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Approved on: September 27, 2012 by
The Municipal Facilities Committee

September 27, 2012

Honorable Councilmembers
City of Los Angeles
c/o City Clerk
Room 395, City Hall
Los Angeles, CA 90012

Attention: Maria Espinosa, Legislative Assistant

**REQUEST TO NEGOTIATE AND EXECUTE A LEASE RENEWAL AT 304 SOUTH
BROADWAY, LOS ANGELES, FOR THE LOS ANGELES POLICE DEPARTMENT**

The Department of General Services (GSD) requests approval to negotiate and execute a lease renewal for office space for staff of the Los Angeles Police Department (LAPD), Internal Affairs Division (IAD) at the historic Bradbury Building, 304 South Broadway, Los Angeles.

BACKGROUND

The Internal Affairs Division of LAPD occupies approximately 40,591 square feet of office space in the Bradbury Building. This lease expired on January 31, 2012 and is now in month-to-month holdover.

After the County of Los Angeles District Attorney's (DA) Office vacates its offices in Figueroa Plaza, anticipated to be sometime in 2015, LAPD IAD is scheduled to backfill that space. This lease renewal at their current location in the Bradbury Building is intended to secure continued space for IAD for the interim period until they are relocated into Figueroa Plaza. An early termination right has also been negotiated to allow flexibility in coordinating IAD's relocation with the availability of the DA space at Figueroa Plaza.

TERMS AND CONDITIONS

The proposed lease agreement contains the following terms and conditions:

LOCATION: 304 South Broadway, Los Angeles, CA 90017

LANDLORD: Downtown Properties Holdings LLC

USE: Office Space

SQUARE FEET: Approximately 40,591 rentable square feet

TERM: Five (5) years beginning retroactively on February 1, 2012

RENTAL RATE: Full-service gross lease at these rates:
Months 1-30: \$79,152.45 per month (\$1.95 per sf)
Months 31-60: \$85,241.10 (\$2.10 per sf)

FREE RENT: December of 2012, 2013, 2014 and 2016

RENT CREDIT: Upon execution of the new lease contract a recapture of rent will be applied as a rent credit at the lower rental of the new lease from February 1, 2012 to the execution date of the new lease contract

OPTION TO

RENEW: Two (2) one-year options to renew at a rental rate of \$2.15 per square foot per month for the first option, and \$2.20 per square foot per month for the second option

OPERATING EXPENSE

PASS-THROUGH: Percentage pro rata share of increase in operating expenses and real estate taxes over a calendar 2012 base year

EARLY

TERMINATION: Lease can be terminated at any time after 42 months with a minimum of nine (9) months' advance notification to the landlord, with City paying a termination fee equal to unamortized transaction costs at zero interest

IMPROVEMENT

ALLOWANCE: Landlord will provide a tenant improvement allowance of \$15.00 per rentable square foot; By month 18, City must advise landlord of intent to use allowance for actual tenant improvements or to apply toward monthly rent or future cancellation option penalty; Landlord will also provide \$.15 per rentable square foot allowance toward space planning

FISCAL IMPACT

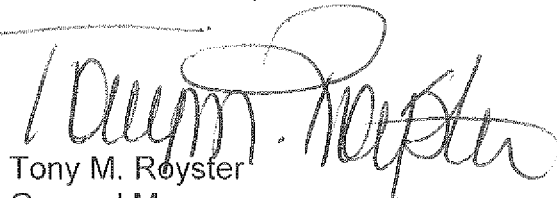
The City is currently paying \$82,724.53 per month (\$2.03 per square foot). The new effective lease rate (factoring in one month of free rent in the first year) will be \$72,556.42 (\$1.788 per square foot), retroactive to February 1, 2012. This is a savings of almost \$120,000 over a full calendar year. There is a further reduction by having the operating expense pass-through base year reset to 2012.

If the City elects to terminate this lease before its expiration in 2017, per our early termination right, the landlord is entitled to a fee to recover its expenses in transaction costs (tenant improvement allowance and brokerage commissions) for the unamortized period. If the City terminates as early as the 42nd month, this termination fee will be approximately \$238,000 (the longer the City stays beyond the 42nd month, the smaller the termination fee). This amount (equal to \$5.86 per square foot) of the \$15.00 tenant improvement allowance will remain unused until the City's actual termination date is known, thus assuring the ability to pay this fee if required without having to secure other funds.

Parking is not part of this lease. The City already has ongoing parking contracts with nearby parking vendors to provide parking for IAD staff. There is no change to these arrangements or current rates.

RECOMMENDATION

That the Los Angeles City Council authorizes the Department of General Services to negotiate and execute a lease renewal for office space at 304 South Broadway, Los Angeles, CA 90017 for staff of the Los Angeles Police Department, as substantially outlined in this report.



Tony M. Royster
General Manager