0220-06169-0004

TRANSMITTAL

TO	DATE	COUNCIL FILE NO.
The City Council	04-07-25	-
FROM		**COUNCIL DISTRICT**
Municipal Facilities Committee		Various

At its meeting held on March 27, 2025, the Municipal Facilities Committee approved the attached Office of the City Administrative Officer report, which is hereby transmitted for Council consideration. Adoption of the report recommendations would authorize the following: 1) transfer expenditures of $3.9 million associated with leases at 1920 West Third Street and 7047 Franklin Avenue; 2) transfer and reprogram $4.7 million associated with leases at 1920 West Third Street and 7047 Franklin Avenue; and, 3) appropriate $270,608 for the buyout of the lease at 5240 Lankershim Boulevard.

Fiscal Impact: There is no impact to the General Fund resulting from the recommendations contained within this report.

Yolanda Chavez

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

MWS:AW:05250135

CAO 649-d

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 27, 2025

CAO File No. 0220-06169-0003
Council File No.
Council District: Various

To: Municipal Facilities Committee

From: CAO Staff, Office of the City Administrative Officer

Subject: **FISCAL YEAR 2024-25 THIRD QUARTERLY STATUS REPORT – CITYWIDE LEASING PROGRAM**

RECOMMENDATIONS

The Municipal Facilities Committee recommends that the Council approve the following recommendations, subject to the approval of the Mayor:

1. Transfer expenditures of $3,928,833 from the Leasing Fund 100/63, Account No. 000024 entitled General Fund Leasing Account to Leasing Fund 100/63, Account No. 000027 entitled A Bridge Home Leasing Account for expenditures associated with leases at 1920 West Third Street and 7047 Franklin Avenue;

2. Transfer and reprogram $4,724,463 from the Leasing Fund 100/63, Account No. 000024 entitled General Fund Leasing Account to Leasing Fund 100/63, Account No. 000027 entitled A Bridge Home Leasing Account for expenditures associated with leases at 1920 West Third Street and 7047 Franklin Avenue; and,

3. Appropriate $270,608 from the Leasing Fund 100/63, Revenue Source Code 5188 entitled Miscellaneous Revenue – Others to the Leasing Fund 100/63, Account No. 000024 entitled General Fund Leasing Account for the buyout of the lease at 5240 Lankershim Boulevard.

SUMMARY

The Third Quarterly Status report provides an update and overview of the Citywide Leasing Program (Program), which includes Municipal Facilities Committee (MFC) approved unfunded leasing liabilities projected through the end of Fiscal Year (FY) 2024-25 and the use of surplus funds to partially address these liabilities. As presented in the Discussion section of the report, there is a projected year-end surplus of $288,315 for the FY 2024-25 Program. In addition, there is an anticipated unfunded leasing liability in the amount of ($111,717) that has not been approved by MFC detailed in Section 1.d. If the unfunded lease is approved by MFC, the projected year-end surplus will decrease to $176,598.

DISCUSSION

1. FY 2024-25 General Fund Leasing Account

Table 1: General Fund Leasing Account Budget for Municipal Facilities

The FY 2024-25 Adopted Budget provides $27.63 million for the Program, and an additional reappropriation from prior unencumbered funds in the amount of $5.36 million for a total of $32.99 million. Less transfers out to date of ($257,978) would result in a total revised budget of $32.73 million as summarized in Table 1. Based on the FY 2024-25 projected expenses of ($32.44 million) detailed in Attachment A, the year-end balance will result in a surplus of $288,315.

FY 2024-25 Adopted Budget (A)	FY 2023-24 Reappropriation (B)	FY 2024-25 Transfers Out (C)	FY 2024-25 Revised Budget (A) + (B)+ (C) = (D)	FY 2024-25 Expenses (E)	Projected FY 2024-25 Year-End Balance (D) + (E) = (F)
$27,634,469	$5,356,238	($257,978)	$32,732,729	($32,444,414)	$288,315

Table 2: Total Lease Surplus and Shortfall

Attachment A details each individual lease costs through the end of FY 2024-25 that is projected to have a surplus (Attachment A – Lines A1-A14) or shortfall (Attachment A – Lines A16-A30) and is summarized in Table 2 below. It should be noted, Attachment A – Lines A15 and A31 reflect the cumulative total for all remaining unchanged budgeted leases without shortfalls or surpluses.

Total Leases with a Surplus (A)	Total Leases with a Shortfall (B)	Total (A) + (B) = (C)
$12,215,839	($11,927,524)	$288,315

The 2024-25 Third Financial Status Report (FSR) included transfers totaling $1.41 million (Attachment A – Line A4) to resolve the overspending projected at year-end for the General Fund Leasing Account. Additionally, the City received revenue totaling $270,608 from a property owner reimbursement to the City for the early termination of a lease at 5240 Lankershim Boulevard for Council District 2 (Attachment A – Line A5).

a. Projected Leasing Surplus

The FY 2024-25 total of all leases with a projected surplus is $12.22 million. Significant projected surpluses over $250,000 are summarized below and detailed in Attachment A:

- $2.74 million – Bureau of Sanitation Livability Services Division Lease: The Bureau of Sanitation lease at 450-590 South Central Avenue reflects a surplus due to the delay in the execution of the lease caused by delay in tenant improvement work (Attachment A – Line A2).
- $1.50 million – Los Angeles Fire Department Port Lease: The Los Angeles Fire Department lease at the Port of Los Angeles (POLA) reflects a surplus due to a delay in the execution of the lease caused by issues with POLA's appraisal process (Attachment A – Line A3).
- $1.41 million – FSR transfer: The 2024-25 Third (Mid-Year) FSR included a transfer of Capital and Technology Improvement Expenditure Program and General Services Department (GSD) Budgetary Account funds to fully resolve the overspending in the General Fund Leasing Account through the end of FY 2024-25. (Attachment A – Line A4).
- $270,608 – Council District 2 Lease: The Council District 2 lease at 5240 Lankershim Boulevard resulted in reimbursement from the property owner due to the early termination of the lease (Attachment A – Line A5).
- $269,610 – Bureau of Street Services Asphalt Plant I Lease: The Central Asphalt Plant I lease for the Bureau of Street Services reflects a surplus due to a delay in the execution of the lease caused by longer than anticipated negotiation process (Attachment A – Line A6)

b. Projected Leasing Shortfalls

The FY 2024-25 total of all leases with a projected shortfall is ($11.93 million). Significant projected shortfalls over $250,000 are summarized below and detailed in Attachment A:

- ($4.73 million) – Los Angeles Police Department (LAPD) South Traffic Division Lease: The shortfall for the LAPD lease at 6230 South Gramercy Place reflects unfunded tenant improvement costs for FY 2024-25 approved by MFC in August 2024 (Attachment A – Line A16).
- ($4.54 million) – City Administrative Officer Homelessness Site Lease: The shortfall for the lease at 7047 Franklin Avenue reflects unfunded lease costs transferred out to the A Bridge Home Leasing Account for FY 2024-25 approved by MFC in November 2024 (Attachment A – Line A17).

- ($830,000) – FY 2024-25 Budget Reduction: The shortfall is due to a one-time budget reduction in the FY 2024-25 Adopted Budget (Attachment A – Line A18).
- ($603,619) – Garland Building Relocation Furniture Storage and Project Management: The shortfall for additional costs for furniture storage and project management fees associated with the Garland relocation is $188,200 less than the cost of ($415,419) reported in the FY 2024-25 Second Quarterly Status Report (Attachment A – Line A19).

c. Revisions Since the Second Quarterly Status Report

There is now a year-end projected surplus of $288,315, which is $1.93 million more than the ($1.64 million) shortfall reported in the FY 2024-25 Second Quarterly Status Report. This is due to the Third FSR transfer, early termination reimbursement, and delay in execution of several leases presented in Attachment A.

d. Unfunded Liabilities to be Considered by MFC

In addition to the projected surplus of $288,315, approval of the following future unfunded liability by MFC in FY 2024-25 will result in a revised surplus of $176,598. The lease is not included in Attachment A.

- ($111,717) – Bureau of Street Lighting Yard: Projects the cost of a four-month lease with two months of rent at no cost for the new unfunded Bureau of Street Lighting yard lease at 16714 Schoenborn Street. The GSD Real Estate Services Division plans to provide an update at the MFC meeting scheduled on April 10, 2025.

2. FY 2024-25 Special Fund Leasing Account

Table 1: Special Fund Leasing Account Budget for Municipal Facilities

The FY 2024-25 Adopted Budget provides $160,848 for two leases for the Information Technology Agency funded by the Telecommunication Development Fund at 319 Second Street. Based on the FY 2024-25 projected expenses of ($160,848), the Special Fund Leasing Account will be on budget by year-end.

FY 2024-25 Adopted Budget (A)	FY 2023-24 Reappropriation (B)	FY 2024-25 Transfers Out (C)	FY 2024-25 Revised Budget (A) + (B)+ (C) = (D)	FY 2024-25 Expenses (E)	Projected FY 2024-25 Year-End Balance (D) + (E) = (F)
$160,848	$0	$0	$160,848	($160,848)	$0

3. FY 2024-25 A Bridge Home Leasing Account

Table 1: A Bridge Home Leasing Account Budget for Homelessness Sites

The FY 2024-25 Adopted Budget did not include funding for two homelessness leases at 1920 West Third Street ($180,016) and 7047 Franklin Avenue ($4,544,446). These sites have been funded through the FY 2024-25 General Fund Leasing Account and this report recommends to transfer prior expenditures and reprogram funds to the A Bridge Home Leasing Account to address these unfunded liabilities through the end of FY 2024-25.

FY 2024-25 Adopted Budget (A)	FY 2023-24 Reappropriation (B)	FY 2024-25 Transfers Out (C)	FY 2024-25 Revised Budget (A) + (B)+ (C) = (D)	FY 2024-25 Expenses (E)	Projected FY 2024-25 Year-End Balance (D) + (E) = (F)
$0	$0	$0	$0	($4,724,462)	($4,724,462)

FISCAL IMPACT STATEMENT

There is no impact projected to the General Fund for the Citywide Leasing Program.

FINANCIAL POLICY COMPLIANCE STATEMENT

The recommendation in this report complies with the City's Financial Policies in that to the extent possible, changes to budget appropriations during the fiscal year shall be limited and subject to the review and approval of the Mayor and the City Council.

DP:JDL/AW:05250115

Attachment A

FY 2024-25 Third Quarterly Report - Leasing Program Detail
Changes to Budgeted and MFC Approved Items

Attachment A

Item No.	Department Occupant(s)	Lease Property	2024-25 Revised Budget	2024-25 Revised Expenses	Surplus / (Deficit)	Comment
A1	Various	FY 2023-24 Reappropriation	$ 5,356,238	$ -	$ 5,356,238	Reappropriation of unencumbered FY 2023-24 General Fund Citywide Leasing Account funds
A2	Bureau of Sanitation	450-590 South Central Avenue	5,776,128	3,033,174	2,742,954	Surplus reflects reduced annual rental costs due to delay in execution of the lease
A3	Los Angeles Fire Department	Port of Los Angeles Leases	1,549,839	52,180	1,497,659	Surplus reflects reduced annual rental costs due to delay in execution of the lease
A4	City Administrative Officer*	Financial Status Report Transfers	-	-	1,413,604	Surplus reflects the transfers included in the 2024-25 Third (Mid-Year) Financial Status Report
A5	Council District 2*	5240 Lankershim Boulevard	-	-	270,608	Surplus reflects the early termination buyout of the lease
A6	Bureau of Street Services	Central Asphalt Plant I	800,000	530,390	269,610	Surplus reflects reduced annual rental costs due to delay in execution of the lease
A7	Department of Transportation	100 Main Street	2,233,050	1,996,300	236,750	Surplus reflects reduced annual rental costs due to delay in execution of the lease
A8	Civil + Human Rights and Equity Department	250 East First Street	623,280	415,042	208,238	Surplus reflects reduced annual rental costs due to delay in move-in
A9	Los Angeles Housing Department	1910 West Sunset Boulevard	81,409	-	81,409	Surplus reflects the portion of the lease funded by the Housing Department's Special Fund monies
A10	Council District 5	5416 Wilshire Boulevard	354,000	303,791	50,209	Surplus reflects reduced annual rental costs due to delay in move-in
A11	City Attorney's Office	11701 La Cienega Boulevard	431,639	402,944	28,694	Surplus reflects custodial costs savings
A12	Council District 4	13103 Ventura Boulevard	164,262	137,079	27,184	Surplus reflects two additional months of rent abatement
A13	Office of the Inspector General	350 South Figueroa Street	559,228	532,609	26,619	Surplus reflects savings due to delay in renewal of the lease
A14	Various	Various changes within $15,000	8,934,275	8,928,211	6,064	Surplus reflects the aggregate total of lease changes under $15,000
A15	Various	Total Cost of Remaining Leases	1,684,211	-	-	Reflects the cost of leases without changes
		SURPLUS TOTAL	**$ 28,547,559**	**$ 16,331,720**	**$ 12,215,839**	
A16	Los Angeles Police Department*	6230 South Gramercy Place	$ -	$ 4,730,000	$ (4,730,000)	Shortfall reflects unfunded tenant improvement costs for FY 2024-25
A17	City Administrative Officer Homelessness*	7047 Franklin Avenue	-	4,544,449	(4,544,449)	Shortfall reflects funding transferred out to the A Bridge Home Leasing Account to fund the lease
A18	Various	FY 2024-25 Budget Reduction	(830,000)	-	(830,000)	Shortfall reflects the budget reduction approved as part of the FY 2024-25 Adopted Budget
A19	Various*	Garland Relocation	-	603,619	(603,619)	Shortfall reflects monthly costs for furniture storage and project management fees
A20	Los Angeles Police Department*	1440 South Spring Street	-	230,372	(230,372)	Shortfall reflects unfunded lease costs for FY 2024-25
A21	Council District 5*	6380 Wilshire Boulevard	-	192,344	(192,344)	Shortfall reflects additional cost due to delay in move-in at a new site
A22	Various*	333 South Flower Street	-	190,910	(190,910)	Shortfall reflects additional cost for swing space through June 2025
A23	Various	444 South Flower Street	2,921,735	3,103,768	(182,032)	Shortfall reflects additional cost for swing space through June 2025
A24	Council District 2*	1920 West Third Street	-	180,016	(180,016)	Shortfall reflects funding transferred out to the A Bridge Home Leasing Account to fund the lease
A25	Various	Lot 601	82,944	168,120	(85,176)	Shortfall reflects increased parking cost
A26	Council District 2	5250 Lankershim Boulevard	329,976	380,923	(50,947)	Shortfall reflects 2024-25 costs as 2023-24 funding reverted due to canceled CPO
A27	Council District 1	1137 West 6th Street	63,270	104,386	(41,116)	Shortfall reflects 2024-25 costs as 2023-24 funding reverted due to canceled CPO
A28	Various	1016 North Mission Road	1,853,310	1,887,980	(34,670)	Shortfall reflects higher rent costs
A29	Los Angeles Police Department	5759-5771 Rickenbacker Road	484,661	501,480	(16,819)	Shortfall reflects projected operating cost increases
A30	Department of Transportation	1201 South Mateo Street	879,252	894,306	(15,054)	Shortfall reflects increased CAM costs
A31	Various	Total Cost of Remaining Leases	(1,599,978)	(1,599,978)	-	Reflects the cost of leases without changes
		SHORTFALL TOTAL	**$ 4,185,169**	**$ 16,112,695**	**$ (11,927,524)**	
		GRAND TOTAL	**$ 32,732,729**	**$ 32,444,414**	**$ 288,315**	

* Unbudgeted MFC approved items.