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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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August 19, 1993

*To:* Board of Directors (Executive Committee--Action)  
*From:* Chairman, Task Force to Review Office Space and Building Sites  
*Subject:* Least Cost Planning for Interim Office Space and the Board Room

Report

On March 2, 1993, the Task Force to Review Office Space and Building Sites directed staff to complete a comprehensive analysis to assess the cost effectiveness of Metropolitan's plan to continue housing approximately 200 employees within the Annex Tower (Tower), as well as maintain the Board Room, at the 1111 Sunset Boulevard location (Sunset) until the 1998 completion of a permanent headquarters facility.

The interim relocation to Two California Plaza (Two Cal Plaza) of the majority of Metropolitan's Sunset staff was completed in April 1993. This was necessary due to space considerations, and also as a result of Metropolitan's receipt of an order from the Los Angeles Fire Department (LAFD) requiring either an upgrade of the Sunset life/safety systems (i.e. fire), or vacation of most of the premises. However, since that time, the LAFD and other City staff have cooperated with Metropolitan and have granted a 6-month compliance extension, which requires the completion, by March 19, 1994, of a long-term action plan to ensure public safety on the site.

With regard to the location of the Board Room, City staff have agreed to permit the Board of Directors, its Chair, and the Executive Secretary's staff the use of the Sunset south wing, provided "fire watches" are established and unoccupied portions of the building are secured. However, in the event that the permanent headquarters development project requires abandonment of the Sunset Site, provisions will need to be made to accommodate the Board, and staff will consider this possibility in its negotiations for additional direct lease or sublease interim office space.

The ongoing permanent headquarters site-selection process has complicated the Metropolitan's interim space decisions, and has accelerated the timing to resolve the Sunset staff location issue. This is because the ultimate disposition of the Sunset Site is unknown at this time, and because of

pending sale, demolition and/or redevelopment, it is Metropolitan's desire to minimize capital expenditures on this parcel. Minimal fire/life safety retrofit at the Sunset Site has been estimated to cost \$3.68 million if Metropolitan continues to assign large numbers of staff to this facility.

Staff's analysis of this issue has considered office costs, Sunset life/safety retrofit, Board Room location issues, compliance with the Americans with Disabilities Act (ADA) and the current Pasadena lease obligation. The relocation of some Sunset-based technical work groups such as the data center, photo studio/lab and the printshop, which require above-standard building features (i.e. floor load, HVAC, etc.), as well as the siting of microwave and communications apparatus, is undergoing further analysis, with recommendations to be presented to the Board at a later date.

Alternatives to maintaining staff at Sunset and Pasadena have been evaluated and include a) centralizing employees through negotiation of a new lease for additional Two California Plaza office space (Two Cal Plaza), as prior options have now expired; and b) centralizing employees through sublease of other downtown office space at or nearby Two Cal Plaza. This centralization of employees would require the lease/sublease of approximately 50,000 rentable square feet (rsf) of space.

Centralization of employees: a) is consistent with the Board's decision (November 7, 1991) to reject decentralization of headquarters' functions; b) would reduce the utility, maintenance, security, and shuttle costs needed to maintain multiple locations; and c) will facilitate necessary staff adjacencies and improve the ability of many Divisions to conduct business with one another. As Two Cal Plaza already houses the majority of headquarters' employees, Downtown Los Angeles, and in particular, locations within walking distance of Two Cal Plaza, are the logical site for this massing.

In support of the centralization objective, staff has utilized consultants working on Metropolitan's permanent headquarters project to conduct a preliminary search for possible interim downtown office space candidates. This process was a "blind search" in that none of the potential lessors were informed that the space would be occupied by Metropolitan. The search has identified four potential candidates which could accommodate Metropolitan's required rsf, contiguous space and adjacency needs at rates, which because of the continued distressed condition of the downtown real estate market, are likely to improve upon the current Two Cal Plaza direct lease rate secured from MS Management Services. At the time the initial Two Cal Plaza transaction was executed, on July 1, 1992, for 343,000 rsf, the lease secured by Metropolitan was below market rate for this type of building in the downtown area.

The four interim office space candidates include:

- Negotiation of a new lease for additional office space, on two contiguous floors, at Two Cal Plaza;
- Sublease of O'Melveney & Meyers office space at 400 South Hope Street;
- Sublease of IBM office space at 355 South Grand Avenue;
- Sublease of One Cal Plaza office space at 300 South Grand Avenue.

The latter three alternatives would require Metropolitan to assume sublease space on an "as is" basis, with improvements limited to actions necessary to facilitate compatibility with the Metropolitan's existing communications system. It is staff's desire to enter into immediate negotiations to secure the most favorable transaction.

Each of the above interim space options requires the continued use of the Beaudry/Alpine garage for fleet maintenance, motor pool and some employee parking until such time that:  
a) a buyer of the Sunset Site may require that this parcel be surrendered, or, b) Metropolitan is forced to vacate the garage because of redevelopment activity on the Sunset Site. In the event the District is required to abandon this parcel prior to the completion of the permanent headquarters (estimated October 1998), staff will seek interim accommodation of the above functions as nearby as possible to Two Cal Plaza.

The actions proposed herein are categorically exempt from the California Environmental Quality Act.

#### Board Committee Assignment

This letter is referred for action to the Executive Committee, as the Task Force to Review Office Space and Building Sites was formed at the specific direction of the Board Chairman and reports directly to the Chair.


Recommendations

**EXECUTIVE COMMITTEE FOR ACTION.**

1. Authorize the General Manager to enter into negotiations to secure approximately 50,000 rsf of office space, within walking distance of Two Cal Plaza, in an amount not to exceed \$7.5 million, plus incidental expenses. This lease/sublease is to be coterminous with Metropolitan's existing direct lease of Two California Plaza space;

2. Maintain the Board Room at the existing Sunset location, initiate the LAFD actions required-to-date and continue discussions with LAFD staff to determine additional activities necessary for compliance with the life/safety order;

3. Maintain the fleet and motor pool at the existing Beaudry/Alpine location.



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