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Matthew W. Szabo, Chair  
Municipal Facilities Committee  
200 N. Main Street, Suite 1500  
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**REQUEST FOR POLICY DIRECTION ON  
LOS ANGELES MALL COMMERCIAL TENANTS**

The Department of General Services (GSD) is requesting policy direction on providing five-year leases with five, one-year renewal options for existing tenants and potential new commercial tenants in the Los Angeles Mall (Mall).

**BACKGROUND**

The Mall currently has 24 tenant spaces occupied and 12 vacant spaces, of which five are stalls in the food court area below the Credit Union. City departments occupy nine of the 24 filled spaces, and 15 are filled by retail or non-profit tenants. All but one of the leases are on a month-to-month holdover status with that one expiring in June 2022. It should be noted that this count does not include the A Bridge Home site that is on street level at the north end of the Mall.

In 2014 the Municipal Facilities Committee (MFC) approved the release of a Request for Proposals (RFP) for commercial tenants in the Mall that allowed for a two-year term. This policy was set in recognition of the potential for redevelopment through the Civic Center Master Plan (CCMP). A new RFP has since been developed and released and remains active in the City's Business Portal (RAMP).

When that time frame lapsed, in 2017 GSD requested further policy direction on providing three-year lease terms plus one-year unilateral renewal options that could be offered to both existing and potential new tenants. That request was approved and allowed for a lease term through December 31, 2025. The RFP at the time resulted in the tenancy of two new food establishments that remain in business today.



Current tenants have requested clarification on their tenancy to facilitate their ongoing business plans. Also, without a five-year term with multiple one-year renewal lease options it would be difficult to attract new tenants who require long enough term tenancies to amortize any tenant improvements and startup costs for their business.

### **REDEVELOPMENT PLANS FOR CIVIC CENTER**

In 2017, CCMP advised that the conceptual redevelopment plan for the Civic Center anticipated redevelopment of the Mall could be initiated within five years, which would have been around 2022. Under new redevelopment plans, timelines could consider the redevelopment of the mall in a later phase to allow for the maximum lease term for retail/commercial tenants as well as City department tenants to be located in the Mall.

### **MARKET POTENTIAL/RENT RELIEF PROGRAM**

Even before the Covid-19 pandemic, the mall tenants realized a slowdown in patrons and sales. The pandemic has resulted in even less business for the mall tenants as many of their patrons, who were mostly City and surrounding governmental office employees, are telecommuting. GSD is working with the Mayor's office to provide a rent relief program for these tenants. A similar program was offered to tenants and concessions at LAWA and El Pueblo. This program would allow current tenants to stabilize their business and provide some amenities to employees working in the Civic Center.

To facilitate filling the vacancies, GSD would keep the current RFP in place stipulating the end term date and leave it open on RAMP to advertise the vacancies. The open RFP would allow any prospective tenant over the next few years a quicker opportunity to establish a short-term lease as long as it was consistent with that end date established by the MFC. The RFP scope would continue to be broad and could include short term lease options such as "pop-up" restaurants for food truck vendors that would like to develop a brick and mortar model for their business.

Prior to releasing the RFP, GSD would update its appraisal review from 2018 to evaluate the range of appropriate rates to consider. Rates currently average \$2.61 per square foot per month for the downtown area. Rates in the Mall average \$1.68 due to the reduced visibility at the street level.

GSD recommends a five-year lease with five, one-year options as a means for continuing to activate the Mall with uses that generate foot traffic. Additional tenants could provide more services for employees and nearby residents and generate additional revenue for both fellow tenants and the City. Additional tenants would also reduce GSD's need to maintain vacant stores and stalls with monthly custodial services (\$150 per month) and pest management (approximately \$125 per month).

The RFP could include the one-year options to extend with the City's unilateral right to exercise after the first five years.

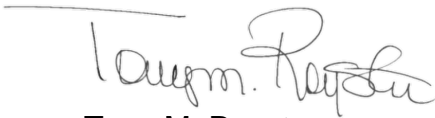
This approach would provide the City with flexibility to keep the Mall activated and not interfere with the Civic Center Development process.

**FISCAL IMPACT**

Total revenue for the Mall at present would be \$31,500 per month or \$378,000 annually. However, due to the reduced patronage impacts from COVID-19, current revenue is less than half of this amount. If the vacant retail spaces were leased, it would amount to approximately \$38,000 per month or \$456,000 annually in revenue. In addition, cost savings from cleaning and pest control for the 12 vacant spaces would be reduced by approximately \$40,000 per year.

**RECOMMENDATION**

That the Municipal Facilities Committee provide direction to the General Services Department on the feasibility of new lease terms for existing and potential new tenants and consider a starting term of five years with five, one-year options to extend at the City's unilateral discretion.



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