



SACHI A. HAMAII
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

"To Enrich Lives Through Effective And Caring Service"

Board of Supervisors
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May 01, 2018

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

18 May 1, 2018

CELIA ZAVALA
ACTING EXECUTIVE OFFICER

**LEASE AMENDMENT NO. 2 TO 71808
DEPARTMENT OF PUBLIC SOCIAL SERVICES
3435 WILSHIRE BOULEVARD, LOS ANGELES
(SECOND DISTRICT)
(3 VOTES)**

SUBJECT

Approval of proposed Lease Amendment No. 2 to extend the existing lease for one year and to reduce the existing office space from 65,871 square feet to 41,670 square feet and reduce the existing parking from 252 parking spaces to 160 parking spaces for the continued use of the premises for the Department of Public Social Services.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the project is exempt from the provisions of the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board on November 17, 1987, and Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Approve and direct the Chief Executive Officer, or her designee, to sign the proposed Lease Amendment No. 2 with Equitable Plaza, LLC extending the lease term one year and reducing the premises to approximately 41,670 rentable square feet of office space and 160 parking spaces at 3435 Wilshire Boulevard, Los Angeles, for the Department of Public Social Services. The maximum annual base rental costs are \$1,245,882. The proposed rental and related costs will be 91 percent funded through State and Federal funds, and 9 percent net County cost.

3. Authorize and direct the Chief Executive Officer, or her designee, to execute any other ancillary documentation necessary to effectuate the lease amendment, and authorize and direct the Chief Executive Officer, or her designee, and the Acting Director of the Department of Public Social Services, or her designee, to take actions necessary and appropriate to implement the project. The proposed lease will be effective upon approval by the Board of Supervisors.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Department of Public Social Services (DPSS) has occupied 65,871 square feet of office space and 252 parking spaces at 3435 Wilshire Boulevard, Los Angeles (Premises) since February 2000. In March 2015, the Equitable Plaza, LLC (Landlord), and the County negotiated a short-term, two-year lease extension with the understanding that DPSS would relocate to their new facilities within the later portion of the extension term. The lease expired on March 14, 2018, and the County has been on month-to-month holdover basis thereafter. DPSS is planning to relocate the Human Resources Division (HRD), Financial Management Division (FMD), Fiscal Operations Division (FOD), and In-Home Support Services Customer Service Center and Centralized Automated Timesheet Team (IHSS) to two new facilities located at 12801 and 12851 Crossroads Parkway South in the City of Industry. The 12801 Crossroads Parkway South facility was occupied effective April 16, 2018, to be followed by the 12851 Crossroads Parkway South building with an estimated completion date on or before September 1, 2018. Since the later of the two new DPSS facilities will continue to be under construction, DPSS needs to extend their occupancy at their present location.

DPSS will vacate the premises in two phases. In phase one, 24,201 square feet and 92 parking spaces will be returned to the Landlord including: the entire eighth floor (21,401 square feet) and a portion of the 26th floor (2,800 square feet). Effective upon approval by the Board of Supervisors, DPSS intends to retain the entire second floor, Suite 200, which contains 26,745 square feet, the 6th floor (6,803 square feet) and a portion of the 26th floor (8,122 square feet), for a combined 41,670 square feet and 160 parking spaces. The proposed term extension includes an early cancellation clause, which provides DPSS the flexibility to cancel the lease at any time upon 30 days' prior written notice.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal "Realize Tomorrow's Government Today" (Goal 3) directs that our increasingly dynamic, and complex environment, challenges our collective abilities to respond to public needs and expectations. We want to be an innovative, flexible, effective, and transparent partner focused on advancing the common good. The proposed lease amendment is supporting this goal by providing continued services at an existing facility without incurring non-essential or additional costs associated with occupancy prior to the anticipated long-term relocation to another leased facility. The proposed lease renewal is in conformance with the Asset Management Principles, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The proposed Lease Amendment No. 2 will be at an annual base rental cost of \$1,025,082, or \$2.05 per square foot per month and an annual fee of \$220,800 or \$115 per parking space per month. The aggregate cost for the one-year term would approximate \$1,245,882.

Sufficient funding for the proposed lease costs will be included in the Fiscal Year (FY) 2017-18 Rent Expense budget and will be billed back to DPSS. DPSS has allocated sufficient funds in its FY 2017-18 operating budget to cover the projected lease costs for the duration of the lease term, which will be 91 percent funded through State and Federal funds, and 9 percent net County cost.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed Lease Amendment No. 2 contains the following provisions:

- The one-year extension term will allow the County to reduce its square footage from 65,781 square feet to 41,670 square feet, and 160 on-site surface parking spaces and will be effective upon adoption by the Board of Supervisors.
- The proposed Lease Amendment No. 2 provides a base annual rent of \$1,025,082 or \$24.60 per rentable square foot, and an annual parking fee of \$220,800.
- A full-service gross lease whereby the Landlord is responsible for all operational and maintenance costs.
- The County will have the right to cancel the proposed Lease Amendment No. 2 at any time, upon thirty (30) days prior written notice.

The Chief Executive Office (CEO), Real Estate Division staff conducted a market survey within the subject submarket area. Based upon a review of available industry data, staff has established that the annual rental range for similar space is between \$23.40 and \$35.40 per square foot per year. Thus, the base annual rent of \$24.60 per square foot per year for the proposed lease amendment is within the market range for the area. Attachment C shows County-owned and leased facilities within an appropriate three-mile radius of the existing site, and there are no County-owned or leased facilities available for the program.

The proposed Lease Amendment No. 2 will provide a place for DPSS to continue its operations until its new office space is completed. This space is a central and an appropriate location in relation to the designated service area, which is consistent with the County's Facility Location Policy, adopted by the Board on July 24, 2012, as outlined in Attachment D.

The Department of Public works has previously inspected this facility and found it suitable for the County's occupancy. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402.

ENVIRONMENTAL DOCUMENTATION

The CEO has concluded that this project is exempt from the California Environmental Quality Act (CEQA) as specified in Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board of Supervisors, and Section 15301 of the State CEQA Guidelines (Existing Facilities).

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed Lease Amendment No. 2 will continue to provide the necessary office space for this DPSS space requirement. DPSS concurs with the lease amendment.

CONCLUSION

It is requested that the Executive Office, Board of Supervisors, return two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division, 222 South Hill Street, 4th Floor, Los Angeles, CA 90012.

Respectfully submitted,



SACHI A. HAMAI

Chief Executive Officer

SAH:DPH:DL

KW:FC:rp

Enclosures

- c: Executive Office, Board of Supervisors
- County Counsel
- Auditor-Controller
- Internal Services
- Public Social Services

ATTACHMENT A

**DEPARTMENT OF PUBLIC SOCIAL SERVICES
3435 WILSHIRE BOULEVARD, LOS ANGELES
Asset Management Principles Compliance Form¹**

1.	<u>Occupancy</u>		Yes	No	N/A	
	A	Does lease consolidate administrative functions? ²	X			
	B	Does lease co-locate with other functions to better serve clients? ²	X			
	C	Does this lease centralize business support functions? ²	X			
	D	Does this lease meet the guideline of 200 sq. ft of space per person? ²	X			
	E	Does lease meet the 4/1000 sq. ft. parking ratio guideline? ² 3.84/1000	X			
	F	Does public parking and mass-transit exist to facilitate employee, client and visitor access to the proposed lease location? ²	X			
2.	<u>Capital</u>					
	A	Is it a substantial net County cost (NCC) program? 91% State and Federal subvention and 9% NCC.		X		
	B	Is this a long-term County program?		X		
	C	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?			X	
	D	If no, are there any suitable County-owned facilities available?		X		
	E	If yes, why is lease being recommended over occupancy in County-owned space?			X	
	F	Is Building Description Report attached as Attachment C?	X			
	G	Was build-to-suit or capital project considered? ²		X		
3.	<u>Portfolio Management</u>					
	A	Did department utilize CEO Space Request Evaluation (SRE)?	X			
	B	Was the space need justified?	X			
	C	If a renewal lease, was co-location with other County departments considered?			X	
	D	Why was this program not co-located?				X
		1. ____ The program clientele requires a "stand alone" facility.				
		2. ____ No suitable County occupied properties in project area.				
		3. ____ No County-owned facilities available for the project.				
		4. ____ Could not get City clearance or approval.				
		5. <u> X </u> The Program is being co-located.				
	E	Is lease a full-service lease? ²	X			
	F	Has growth projection been considered in space request?	X			
	G	Has the Dept. of Public Works completed seismic review/approval?	X			
¹ As approved by the Board of Supervisors 11/17/98						
² If not, why not?						

**FISCAL IMPACT/FINANCING
OVERVIEW OF LEASE CHANGES**

3435 Wilshire Blvd., Los Angeles	Existing Lease	Proposed Lease Amendment No. 2	Change
Area (square feet)	65,871	41,670	(24,201)
Term	Two years	One Year	+1 year
Annual Base Rent	\$1,620,427 (\$24.60/sf)	\$1,025,082 (\$24.60/sf)	-\$595,345
Annual Parking Rent	N/A	\$220,800 (\$115/space/month)	+\$220,800 +\$115/space/month
Base TI Allowance	N/A	N/A	No change
Add'l TI Allowance	N/A	N/A	No change
Max. Annual Rent	\$1,620,427	\$1,245,882	-\$374,545
Cancellation	County at any time, upon 60 days written notice.	County at any time, upon 30 days written notice.	-30 days' notice
Parking spaces	252	160	-92
Option to Renew	No Option	No Option	No change
Rental Adjustment	None	None	No change

**DEPARTMENT OF PUBLIC SOCIAL SERVICES
THREE-MILE RADIUS SPACE SEARCH
3435 WILSHIRE BOULEVARD, LOS ANGELES**

LACO	FACILITY	ADDRESS	OWNERSHIP	GROSS SQFT	NET SQFT	VACANT SQFT
4817	DCSS - Le Sage Complex 4 Story Building	3175 W 6th St. Los Angeles 90020	Owned	52,230	40,146	NONE
5162	DCFS - Headquarters Annex	501 Shatto Pl Los Angeles 90020	Leased	17,751	15,976	NONE
5453	Human Resources - Wilshire Square Two Building	3333 Wilshire Blvd Los Angeles 90010	Leased	85,991	72,804	NONE
5537	Mental Health - Le Sage Complex Tower	550 S Vermont Ave Los Angeles 90020	Owned	171,651	148,400	NONE
5763	DPSS - Metro North AP/ Calworks District Office	2601 Wilshire Blvd Los Angeles 90057	Leased	62,000	60,140	NONE
5764	DPSS - Metro North/CalWORKs District	2601 Wilshire Blvd Los Angeles 90057, 651 S Coronado St. Los Angeles 90057	Leased	501,000	40	NONE
5827	Parks & Rec - Le Sage Complex 2 Story Building	510 S Vermont Ave Los Angeles 90020	Owned	31,540	24,835	NONE
6255	DPSS - Equitable Plaza Building	3435 Wilshire Blvd Los Angeles 90010	Leased	65,872	62,578	NONE
7228	PH Health - Wilshire Metroplex Building	3530 Wilshire Blvd Los Angeles 90010	Leased	113,027	101,920	NONE
7701	Auditor - Shared Services Initiative	3470 Wilshire Blvd Los Angeles 90010	Leased	21,500	20,425	NONE
8488	Parks and Recreation Planning and Development	510 S Vermont Ave Los Angeles 90020	Owned	30,788		NONE
796	DCFS - Headquarters Building	425 Shatto Pl Los Angeles 90020	Leased	81,912	77,816	NONE
2255	DPSS - Wilshire Special District Office	2415 W 6th St. Los Angeles 90057	Leased	46,228	42,065	NONE
2258	PH - Immuniz&Envir Health/Mental Health	695 S Vermont Ave Los Angeles 90010	Leased	125,622	118,605	NONE
2819	Parks & Recreation - Headquarters Building	433 S Vermont Ave Los Angeles 90020	Owned	31,862	21,777	NONE

FACILITY LOCATION POLICY ANALYSIS

Proposed lease renewal: One-year lease amendment for the Department of Public Social Services (DPSS) – 3435 Wilshire Boulevard, Los Angeles – 2nd District. The proposed lease amendment contains a County cancellation right at any time, upon 30 days written notice.

- A. **Establish Service Function Category** – Regional and local public service and administrative function.
- B. **Determination of the Service Area** – The proposed lease amendment will allow DPSS’s Human Resources and Financial Management Divisions to continue providing direct services and administrative functions to the established service area.
- C. **Apply Location Selection Criteria to Service Area Data**
 - Need for proximity to service area and population: DPSS programs are most effective when located within close proximity to the geographic regions they service. This location meets the service area criteria and remains in the desired area.
 - Need for proximity to existing County facilities: DPSS continues to collaborate with County Department partners and Board offices as necessary.
 - Need for proximity to Los Angeles Civic Center: N/A
 - Economic Development Potential: N/A
 - Proximity to public transportation: The location is adequately served by local transit services.
 - Availability of affordable housing for County employees: The surrounding area provides for housing and rental opportunities.
 - Use of historic buildings: N/A
 - Availability and compatibility of existing buildings: This is an existing County leased facility available to meet the Department’s service needs.

- Compatibility with local land use plans: The City of Los Angeles has been notified of the proposed County usage which is consistent with its use and zoning for office space at this location. The Department of Public Works inspected the facility and found it suitable for County occupancy. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402.
- Estimated acquisition/construction and ongoing operational costs: The initial annual base rent of \$1,245,882 or \$24.60 per rentable square foot per month, and \$1,380 per parking space, comprises the total first year annual lease cost for the existing space under consideration. State and Federal subvention funds totaling 91 percent and 9 percent net County cost will be used to fund the rental costs.

D. Analyze results and identify location alternatives

Based upon the space and service needs of DPSS, staff surveyed the immediate area to determine the availability of comparable and more economical site alternatives. Based on a survey of the area, staff established that no viable or suitable alternatives to the existing location were available. The annual rental range for similar office space is between \$23.40 and \$35.40 per rentable square foot on a full-service gross basis, not including parking. The parking rates for reserved spaces range between \$100 and \$225 per space per month or between \$1,200 and \$2,700 per space per year. Therefore, the proposed annual rent of \$24.60 per rentable square foot for the first year and \$115 per parking space per month, is within market and supports the lease renewal at this location.

E. Determine benefits and drawbacks of each alternative based upon functional needs, service area, cost and other Location Selection Criteria

The renewal of the subject lease amendment for DPSS will provide adequate office space for its employees and efficient space for service to clients, which is consistent with the County's Facility Location Policy adopted by the Board on July 24, 2012. The cost of comparable sites was higher per square foot and the sites would require tenant improvements that would increase the asking rent.

**AMENDMENT NO. 2 TO LEASE NO. 71808
DEPARTMENT OF PUBLIC SOCIAL SERVICES
3435 WILSHIRE BOULEVARD, LOS ANGELES**

THIS SECOND AMENDMENT to Lease No. 71808 ("Second Amendment") is entered into as of the ____ day of _____, 2018 between EQUITABLE PLAZA, LLC ("Lessor"), and COUNTY OF LOS ANGELES, a body corporate and politic ("Lessee").

RECITALS

WHEREAS, Lessor and Lessee previously entered into that certain Lease No. 71808 dated November 12, 1998 ("Lease"), pursuant to which Lessor leased to Lessee approximately 65,871 rentable square feet of space located at 3435 Wilshire Boulevard, Los Angeles, California ("Premises");

WHEREAS, Lessee exercised its option to renew the Premises in January 2010, the expiration of the Lease Term was extended to January 31, 2015. As of February 1, 2015, Lessee continued to lease the Premises on a month-to-month holdover basis;

WHEREAS, Lessee and Lessor entered into Amendment No. 1 to Lease No. 71808 dated March 15, 2016, extending the Lease Term to March 14, 2018. As of March 15, 2018, Lessee continues to lease the Premises on a month-to-month holdover basis since that date; and

WHEREAS, Lessor and Lessee now wish to amend the Lease as follows: (i) modify the Description of Premises, (ii) extend the Term of the Lease for an additional year, (iii) revise the rent, (iv) modify the Lessee's early cancellation right, and in all other respects restore the original terms and conditions of the Lease.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. Paragraph 1. **DESCRIPTION OF PREMISES** of the Lease is hereby amended by deleting the paragraph in its entirety and substituting in its place the following:

The Lessor, for and in consideration of the performance of the covenants and agreements hereinafter contained to be kept and performed by the Lessee, upon the following terms and conditions, hereby leases to the Lessee those premises located at 3435 Wilshire Boulevard, Los Angeles, in the County of Los Angeles, State of California, more particularly described as follows:

The entire second floor (suite 200):	26,745 sq.ft.
The sixth floor (suite 600)	6,803 sq.ft.
A portion of the 26 th floor (Suite 2610):	<u>8,122</u> sq.ft.
Total:	41,670 sq.ft.

Parking spaces: 160 (3.84/1000 parking ratio)

The premises shall consist of approximately 41,670 rentable square feet and 160 covered spaces within the on-site parking garage. Parking spaces shall be clearly

marked and identified as County spaces. Parking spaces to be located on level P5 of the parking garage as described in **Exhibit A**. Lessee shall be responsible for managing and monitoring the parking of its employees, invitees, contractors and all other persons in the County spaces.

2. Paragraph 2 **TERM** of the Lease is hereby amended by deleting Paragraph 2 in its entirety and substituting in its place the following:

The extension term of the Lease shall be for one (1) year commencing upon approval of this Second Amendment by the Board of Supervisors ("Commencement Date") and terminating at midnight on the day before the first anniversary of the Commencement Date (Termination Date"), unless sooner terminated by Lessee as provided herein.

3. Paragraph 3 **RENT** of the Lease is hereby amended by deleting Paragraph 3 in its entirety and substituting in its place the following:

Lessee shall pay as rent for said demised Premises the sum of ONE HUNDRED AND THREE THOUSAND, EIGHT HUNDRED TWENTY-THREE DOLLARS AND 50/100 (\$103,823.50) per month for the Premises (which is based upon a rental rate of \$2.05 per rentable square foot and \$115 per parking space) per month throughout the extension term:

Office:	41,670 square feet X \$2.05 per square foot=	\$ 85,423.50
Garage Parking:	160 spaces X \$115 per parking space =	\$ 18,400.00
		<u>\$103,823.50</u>

4. Paragraph 5 **CANCELLATION** of the Lease is hereby amended by deleting Paragraph 5 in its entirety and substituting in its place the following:

Lessee has the right to cancel this Lease, in whole, or in part, at any time during the extended Lease Term by giving Lessor not less than thirty (30) days prior written notice executed by the Chief Executive Officer of Lessee.

5. **RATIFICATION AND CONFIRMATION OF LEASE**. Except as modified herein, all other terms and conditions of the Lease, as amended, remain in full force and effect. In the event the terms and conditions of this Second Amendment conflict with the terms of the Lease and/or Amendment No. 1, then the terms and conditions of the Second Amendment shall prevail and be controlling.

6. **FULL FORCE AND EFFECT**. Lessor and Lessee each represent and warrant to the other that the Lease, as amended, is in full force and effect and has not been assigned, modified, supplemented or further amended in any way.

7. **ENTIRE AGREEMENT**. The Lease, as amended, contains the entire agreement of the Parties hereto with respect to the subject matter hereof. No representations, inducements, or agreements, oral or otherwise, between the Parties not contained in the Lease, as amended, shall be of any force or effect. The Lease, as amended, may not be modified, changed or terminated, in whole or in part, in any manner other than by an agreement in writing signed by duly authorized representatives of the Parties hereto.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF this Second Amendment to Lease No. 71808 has been executed the day and year first above set forth.

LESSOR:

EQUITABLE PLAZA, LLC

By: 

Name: PHILLIP LEE

Its: PRESIDENT

LESSEE:

COUNTY OF LOS ANGELES
a body corporate and politic

SACHI A. HAMAI

By: _____

David P. Howard
Assistant Chief Executive Officer

ATTEST:

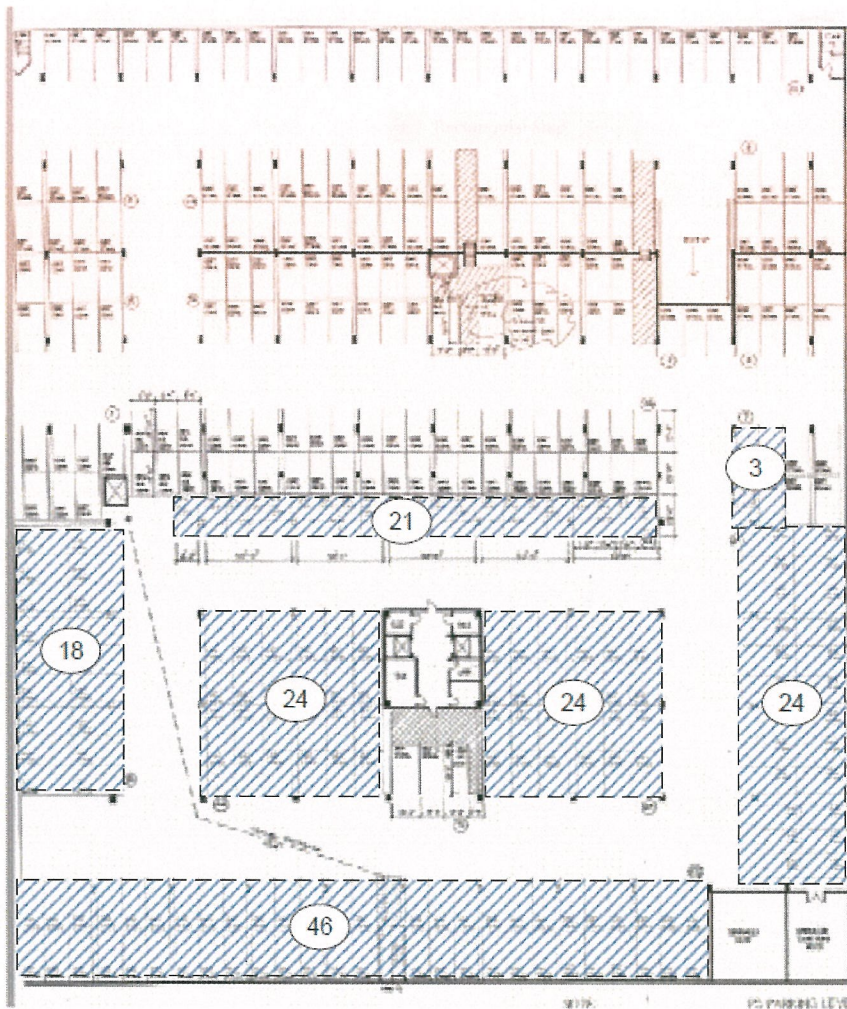
DEAN C. LOGAN
Registrar-Recorder/County Clerk

By: _____
Deputy

APPROVED AS TO FORM:
MARY C. WICKHAM
County Counsel

By: 
Deputy

EXHIBIT A – PARKING AREA



COUNTY OF LA
Phase 1 = 160 spaces
Estimated as of May 1, 2018

