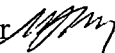


REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: February 16, 2005

TO: The Honorable Members of the Los Angeles City Council

FROM: Gerry F. Miller 
Acting Chief Legislative Analyst

RECOMMENDATIONS FOR PUBLIC WORKS BUILDING OCCUPANCY

SUMMARY

On July 9, 2004, the City closed escrow on its purchase of a 500,000 square feet office building located at 1149 S. Broadway located within the area formerly known as the Transamerica Complex. During deliberations on that building purchase, various City Councilmembers expressed concerns about the anticipated occupancy of that building. The debate at the time centered around the potential to consolidate LAPD operations in this building, either on a temporary or permanent basis. The Council eventually ruled out the LAPD as a potential tenant of this facility, but still reserved judgement on the permanent occupancy plan. The Council instructed staff to explore all options for housing City staff in this facility and submit a recommended 'stack plan' to the Council for its consideration.

This office and the General Services Department, through the Municipal Facilities Committee, explored all potential tenant departments currently occupying leased space, as well as some in City owned facilities. As a result of our analysis, it was clear that the highest and best use of this facility on both a short-term and long-term basis continues to be as the headquarters for all Public Works Bureaus and offices. Consolidating the Bureaus of Sanitation, Engineering, Street Services, Contract Administration, and Street Lighting in this facility provides opportunities for more efficient interdepartmental operations and maximizes the savings to the City's General and Special Funds as a result of lease terminations. To further maximize lease savings from this consolidation, it will be necessary to also temporarily relocate certain LAPD operations currently housed in leased space.

Approval of staff's recommendations will result in initial lease savings of \$4.5 million in 2005-2006. Lease savings will eventually exceed \$11 million annually beginning in 2007-2008 when this stack plan is fully implemented and the building is fully occupied. Additional savings exceeding \$1 million will also accrue as a result of reduced parking expense.

RECOMMENDATIONS

That the City Council:

- (1) APPROVE the attached Stack Plan (Attachment 1) and recommendations for tenants of the Public Works Building to include the permanent relocation to this facility of the Public Works Bureaus of Engineering and Contract Administration, Street Services, Street Lighting and Sanitation, as well as the temporary relocation of LAPD staff from leased locations until the permanent police administration building is completed; and,
- (2) AUTHORIZE the Municipal Facilities Committee to implement the occupancy plan outlined in this report, and modify square footage allocations in that plan, if necessary, based on the outcome of space planning to be completed by the architectural team.
- (3) APPROVE the backfilling of vacated LAPD space in the Public Works Building, upon completion of the new LAPD headquarters facility, with all remaining Public Works functions currently housed in Figueroa Plaza and other leased locations, and direct the Municipal Facilities Committee to provide a status report on space allocations prior to commencing future relocations.

FISCAL IMPACT STATEMENT

Approval of the proposed stack plan and relocation of City offices from leased space into the Public Works Building will reduce lease expenses by an estimated \$377,769 in 2004-2005, \$4,512,174 in 2005-2006, \$10,614,797 in 2006-2007 and \$11,032,242 in 2007-2008. In addition, once all of the recommended leases are terminated, the City's expenses for parking will also be reduced by approximately \$1.35 million.

BACKGROUND

On July 9, 2004, the City completed the purchase of 1149 S. Broadway, formerly known as the Transamerica Broadway Building. When discussing that purchase agreement, the City Council instructed staff to analyze the City's space needs and propose a stacking plan for departments, other than the LAPD, that should occupy this facility.

City staff reviewed the terms and conditions of lease space at 35 locations throughout the City occupied by staff from 25 City departments and bureaus. In an effort to improve overall efficiencies and encourage interdepartmental cooperation between related agencies (e.g. One-Stop agencies, social service agencies, etc.), staff subsequently focused on those core areas where the City leases significant space: Figueroa Plaza, the Spring Street corridor, the Garland Building, 2nd/Broadway, and the mid-Wilshire area. Previous reports outlined the occupants of leased space at these locations.

After reviewing the current lease terms for these facilities and the departmental operations housed in each, it became apparent that only a few of these leased locations housed viable candidates for immediate relocation to the Public Works Building. Generally speaking, occupants of leased space in the mid-Wilshire area are geographically located and are housed in long-term leases without early termination options. The City has also executed a long-term lease for the Garland Building and Figueroa Plaza, and moving staff out of those facilities at this time would likely result in expensive early-termination expenses. The Spring Street leases (419, 433, 600, and 650 S. Spring), however, are on a month-to-month basis, the 2nd/Broadway leases have early termination options available, and the City's lease at 120 S. San Pedro will soon expire. Currently housed at these locations are staff from the Public Works Bureaus, the LAPD, and some ITA and Controller staff. Staff from the latter two departments are or will soon be consolidated with the rest of their department staff in City Hall East so their housing needs will be met.

From both a financial and operational perspective, it is clear that the appropriate tenants for this new facility are staff from the Public Works Bureaus of Contract Administration, Engineering, Sanitation, Street Lighting, and Street Services. In addition, to allow the City to terminate the Kajima lease and immediately accrue lease savings, staff currently housed in this facility should be included in the relocation scenario. The proposed stack plan attached to this report assigns the appropriate amount of space to temporarily house LAPD staff currently housed in the Kajima Building.

We note, however, that staff has slightly changed its recommendation regarding the Bureau of Contract Administration. In prior reports, we recommended that this Bureau be consolidated into the Public Works Building in two phases. Based on further analysis, staff was able to identify backfill candidates for space that would be vacated in Figueroa Plaza by the immediate consolidation of Contract Administration into the Public Works Building. The revised proposal will also prove to be operationally beneficial to all involved departments and can be accomplished within the current project budget.

Approval of staff's recommendations to relocate staff from leased locations into the new Public Works Building, as outlined in this report, would be operationally efficient and would achieve the greatest

reduction in lease costs. Based on a preliminary buildout and move-in schedule, the following are the anticipated lease savings that will result from the recommended stack plan:

Building/ Tenant	PROJECTED LEASE SAVINGS			
	FY 04-05	FY 05-06	FY 06-07	FY 07-08
419 S. Spring	\$0	\$1,597,710	\$3,195,420	\$3,195,420
433 S. Spring	\$0	\$576,144	\$1,152,288	\$1,152,288
650 S. Spring	\$0	\$846,868	\$2,540,604	\$2,540,604
600 S. Spring	\$0	\$0	\$1,822,760	\$2,187,312
250 E. 1st St.				
Phase 1	\$0	\$423,566	\$462,072	\$462,072
Phase 2	\$0	\$0	\$200,387	\$218,604
205 S. Bdway	\$198,957	\$400,288	\$400,288	\$400,288
207 S. Bdway	\$78,564	\$307,692	\$410,892	\$431,532
316 W. 2nd	\$100,248	\$359,906	\$430,086	\$444,122
Total	\$377,769	\$4,512,174	\$10,614,797	\$11,032,242

GFM:rrm

Attachment - Chart

ATTACHMENT 1

Flr		USF	Conf Rm
10	SANITATION 26,626	26,626	1,000
9	SANITATION 32,007	32,007	1,000
8	SANITATION 12,234 ENGINEERING 26,375	38,609	1,000
7	ENGINEERING 39,882	39,882	1,000
6	ENGINEERING 39,345	39,345	1,000
5	LAPD 34,044 ENGINEERING (LEASE) 11,000	34,044	1,000
4	STREET SERVICES 37,172	37,172	1,000
3	STREET SERVICES 10,376 CONTRACT ADMINISTRATION (PHASES I & II) 27,872	38,248	1,000
2	STREET LIGHTING 29,306	29,306	1,000
G	Credit Union Leased portion of floor ENGINEERING 19,710 STREET LIGHTING 5,442 LAPD 2,770	27,922	0
B	ENGINEERING 14,118 AVAILABLE 14,607 LAPD 10,844	39,569	0
SB	CONFERENCE CENTER 17,500 CENTRAL STORAGE 24,991	42,491	17,500
		425,221	26,500