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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**

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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 2<sup>nd</sup> 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.

<b>Location</b>	<b>Property / Type</b>	<b>Rent/SF/Mo</b>	<b>Rentable S.F.</b>
<b>Homeboy General Store*</b>	<b>Retail</b>	<b>\$1.96</b>	<b>577</b>
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
	<b>Average</b>	<b>\$2.61</b>	

\*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.

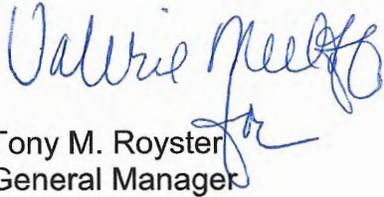
However, due to the limited foot traffic and reduced operating hours in comparison to street-facing retail and the forward-looking capacity at City Hall, GSD and Homeboy negotiated a discounted average rate of \$1.96 per sf.

### **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.

A handwritten signature in blue ink, appearing to read "Valerie Neel" with a flourish at the end. Below the signature, the name "Tony M. Royster" and title "General Manager" are printed.

Tony M. Royster  
General Manager

Attachments: Term Sheet

# LEASING TERM SHEET

MFC DATE

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LANDLORD

ADDRESS

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TENANT

ADDRESS

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LOCATION

AGREEMENT TYPE

USE

SQUARE FEET

TERM

RENT START DATE

LEASE START DATE

OPTION TERM

HOLDOVER

SUBLET/  
ASSIGNMENT

TERMINATION

RENTAL RATE

ESCALATION

RENTAL ABATEMENT

ADDITIONAL RENT

PROPERTY TAX

OPEX

CAM

OTHER

SECURITY DEPOSIT

MAINTENANCE/  
REPAIR

MAINTENANCE/  
REPAIR DETAILS

TENANT  
IMPROVEMENTS

PARKING

UTILITIES

CUSTODIAL

SECURITY

PROP 13  
PROTECTION

INSURANCE

OTHER: