File #: 2017-0412, **File Type:** Informational Report **Agenda Number:** 13

FINANCE, BUDGET AND AUDIT COMMITTEE
JULY 19, 2017

SUBJECT: LEASE OF RETAIL SPACE TO BIKE AND PARK SANTA MONICA, LLC

ACTION: AUTHORIZE EXECUTION OF LEASE AGREEMENT

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to execute a five-year exclusive lease agreement and a five-year extension option with Bike and Park Santa Monica, LLC (Bike and Park) for the Kiosk S-4 space location at Union Station in the amount of $1,970.72 monthly base rent plus an annual increase of three percent, common area maintenance (CAM) fees, and a percentage rent of ten percent of gross sales above the base rent, for a total income in excess of $500,000 over the 10-year lease. Lease will start on the earlier of 60 days from completion of the Metro Bike Hub currently under construction or the day the Bike and Park actually commences conducting business.

ISSUE

Following a competitive selection process, six vendors submitted proposals in August 2015. Three proposers were found to best meet the experience requirements including having implemented similar projects at transit hubs. The bidders' proposals were evaluated on the basis of thoroughness of their responses, historical retail experience, profitability, resourcefulness of their business plans, previous work with other public agencies, proposed organization and staff, and commitment to a quality store and program.

Staff, with assistance of County Counsel, have recently concluded negotiations with Bike and Park, a successful retail and services trade name shop that thoroughly complements the adjacent Metro Bike Hub at the Union Station. The lease retail area is 904 square feet within the Bike Hub Park facility currently under construction, and includes non-exclusive use of the common area (see Attachments A and B). Metro will be providing a shell and heating capacity when complete. The proposed tenant is expected to invest approximately $75,000 in tenant improvements. Completion of the Bike Hub construction is expected within the next six months pending permitting and licensing.

Over the proposed 10-year term (5 years plus one 5-year option dependent on performance per Attachment C term sheet), this lease is anticipated to generate in excess of $500,000 in base rent and percentage rent. Board authorization is requested because the expected lease revenue exceeds the CEO's current authority.

DISCUSSION

Bike and Park is a retail bike shop in the business of selling, renting, repairing, and valet parking bicycles; providing bike and Segway tours; selling bike-related apparel and supplies and grab 'n go snacks and drinks; and providing services and activities related to three key areas of education (e.g., confident city cycling that is smart and safe), stakeholder engagement and customer service. They are passionate about increasing bicycle use for transportation and inspiring people to ride. This Bike Hub-user amenity is expected to increase bike and transit trips and achieve first/last mile strategies which are key objectives of the Metro Bike Hub program.

DETERMINATION OF SAFETY IMPACT

The proposed lease will have no impact on safety.

FINANCIAL IMPACT

Adoption of the proposed lease could generate an excess of $500,000 in rent including the 3 percent annual increase, CAM charges, and percentage rents, over the initial 5 years of the lease and 5-year option.

Impact to Budget

Adoption of the recommended action will have no impact on the FY18 budget for bus or rail operations.

ALTERNATIVES CONSIDERED

The Board may choose to disapprove the lease agreement. Staff does not recommend this since it would likely leave the retail space vacant at the time of opening with no income or operator to assist Bike Hub customers. The Board may instead decide to go back to the open market to find an alternate tenant. This is not recommended as staff has already conducted an exhaustive RFP process, held interviews with the qualified candidates and selected the best candidate.

NEXT STEPS

The proposed terms and conditions of the lease agreement have been negotiated and approved by County Counsel and Lessee. The remaining step is approval by the Metro Board of Directors.

ATTACHMENTS

Attachment A - Bike and Park Premises and Patio Area
Attachment B - Bike and Park Project Area
Attachment C - Bike and Park Lease Agreement Key Terms

Prepared by: Ken Pratt, DEO, Countywide Planning & Development, (213) 922-6288
Cal Hollis, SEO, Countywide Planning & Development, (213) 922-7319

Reviewed by: Therese W. McMillan, Chief Planning Officer, (213) 922-7077

Phillip A. Washington
Chief Executive Officer

EXHIBIT "A"

DEPICTION OF THE PREMISES and PATIO AREA
(plan not to scale)

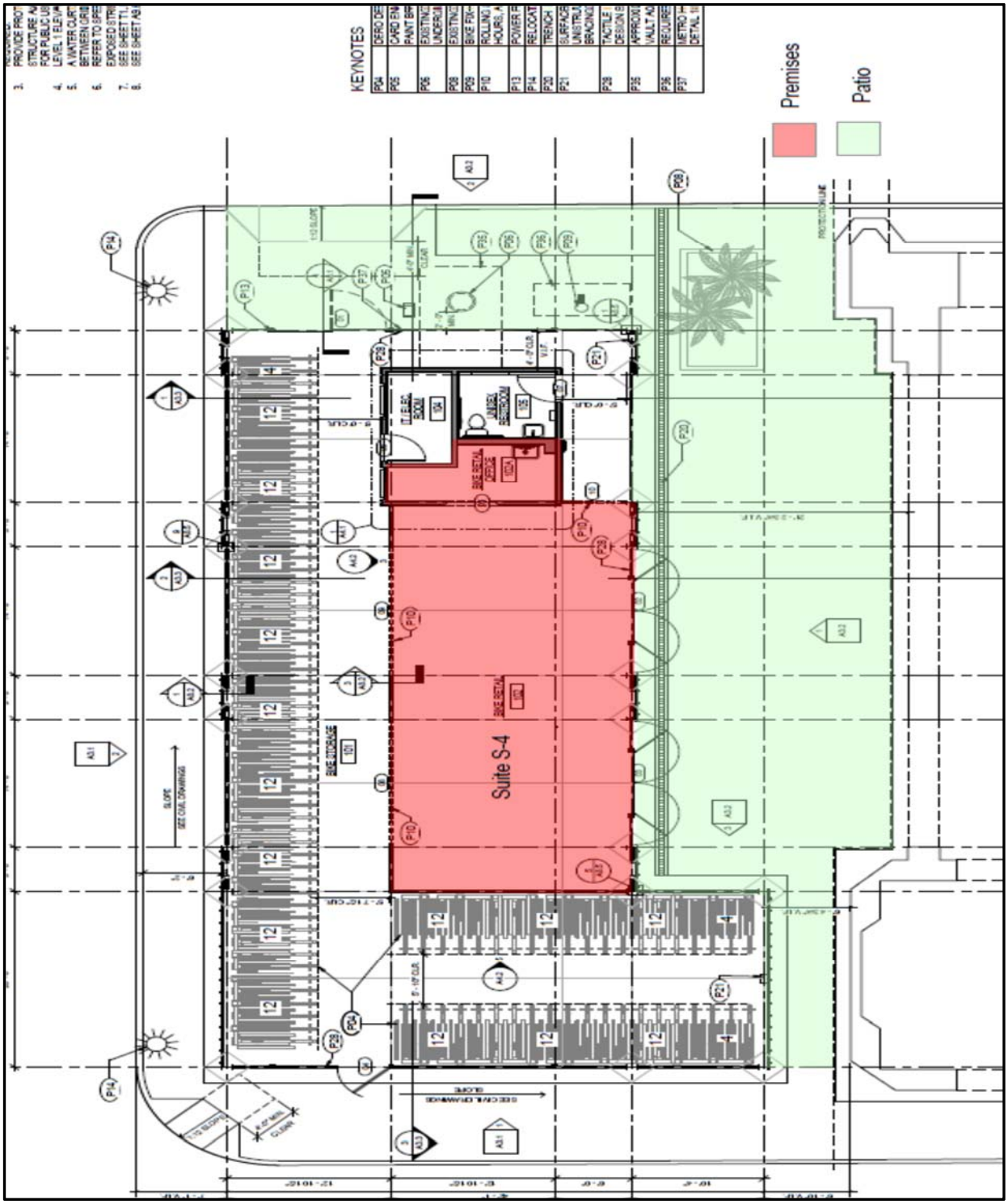
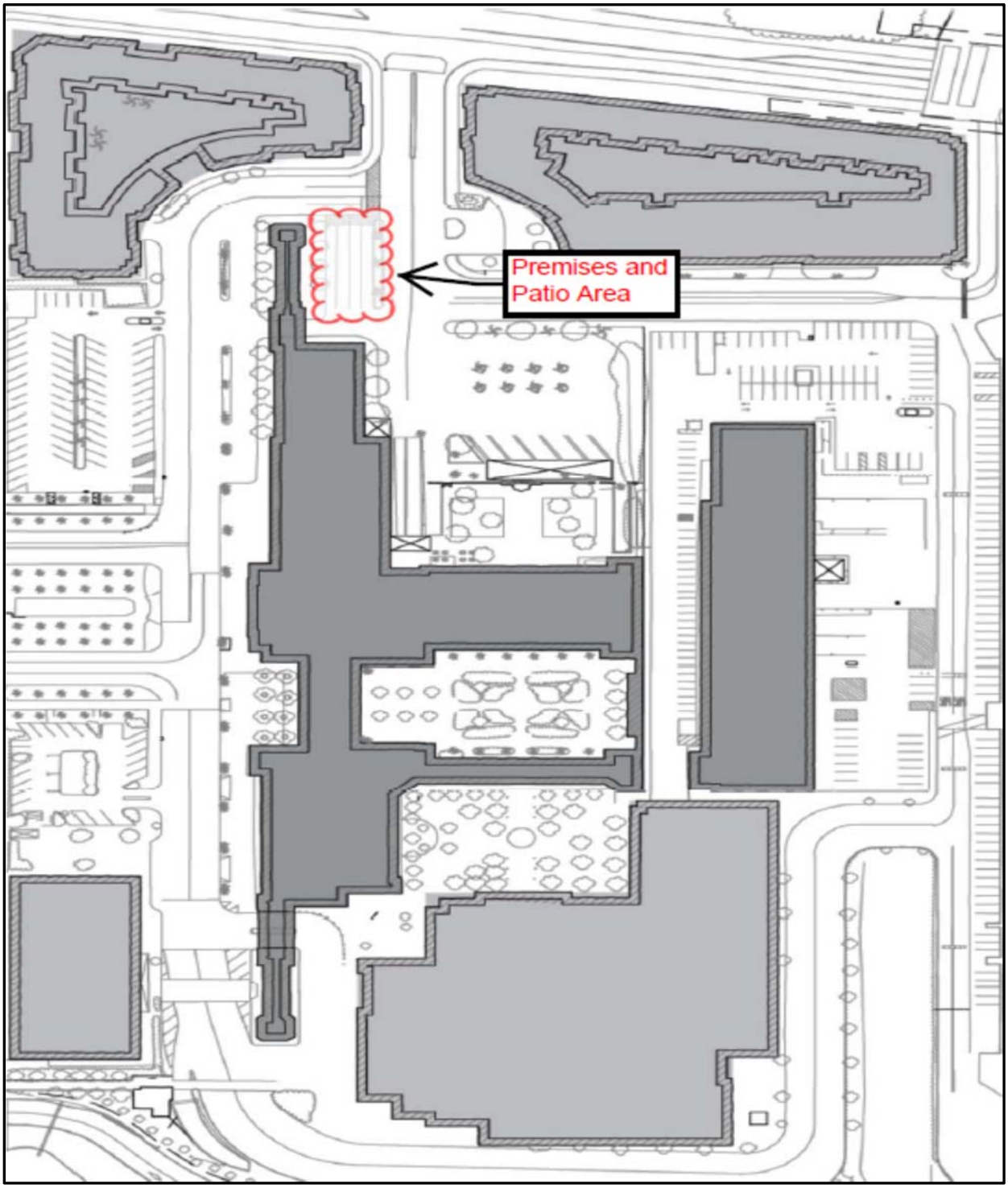


EXHIBIT “B”

THE PROJECT
(plan not to scale)



ATTACHMENT "C"

SUMMARY OF LEASE AGREEMENT KEY TERMS

Premises	The Premises consists of 904 square feet with retail tenant improvements installed by Bike and Park.
Term	Lease Agreement is five (5) years commencing on the earlier of 60 days from completion of Landlord's work OR the day Tenant actually commences conducting business in the Metro Bike Hub Park facility currently under construction, and allowing for a five (5)-year extension for a total term of ten (10) years.
Rent	Bike and Park will pay Metro a base rent of $23,648.64 for the first year. Total rental income, including common area maintenance fees and annual escalations of 3% for each consecutive year, over the ten (10) year lease term is $478,787. The percentage rent total over 10 years is estimated at $54,713. Altogether, the full term income is estimated to be $533,499.
Indemnification	Tenant will indemnify and hold Landlord and its agents harmless from all claims, liabilities and damages resulting from its use of the Premises.
Termination Clause	Terminable with three (3) months' written notice if required for Metro's transportation or master plan project purposes only.