

CITY OF LOS ANGELES  
CALIFORNIA

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June 25, 2015

Honorable Councilmembers  
City of Los Angeles  
c/o City Clerk  
Room 395, City Hall  
Los Angeles, California 90012

Attention: Eric Villanueva

**REQUEST FOR AUTHORIZATION TO NEGOTIATE AND EXECUTE A NEW LEASE  
WITH KANEL ARCENO SOLE PROPRIETOR OF dba PILI MANILA GRILL FOR  
RETAIL SPACE AT 201 NORTH LOS ANGELES STREET IN LOS ANGELES**

The Department of General Services (GSD) requests authority to negotiate and execute a new Lease with Kanel Arceno for the operation of a Filipino – style fast dining restaurant at 201 North Los Angeles Street in Los Angeles. The term of the lease requested is 2 ½ years.

**BACKGROUND**

In February 2015, GSD released a Request for Proposals (RFP) to qualified vendors to operate a retail/commercial business at 201 North Los Angeles Street. Subsequently, it was discovered that the 2 ½ year term offered in the RFP was in conflict with the two year term recommended by the Municipal Facilities Committee (MFC) on January 30, 2014. Considering the investment required to improve the space and time needed to recoup the outlay of expenses to start the business, the 2 ½ term would best serve the tenant's business plan. The City Attorney advised that since the council did not authorize the two year term, the term may be reconsidered by the MFC and the proposed amount of time to be added (6-months) may not be significant enough to warrant amending the RFP.

GSD received four inquiries for this space by phone. There was only one vendor proposal submitted for Space No. 7 (formerly Café St. Michel). Pili Manila Grill was selected based on their compliance with the areas outlined in the RFP such as number of years of business experience, experience completing improvements and

management and staffing plans. Their goal is to operate a fast dining restaurant that will offer top-quality Filipino food and beverages.

The proposed site is located in the south food court of the L.A. Mall (Mall). This site has been vacant for some time and backfilling this space will be an improvement in the Mall until such time as it is redeveloped, by providing more food service options for visitors and employees, by unfolding a dark space, increasing foot traffic and generating revenue.

The prospective tenant has toured the space and is aware of the site condition and the Tenant Improvements (TIs) that may be required. Much of the existing equipment left from the former restaurateur is in good condition and can be utilized to lower start-up costs. All TIs within Space 7 will be the responsibility of the Tenant.

The proposed Tenant is aware of the City's mandatory ordinance requirements including the Living Wage Ordinance and will conform accordingly upon notification by City staff.

We are proposing that the terms of the lease be 2 ½ years with a 2 ½ years extension option as stated in the RFP. The aforementioned Terms are recommended in consideration of the costs that will be incurred by the proposed tenant.

The proposed lease agreement will contain the following:

#### TERMS AND CONDITIONS

|                 |   |
|-----------------|---|
| LOCATION        | 201 North Los Angeles Street  |
| TERM            | 2 ½ years, with one 2 ½ year extension option   |
| SQUARE FEET     | 925 SF  |
| BASE RENT       | \$1.35 sf per month   |
| PERCENTAGE RENT | 6% (based on gross sales, or whichever is greater)  |
| ESCALATION      | Commencing on the (1 <sup>st</sup> ) day of the second lease year and every lease year thereafter, a 3% rent rate will be charged.  |
| ADDITIONAL RENT | HVAC and Public Maintenance \$.40 sf per month (\$37.00). These additional rental charges are subject to a 3% annual increase commencing on the first day of the second lease year and every lease year thereafter until the lease expires, plus a monthly compactor fee of \$100.00 with a 5% annual |

step increase; and \$13.88 monthly for Mall Merchants Association dues.

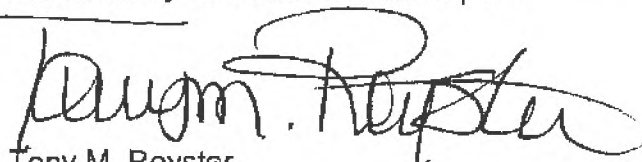
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| PARKING          | Up to two (2) permits on Level P-1 City Hall East at \$132/mo per permit |
| SECURITY DEPOSIT | Tenant shall provide (2) months rent in advance as a security deposit    |
| USE              | Fast dining restaurant   |

#### FISCAL IMPACT STATEMENT

The base rent from the restaurant will generate revenue to the General Fund in the amount of \$1,248.75 monthly and \$14,985.00 annually. The rent price is based upon a recently (March 15, 2015) prepared third party market rent analysis (attached) for the Los Angeles Mall. The proposed rental price is slightly above the market rental analysis rate.

#### RECOMMENDATION

That the Los Angeles City Council authorize the Department of General Services to negotiate and execute a new lease agreement with Kanel Arceno to operate a fast dining restaurant at 201 North Los Angeles Street under the terms and conditions substantially as outlined in this report.

  
Tony M. Royster  
General Manager

Attachment

HAMMAD & ASSOCIATES, INC.

**MARKET RENT VALUE CONCLUSION:**

|            | <b>Suite</b> | <b>Tenant Name</b>           | <b>Square<br/>Footage</b> | <b>Power</b> | <b>Water</b> | <b>Market<br/>Rent</b> |
|------------|--------------|------------------------------|---------------------------|--------------|--------------|------------------------|
| Food court | 101          | Vacant                       | 833                       |              | NO           | \$1.25                 |
| Food court | 102          | Wok Inn                      | 885                       | YES          | NO           | \$1.25                 |
| Food court | 103          | Vacant                       | 968                       | YES          | NO           | \$1.25                 |
| Food court | 104          | California Salsa             | 1,110                     | YES          | NO           | \$1.25                 |
| Food court | 105          | Leon's House of Nutrition    | 893                       | YES          | NO           | \$1.25                 |
| Food court | 106          | Ichiban of Tokyo             | 937                       | YES          | NO           | \$1.25                 |
| East wing  | 2            | GSD Public Safety Office     | 5,985                     | YES          | NO           | Na                     |
| East wing  | 3            | City Storage                 | 12,941                    | NA           | NA           | Na                     |
| East wing  | 3A           | Vacant                       | 2,230                     | NA           | NO           | \$1.00                 |
| East wing  | 4            | CVS Pharmacy                 | 11,910                    | YES          | NO           | \$0.65                 |
| East wing  | 6            | Vacant                       | 2,800                     | NA           | NO           | \$1.00                 |
| East wing  | 7            | Café Saint Michel            | 925                       | YES          | NO           | \$1.25                 |
| East wing  | 8            | Sandwich and Pastry Place    | 998                       | YES          | NO           | \$1.25                 |
| East wing  | 8A           | GSD Central Duplicating      | 2,615                     | YES          | NO           | \$0.85                 |
| East wing  | 9            | California Pita              | 1,881                     | YES          | NO           | \$1.25                 |
| East wing  | 9A           | Vacant                       | 640                       | NA           | NO           | \$1.00                 |
| East wing  | 10A          | Lec, Dr. Arlene, Dentist     | 1,095                     | YES          | NO           | \$1.00                 |
| East wing  | 10B          | GSD Mail Services Automation | 1,239                     | YES          | NO           | Na                     |
| Sidewalk   | 10C          | Chase Bank ATM               | 234                       | YES          | NO           | Na                     |
| Sidewalk   | 10D          | Vacant                       | 234                       | NA           | NO           | \$1.00                 |
| CHE        | 11           | Vacant                       | 463                       | NA           | NO           | \$1.00                 |
| West wing  | 12           | Bilingual Foundation         | 4,119                     | NA           | NO           | \$0.80                 |
| West wing  | 13           | GSD Civic Center Movers      | 802                       | YES          | NO           | \$1.00                 |
| West wing  | 13A          | Better T C                   | 172                       | YES          | NO           | \$1.50                 |
| West wing  | 13B          | LAFUCU ATM                   | 72                        | YES          | NO           | Na                     |
| West wing  | 14B          | Express Lotto                | 120                       | YES          | NO           | Na                     |
| West wing  | 15           | ACEBSA                       | 1,985                     | YES          | NO           | \$1.20                 |
| West wing  | 15           | Vacant                       | 1,040                     | NA           | NO           | \$1.00                 |
| West wing  | 16           | Vacant                       | 964                       | NA           | NO           | \$1.00                 |
| West wing  | 17           | ACEBSA                       | 1,537                     | YES          | NO           | \$1.20                 |
| West wing  | 18           | Elite Dry Clean              | 723                       | YES          | NO           | \$1.00                 |
| West wing  | 18A          | Affirmative Action Committee | 282                       | YES          | NO           | \$1.00                 |
| West wing  | 18B          | LADOT Transit Store          | 777                       | YES          | NO           | \$1.00                 |
| West wing  | 19           | Sears Shoe Repair            | 884                       | YES          | NO           | \$1.00                 |
| West wing  | 21           | LADOT Adjudication Div.      | 2,266                     | YES          | NO           | \$1.00                 |
| West Wing  | 22           | Quizno's Sub                 | 1,631                     | YES          | NO           | \$1.25                 |
| West wing  | 22A          | Sbarro Italian Eatery        | 1,600                     | YES          | NO           | \$1.25                 |
| West wing  | 23           | Federal Photo Studio & PO    | 1,252                     | YES          | NO           | \$1.00                 |
| West wing  | 23A          | Vacant                       | 660                       | NA           | NO           | \$1.00                 |
| West wing  | 24           | Robeks & Coffee              | 1,009                     | YES          | NO           | \$1.25                 |