



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>

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

November 4, 2014

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

BOARD REPORT IN RESPONSE TO QUESTIONS POSED BY THE BOARD REGARDING THE CEO'S ACQUISITION EFFORTS FOR THE SATURN PROPERTY (ITEM NO. 14, AGENDA OF OCTOBER 28, 2014)

On October 28, 2014, the Board requested the CEO to provide information relating to the Intent to Purchase 1977 Saturn Avenue, Monterey Park, CA, as follows:

Due Diligence on Saturn Purchase

On October 31, 2014, the CEO forwarded the Board Offices web-viewable links that provided:

- The environmental investigative results performed by DPW for the building located at 1977 Saturn Street, Monterey Park
- A Building Assessment Report provided by DPW (dated December 5, 2013)
- An appraisal report by R.P. Laurain & Associates dated July 30, 2014

Market Office Research

On November 3, 2014, the CEO provided the Board offices with market office search reports, dated June 20, 2012, July 17, 2013, and January 30, 2014, covering the review of over 175 properties.

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

In addition to the properties referenced in the market office search reports, the CEO had several discussions with brokers and owners related to potential lease or purchase opportunities for office space, which included the following properties:

- 1933 South Broadway, Los Angeles
- 2001 West Mission Boulevard, Pomona
- L.A. Times Headquarters Complex located at 202 West 1st Street, Los Angeles
- Bank of America facility located at 1000 Temple Street, Los Angeles
- Hawthorne Mall located at 12000 Hawthorne Boulevard, Hawthorne
- 4920 Rivergrade, Irwindale
- 20770-20810 Marona Avenue, Torrance
- 18455 South Figueroa Street, Los Angeles
- 801 South Broadway, Los Angeles

These properties did not satisfy many of the essential parameters for lease or acquisition, based either on departmental space needs, parking requirements, or the Facility Location Policy criteria.

Saturn Negotiations

On July 1, 2014, as part of the Vermont Corridor project Board Motion, the Board authorized the CEO to identify a suitable property and complete negotiations for the acquisition of an offsite property that was compatible with the departmental space programs and estimated building size. In keeping with this direction, the CEO continued to pursue and evaluate the potential viability of acquiring the Saturn property. The CEO enlisted the services of DPW to provide a detailed assessment of the property (Building Assessment Report dated December 5, 2013). The report concluded that the Saturn property was suitable for acquisition and use by the County. Moreover, the facility could adequately meet the space needs of the Department of Community and Senior Services, and the Department of Parks and Recreation, while affording the County an opportunity to consider the vacation of the blighted Vermont properties and be a catalyst for the development of the Vermont Corridor project. Any additional surplus space available at Saturn could be considered for other general fund programs/ departments as needed. In addition, if the use of the Saturn site was not deemed suitable for relocating the Vermont Corridor departments, the County would still have the option to utilize the space for short- or long-term County needs. The 15.8 acre property, which includes a parking ratio of 4/1000, also includes sufficient land to construct up a 70,000 square foot stand-alone office building for future County space needs.

Facility Location Policy

Market research confirmed that there was a limited inventory of vacant or soon-to-be-vacant properties for lease or purchase, which made the Saturn property a strong candidate for possible acquisition. The CEO continued its due diligence and engaged in serious negotiations with the owners/brokers. The CEO also at this time ordered an independent appraisal to facilitate the negotiation process towards a purchase price within market value.

The CEO, in keeping with the Board's Facility Location Policy, was always mindful of the importance of identifying properties that complied with the location criteria. In support of the Facility Location Policy, the CEO found the Saturn property to be in compliance with the following:

- Proximity to service area/population
 - Administrative use – no specific service area or population applies
- Proximity to existing County facilities/Civic Center
 - Within ten miles of Civic Center
- Economic development potential
 - The property provides the opportunity for development of a single stand-alone office building for future County needs
- Proximity to public transportation
 - Building/office campus is served by Montebello bus lines with routes in the local communities/cities extending to downtown Los Angeles
- Available affordable housing
 - Monterey Park and nearby communities and cities provide affordable housing stock in the owner occupied and rental market for County employees
- Use of historic building
 - N/A
- Compatibility with local land use plans
 - Proposed office use complies with City of Monterey Park zoning requirements

- Estimated acquisition/construction and ongoing operational cost
 - Acquisition cost - \$38,452,436
 - Tenant Improvement cost – Preliminary estimates are in the range of \$12M to \$15M, to be determined upon completion of a final departmental program
 - Ongoing operational cost - \$0.80 per square foot/month, or \$165,000 per month, \$1,980,000 annually, which are based on Building Owners Management Association (BOMA) all suburban area costs for operating a commercial office building

Conclusion

The exclusive opportunity to purchase 205,000 square feet of office space, parking, and land for development within the vicinity of the Los Angeles Civic Center provides the County with numerous options for its current and future space needs.

We also would lose the opportunity to purchase a viable facility that meet critical need. It is important to note that a building of this size, quality, and at this price, is not often available, making it important to seize this unusual opportunity.

WTF:RLR
CMM:ls

Attachment

QUESTIONS AND ANSWERS

1. Is there any emergency on this?
 - The urgency is that if the County does not follow through with the purchase of the Saturn property, we may lose the opportunity to acquire it under the favorable terms we have negotiated.

2. The action to purchase Saturn does not connect with the overall unseen plan for the private solicitation to develop the Vermont Corridor site. And the ultimate concern to address the blight of the Vermont site that can be remedied by private sector investment.
 - The purchase of the Saturn can either play a major role in the remediation of blight on the Vermont Corridor or provide the County with the flexible swing or permanent space for future County space needs.
 - The RFP can be finalized and released at the end of January 2015.

3. What is the estimated cost of renovation (Tenant Improvements [TI's] to the Saturn building (built in 1980) to accommodate County Administrative functions?
 - Preliminary estimates are in the range of \$12M to \$15M, costs will be determined upon completion of space planning and department programming.

4. What is the consistency (of Saturn) with the Board-adopted Facility Location Policy?
 - Market research confirmed that there was a limited inventory of vacant or soon-to-be-vacant properties for lease or purchase throughout the County, which made the Saturn property a strong candidate for possible acquisition. The CEO continued its due diligence and engaged in serious negotiations with the owners/brokers. The CEO also at this time ordered an independent appraisal to facilitate the negotiation process towards a purchase price within market value.
 - The CEO, in keeping with the Board's Facility Location Policy was always mindful of the importance of identifying properties that complied with the location criteria. In support of the Facility Location Policy, the CEO found the Saturn property to be in compliance with the following:
 - Proximity to service area/population
 - Administrative use – no specific service area or population applies
 - Proximity to existing County facilities/Civic Center
 - Within ten miles of Civic Center
 - Economic development potential
 - The property provides the opportunity for development of a single stand-alone office building for future County needs

- Proximity to public transportation
 - Building/office campus is served by Montebello bus lines with routes in the local communities/cities extending to downtown Los Angeles
- Available affordable housing
 - Monterey Park and nearby communities and cities provide affordable housing stock in the owner occupied and rental market for County employees
- Use of historic building
 - N/A
- Compatibility with local land use plans
 - Proposed office use complies with City of Monterey Park zoning requirements
- Estimated acquisition/construction and on-going operational cost
 - Acquisition cost - \$38,452,436
 - Tenant Improvement cost – Preliminary estimates are in the range of \$12M to \$15M, to be determined upon completion of a final departmental program
 - Ongoing operational cost - \$0.80 per square foot/month, or \$165,000 per month, \$1,980,000 annually, which are based on Building Owners and Management Association (BOMA) all suburban area costs for operating a commercial office building

5. What did the search process entail for identifying other space consistent with the Facility Location Policy?

- In our research over 2012, 2013, and 2014, there were no viable properties identified that could support the relocation of DMH, Parks, and CSS.

6. At what point could the Board pull the plug on this deal between now and November 25?

- Upon the Board's decision to decline the proposed purchase and sale agreement.

7. If we do not act on this deal at this time, what would be the impact?

- The County is exposed to the possibility of GE going out to the market place for private sector investors.
- We also would lose the opportunity to purchase a viable facility that meet critical need. It is important to note that a building of this size, quality, and at this price, is not often available, making it important to seize this unusual opportunity.

8. What due diligence was performed in the perusal of this purchase?

- 4 Space Search Documents:
 - Space Search 1
Web-viewable link:
Space Search dated 6-20-12 220865.pdf
 - Space Search 2
Web-viewable link:
Space Search dated 7-17-2013 220866.pdf
 - Space Search 3
Web-viewable link:
Space Search 1 dated 1-30-2014 220867.pdf
 - Space Search 4
Web-viewable link:
Space Search 2 dated 1-30-2014 220868.pdf

9. Do we have a list of other properties that have been evaluated? Has that been made known?

- We have provided the web-viewable links of all properties researched on November 3, 2014, as noted above.
- Because no viable properties were identified, other than the Hawthorne Mall, the listings were not shared with the Board

10. Can we push back the hearing date?

- No, the Notice of Intent has identified November 18, as the hearing date.

11. What work has been done on the RFP to date?

- Structure of the RFP has been developed to combine CDC's "Alhambra Model" with County financing. Proposals will be solicited for development and construction of a new administrative headquarters for Mental Health and an exclusive negotiating agreement for an option to lease and privately develop the current sites of the Mental Health, DCSS, and Parks department headquarters.

12. Where is it?

- An outline of the proposed RFP structure, including the integration of County financing into the private development model, will be transmitted to the Board prior to 11/18/14.

13. Why has not it come forward?

- Issues regarding statutory authority, compliance with CEQA requirements, practical integration of County financing into a private development model, and compliance with IRS tax regulations required additional time to resolve and obtain necessary clearances.

14. When is the Vermont Corridor redevelopment effort really going to take off in earnest?

- September 2016 would be the earliest. RFP can be finalized and released at the end of January 2015. Proposals would be submitted at the end of March and a winning team can be presented to the Board for consideration by the end of June, 2015. Board would then authorize CEO to negotiate a lease or option with the winning team(s). Preparation of the EIR would begin at that time. CEO would return with a final lease and/or option agreement(s) for execution and a Final EIR for certification in September 2016.