



Board Report

File #: 2015-1628, File Type: Agreement

Agenda Number: 45.

EXECUTIVE MANAGEMENT COMMITTEE  
NOVEMBER 19, 2015

SUBJECT: HISTORIC NORTH HOLLYWOOD TRAIN DEPOT

ACTION: AUTHORIZE EXECUTION OF A LEASE AGREEMENT WITH GROUNDWORK  
COFFEE AND TEA COMMUNITY

RECOMMENDATION

AUTHORIZING:

- A. the Chief Executive Officer to execute a ten year (10-year) Lease Agreement, including an option to extend for an additional five (5) year term, with **Groundwork Coffee and Tea Community (“Groundwork”)** for the operation of a retail business at the **Historic North Hollywood Train Depot** at a first year annual lease rate of \$3.50/square foot or \$40,740; and
- B. the new net revenues generated to be applied to the Risk Allocation Matrix savings.

ISSUE

Metro staff released a Request for Proposals for a retail operator for the North Hollywood Train Depot (“Depot”). Three responses were received. Of those, Groundwork, the recommended vendor, offered the most advantageous revenue arrangements as well as the most relevant experience.

Approval of the Lease Agreement requires board approval.

DISCUSSION

The Depot, historically known as the Toluca Southern Pacific Train Depot was originally built in 1896. It is one of the few remaining wood frame, 19th century railroad stations in Southern California. In the fall of 2014, Metro completed a \$3.6 million restoration project, which rehabilitated approximately 70 percent of the original station. The Depot consists of approximately 1,635 square feet. Approximately, 970 square feet of the space is available for retail development, 300 square feet is designated for the Metro Bike Hub (“Bike Hub”), and the balance of the Depot interior space consists of 365 square feet of circulation space. The Depot also has a covered outdoor seating area consisting of approximately 3,410 square feet. The Depot is located at the terminus of the Orange Line transit way and across Lankershim Boulevard from the North Hollywood Red Line station.

In May 2015, Metro staff released a Request for Proposals for a retail operator to design, develop, finance and operate a retail business that provides goods and services to patrons at the Depot. Three responses were received; however, one of the proposers withdrew its proposal prior to the evaluation of proposals by Metro staff.

Metro staff conducted a technical evaluation of the remaining two proposals. The proposal submitted by Beyond International, LLC was for a convenience store with an average first year lease rate of \$1.63/ square foot compared to \$3.50 offered by Groundwork. Based on the staff analysis, the proposal submitted by Groundwork was determined to provide the best value to Metro with all factors considered.

Groundwork proposes to design, develop, finance and operate a retail coffee and specialty retail business in approximately 970 square feet of the Depot space as shown on Exhibit "A". The tenant will construct approximately \$350,000 in tenant improvements, including heating, ventilation, and air conditioning (HVAC) equipment that will serve the entire Depot.

Groundwork has strong ties to and a deep understanding of the North Hollywood Community having operated in North Hollywood since 1997. The business began in 1990 in Venice Beach where they became one of the first certified organic coffee roasters in California. The business grew to nine stores.

Today, Groundwork's business operations in North Hollywood are located in four buildings, including its headquarters and its coffee roasting facility, where it plans to roast all the coffee for the NOHO Depot Cafe. In addition to the coffee roasting plant, the business operates a distribution warehouse, a catering company, technical services office, sales and marketing office, and a quality control lab from their North Hollywood properties, as well as the nine original retail locations situated throughout Los Angeles (including the Los Angeles Convention Center) and the Westside. They employ 150 employees companywide, including 50 employees who work in its North Hollywood facilities. The operation of the North Hollywood location will follow the business model Groundwork follows at their other locations which includes a venue for art shows, stand-up comedy, musicians, and other local artist centered cultural events.

The Bike Hub is planned to serve the North Hollywood Station, which will provide secure-access bike parking and retail services for bike repairs, parts, and accessories to support bike-to-transit commuters. In order to provide a consistent design and theme throughout the Depot, Groundwork will perform preliminary design and construct certain common area improvements and the basic wall finishing, flooring, heating, cooling, electrical, communication conduit, and lighting facilities including the bike program's exclusive space consisting of approximately 300 square feet. Metro will reimburse Groundwork for the actual costs of any construction of improvements within the bike program's exclusive space and its share of the costs of the common area improvements, as determined by Metro. Secure-access bike parking will be in a separate location adjacent to the Depot.

### Revenue Proposal

The term of the proposed Lease with Groundwork is ten (10) years with an option to extend the term for one additional five-year period. Groundwork will pay Metro Three Thousand Three Hundred Ninety-Five Dollars (\$3,395) per month rent or \$3.50 per square foot. The rental rate increases approximately two and one-half percent (2 ½ %) per year over the ten-year (10-year) lease term.

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Metro will credit the Tenant \$74,030 toward the cost of tenant improvements which will be amortized over the ten-year (10-year) lease term. In lieu of paying rent for its share of the common area, Groundwork has agreed to pay for all services (excluding maintenance of the bus operator's restroom) for the Depot (including the bike program's exclusive space), including landscape maintenance, utilities, building maintenance, and repairs.

Available comparable retail lease space in the area is being offered for rent at rates ranging from \$1.71/square foot to \$3.75/square foot. The proposed average first year lease rate of \$3.50/square foot is considered reasonable considering the tenant's proposed investment in tenant improvements.

The License Agreement is expected to generate a minimum of \$380,000 in new general fund revenue to Metro over the ten-year term of the Lease Agreement. A summary of the proposed terms of the License Agreement is included in Attachment "B."

### **DETERMINATION OF SAFETY IMPACT**

This Project will not have any impact on safety.

### **FINANCIAL IMPACT**

#### Impact to Budget

The NOHO Tran Depot Lease is expected to generate a minimum of \$380,000 in new general fund revenue over the ten-year term of the Lease Agreement. The funding source for the Bike Hub construction is located in Cost Center 4320 Project 204090 Task 02.

### **ALTERNATIVES CONSIDERED**

The alternative is to not approve the Lease Agreement. This alternative is not recommended because this project is expected to produce a minimum of \$380,000 in additional revenues over the ten-year term of the Lease Agreement, will create an attractive amenity for transit riders and the North Hollywood community, and will preserve Metro's investment in this historic resource.

### **NEXT STEPS**

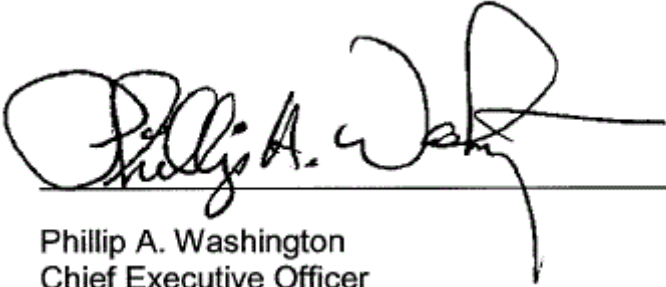
The final terms of the lease will be negotiated and executed with Groundwork, subject to County Counsel approval as to form. Groundwork would then begin construction of tenant improvements, obtain its health permits from the County of Los Angeles Health Department and begin operation of the retail space. The remaining process is expected to take approximately four (4) to six (6) months, depending on permitting.

### **ATTACHMENTS**

Attachment A - Preliminary Design of NOHO Depot Improvements  
Attachment B - Summary of Lease Agreement Key Terms

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