


TRANSMITTAL

TO Council	DATE 09-25-17	COUNCIL FILE NO.
FROM Municipal Facilities Committee		COUNCIL DISTRICT 14

At its meeting held on August 31, 2017, the Municipal Facilities Committee (MFC) adopted the recommendations of the attached General Services Department (GSD) report, which is hereby transmitted for Council consideration. Adoption of the report recommendations would authorize GSD to negotiate and execute a new lease agreement between the City and High Rise Goodies Restaurant Group (doing business as Trimana), for City owned property located at 221 North Figueroa Street, Suite 190. There is no additional impact on the General Fund as a result of the recommended actions.


Richard H. Llewellyn, Jr.
Interim City Administrative Officer
Chair, Municipal Facilities Committee



CITY OF LOS ANGELES
CALIFORNIA

Agenda Item No. 2c

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT



ERIC GARCETTI
MAYOR

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August 31, 2017

Honorable City Council
City of Los Angeles
c/o City Clerk
Room 395, City Hall
Los Angeles, CA 90012

Attention: John White, Legislative Assistant

**REQUEST FOR AUTHORIZATION TO NEGOTIATE AND EXECUTE A NEW
LEASE AGREEMENT WITH HIGH RISE GOODIES RESTAURANT GROUP, INC.**

The Department of General Services (GSD) requests authority to negotiate and execute a new lease with High Rise Goodies Restaurant Group, Inc. doing business as (dba) Trimana. The new contract will allow for the continued use of the ground floor, Suite 190 at Figueroa Plaza, (Fig Plaza) located at 221 North Figueroa Street.

BACKGROUND

The existing tenant is currently operating Trimana as a fast casual dining restaurant, on the ground floor, Suite 190. Trimana has been operating a first class dine-in and take-out restaurant serving items such as breakfast sandwiches, breakfast platters, omelets, quesadillas, wraps, burritos, and various other items. Trimana also provides catering services to the building occupants for meetings and events.

The current lease expired as of May 5, 2017 and is in month-to-month status, per the lease holdover clause, at the current rate of \$4,254 per month. The original terms of the lease provided for a ten year term commencing May 11, 2007 with one ten-year extension, however, Trimana desires to execute a new lease. The initial annual base rent when the current lease commenced in 2007 was \$43,247 at \$37.77 per rentable square feet or monthly base rent of \$3,604 at \$3.15 per rentable square feet. The current annual base rent is \$51,048 at \$44.58 per rentable square feet or monthly base rent of \$4,254 at 3.72 per rentable square feet. The average CAM charges are approximately \$271 monthly for a total monthly rent of \$4,525. CAM charges (Net charges billed to tenants in a commercial lease) applicable per the tenants pro rata share is .351% of the total rentable area of the building (307,556 square feet). Additional rent(s) include Percentage Rent (the difference of 7% monthly gross sales of any amount exceeding the monthly base rent). During the last twelve months, the Percentage Rent amount exceeded the base rent only twice over the last 12 months resulting in \$651 as payable rent.



Trimana specializes in operating fast casual restaurants in high-rise commercial buildings in and around the downtown Los Angeles area. Trimana wishes to continue to lease the current space and execute a new lease agreement for a new ten year term with one additional ten-year option. Trimana has plans to remodel the current space and expand their menu options to provide a greater, more diverse selection of food items which will include personal pizzas, pasta bowls, hot sandwiches, and rice bowls. The 10 year term, plus the ten-year option, allows Trimana to amortize its physical infrastructure and remodel with favorable banking terms. Without a ten year term, Trimana won't be able to recoup its investment in the remodel.

The proposed lease agreement will contain the following:

TERMS AND CONDITIONS

LOCATION:	221 North Figueroa Street, Suite 190
LANDLORD:	City of Los Angeles
USE:	A first class dine-in and take-out restaurant
SQUARE FEET:	Approximately 1,145 (includes lobby area dining section)
TERM:	Ten years
OPTION TERM:	One ten-year option
HOLDOVER OPTION:	Lease option to allow for month-to-month holdover including CPI increases on lease anniversary date
BASE RENTAL RATE:	\$54,685 (\$3.98 per square feet)
ADDITIONAL RENT:	Percentage Rent – Seven percent (7%) of gross sales, subject to terms of the lease
CAM CHARGES:	CAM charges applied per the tenants pro rata share of .351% of the total rentable area of the building (307,556 square feet)
ANNUAL INCREASES:	3% CPI
SECURITY DEPOSIT:	Two months' rent
UTILITIES:	All utilities will be paid by tenant and separately metered
PARKING:	Two unreserved parking passes at prevailing market rates
TENANT IMPROVEMENTS:	All tenant improvements will be at the sole cost of the tenant

CUSTODIAL SERVICE: All custodial services will be at the sole cost of the tenant

MAINTENANCE: All building maintenance to the premises will be at the sole cost of the tenant

FISCAL IMPACT

The annual base revenue generated to the General Fund from this restaurant location will be \$54,685 annually or \$4,557 per month. This results in an initial annual increase of \$3,637 over the current lease. Under the current lease terms, the tenant pays a monthly base rent of \$4,254 with additional monthly CAM charges of approximately \$271 for a total of \$4,525 per month. Additional rent(s) will include Percentage Rent: the difference of 7% monthly gross sales of any amount exceeding the monthly base rent.

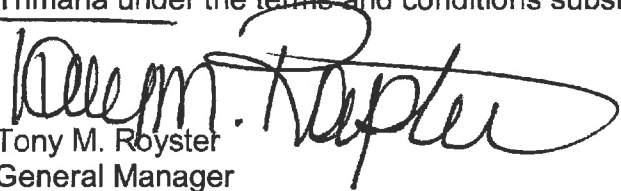
MARKET ANALYSIS

The market analysis was conducted for lease locations within one mile of Fig Plaza and revealed an average starting rent per square foot of \$3.98 (See attached). This represents an increase of \$0.26 (+6.99%) over the current rate of \$3.72 per square feet. The analysis included 32 lease deals with starting rent per square foot ranging from \$3.75-\$4.15.

The negotiated amount of \$3.98 per square foot represents an adequate rate, considering the uses at Figueroa Plaza are substantially internal-facing, primarily tenant/visitor serving retail spaces, and function essentially as a building amenity rather than a true internal & external retail space for all consumers.

RECOMMENDATION

That the Los Angeles City Council authorizes the Department of General Services to execute a new lease agreement with High Rise Goodies Restaurant Group, Inc., dba Trimana under the terms and conditions substantially as outlined in this report.


Tony M. Royster
General Manager

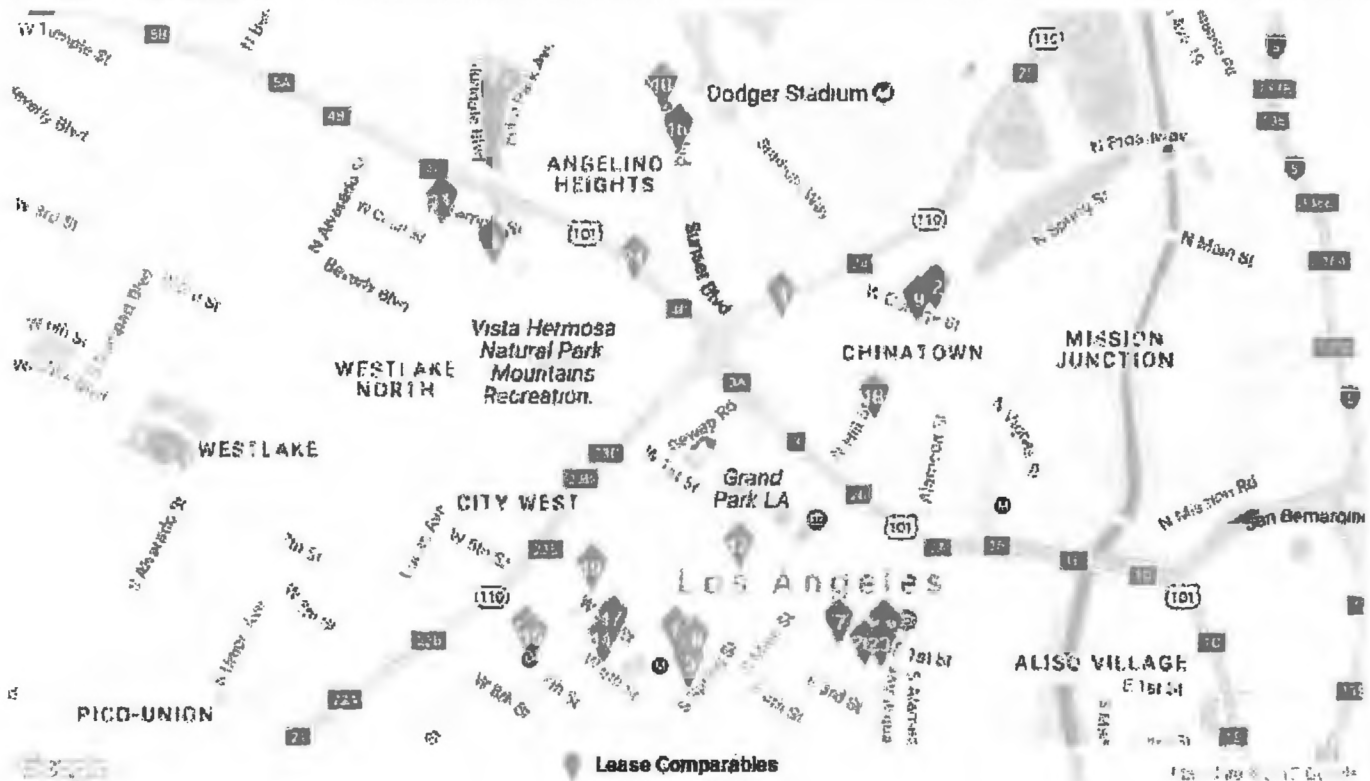
Attachments

Lease Comps Summary

Lease Comps Report

Deals	NNN Asking Rent Per SF	NNN Starting Rent Per SF	Avg. Months On Market
32	\$3.83	\$3.98	15

LEASE COMPARABLES



SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
NNN Asking Rent Per SF	28	\$2.75	\$3.83	\$3.75	\$4.95
NNN Starting Rent Per SF	2	\$3.75	\$3.98	\$3.95	\$4.15
NNN Effective Rent Per SF	2	\$3.32	\$3.80	\$3.74	\$4.15
Asking Rent Discount	2	-7.1%	-1.2%	-2.4%	2.4%
Ti Allowance	-	-	-	-	-
Months Free Rent	1	6	6	6	6
Lease Attributes	Deals	Low	Average	Median	High
Months on Market	31	1	15	10	46
Deal Size	32	1,030	1,446	1,399	2,000
Lease Deal in Years	12	2.0	6.4	5.0	10.0
Floor Number	30	GRND	GRND	1	1

Lease Comps Summary

Lease Comps Report

Property Name - Address	Rating	SF Leased	Lease			Rents		
			Floor	Sign Date	Type	Rent	Rent Type	
1 712-722 N Figueroa St	★★★★☆	1,050	1st	6/9/2017	New	\$3.50/nnn	Asking	
2 Blossom Plaza 900 N Broadway	★★★★★	1,629	1st	6/5/2017	New	\$3.75/nnn	Asking	
3 The Alexandria 507-517 S Spring St	★★★★☆	1,851	GRND	6/5/2017	New	\$3.50/nnn	Asking	
4 Echo Park Village 301-343 N Glendale Blvd	★★★★☆	1,145	1st	5/23/2017	New	\$4.00/nnn	Asking	
5 Building A 101 Japanese Village Plaz...	★★★★☆	1,632	Unkwn	5/5/2017	-	\$4.75/nnn	Asking	
3 The Alexandria 507-517 S Spring St	★★★★☆	1,030	GRND	4/6/2017	New	\$3.50/nnn	Asking	
6 437 S Broadway	★★★★☆	1,389	1st	2/28/2017	New	\$3.50/nnn	Asking	
7 Wakaba 232 E 2nd St	★★★★★	1,790	1st	10/28/2016	New	\$4.15/nnn	Effective	
7 Wakaba 232 E 2nd St	★★★★★	1,230	1st	9/29/2016	New	\$4.25/nnn	Asking	
8 The Broadway Lofts 430 S Broadway	★★★★☆	1,410	1st	7/14/2016	New	\$3.75/nnn	Asking	
8 The Broadway Lofts 430 S Broadway	★★★★☆	1,410	1st	7/14/2016	New	\$3.75/nnn	Asking	
9 839-845 N Broadway	★★★★☆	1,200	1st	4/20/2016	New	\$4.50/nnn	Asking	
10 Sunset Molina Center 1364-1382 W Sunset Blvd	★★★★☆	1,440	1st	3/14/2016	New	\$3.75/nnn	Asking	
11 333B 333 Belmont Ave	★★★★☆	1,109	1st	3/11/2016	New	\$4.25/nnn	Asking	
12 Broadway Media Center 316 W 2nd St	★★★★☆	2,000	Unkwn	12/1/2015	New	\$3.97/mg	Effective	
13 801 W 7th St	★★★★☆	1,100	1st	11/1/2015	New	\$4.50/nnn	Asking	
14 PacMutual 523 W 6th St	★★★★☆	1,951	1st	8/26/2015	New	\$4.00/nnn	Asking	
7 Wakaba 232 E 2nd St	★★★★★	1,200	1st	6/2/2015	New	\$4.25/nnn	Asking	
15 The Roosevelt 727 W 7th St	★★★★☆	1,175	1st	6/2/2015	New	\$4.95/nnn	Asking	
16 1298 W Sunset Blvd	★★★★☆	1,320	1st	6/1/2015	New	\$3.32/nnn	Effective	
17 Biltmore Court 500-520 S Grand Ave	★★★★☆	1,708	1st	3/4/2015	New	\$3.50/mg	Asking	

Lease Comps Summary

Lease Comps Report

Property Name - Address	Rating	SF Leased	Lease			Rents	
			Floor	Sign Date	Type	Rent	Rent Type
18 Jia Apartments 639 N Broadway	★★★★★	1,455	1st	1/30/2015	New	\$4.00/nnn	Asking
18 Jia Apartments 639 N Broadway	★★★★★	1,343	1st	1/2/2015	New	\$4.00/nnn	Asking
19 Citigroup Center 444 S Flower St	★★★★★	1,318	1st	1/1/2015	New	\$3.50/nnn	Asking
20 Little Tokyo Plaza 330-340 E 2nd St	★★★★★	1,140	1st	12/2/2014	New	\$3.50/mg	Asking
21 1217-1223 W Temple St	★★★★★	1,980	1st	11/11/2014	New	\$4.04/mg	Asking
22 Building G 356 E 1st St	★★★★★	1,172	1st	11/9/2014	New	\$3.50/nnn	Asking
18 Jia Apartments 639 N Broadway	★★★★★	1,583	1st	10/28/2014	New	\$4.00/nnn	Asking
22 Building G 356 E 1st St	★★★★★	1,632	1st	10/21/2014	New	\$4.00/nnn	Asking
23 Hikari Apartments 363-375 E 2nd St	★★★★★	1,370	1st	9/15/2014	New	\$4.25/nnn	Asking
18 Jia Apartments 639 N Broadway	★★★★★	1,637	1st	9/2/2014	New	\$4.00/nnn	Asking
22 Building G 356 E 1st St	★★★★★	1,882	1st	1/17/2014	Renewal	\$3.85/nnn	Asking