



RESOLUTION NO. _____

BOARD LETTER APPROVAL

John A. Smith Jr.
John A. Smith Jr. (Jul 24, 2024 16:06 PDT)

JOHN A. SMITH JR
Chief 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 15, 2024

SUBJECT: Approval of a Lease for a Customer Service Center Located at 1931 North Gaffey Street, Units F and G, San Pedro, California 90731 - LADWP File No. J-102071

SUMMARY

LADWP is requesting approval of a lease agreement (Lease) between Worldport, LLC, a Delaware limited liability company (Lessor), and LADWP, as lessee, for approximately 2,640 square-feet of retail office space for a new Customer Service Center (CSC) located at 1931 North Gaffey Street, Units F and G, San Pedro, California 90731. The new CSC will replace the current San Pedro CSC located at 535 West 9th Street, San Pedro, CA 90731.

The proposed Lease is for an initial term of 10 years, with one five-year option to extend the term of the Lease. The Lease is for one floor of retail office space to be built out by Lessor on behalf of LADWP and in accordance with LADWP specifications. The total Lease cost over the full 15-year term of the Lease, if LADWP exercises its option to extend the Lease term, including base rent and tenant improvements, is currently estimated not to exceed \$3,240,000. LADWP will also pay for utilities supplied to the leased premises.

City Council approval is required pursuant to 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 Lease, in accordance with City Charter Section 606.

ALTERNATIVES CONSIDERED

The following alternatives were considered:

- Renew the lease at the current San Pedro CSC location. This will not address the issues at the current location, including safety concerns, lack of parking, and an outdated facility.
- Purchase a property for use as a CSC in the San Pedro area. At this time, there is no appropriate property on the market that meets LADWP's needs.
- Enter into a lease at a different location. Alternative properties were considered for lease; however, this location was found to be the most suitable due to its location, size, and proximity to public transportation and major commercial centers.

FINANCIAL INFORMATION

The proposed Lease is for an initial term of 10 years with a total estimated cost of \$780,000, plus the cost of utilities supplied to the leased premises. The base rent is \$5,676 per month commencing four months after the commencement date of the Lease. The Lease allows for one 5-year option to extend the Lease term, which, if exercised, will cost LADWP an additional estimated amount of \$500,000, plus the cost of utilities. Annual rental increases will be fixed at 3 percent per year during the 15-year term.

The new San Pedro CSC requires the construction of tenant improvements, which will be built out by Lessor on behalf of LADWP and in accordance with LADWP specifications at a cost not to exceed \$1,960,000. This amount includes a \$50,000 security deposit and a 25 percent contingency to account for any unexpected costs during construction. The total estimated Lease cost over the full 15-year term, if LADWP exercises its option to extend the Lease, including base rent and tenant improvements, is currently estimated not to exceed \$3,240,000, plus the cost of utilities.

BACKGROUND

The San Pedro branch of the CSC has been operating at its current location for over 40 years. However, there has been an increasing number of issues at the current 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 that is no longer adequate to meet the needs of the community.

The new CSC is located approximately two miles north of the current San Pedro CSC. It is part of a large business center with ample parking for staff and customers along with convenient access to public transportation and major commercial centers. The new location will address the issues at the current CSC and allow for an improved customer experience (e.g. a waiting area with a digital queue management system and private consultation space). Construction of tenant improvements will be performed by Lessor on behalf of LADWP at a cost not to exceed \$1,960,000, which includes a \$50,000 security deposit and a 25 percent contingency to account for any unexpected costs during construction.

LADWP has not done business with Lessor in the past 10 years.

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's (CAO) Report was approved on July 10, 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)(5) states that organizational or administrative activities that will not result in direct or indirect physical changes in the environment do not meet that definition. Therefore, the approval of a lease agreement for retail office space for a CSC is not an action subject to CEQA.

CITY ATTORNEY

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

ATTACHMENTS

- Resolution
- Lease
- CAO Report