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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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Executive Secretary

9-19

January 24, 1994

To: Board of Directors (Executive Committee--Information)
From: Chairman, Task Force to Review Office Space and Building Sites
Subject: Update on California Plaza Tenant Improvements

Report

On August 24, 1993, upon a recommendation from both the Task Force to Review Office Space and Building Sites and the Executive Committee, the Board of Directors authorized the General Manager to enter into negotiations with several property owners to secure approximately 50,000 rentable square feet (rsf) of additional downtown Los Angeles office space, to be within walking distance of Metropolitan's Two California Plaza interim headquarters (350 South Grand Avenue). The Board also directed that the rental costs of any subsequent lease should not exceed \$7.5 million, plus incidental expenses, and that the term of this lease/sublease should run coterminous with Metropolitan's existing Two California Plaza lease. The purpose of this report is to clarify the terms of occupancy for the new space and update the Board as to the relocation schedule.

The lease of the additional space was necessary to:
1) avoid costly improvements to the 1111 Sunset Boulevard property to bring the facility into compliance with current City of Los Angeles life/safety codes (the Board was reluctant, at this time, to invest substantial monies into structural improvements, given the ongoing search for a long-term headquarters, and the possible disposal or demolition of the Sunset parcel); and 2) facilitate, to the extent possible, necessary workgroup adjacencies through a consolidation of headquarters-related functions.

This consolidation will allow Metropolitan to fully vacate its Pasadena leased space, some of which has already been subleased. Another potential sublessor has indicated an interest in acquiring most of the balance of this space. For the time being, the Annex portion of the Sunset facility will continue at a limited occupancy, housing only the Data Center personnel on the seventh floor.

Since the date of the Board's initial instructions, a lease has been executed for office space on floors 20 and 21.

Space was also secured, under favorable terms, within the ground-level plaza of the Two California Plaza facility, for a total of 58,000 rsf. Tenant improvements to ready the new space for occupancy were initiated on January 3, 1994, as well as a limited remodeling of the 18th floor to accommodate the relocation of the Credit Union and better utilize the total floor area.

Relocation of the following work groups and facilities will begin in April 1994:

- Ground Floor** - Mail Room
Employee Lunchroom, with the ability to accommodate catered hot-entrees.
- Floor 18** - Building Services
Office Services
Credit Union
- Floor 20** - Operations Division
Centralized Control Tech Room
Graphics (most of this work group has already been relocated to California Plaza)
- Floor 21** - Personnel Division
Training Rooms
Employee Association
Central Library
Information Systems Maintenance Tech Room

Two California Plaza's building management, on behalf of Metropolitan, has already retained Illig Construction to complete the tenant improvements at a guaranteed maximum price of \$2.5 million.

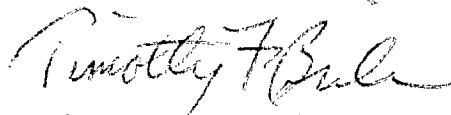
Most of these costs will be covered by the tenant improvement allowance, however, Metropolitan has some unique tenant improvement needs due to the nature of the workgroups and facilities being relocated to Two California Plaza. The Operations and Personnel Divisions have a higher than average proportion of closed offices. The training rooms and the Credit Union will require the construction of custom facilities, and utilization of the ground floor location for the lunchroom will require above-standard building features, such as separate electrical and HVAC systems, to comply with existing building codes.

The total tenant improvement allowance as secured by the lease is approximately \$1.6 million. Through aggressive project oversight during the earlier California Plaza move, Administrative Services management was able to accomplish this relocation at \$300,000 less than the project budget. Per agreement with California Plaza management, Metropolitan is entitled to credit these savings towards the current build-out, leaving a one-time out of pocket expenditure of approximately \$700,000 to accomplish the present relocation. Staff will continue to identify opportunities for savings as construction progresses and again, through aggressive project management, will make every effort to further contain these costs.

Board Committee Assignment

This letter is referred for information to:

The Executive Committee, since the Task Force to Review Office Space and Building Sites was formed at the specific direction of the Board Chairman, and reports directly to your Chair.



Timothy F. Brick