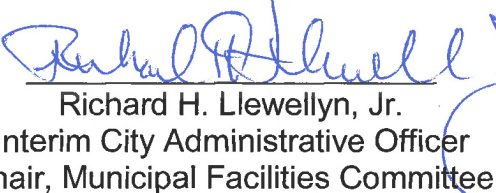


TRANSMITTAL

TO Council	DATE 9/22/17	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 Jessica Lee and Yong Woo Park (doing business as Plaza Cards and Gifts), for City owned property located at 201 North Figueroa Street, Suite 199. 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

RHL:BCH:05180044

CITY OF LOS ANGELES
CALIFORNIA

Agenda Item No. 2a

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT



ERIC GARCETTI
MAYOR

DEPARTMENT OF
GENERAL SERVICES
ROOM 701
CITY HALL SOUTH
111 EAST FIRST STREET
LOS ANGELES, CA 90012
(213) 928-9555
FAX No. (213) 928-9515

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 PLAZA CARDS AND GIFTS STORE**

The Department of General Services (GSD) requests authority to negotiate and execute a new lease with Jessica Lee and Yong Woo Park doing business as (dba) Plaza Cards and Gifts. The new contract will allow for the continued use of the ground floor Suite 199 at Figueroa Plaza (Fig Plaza) located at 201 North Figueroa Street.

BACKGROUND

Plaza Cards and Gifts is located on the ground floor Suite 199. Plaza Cards and Gifts is currently operating a convenience snack and gift shop offering a range of everyday items such as snack foods, confectionery, soft drinks, tobacco products, over-the-counter drugs, toiletries, newspapers, and magazines.

The current lease expired as of February 29, 2016 and is in month-to-month status, per the lease holdover clause, at the current rate of \$1,121 per month. The original terms of the lease provided for a five year term commencing March 1, 1996, with three five-year extensions. The initial annual base rent was \$9,555 or monthly base rent of \$796.25 at \$1.75 per rentable square feet. The current annual base rent is \$13,452 or monthly base rent of \$1,121 at \$2.46 per rentable square feet.

Plaza Cards and Gifts is a valuable to tenant to Fig Plaza and the building occupants are very satisfied with the convenience store. In addition, Plaza Cards and Gifts has no history of delinquency.



The proposed lease agreement will contain the following:

TERMS AND CONDITIONS

LOCATION:	201 North Figueroa Street, Suite 199
LANDLORD:	City of Los Angeles
USE:	A retail convenience store
SQUARE FEET:	Approximately 455
TERM:	5 years
OPTION TERM:	Three Five-year options
HOLDOVER OPTION:	Lease option to allow for month-to-month holdover including CPI increase on lease anniversary date
BASE RENTAL RATE:	\$17,854 (\$3.27 per square foot)
CAM CHARGES:	CAM charges per the tenants pro rata share is 0.00148 or 148% of the total rentable area of the building (307,556 square feet)
ANNUAL INCREASES:	+3% CPI
SECURITY DEPOSIT:	Two months' rent
UTILITIES:	Tenants share of direct expenses
PARKING:	One unreserved parking pass at prevailing market rates
TENANT IMPROVEMENTS:	N/A
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 landlord

FISCAL IMPACT

The annual base revenue generated to the General Fund from this retail location will be \$17,854 or \$1,488 monthly. This results in an annual increase of \$4,398 over the

current lease. Under the current lease terms, the tenant pays a monthly base rent of \$1,121. Additional rent(s) will include CAM charges as applicable.

MARKET ANALYSIS

The market analysis was conducted for lease locations within one mile of Fig Plaza and revealed a starting rent per square foot of \$3.27 (See attached). This represents an increase \$0.81 (+32.7%) over the current rate of \$2.46 per square foot. The tenant does not currently pay CAM charges under the terms of the current lease. The analysis included 17 lease deals with starting rent per square foot ranging from \$3.00-\$4.00.

The negotiated amount of \$3.27 per square foot represents an adequate rate considering the uses at Fig Plaza are substantially internal-facing, primarily tenant/visitor serving retail spaces, and function essentially as a building amenity rather than a true retail space for all consumers.

RECOMMENDATION

That the Los Angeles City Council authorizes the Department of General Services to negotiate and execute a new lease agreement with Jessica Lee and Yong Woo Park, dba Plaza Cards and Gifts, under the terms and conditions substantially as outlined in this report.



Tony M. Royster
General Manager

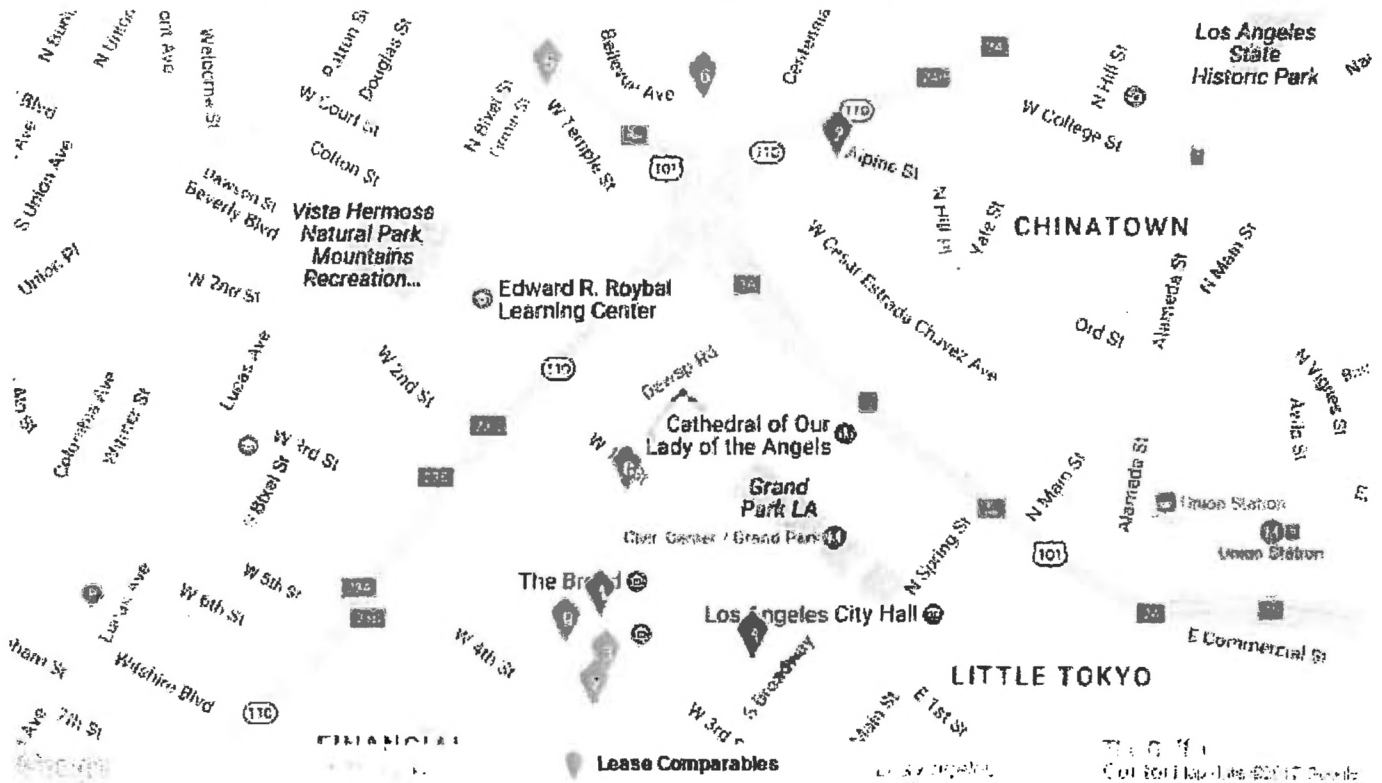
Attachments

Lease Comps Summary

Lease Comps Report

Deals	NNN Asking Rent Per SF	NNN Starting Rent Per SF	Avg. Months On Market
17	\$3.22	\$3.27	14

LEASE COMPARABLES



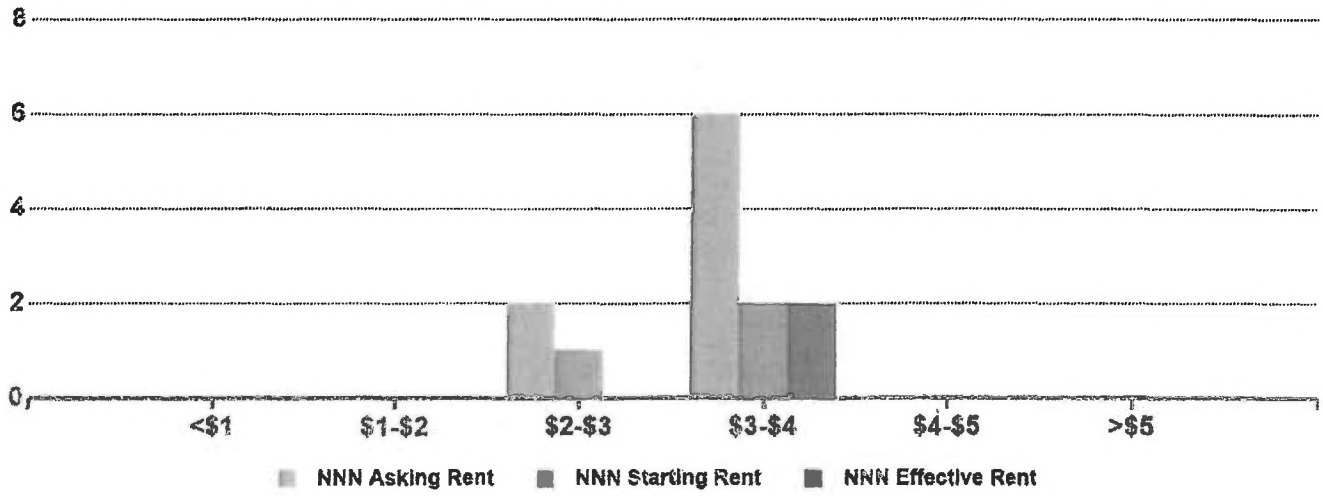
SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
NNN Asking Rent Per SF	8	\$2.50	\$3.22	\$3.25	\$3.50
NNN Starting Rent Per SF	3	\$3.00	\$3.27	\$3.10	\$4.00
NNN Effective Rent Per SF	2	\$3.09	\$3.46	\$3.50	\$3.90
Asking Rent Discount	1	0.0%	0.0%	0.0%	0.0%
TI Allowance	-	-	-	-	-
Months Free Rent	2	1	3	3	5
Lease Attributes	Deals	Low	Average	Median	High
Months on Market	16	1	14	10	53
Deal Size	17	550	1,673	1,540	3,741
Lease Deal in Years	7	3.0	6.3	5.0	10.0
Floor Number	16	LL	GRND	1	2

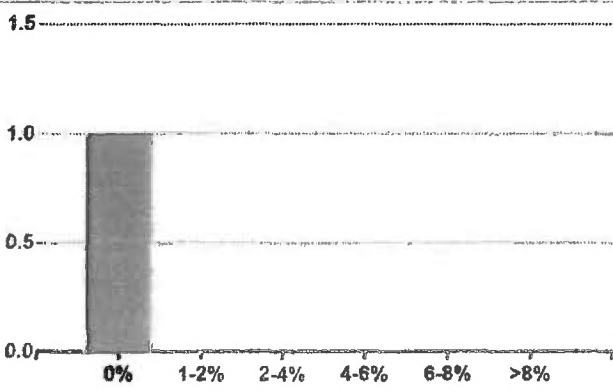
Rents

NNN Asking Rent Per SF	NNN Starting Rent Per SF	NNN Effective Rent Per SF	Avg. Months Free Rent
\$3.22	\$3.27	\$3.46	3.0

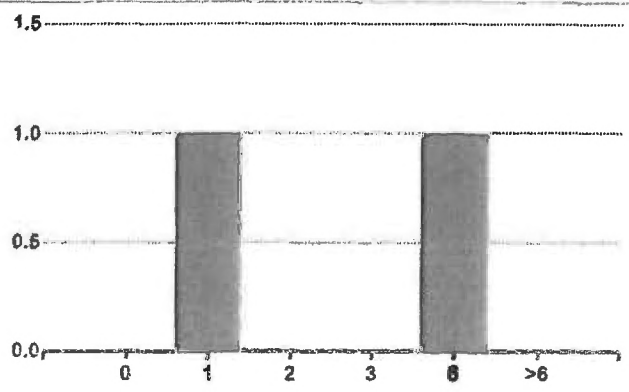
DEALS BY NNN ASKING, NNN STARTING, AND NNN EFFECTIVE RENT



DEALS BY ASKING RENT DISCOUNT



DEALS BY MONTHS FREE RENT



Lease Comps Summary

Lease Comps Report

Property Name - Address	Rating	SF Leased	Lease		Type	Rents	
			Floor	Sign Date		Rent	Rent Type
1 255 Grand 255 S Grand Ave	★★★★☆	1,643	1st	7/11/2017	New	\$2.40/mg	Asking
2 712-722 N Figueroa St	★★★☆☆	1,050	1st	6/9/2017	New	\$3.50/nnn	Asking
3 One California Plaza 300 S Grand Ave	★★★★★	2,824	GRND	10/19/2016	New	\$3.50/nnn	Asking
3 One California Plaza 300 S Grand Ave	★★★★★	3,741	LL	7/28/2016	New	\$3.50/nnn	Asking
4 Broadway Media Center 316 W 2nd St	★★★☆☆	2,000	Unkwn	12/1/2015	New	\$3.97/mg	Effective
5 1217-1223 W Temple St	★★★☆☆	1,980	1st	11/11/2014	New	\$4.04/mg	Asking
6 1065 W Sunset Blvd	★★★☆☆	550	2nd	4/1/2014	New	\$2.04/mg	Effective
7 Two California Plaza 350 S Grand Ave	★★★★★	932	GRND	3/13/2014	New	\$3.00/mg	Asking
7 Two California Plaza 350 S Grand Ave	★★★★★	914	GRND	10/31/2013	New	\$3.00/mg	Asking
1 255 Grand 255 S Grand Ave	★★★★☆	2,348	1st	5/4/2013	New	\$2.50/nnn	Asking
8 Promenade Plaza 700 W 1st St	★★★☆☆	1,134	GRND	9/1/2012	New	\$2.75/mg	Asking
9 Wells Fargo Center - Nort... 333 S Grand Ave	★★★★★	998	1st	3/1/2012	New	\$3.90/nnn	Effective
1 255 Grand 255 S Grand Ave	★★★★☆	2,420	1st	1/20/2012	New	\$3.25/nnn	Asking
1 255 Grand 255 S Grand Ave	★★★★☆	2,420	1st	9/20/2011	New	\$3.10/nnn	Starting
1 255 Grand 255 S Grand Ave	★★★★☆	1,540	1st	5/24/2011	New	\$3.25/nnn	Asking
1 255 Grand 255 S Grand Ave	★★★★☆	750	1st	10/1/2010	New	\$3.25/nnn	Asking
8 Promenade Plaza 700 W 1st St	★★★☆☆	1,197	GRND	2/9/2010	New	\$3.09/nnn	Effective