

CITY OF LOS ANGELES

CALIFORNIA

HOLLY L. WOLCOTT
City Clerk

GREGORY R. ALLISON
Executive Office

When making inquiries relative to
this matter, please refer to the
Council File No.



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SHANNON HOPPE
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October 15, 2014

To All Interested Parties:

City Attorney (w/blue sheet)

The City Council adopted the action(s), as attached, under Council File No. 14-0937-S1,
at its meeting held October 14, 2014.

City Clerk
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MOTION

The City of Los Angeles owns a public parking structure located at 1710 N. Cherokee Avenue in Council District 13. The parking structure is operated by the Department of Transportation (DOT) and contains a vacant ground level retail/office space (Suite C).

Suite C has 845 rentable square feet. The space has been vacant since December 2012. Broker Charles Dunn, at the request of DOT, has been marketing Suite C since that time but has been unable to procure a viable tenant. Though enlisting the services of a real estate broker does not necessarily equate to a competitive process in terms of the City's Administrative Code, there have been industry-standard efforts made to market Suite C for almost two years.

In October 2013, the Hollywood Property Owners Alliance (HPOA) submitted an offer to lease Suite C. Below are the proposed lease terms:

- Rent: \$1.48 per square foot (or \$1,250 per month or \$15,000 for base year)
- Term: Three years with two (2) one year options to extend including an annual 2.5% increase in rent after the base year through the option periods
- Parking: One (1) unassigned space in the attached parking structure
- Utilities: Tenant is responsible for all utilities

Established in 1996, the HPOA is a 501(c)6 nonprofit corporation that manages the Hollywood Entertainment District property-based business improvement district (BID) as well as day to day operations of the Sunset and Vine BID. The HPOA is governed by 17 property owners and/or representatives representing the diverse array of property types in the BID boundaries: commercial, residential, hotel, parking lot, nonprofit and government owned. The HPOA has four full-time administrative staff and contracts with Clean Street which employs 14 individuals who provide street cleaning, landscaping, and other maintenance services on the major commercial corridors of Hollywood.

The Hollywood Entertainment District BID is funded by approximately 400 property owners who assess themselves more than \$3.4 million annually to pay for cleaning, on-the-ground security, streetscape improvements, and marketing services. The HPOA plays a vital and unique role in Hollywood by providing services that have been and continue to be instrumental in the successful turnaround of Hollywood.

The current market rate for the space is approximately \$2 per square foot. The proposed rental rate is 52 cents below market rate, which equates to \$439 per month or \$5,273 per year in the base or approximately \$28,000 over the lease terms (including option proposals).

Due to the lack of interest from other parties for the space and the unique public services the HPOA provides, I am recommending that Suite C be leased to HPOA for slightly below market rates. Based on the HPOA's annual operating budget of over \$3,400,000; which is mostly spent on cleaning, security and marketing services, I conservatively estimate that the HPOA provides public benefits that exceed the value of the small write-down of the proposed rent amount.

I THEREFORE MOVE that the City Council accept that the above findings justify the proposed lease as a sole source contract and instruct the Department of General Services (GSD), in consultation with DOT, to negotiate and execute a lease with the HPOA for the City-owned retail/office space at 1710 N. Cherokee