



Board Report

File #: 2016-0025, **File Type:** Agreement

Agenda Number: 24.

**PLANNING AND PROGRAMMING COMMITTEE
FEBRUARY 17, 2016**

SUBJECT: EL MONTE TRANSIT CENTER RETAIL SPACE LEASE

ACTION: AUTHORIZE EXECUTION OF LEASE AGREEMENT WITH BEYOND FOOD MART, INC.

RECOMMENDATION

AUTHORIZE:

- A. the Chief Executive Officer (CEO) to execute a five-year (5-year) **Lease Agreement, including an option to extend the term for three (3) additional five-year periods, with Beyond Food Mart, Inc. (Beyond) for the operation of a retail business at the El Monte Transit Center** at an average first year annual lease rate of \$1.63/square foot or approximately \$51,000; and
- B. the new net revenue generated to be applied to the Risk Allocation Matrix savings.

ISSUE

Metro staff released a Request for Proposals for a retail operator for the El Monte Transit Center. Two responses were received. Of those, Beyond, 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

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 El Monte Transit Center. Two responses were received and 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 proposal. Based on this analysis, the proposal submitted by Beyond was determined to provide excellent value to Metro with all factors

considered.

Beyond proposes to design, develop, finance and operate a convenience store retail business in approximately 2,620 square feet of the space as shown on Attachment "A". The tenant will construct approximately \$750,000 in tenant improvements.

The principals of Beyond have extensive experience building and operating convenience store retail businesses. They having constructed and operated 35 stores nationwide. This location will be the first in the San Gabriel Valley. Beyond has one (1) location in full operation in Riverside County and plans to open eleven (11) store locations within the next six (6) to eighteen (18) months in Riverside County, San Bernardino County and the state of Arizona.

Revenue Proposal

The term of the proposed Lease is five (5) years with an option to extend the term for three (3) additional five-year (5-year) periods. Beyond will pay Metro an average rent of Four Thousand Two Hundred Fifty-Seven Dollars (\$ 4,257) per month rent or \$1.63/ square feet in the first year of the lease term. The rent graduates to Six Thousand Seven Hundred Eighty-Five Dollars (\$6,785) per month or \$2.59/ square foot per month by the fifth year of the lease term.

The electrical and plumbing systems are located in separate parts of the building and are not stubbed to the premises. Landlords typically stub the utilities to the premises for the tenant as part of the landlord work prior to the tenant constructing the tenant improvements. Metro will reimburse the tenant for the approved actual costs to stub the electrical and plumbing systems to the premises. This work is estimated to cost approximately \$30,000. Metro will also credit the tenant with approximately \$66,000 or \$25 / square foot toward the cost of tenant improvements which will be amortized over the first two (2) years of the lease term.

There were no available comparable retail lease spaces (in shell and core condition) in the area. Improved retail spaces are being offered for lease at rates ranging from \$1.00/ square foot to \$2.15/ square foot. The proposed average first year lease rate of \$1.63/ square foot is considered reasonable considering the tenant's proposed investment in tenant improvements.

The Lease Agreement is expected to generate a minimum of \$348,000 in new general fund revenue to Metro over the five-year term of the Lease Agreement. The project will also provide a convenience amenity to Metro patrons. A summary of the proposed terms of the Lease Agreement is included in Attachment "B."

DETERMINATION OF SAFETY IMPACT

This Project will not have any impact on safety.

FINANCIAL IMPACT

The El Monte Transit Center Retail Lease is expected to generate a minimum of \$348,000 in new general fund revenue over the five-year term of the Lease Agreement. Funds are available in Cost

Center 0651 Project 306006 to reimburse the tenant for stubbing the electrical and plumbing systems to the premises. These funds are eligible for bus and rail operations.

Impact to Budget

Adoption of the recommended action will have no impact to the FY 16 budget for Bus Operations.

ALTERNATIVES CONSIDERED

The alternative is to not approve the Lease Agreement. This alternative is not recommended because this project is expected to produce \$348,000 in additional revenues over the five-year term of the Lease Agreement.

NEXT STEPS

CEO finalizes and executes a Lease with Beyond, subject to County Counsel approval as to form. Beyond constructs tenant improvements and begins operations. The remaining process is expected to take eight (8) months to ten (10) months depending on permitting.

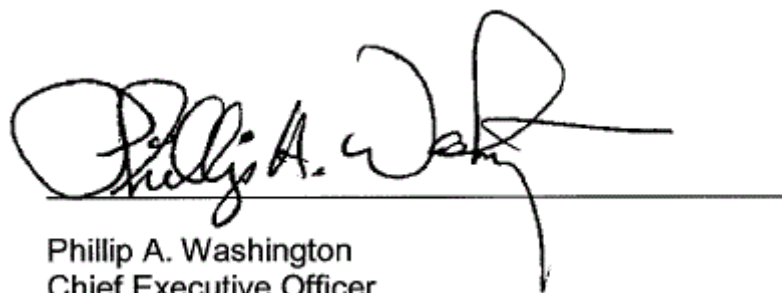
ATTACHMENTS

Attachment A - Preliminary Space Plan

Attachment B - Summary of Lease Agreement Key Terms

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