5/1/2027-4/30/2028             | \$134,968.00 | \$2.08       |

Parking is included with approximately 181 spaces. LASAN has requested an additional 20-40 parking spaces that will be negotiated in a separate agreement. All other terms and conditions are included in the attached term sheet.

## **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 2021 to present.

| <b>2714 Media Center Drive</b>            | Monthly Rent (per square foot) |
|---|--------------------------------|
| 1940 Cypress Ave                          | \$2.12                         |
| 1663-1667 Blake Ave                       | \$2.25                         |
| 2527 San Fernando Road                    | \$2.50                         |
| 2316 San Fernando Road                    | \$2.70                         |
| 2829 N San Fernando Road                  | \$2.25                         |
| Total Average                             | \$2.36                         |
| <b>Proposed Rent 1<sup>st</sup> year*</b> | <b>\$1.85</b>                  |

\*Proposed Rent is 3% less than the average market range of comparables listed above.

## **FISCAL IMPACT**

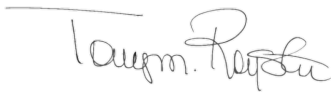
The current lease is funded for \$1,872,386 in FY 2022-23. Estimated new costs total \$1,923,995.10 annually resulting in a funding deficit of \$51,608.90.

Since this is a triple net lease, the lease has a clause for Additional Rent to pay for all charges other than base rent. As such, the City is responsible for annual maintenance and other expenses. These annual additional costs include insurance \$19,941.60, power generator maintenance \$11,278.75, alarm \$2,646, elevator maintenance \$9,251.72, HVAC \$31,779.05, property tax \$251,677 and miscellaneous maintenance requests of \$53,000 for a total of **\$379,574.12**. Rent, common area maintenance (CAM) and all other costs are paid with Sewer Construction Maintenance and Storm-Water Pollutants Abatement funds, having no impact on the General Fund.

|                                     | Monthly Rent<br>and expenses<br>(10 mos) | Monthly Rent<br>and expenses<br>(2 mos) | 2022-23<br>Estimated<br>Expense | 2022-23<br>Available<br>Funding | 2022-23<br>Estimated<br>Balance<br>(Shortfall) |
|-------------------------------------|--|---|---------------------------------|---------------------------------|--|
| Rent                                | \$ 94,112.57                             | \$ 119,917                              | \$ 1,180,959.70                 |                                 |  |
| CAM                                 | \$ 7,234.00                              | \$ 7,234.00                             | \$ 86,808.00                    |                                 |  |
| Management Fee                      | \$ 217.02                                | \$ 217.02                               | \$ 2,604.24                     |                                 |  |
| Janitorial                          | \$ 22,170.75                             | \$ 22,170.75                            | \$ 266,049.00                   |                                 |  |
| Utilities                           | \$ 666.67                                | \$ 666.67                               | \$ 8,000.04                     |                                 |  |
| Additional Rent<br>(Annual expense) | \$                                       | \$                                      | \$ 379,574.12                   |                                 |  |
| <b>TOTAL</b>                        | <b>\$ 124,401.01</b>                     | <b>\$ 119,917</b>                       | <b>\$ 1,923,995.10</b>          | <b>\$1,872,386.20</b>           | <b>\$ (51,608.90)</b>                          |

### **RECOMMENDATION**

That the Los Angeles City Council, subject to the approval of the Mayor, authorize GSD to negotiate and execute a lease amendment with Samko, LLC for the continued use of office space located at 2714 Media Center Drive, Los Angeles, California 90065 for the Bureau of Sanitation use under the terms and conditions substantially outlined in this report.



Tony M. Royster  
General Manager

Attachment: Term Sheet

## LEASING TERM SHEET

MFC DATE 1/12/2023

LANDLORD Samko, LLC

ADDRESS 208 East 6th Street, Suite A-11

TENANT GSD / Los Angeles Bureau of Sanitation(LASAN)

ADDRESS 111 E. First St. LA, CA 90012

LOCATION 2714 Media Center Drive Bldg. 7, Los Angeles, CA 90065

AGREEMENT TYPE Triple Net

USE Office and Industrial Waste Testing

SQUARE FEET 64,820 RSF

TERM 36 months

RENT START DATE 05/01/23

LEASE START DATE 05/01/23

OPTION TERM (2) 1 year options at City discretion - Option Rent at 3% of then current rent

HOLDOVER Yes

SUBLET/  
ASSIGNMENT Right to Sublease - Landlord approval

TERMINATION N/A

RENTAL RATE Base Rent - \$119,917/mo. year 1

ESCALATION 3% annual increase

RENTAL ABATEMENT None

ADDITIONAL RENT Triple Net

PROPERTY TAX NET Expense

OPEX NET

CAM NET

|                                |  |
|--------------------------------|--|
| OTHER                          | <div>None</div>  |
| SECURITY DEPOSIT               | <div>None</div>  |
| MAINTENANCE/<br>REPAIR         | <div>Tenant</div> <div></div>  |
| MAINTENANCE/<br>REPAIR DETAILS | <div>Landlord fixes all common areas and general maintenance of site and bill tenant for work done.</div>  |
| TENANT<br>IMPROVEMENTS         | <div>Tenant</div>  |
| PARKING                        | <div>181 parking spaces</div>  |
| UTILITIES                      | <div>Separate. Tenant's responsibility. Directly billed and paid.</div>  |
| CUSTODIAL                      | <div>Service Contract</div>  |
| SECURITY                       | <div>Tenant's responsibility</div>   |
| PROP 13<br>PROTECTION          | <div>City is Exempt</div> <div></div>  |
| INSURANCE                      | <div>City shall indemnify and hold harmless Landlord</div>   |
| OTHER:                         | <div>Tenant is responsible for all utilities, janitorial, maintenance, taxes and insurance that is paid by owner and billed to tenant. These costs are approximately \$718,068 annually that city pays in addition to base rent. LASAN shall pay Rent and Additional Rent items by the first of the month with a 10 business day grace period. Other reimbursement obligations that LASAN has directly requested and Landlord has provided service must be approved by both parties and shall be paid within 30 calendar days with an additional 10 business day grace period. Furthermore, Landlord shall provide proper legible and signed supporting documentation for reimbursement obligations. If reimbursement obligations shall not be paid within 40 days from the time a reimbursement request is presented, Tenant shall pay Landlord, on demand, a late charge equal to five percent (5%) of the amount of such installment.</div> <div>Tenant has removed the Right of First Offer from the last amendment, but it has not removed its right to notification if the Landlord intends to sell.</div> |