

0150-11935-0000

TRANSMITTAL

TO Council	DATE 08-09-2021	COUNCIL FILE NO.
FROM Municipal Facilities Committee		COUNCIL DISTRICT 14

At its meeting held on July 29, 2021, 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 recommendation would authorize GSD to negotiate and execute a new lease agreement with Homeboy Industries, Inc. dba as Homeboy General Store, for the operation of a general store and cafe at the City of Los Angeles City Hall located at 200 North Main Street for a term of five years, with two five-year extension options.

The General Fund will receive \$1,130.92 per month or \$13,571 per year for rent from this lease, with annual CPI escalations throughout the lease term.



Mathew W. Szabo
City Administrative Officer
Chair, Municipal Facilities Committee

CITY OF LOS ANGELES

CALIFORNIA

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT



ERIC GARCETTI
MAYOR

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July 29, 2021

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

Attention: Michael Espinosa, Legislative Assistant

REQUEST AUTHORITY TO NEGOTIATE AND EXECUTE A NEW LEASE WITH HOMEBOY INDUSTRIES, INC. DBA HOMEBOY GENERAL STORE AT LOS ANGELES CITY HALL

The Department of General Services (GSD) requests authority to negotiate and execute a new lease with Homeboy Industries, Inc. (Homeboy), doing business as Homeboy General Store, for the continued operation of a general store and cafe at the Los Angeles City Hall (City Hall) located on the 2nd floor at 200 N. Main St., Los Angeles, CA 90012.

BACKGROUND

On December 15, 2010, City Council approved a GSD report (C.F. 10-1862) requesting authority to negotiate and execute a new lease with Homeboy. The GSD report was in response to an August 2010 Request for Proposals (RFP) to obtain qualified vendors to operate a general store at City Hall. GSD received three vendor proposals to the RFP, held interviews, and approved a proposal submitted by Homeboy to operate a general store and café at City Hall. Additionally, Homeboy provided qualified documentation indicating the financial and retail qualifications in order to successfully operate the general store business.

Homeboy has successfully operated the general store and cafe since June 2011 which included a variety of breakfast and lunch items, salads, hot and cold beverages, sandwiches, entrees, newspapers and sundries. Homeboy requested this new lease to continue operations at their current location which benefits City Hall visitors, City employees in the Civic Center and immediate surrounding areas where there are limited grab-and-go food options.



The current lease was initially a five-year term with one five-year extension ending on June 30, 2021. Currently, the lease is on month-to-month holdover status. The Lessee, who is current on rent, is a long-term stable tenant, pays on-time, and has weathered a period of heightened uncertainty during the COVID-19 pandemic while vacating the space for over a year. Homeboy is looking to stabilize their business to continue operating after a year of unprecedented instability.

TERMS AND CONDITIONS

The new proposed lease is for five years with two five-year extension options. The tenant will be responsible for ongoing maintenance and utilities. A complete set of terms and conditions are outlined on the attached term sheet.

MARKET ANALYSIS

Based on recent market analysis, market rents of similar type properties and uses in the Downtown submarket of Los Angeles range from \$1.65 - \$3.22 per square foot (sf) and tenant's proportionate share of operating expenses, property tax, and insurance.

Location	Property / Type	Rent/SF/Mo	Rentable S.F.
Homeboy General Store*	Retail	\$1.96	577
212 W 5th St	Retail/Restaurant	\$3.00	1,750
464 S Main St	Retail/Restaurant	\$2.92	2,300
248-260 S Broadway	Retail/Storefront	\$3.22	1,850
347-349 S Broadway	Retail/Storefront	\$3.00	5,000
437 S Broadway	Retail/Storefront	\$1.65	1,850
396 S Los Angeles St	Retail/Storefront	\$2.00	1,700
217-223 W 4th St	Retail/Storefront	\$2.60	1,183
331 S Broadway	Retail/Storefront	\$2.50	2,800
	Average	\$2.61	

*Interior location with limited foot traffic inside City Hall.

Homeboy's current rental rate of \$1.56 per sf is below the current range of comparable properties in the area.

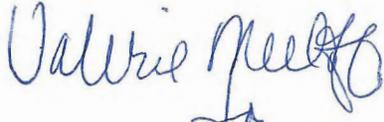
However, due to the limited foot traffic and reduced operating hours in comparison to street-facing retail and the forward-looking capacity at City Hall, GSD and Homeboy negotiated a discounted average rate of \$1.96 per sf.

FISCAL IMPACT

The revenue from this lease will generate approximately \$13,571 annually (\$1,130.92/mo.) to the General Fund with annual CPI escalations throughout the lease term.

RECOMMENDATION

That the Los Angeles City Council, subject to the approval of the Mayor, authorize the Department of General Services to negotiate and execute a new lease agreement with Homeboy Industries, Inc., doing business as Homeboy General Store, for the operation of a general store and cafe at the City of Los Angeles City Hall located at 200 N. Main St., Los Angeles, California 90012 under the terms and conditions substantially as outlined in this report.



Tony M. Royster
General Manager

Attachments: Term Sheet

LEASING TERM SHEET

MFC DATE	07/29/2021
LANDLORD	City of Los Angeles
ADDRESS	111 E. 1st St., Los Angeles, CA 90012
TENANT	HOMEBOY INDUSTRIES, INC. dba HOMEBOY GENERAL STORE
ADDRESS	130 West San Bruno Street, Los Angeles, CA 90012
LOCATION	200 N. MAIN ST., SUITE 210, LOS ANGELES, CA 90012
AGREEMENT TYPE	Receivable Retail Lease
USE	GENERAL STORE
SQUARE FEET	577
TERM	5 YEARS
RENT START DATE	Date Attested
LEASE START DATE	Date Attested
OPTION TERM	Two (2) Five-Year Extensions
HOLDOVER	Month-To-Month
SUBLET/ ASSIGNMENT	RIGHT TO ASSIGN - LANDLORD APPROVAL
TERMINATION	N/A
RENTAL RATE	\$1.96/sf
ESCALATION	Consumer Price Index annual increases not to exceed 3.0% per year
RENTAL ABATEMENT	3 Months
ADDITIONAL RENT	Monthly Utilities; Tenant will be responsible for electrical utility charges.
PROPERTY TAX	Possession
OPEX	n/a
CAM	n/a

OTHER	n/a
SECURITY DEPOSIT	n/a
MAINTENANCE/ REPAIR	Other*
MAINTENANCE/ REPAIR DETAILS	Tenant is responsible for all repair and maintenance within the suite and HVAC equipment serving the premises
TENANT IMPROVEMENTS	Tenant is responsible for all tenant improvements
PARKING	n/a
UTILITIES	Tenant responsible for all applicable Utilities
CUSTODIAL	Tenant responsible for interior and frontage of space
SECURITY	n/a
PROP 13 PROTECTION	Landlord will NOT provide Prop 13 protection.
INSURANCE	TENANT shall indemnify and hold harmless the City
OTHER:	