

**Board Report**

File #: 2017-0777, **File Type:** Agreement**Agenda Number:** 10.

**FINANCE, BUDGET AND AUDIT COMMITTEE
JANUARY 17, 2018****SUBJECT: LEASE AGREEMENT WITH BAKEWELL HAWTHORNE,
LLC FOR LOS ANGELES METRO SYSTEM SECURITY
AND LAW ENFORCEMENT****ACTION: APPROVE RECOMMENDATION TO EXECUTE A FIVE-YEAR LEASE AMENDMENT
WITH ONE OPTION TO EXTEND BY AN ADDITIONAL FIVE YEARS****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute a five-year amendment to the existing lease agreement with Bakewell Hawthorne, LLC ("Landlord"), and option a five-year term extension, for use of 11,500 rentable square feet ("RSF") of office space located at 4401 Crenshaw Boulevard, Los Angeles ("Crenshaw Building") commencing August 1, 2018 at a monthly rate of \$18,644 for total value of \$1,189,092 including annual escalations of three percent, with a five-year option to extend commencing August 1, 2023, for \$1,378,500 costing a combined \$2,567,592 over the ten-year term.

ISSUE

Metro operates a security and law enforcement office at the Crenshaw Building under an existing five-year lease approved by the Metro Board on November 15, 2012. The lease will expire on July 31, 2018. Metro has five successive one-year options commencing August 1, 2018.

The office space is in a four-story building at the southwest corner of Crenshaw Boulevard and Vernon Avenue, approximately one block from the Crenshaw Leimert Park Station (see Attachment A). The proximity to the Leimert Park Station provides ideal access to support security, fare compliance and law enforcement operations.

DISCUSSION

With the term expiration currently set for July 31, 2018, the security office would like to secure the space at the Crenshaw Building for up to an additional ten years with an amendment to the existing lease.

The security office has found the Crenshaw Building to be a highly impactful base of operations since completion of the Exposition light-rail transit. As the Crenshaw/LAX line nears revenue operations, the security office expects further demands for fare compliance and law enforcement operations

along the Crenshaw corridor and would like to secure long-term office space along this segment of Metro right-of-way.

DETERMINATION OF SAFETY IMPACT

The proposed lease will complement Metro's first responder capability.

FINANCIAL IMPACT

The Amendment provides for monthly payment of \$18,664 (annually \$223,968) commencing August 1, 2018, and will cost \$1,189,092 over the five-year term including provisions for annual fixed three-percent escalations in rent. The five-year option to extend commencing August 1, 2023 will cost \$1,378,500. The combined ten-year term will cost \$2,567,592.

The rental rate is \$19.44 per RSF/year full service gross ("FSG") in which the Landlord is responsible for all utilities, maintenance, janitorial, property taxes and building insurance as well as common area costs. Metro is only responsible for repairing any damage caused by Metro to the leased premises. The new annual lease payment represents a three percent increase over the current lease agreement.

Real Estate staff anticipated a slight increase and finds it to be in line with escalation of rent costs in the Los Angeles region. In contrast, if Metro chooses not to amend and proceed with five options for one year each, overall costs are likely to fluctuate beyond the three percent fixed rate in the lease amendment, given CPI for the Los Angeles-Riverside-Orange Co. region is at 3.7 percent year-over-year according to the December 13, 2017 report by Bureau of Labor Statistics.

Impact to Budget

Funding for the payment of rent for the security office at the Crenshaw Building will be budgeted and paid from the Metro Non-Departmental Real Estate cost center (0651) as part of the annual budget and appropriations process under Project Number 300066 for Expo Line Rail Operations.

ALTERNATIVES CONSIDERED

Relocate the entire staff at 4401 Crenshaw to another office building in the area.

This would likely prove to be a more costly alternative for the agency as rental rates for office space in the Crenshaw building's vicinity range from \$21.00 to \$57.00 FSG per RSF per year (see Attachment B for list of comparable rates). Based on a requirement for approximately 11,500 RSF of office space to house the LAMPS staff, the average cost for office space would be approximately \$2,242,500 over the five-year term of the lease. In addition to the higher rental rate, any additional improvements (see floor plan, Attachment C) would add to the overall added expense of unknown proportion until the substitute space was selected.

NEXT STEPS

Upon approval as to form by County Counsel, the lease will be sent to the Landlord for execution.

ATTACHMENTS

Attachment A - Map of Property Location and Expo/Crenshaw Station

Attachment B - Lease Comparables

Attachment C - Floor Plan Security and Law Enforcement Office

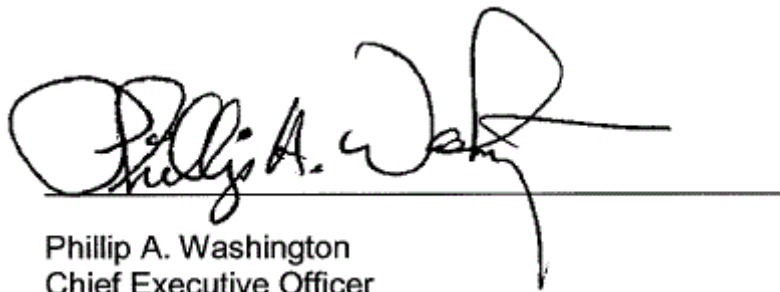
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