

CITY OF LOS ANGELES

CALIFORNIA



ERIC GARCETTI
MAYOR

Agenda Item No. 7

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT

DEPARTMENT OF
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May 27, 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 YANG KAK CHON AND KYUNG SIM CHON DBA EXPRESS NEWS AT THE POLICE ADMINISTRATION BUILDING

The Department of General Services (GSD) requests authority to negotiate and execute a new lease with Yang Kak Chon and Kyung Sim Chon (Lessee), doing business as Express News, for the operation of a convenience store at the Police Administration Building (PAB) located at 155-A South Main St. (Main), Los Angeles, CA 90012.

BACKGROUND

On May 4, 2010, City Council approved a GSD report (C.F. 10-0552) requesting authority to negotiate and execute a new lease with Sabazali Khan and Yasmin Khan. The GSD report was in response to a December 2009 Request for Proposals (RFP) to obtain qualified vendors to operate a convenience store at the PAB. GSD received five vendor proposals to the RFP, held interviews, and approved a proposal submitted by Express News to operate a convenience store at the PAB.

Additionally, on May 25, 2012, City Council approved a report (C.F. 12-0347) by GSD requesting the lease assignment from Sabazali Khan and Yasmin Khan to the current owner and operators Yang Kak Chon and Kyung Sim Chon. At the time, Yang Kak Chon and Kyung Sim Chon provided qualified documentation indicating the financial and retail qualifications in order to successfully operate the business.

The Lessee has successfully operated the Express News convenience store since May 2012 which offers newspapers, magazines, periodicals, dry snacks and beverages as well as lottery tickets. The Lessee has requested a new lease to continue to operate and



serve the local community. Maintaining Express News at this location will be beneficial for the occupants of PAB, the employees and residents in the Civic Center and immediate surrounding areas due to limited grab-and-go storefront retail options.

The lease has been on month-to-month holdover since September 2020 and the Lessee is current on the rent. Additionally, the Lessee is a long-term stable tenant, with on-time payments, have weathered a period of uncertainty during the pandemic and are looking to stabilize their business to continue operating after a year of unpredictability.

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.

Express News' current rental rate of \$3.00 per sf is well above the current range of comparable properties in the area, therefore GSD negotiated an average market rate of \$2.61 per sf.

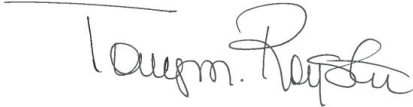
Location	Property / Type	Rent/SF/Mo	Rentable S.F.
155-A South Main St.	Retail/Storefront	\$3.00	360
212 W 5th St	Retail/Restaurant	\$3.00	1,750
464 S Main St	Retail/Restaurant	\$2.92	2,300
248-260 S Broadway	Retail/Storefront	\$3.22	1,850
347-349 S Broadway	Retail/Storefront	\$3.00	5,000
437 S Broadway	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	

FISCAL IMPACT

The revenue from this lease will generate approximately \$11,275 annually 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 Yang Kak Chon and Kyung Sim Chon, doing business as Express News, for the operation of a convenience store at the Police Administration Building located at 155-A South Main St. under the terms and conditions substantially as outlined in this report.

A handwritten signature in black ink, appearing to read "Tony M. Royster". The signature is written in a cursive style with a horizontal line above the first few letters.

Tony M. Royster
General Manager

Attachments: Term Sheet

LEASING TERM SHEET

MFC DATE	05/27/2021
LANDLORD	City of Los Angeles
ADDRESS	111 E. 1st St., Los Angeles, CA 90012
TENANT	Yang Kak Chon and Kyung Sim Chon, dba Express News
ADDRESS	2377 Skyline Drive, Brea, CA 92821
LOCATION	155-A Main St., Los Angeles, CA 90012
AGREEMENT TYPE	Receivable Retail Lease
USE	Convenience Store
SQUARE FEET	360
TERM	Five (5) YEARS
RENT START DATE	Date Attested
LEASE START DATE	Date Attested
OPTION TERM	Two (2) Five (5) Year Options
HOLDOVER	Month-To-Month
SUBLET/ ASSIGNMENT	RIGHT TO ASSIGN - LANDLORD APPROVAL
TERMINATION	N/A
RENTAL RATE	\$2.61/sqare foot (11,275.20 Annually / \$939.60 Monthly)
ESCALATION	Consumer Price Index - not to exceed 3.0%
RENTAL ABATEMENT	None
ADDITIONAL RENT	Monthly Utilities and CAM
PROPERTY TAX	Possesion
OPEX	n/a
CAM	Monthly - Calculated by Police Admin. Bldg. Facilities Team

OTHER	n/a
SECURITY DEPOSIT	None
MAINTENANCE/ REPAIR	TENANT
MAINTENANCE/ REPAIR DETAILS	Tenant is responsible for all repair and maintenance within the suite and HVAC equipment serving the premises
TENANT IMPROVEMENTS	None
PARKING	2 parking spaces for \$132.00 per space per month
UTILITIES	Tenant responsible for Utilities calculated by Police Admin. Bldg. Facilities Team
CUSTODIAL	Tenant responsible for interior and frontage of space
SECURITY	Tenant Responsible
PROP 13 PROTECTION	Landlord will NOT provide Prop 13 protection.
INSURANCE	TENANT shall indemnify and hold harmless the City
OTHER:	