

MOTION BY SUPERVISOR MARK RIDLEY-THOMAS

July 30, 2019

Lease with SAMKO, LLC

The Los Angeles County (County) Department of Health Services' (DHS) Housing for Health Division (HFH) is responsible for implementing major components of the County's Homeless Initiative, which is led by the County's Chief Executive Officer (CEO). HFH received a funding allocation on May 14, 2019 and over the last two fiscal years it has received approval for 127 additional staff. The increase in staffing and the urgency of implementing the homeless initiative have resulted in the immediate need for additional office space.

The CEO identified potential office space and parking lots both owned by SAMKO, LLC (Landlord), comprised of approximately 18,200 square feet of office space at 655-659 South Maple Avenue, Los Angeles, including 227-239 East 7th Street, Los Angeles, and the two adjacent parking lots, totaling approximately 60 parking spaces, located at 645-653 South Maple Avenue, Los Angeles (Premises). The proposed Premises are in close proximity to other existing HFH functions including the HFH's Headquarters, the Star Clinic, the C3 program (County + City + Community), and the Sobering Center, which are all located within the Skid Row area of Downtown Los Angeles. The proposed Premises will ease overcrowding at HFH's existing facilities and provide space to accommodate newly-hired staff.

MOTION

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Ridley-Thomas	_____
Kuehl	_____
Barger	_____
Hahn	_____

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The CEO has negotiated an initial nine-year lease term with Landlord, which shall begin upon substantial completion of the tenant improvements and the County's acceptance of the Premises. For Year 1, the annual base rent will be \$572,208, and parking will be \$127,200, resulting in total rent of \$699,408 for Year 1 and \$7,105,360 for the entire nine-year lease term (including escalations pursuant to the lease terms).

Pursuant to the lease negotiations, CEO and Landlord have agreed to a proposed lease of the Premises that includes the following terms and conditions:

- A nine-year lease term, with two 5-year options to renew for the use of approximately 18,200 square feet and two adjacent parking lots with approximately 60 parking spaces.
- An initial base rental rate of \$2.62 per square foot per month, i.e., \$47,684 per month and parking rent of \$10,600 per month, i.e., approximately \$177 per parking space, with both rents subject to 3 percent annual increases. The option terms shall be at fair market value rent.
- This lease was negotiated on a modified gross basis. The Landlord is responsible for the operating and maintenance costs associated with the building, and the County is responsible for utilities and janitorial services at the Premises during the lease term.
- Landlord will provide County with a base allowance of \$364,000 for certain office and tenant improvements. Landlord will also provide an additional tenant improvement allowance of \$2,093,000 (\$115 per rentable square foot) to be reimbursed to Landlord in a lump sum payment, or in equal monthly payments, amortized over the initial 5 years of the lease term at the tenant improvement amortization rate of 8 percent interest per annum, with interest accruing as of the Commencement Date.
- Low-voltage costs not to exceed \$707,851.

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DHS has sufficient funding to cover the tenant improvements and low-voltage/telecommunications costs at the Premises. The rental costs are 100 percent offset by Measure H, Office of Diversion and Re-Entry, and Whole Person Care Funds.

I THEREFORE MOVE that the Board of Supervisors approve the lease and take the following actions:

1. Find that entering into a lease with SAMKO, LLC (Landlord), in matters pertaining to compliance with the California Environmental Quality Act (CEQA), is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15301 (Class 1- Existing Facilities) and Class 1 of the County of Los Angeles CEQA Reporting Procedures and Guidelines, and none of the exceptions set forth in State CEQA Guidelines Section 15300.2 apply;
2. Authorize and direct the Chief Executive Officer (CEO), or her designee, to execute the proposed lease with Landlord, for approximately 18,200 square feet of office space at 655-659 South Maple Avenue, Los Angeles, including 227-239 East 7th Street, Los Angeles, and the two adjacent parking lots including approximately 60 parking spaces located at 645-653 South Maple Avenue, Los Angeles (Premises), which lease term shall begin upon substantial completion of the tenant improvements and acceptance of the Premises by Los Angeles County (County), and which shall expire nine years after the lease commencement date. The first year initial base rental cost plus parking will total \$699,408;
3. Authorize the CEO to spend an aggregate amount up to \$2,093,000 which may be reimbursed to Landlord, in a lump sum payment or in equal monthly payments, amortized over the initial 5 years of the lease term at the Tenant Improvement Amortization Rate of 8 percent interest per annum, with interest accruing as of the Commencement Date for a total

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annual cost not to exceed \$505,889 for additional tenant improvements at the Premises;

4. Authorize the Director of the Department of Health Services, or her designee, to contract with Internal Services Department (ISD) for the acquisition and installation of telephone, data, and low-voltage systems in the additional space, at a cost not to exceed \$581,835, which may either be paid in a lump sum, or financed through the Chief Executive Office Capital Financing Program at 8 percent over a five-year term by DHS at their option for a total cost not to exceed \$707,851. The telecommunications and low-voltage amounts are in addition to the rental costs and County's tenant improvement contributions payable to the Landlord; and
5. Authorize the CEO, or her designee, to execute any other ancillary documentation, approved as to form by County Counsel, necessary to effectuate the terms of the proposed lease and authorize the CEO, and the Director of DHS, or their designees, to take other actions necessary and appropriate to implement and effectuate the terms of the lease amendment, including without limitation, early termination rights and exercising any options to extend. The proposed lease amendment will be effective upon adoption by the Board of Supervisors, but the additional term and rent will commence upon substantial completion of the tenant improvements by the Landlord.

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(KK/DW/CG)