



SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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February 19, 2019

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

21 March 5, 2019

CELIA ZAVALA
EXECUTIVE OFFICER

**APPROVAL OF LEASE AMENDMENT
CHILD SUPPORT SERVICES DEPARTMENT (LEASE NO. 78345)
5770 SOUTH EASTERN AVENUE, COMMERCE
(FIRST DISTRICT)
(3 VOTES)**

SUBJECT

Approval of lease amendment providing for additional Tenant Improvement Allowance funding for an existing lease for the Child Support Services Department.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed lease amendment is categorically exempt from the provisions of the California Environmental Quality Act pursuant to Class 1 of Environmental Document Reporting Procedures and Guidelines adopted by the Board of Supervisors, per Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Authorize the Chief Executive Officer, or her designee, to sign the proposed Amendment No.1 to Lease No. 78345 with Omninet Commerce, LP (Landlord) to provide up to \$1,470,861 of additional Tenant Improvement (TI) funds to be paid by the County for the Child Support Services Department (CSSD). The County's TI cost will be paid via a lump-sum payment. The rental and related costs are 100 percent funded from State and federal funding sources.
3. Authorize the Chief Executive Officer, or her designee, to execute any other ancillary documentation necessary to effectuate the increased funding, and authorize and direct the Chief Executive Officer, and the Director of CSSD, or their designees, to take actions necessary and appropriate to implement the authorization provided above.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Lease No. 78345 is being amended to provide additional funding in order to complete the planned tenant improvements.

BACKGROUND

Since 1979, CSSD has been headquartered in the City of Commerce. The CSSD Commerce campus is currently housed within three separate facilities under three separate leases, with the same Landlord in the same office campus. CSSD took advantage of programmatic efficiencies by consolidating and co-locating its operations among three buildings within one central office park.

CSSD has been located at 5500 South Eastern Avenue (5500 Eastern) since October 1999. This lease, referred to as "Lease 1", is for CSSD's Intergovernmental and Division II Public Contact Divisions. The most recent amendment with the Landlord to extend the lease for eight years was authorized by the Board on September 14, 2014.

On February 17, 2015, the Board approved Leases 2 and 3 with Landlord, both for ten years. Lease 2 was for 26,360 square feet of new office space at 5801 East Slauson Avenue (5801 Slauson) for CSSD's Customer Call Center. Lease 3 was for 88,444 square feet of office space at 5770 South Eastern Avenue (5770 Eastern). Both Leases 2 and 3 are also located in the Commerce Office Park, and provide for renewal and expansion of office space, for CSSD's Administrative Headquarters and related programs, including Human Resources, Central Processing Unit, Program Support, Fiscal Management, Business Intelligence, Information Technology, Facilities Management, Procurement Services, Outreach Services, and Special Operations.

Lease 1 had a TI budget of \$3,415,580, comprised of a base TI allowance paid by the Landlord of \$975,880 and an additional TI cost paid by the County of \$2,439,700. The actual costs of the TI for Lease 1 incurred, totaled \$3,828,487, necessitating the need to fund an overage of \$412,907. This overage was a result of the programmatic changes requested by the department, related to moving from its previous leasehold at 5701 South Eastern Avenue across the street, building code requirements, increases to labor and material costs, as well as change orders. This overage, by agreement with the Landlord, was agreed to be covered by the Landlord's TI allowance budget for Lease 2.

Lease 2 had a TI budget of \$1,845,200, comprised of a base TI allowance paid by the Landlord which originally was \$527,200, and an additional TI cost paid by the County of \$1,318,000. However, the Lease 1 overage used some of this allowance, leaving a base allowance paid by the Landlord of \$114,293 and an additional TI cost to be paid by the County of \$1,318,000. The actual costs of the TI for Lease 2 incurred totaled \$2,416,178, necessitating the need to fund the overage of \$983,885 (the overage from Lease 1 of \$412,907 plus the overage from Lease 2 of \$570,978). This overage is again a result of increases to labor and material costs as well as change orders, in addition to Title 24 and similar code requirements. This overage, again by agreement with the Landlord was covered by the Landlord's TI allowance budget for Lease 3.

Lease 3 had a TI budget of \$6,191,080, comprised of a base TI allowance paid by the Landlord which originally was \$1,768,880, and an additional TI cost to be paid by the County of \$4,422,200. However, the Lease 2 overage used some of this allowance, leaving a base TI allowance paid by the Landlord of \$784,995, and an additional TI cost to be paid by the County of \$4,422,200. The projected actual costs of the TI for Lease 3 are \$6,678,056, necessitating the request for the additional TI funding of \$1,470,861 (the overage from Lease 1 of \$412,907, the overage from Lease 2 of \$570,978, and the projected overage from Lease 3 of \$486,976).

The TI budgets were based upon preliminary estimates. The cost estimates were prepared prior to the execution of the leases, the completion of design, or the receipt of construction bids. The requested additional TI funding is a result of under estimating the projected cost of TIs, programmatic changes, and change orders.

FISCAL IMPACT/FINANCING

The proposed additional TI funding to be paid by the County of \$1,470,861 for CSSD will be paid via a lump sum payment.

The CEO has informed the Landlord it must stop work on the County's TI work until such time that additional funds have been authorized so that we do not exceed the Board approved TI amount. The requested additional TI funding includes a contingency, which could be used to cover any cost of delay or other unanticipated costs.

The aggregate lease expense with the additional TI costs over the ten-year term would be \$35,075,317. Attachment A provides an overview of the revised lease costs with the additional TI expenses contemplated by the proposed lease amendment.

Sufficient funding for the proposed additional TI costs to be paid by the County is included in the Fiscal Year 2018-19 Rent Expense budget and will be billed back to CSSD. The rental and related costs for CSSD are 100 percent funded from State and federal funds.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

County Counsel will review and approve the lease amendment prior to its execution.

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). The proposed amendment involves interior alterations involving such things as interior partitions, plumbing, and electrical conveyances to an existing office building. There shall be no additions to an existing structure nor to the existing office building parking. The proposed amendment has no significant effect on the environment and meets the criteria set forth in Section 15301 of the State CEQA Guidelines ("Guidelines") and Class 1 of the County's Environmental Document Reporting Procedures and Guidelines, Appendix G.

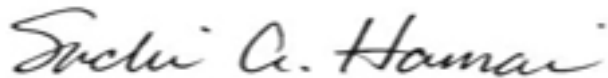
IMPACT ON CURRENT SERVICES (OR PROJECTS)

The lease continues to provide the necessary office space for the County requirements. CSSD concurs with the proposed additional TI funding.

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 Chief Executive Office, Real Estate Division, 222 South Hill Street, 4th Floor, Los Angeles, CA 90012.

Respectfully submitted,



SACHI A. HAMAI

Chief Executive Officer

SAH:DPH:DL

JLC:MN:gw

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Child Support Services

ATTACHMENT A

CHILD SUPPORT SERVICES DEPARTMENT
Lease No. 78345

COMMERCE LEASE	5770 S. Eastern Avenue (Existing Lease)	Amendment No. 1
Area (square feet)	88,444	No change
Term	10 years	No change
Annual Base Rent ⁽¹⁾	\$2,228,788 (\$25.20/sq.ft.)	No change
Base TI Allowance (non-reimbursable)	\$1,768,880 (\$20/sq.ft.)	No change
Additional TI Cost (reimbursable)	\$4,422,200 (\$50/sq.ft.)	\$5,893,061 (\$70.95/sq. ft.) (increase of \$1,470,861 [lump sum])
Annual Reimbursement of Additional TI Cost ⁽²⁾	\$1,050,778	No change
Total Annual Rent ⁽³⁾	\$3,279,566	No change
Low-voltage	\$2,800,000	No change
Maximum First Year Rental Cost	\$3,279,566	\$4,750,427 ⁽⁴⁾ (increase of \$1,470,861 [lump sum])

(1) Total new Lease rate to be \$2.10/sf per month or \$25.20/sf per annum.

(2) This represents the annual repayment amount from available Additional TI funds amortized over 60 months at the rate of 7 percent.

(3) This equals base rent and the annual reimbursement of Additional TI.

(4) Total new Lease cost for first year w/rent, amortized additional TI and lump sum TI.

Summary	Base Rent	Total TI Payments	Total Due Under the lease⁽²⁾	Low Voltage	Total due for space
First Year Rental Costs:	\$2,228,788 ⁽¹⁾	\$2,521,639	\$4,750,427	\$665,000 ⁽³⁾	\$5,415,427
Ten-Year Rental Costs:	\$25,550,566 ⁽⁴⁾	\$6,724,751	\$32,275,317 ⁽⁴⁾	\$2,800,000 ⁽³⁾	\$35,075,317 ⁽⁴⁾

(1) Total annual rent due.

(2) Rent plus Additional TI costs.

(3) Low voltage / IT costs.

(4) Includes projection of CPI indexed annual increases in rent at maximum of three percent per annum.