



RESOLUTION NO. _____

BOARD LETTER APPROVAL

John A. Smith Jr.
John A. Smith Jr. (Jul 24, 2024 15:30 PDT)

JOHN A. SMITH JR
City Administrative Officer

Joseph Ramallo

JOSEPH M. RAMALLO
Senior Assistant General Manager –
Customer Service, Communications and
Corporate Strategy

Janisse Quiñones

JANISSE QUIÑONES
Chief Executive Officer and Chief Engineer

DATE: July 12, 2024

SUBJECT: Approval of First Amendment to Commercial Lease Agreement with REDS Holding & Development Inc. for LADWP's Harbor Field Office Located at 796 W. 9th Street, San Pedro, California 90731 - LADWP File No. J-102459

SUMMARY

LADWP is requesting approval of a First Amendment to Commercial Lease Agreement (Lease Amendment) between REDS Holding & Development Inc. (Landlord), as landlord, and LADWP, as tenant. The Lease Amendment extends the term of an existing Commercial Lease Agreement (Lease), dated August 26, 2021, for an additional 10 years for LADWP's continued use of approximately 1,700 rentable square feet of office space located at 796 W. 9th Street, San Pedro, California 90731. This location serves as a field office for LADWP's Meter Services and Field Operations (MSFO) in the Harbor area. The existing Lease was granted for a term of three years, expiring on August 31, 2024. The Lease Amendment will cost LADWP approximately \$584,657.76 in base rent over the extended 10-year term, which includes annual rental increases of three percent per year. LADWP will also pay for utilities supplied to the leased premises.

City Council approval is required pursuant to Los Angeles City Charter Section 606.

RECOMMENDATION

It is requested that the Board of Water and Power Commissioners adopt the attached Resolution recommending City Council's approval of the execution of the Lease Amendment, in accordance with City Charter Section 606.

ALTERNATIVES CONSIDERED

The following alternatives were considered:

- Do not extend the Lease. There will no longer be a field office at this location to serve customers in the surrounding communities. This is therefore not a viable option.
- Enter into a new lease at a different location. LADWP searched the market for available office space; however, an acceptable substitute could not be found.
- Acquire property for the Harbor Field Office. Currently, there is no appropriate property on the market that meets LADWP's needs.

FINANCIAL INFORMATION

The proposed Lease Amendment is for a term of 10 years, commencing on September 1, 2024, and expiring on August 31, 2034 (Extended Lease Term) with a total estimated cost of \$584,657.76, plus the cost of utilities supplied to the leased premises. Annual rental increases will be fixed at three percent per year beginning on the second year of the Extended Lease Term. The proposed base rent schedule for the Extended Lease Term is as follows:

Period	Monthly Base Rent	Annualized Base Rent
Year 1	\$4,250.00	\$51,000.00
Year 2	\$4,377.50	\$52,530.00
Year 3	\$4,508.83	\$54,105.96
Year 4	\$4,644.09	\$55,729.08
Year 5	\$4,783.41	\$57,400.92
Year 6	\$4,926.91	\$59,122.92
Year 7	\$5,074.72	\$60,896.64
Year 8	\$5,226.96	\$62,723.52
Year 9	\$5,383.77	\$64,605.24
Year 10	\$5,545.29	\$66,543.48

The proposed base rent was established through market research and negotiations with the Landlord. Comparable office space in the surrounding area ranged from \$28-\$30 per square foot. Under the existing Lease, the current base rent is \$28.80 per square foot. The agreed-upon starting base rent under the Lease Amendment will be \$30 per square foot, which is within the identified range and is reflective of the current market for the subject area.

BACKGROUND

MSFO is one of the operating groups within LADWP's Customer Service Division (CSD). MSFO collects meter readings for customers' electric and water usage, investigates billing inquiries regarding utility usage, monitors potential illegal connections to prevent or reduce utility theft, and turns services on/off per customer request. The Harbor Section of MSFO serves customers located in San Pedro, Wilmington, and the southern section of the city of Los Angeles.

MSFO has had a presence in the Harbor area for over thirty years. Previously, the Harbor Field Office shared a leased office space with LADWP's San Pedro Customer Service Center located at 535 West 9th Street, San Pedro, CA 90731. In 2021, LADWP moved the Harbor Field Office to its current location at 796 W. 9th Street, San Pedro, California 90731, because of several issues at the previous location, including: (i) safety concerns due to the prevalence of unhoused persons; (ii) lack of parking for staff and customers; and (iii) an outdated facility in need of repairs and upgrades. After an extensive search for a new location, the current property was identified as the most suitable based on proximity to the service area, availability of on-site parking, improved surroundings, and a well-maintained office space that meets LADWP's needs.

The Lease Amendment will extend the term of the Lease for an additional 10 years, commencing on September 1, 2024, and expiring on August 31, 2034. Additionally, as part of the Lease Amendment, the Landlord will install perimeter fencing around the leased premises' parking area, providing for enhanced safety of LADWP staff at this location. LADWP wishes to enter into the proposed Lease Amendment to provide the Harbor community with continued meter services and support that is centrally located in the service area.

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's Report was approved on June 20, 2024.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060(c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378(b)(2) states that continuing administrative or maintenance activities, such as the renewal of leases, does not meet that definition. Therefore, the renewal of a lease agreement for office space is not an action subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney has reviewed and approved the Resolution and Lease Amendment as to form and legality.

ATTACHMENTS

- Resolution
- Lease Amendment
- CAO Report