Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

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EXECUTIVE MANAGEMENT & AUDIT COMMITTEE
OCTOBER 20, 2016

SUBJECT: LEASE OF PROPERTY FOR CHILDCARE CENTER

ACTION: CONSIDER APPROVING TWO LEASE AGREEMENTS TO OPERATE CHILDCARE CENTERS

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to execute two five-year lease agreements ("Lease Agreements"), including an additional five (5) year option, with Peggy Nairn, dba Penny and Peggy Nairn 24-Hour Child Care, Inc., ("Nairn") to **develop, finance, and operate two childcare facilities in Metro-owned buildings located in Chatsworth and Sylmar**, at a first year annual lease amount of sixty thousand dollars ($60,000) and forty-eight thousand dollars ($48,000), respectively, which are subject to an annual increase the second year to seventy-two thousand dollars ($72,000) and sixty thousand dollars ($60,000) respectively and annual adjustments based on Consumer Price Index (CPI) thereafter.

ISSUE

Metro staff released a Request for Proposals (RFP) for licensed/bonded operators to develop, finance, and operate childcare facilities in two (2) Metro-owned buildings. Nairn, the recommended vendor, was the firm judged to provide the best value for Metro as well as the most relevant experience.

DISCUSSION

The Chatsworth childcare facility is located at the Chatsworth Metrolink station. The facility consists of 5,450 square feet of indoor space equipped with four (4) classrooms, shared child restrooms, staff lounge area, lobby for guests, office space, and two (2) adult restrooms. There is also a large outdoor area consisting of 7,795 square feet, utilized for a playground and other outdoor activities.

The Sylmar childcare facility is located at the Sylmar/San Fernando Metrolink station. The facility consists of 5,830 square feet of indoor space and 4,000 square feet of play yard area. The facility's indoor area is equipped with four (4) classrooms, child restrooms, staff lounge area, lobby for guests, office space, and two (2) adult restrooms. Metro recently completed $780,000 in renovations to the building, including a new roof, mechanical and electrical upgrades, and landscaping. A portion of the Sylmar childcare facility is located on land owned by the City of Los Angeles (City) under lease to Metro. Metro has obtained approval from the City Council for a new rent-free lease to allow for the

continued use of this property for a childcare center.

Metro staff released an RFP in March 2016 for a licensed/bonded operator(s) to develop, finance, and operate two Metro-owned childcare facilities. Ten (10) responses were received for the RFP; however, one of the proposers was considered non-responsive because their proposal did not include the proposed rent which was required pursuant to the RFP. The remaining nine responses all met the Metro requirements to provide a licensed and bonded childcare service, to pay the minimum rent, and to be responsible for all operating and maintenance expenses. A list of the proposers is attached as Attachment "A".

Evaluation Criteria

A selection committee was formed consisting of Metro staff from Real Estate, Major Capital Projects, Engineering, and Facilities Maintenance. The selection committee conducted a technical evaluation of the proposals and rated them based on the following criteria:

1. Firm's Qualifications	30%
2. Experience with the Start-up of Childcare Facilities and Community Benefits Offered	20%
3. Financial Strength	50%
Total	100%

Nairn, Eben-Ezer Children's Daycare Center and Devonshire Preschool and Infant Center were rated as the top three proposers.

After the selection committee had completed its evaluation of each proposal, interviews were conducted with the top three firms. All three had received recognition for outstanding service, demonstrated extensive experience and had the financial capacity to develop, finance, and operate the childcare facilities over the long term. Their key personnel had significant start-up experience having developed other childcare facilities in the local area within the last 10 years.

The RFP indicated that the proposer could propose on either (1) both of the facilities or (2) only one of the facilities. Nairn's proposal included both Metro locations. Eben-Ezer Children's Daycare Center proposal included only the Sylmar location, and Devonshire Preschool and Infant Center included only the Chatsworth location.

Based on the staff analysis, Nairn was the firm considered to provide the best value for Metro. This firm has established waiting lists of over 50 potential customers for each of the two Metro locations. During their interview, they pointed out that clients come from as far away as Lancaster and Ventura County to take advantage of their 24-hour services. They were the only proposer of the three finalists that offered the community 24-hour childcare. The firm has a record of working with families to connect them to community resources, services and agencies. Nairn demonstrated that they organized community job outreach programs for unemployed families enrolled in their program.

Nairn was the firm judged to provide the best value for Metro because the candidate was offering greater community benefits by providing 24-hour childcare services, seven (7) days per week and employment referral services. Having 24-hour day care and employment referral services would benefit both communities by expanding job options available to families and supporting those families by offering extended childcare services. The extended hours also greatly increase the utilization of these facilities by the community.

DETERMINATION OF SAFETY IMPACT

This project will not have any impact on safety.

FINANCIAL IMPACT

The Lease Agreements are expected to generate a minimum of $299,000 and $361,000, respectively, in new general fund revenue to Metro over the five-year term of the Lease Agreements, based on fixed rental adjustments the second year and assuming three percent (3%) CPI adjustments thereafter. A summary of the proposed terms of each Lease Agreement is included in Attachment “B” and Attachment “C.”

Impact to Budget

Adoption of the recommended action will have no impact to the FY17 budget for bus or rail operations.

ALTERNATIVES CONSIDERED

1. Not approve the Lease Agreements. This alternative is not recommended because this project is expected to produce a minimum of $660,000 in additional revenues over the five-year term of the Lease Agreements and the selected firm meets the requirements of the RFP.
2. Approve one Lease Agreement with one party and another lease with another party. This alternative is not recommended given the advantages afforded the community by the Nairn proposal.

NEXT STEPS

The final terms of the lease will be negotiated and executed with Nairn, subject to County Counsel approval as to form. Nairn would then begin the refurbishment of the facilities, obtain its licenses for the facilities, and begin operation of the childcare centers. The remaining process is expected to take approximately four (4) to six (6) months, depending on licensing.

ATTACHMENTS

Attachment A - List of Proposers for Childcare Facility Operator
Attachment B - Summary of Lease Agreement Key Terms Chatsworth Metrolink Station
Attachment C - Summary of Lease Agreement Key Terms for Sylmar Metrolink Station

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Phillip A. Washington
Chief Executive Officer

ATTACHMENT A

LIST OF PROPOSERS FOR CHILD CARE FACILITY OPERATOR

No.	PROPOSERS
1	Penny & Peggy Nairn 24-Hr Childcare
2.	Eben-Ezer Children's Daycare Center, Inc.
3.	Devonshire Preschool and Infant Center
4.	De Kat, LLC dba Dream High Education
5.	Little Wonders Montessori
6.	Los Angeles Signatures LLC
7.	Guardian Angel Academy
8.	Small Worlds Learning Academy
9.	Notre Dame
10.	Around the Kornor

ATTACHMENT B

SUMMARY OF LEASE AGREEMENT KEY TERMS
CHATSWORTH METROLINK STATION CHILD CARE CENTER

Premises	The Premises consist of 5,450 square feet of indoor space and 7,795 square feet of outdoor area located at the Chatsworth Metrolink Station.
Term	The term of the Lease Agreement is five (5) years commencing on the date that license to operate the facility has been obtained and the business is ready for operation.
Option to Extend Lease Term	Tenant has an option to extend the term for one (1) additional five-year (5-year) period.
Rent	Tenant will pay Metro Sixty Thousand Dollars ($60,000) during the first year. The rent increases to Seventy-Two Thousand dollars ($72,000) in the second year. Commencing on the third year the rent will be adjusted based on Consumer Price Index.
Rent Credits	Metro will credit Tenant the costs to refurbish the space over the first five years of the terms of the lease.
Maintenance	Tenant will be responsible for all operating and maintenance expenses.
Indemnification	Tenant will indemnify and hold the LACMTA harmless from all claims, liabilities and damages resulting from its use of the Premises.

ATTACHMENT C

SUMMARY OF LEASE AGREEMENT KEY TERMS
SYLMAR METROLINK STATION CHILD CARE CENTER

Premises	The Premises consist of 5,830 square feet of indoor space and 4,000 square feet of outdoor area located at the Sylmar Metrolink Station.
Term	The term of the Lease Agreement is five (5) years commencing on the date that license to operate the facility has been obtained and the business is ready for operation.
Option to Extend Lease Term	Tenant has an option to extend the term for one (1) additional five-year (5-year) period.
Rent	Tenant will pay Metro Forty Eight Thousand Dollars ($48,000) during the first year. The rent increases to Sixty Thousand dollars ($60,000) in the second year. Commencing on the third year the rent will be adjusted based on Consumer Price Index.
Rent Credits	Metro will credit Tenant the costs to refurbish the space over the first five years of the terms of the lease.
Maintenance	Tenant will be responsible for all operating and maintenance expenses.
Indemnification	Tenant will indemnify and hold the LACMTA harmless from all claims, liabilities and damages resulting from its use of the Premises.