

# Proposed LA Earthquake Retrofit Plan Could Cost Tenants

**Nik Bandak** | Construction Management

Los Angeles' new seismic retrofit proposal plan guards against risk, but could prove costly.

If the Big One comes, Mayor Garcetti wants Los Angeles to be ready. After decades of no resolve under previous leadership, the mayor revitalized a plan titled Resilience by Design to force owners of wood framed and concrete buildings located within the City of Los Angeles to seismically retrofit their buildings to help prevent catastrophic damage in the event of a major earthquake.

While the proposal has garnered early support, questions linger as to who will pay for the retrofits. It remains to be seen whether the plan would include financial incentives for building owners who upgrade their properties. A possible bond measure could also give owners a break on property taxes once retrofits are complete. The real question, however, is how will the plan affect tenants?

As building owners make plans to retrofit their properties, both residential and commercial tenants could see their rents increase. Ed

Muna, senior vice president of Hughes Marino's Lease Audit Services division, warns that tenants should be proactive to avoid costly expense pass-throughs in the future.

"Commercial leases are written to protect property owners from costly mandates like these by allowing them to pass capital expenditures onto their tenants. To protect against potential risks, a tenant with good representation can negotiate specific language to be included in the lease that will help eliminate or minimize what is likely to be a significant expense," says Muna.

So how much money are we really talking about? Retrofits could cost as much as \$130,000 for wooden residential properties, and in the millions of dollars for taller concrete buildings, according to the L.A. Times.

Although many property owners worry the construction costs could impose a serious financial burden, their concerns are quickly overshadowed by the idea of another large earthquake incident. As U.S. Geological Survey seismologist Lucy Jones explains, "You're not going to earn any money after the earthquake if we don't deal with these solutions."



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## Which Buildings Will Be Affected, and When?

The plan targets two types of buildings:

1. **Pre-1980 "non-ductile reinforced concrete" buildings**, which include most concrete buildings built before the implementation of the 1976



building code, i.e. apartment complexes, schools, hospitals, office buildings, and warehouses.

- 2. Pre-1980 “soft-first-story” buildings**, or wood frame buildings with large first-floor openings, except for single family homes and residences with three or fewer units.

The report recommends the following deadlines be enforced once legislation is passed:

- 1. Concrete Buildings** – Within five years, building owners will need to complete an evaluation with a structural engineer to determine if retrofitting will need to be completed. The retrofitting process, inclusive of the evaluation, the submission of plans, and the actual retrofitting will need to be completed within 30 years.
- 2. Soft Story Buildings** – Within one year, building owners will need to submit documentation proving an acceptable retrofit has been completed, or that a retrofit is required. In addition, the report recommends that retrofitting be

required so that first floors are strengthened to the same capacity as the second floors within five years.

The proposal would also require buildings with excessive damage due to a low-level earthquake to be retrofitted immediately, and implements a voluntary building rating system, along with a “Back to Business” program that outlines how the city would supplement the building inspection force in the event of a major earthquake.

## What Tenants Can Do Right Now

There’s no question that the proposed seismic retrofits are a necessary precaution – you can’t put a price tag on human life. However, every commercial tenant can take steps now to ensure building upgrades won’t have negative implications for their company’s bottom line.

Tax incentives and bond measures may help soften the blow, but building owners and tenants will likely absorb much of the costs of retrofitting. Control what you can now, and consult with a real estate professional

specializing in tenant representation to review your lease and evaluate your options so that you’re not stuck with pass-through costs down the road.

Also, be sure to seek advice from a construction expert before undertaking any tenant improvements. You don’t want to expose your company to expensive code compliance issues, retrofits and other ticking time bombs that could adversely affect your business. □

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