

**City of Culver City, California
Agenda Item Report**

Meeting Date: 07/14/2014		Item Number: <u>A-1</u>	
SUCCESSOR AGENCY AGENDA ITEM: Approval of a Sublease with Lamill Coffee, Inc. for Use of a Portion of Media Park to Operate a Coffee Concession Business.			
Contact Person / Department: Joe Susca/CDD Todd Tipton/ CDD		Phone Number: (310) 253-5763 (310) 253-5783	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☐		Action Item: ☒ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public Notification (E-Mail) Meetings and Agendas – Successor Agency (07/09/14); The Culver City Chamber of Commerce (07/08/14); Akasha (07/08/14); Café Demitasse (07/08/14) The Downtown Business Association (07/08/14); Lamill Coffee Inc. (06/30/14)			
Department Approval: Sol Blumenfeld (07/02/14)		Successor Agency General Counsel Approval: Carol Schwab (by H. Baker) (07/07/14)	
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (07/08/14)		Executive Director Approval: John M. Nachbar (07/08/14)	
<u>RECOMMENDATION:</u> Staff recommends the Successor Agency Board approve a sublease with Lamill Coffee, Inc. to operate a coffee concession business in Media Park. <u>BACKGROUND:</u> The former Culver City Redevelopment Agency (former CCRA) and the City of Los Angeles (Los Angeles) entered into a 50-year lease on June 12, 1987 that provides for certain public improvements, and operational and maintenance obligations associated with Media Park, which is located at 9254 Venice Boulevard within the City of Los Angeles (Park Lease).¹ By operation of law and the dissolution of redevelopment agencies in California, the former CCRA's interests in the Park Lease were transferred to the Successor Agency to the Culver City Redevelopment Agency (Successor Agency). Staff believes utilization of Media Park would be improved if a small commercial (coffee) concession was introduced in order to activate the park and attract downtown users. Staff contacted several coffee concessions operators to better understand whether the project was viable. Nearly all those contacted said they would be interested in submitting a proposal. Staff prepared and issued a Request for Proposals and Akasha, Lamill Coffee², and Café Demitasse responded.			

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Staff recommends Lamill as the coffee concession operator as they have experience operating a successful coffee and restaurant business in Silverlake, California, and their proposal offers the best design, has an appropriate lease term, and generates the most revenue (please see Attachment No. 1 - Site Plan and Building Conceptual Plan).

DISCUSSION:

Following are the proposed Lamill sublease terms and conditions:

1. The term will be 5 years with a 5-year option. The park improvements include the 500-800 square foot café building with restroom, secured amphitheater seating, and outdoor seating area with tables. After completion of the initial improvements, a second phase may include tree lighting, a playground for young children, bicycle racks, Wi-Fi equipment, public art, signage and security system (collectively the "Improvements").
2. Upon opening for business and for six months thereafter, Lamill agrees to hire a private security guard to patrol Media Park and the surrounding area. The security guard will be funded by the Successor Agency for an initial six months in the form of deferred rent.
3. Lamill will construct the Improvements and obtain all permits to do so from the City of Los Angeles at Lamill's expense. The Successor Agency will reimburse Lamill for 100% of the cost of the Improvements in the form of deferred rent.
4. Once the cost of the Improvements and security guard are reimbursed to Lamill, a rental rate amounting to 5% of gross sales will become effective.
5. If necessary, Lamill may share use of the Successor Agency's trash enclosure located across the street on the Canfield Avenue parking lot.
6. Lamill agrees to maintain the Improvements and the Successor Agency agrees to continue to maintain Media Park. If the frequency of maintenance activities performed by the Successor Agency at Media Park must be increased as a result of Lamill's operation, Lamill agrees to fund the net increase in cost.
7. If Lamill is desirous of enhanced Media Park maintenance activities, the Successor Agency may approve them, provided they are performed at Lamill's expense.
8. Lamill agrees to pay for the installation and use of all utilities.

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9. Lamill's menu will be comprised of coffee, tea (and related products and supplies), other non-alcoholic beverages, and baked goods.
10. The Successor Agency will provide up to five parking spaces in the Ince Parking Structure for Lamill's employees at standard rates.
11. If property or possessory interest taxes are levied, Lamill will pay them.

If the proposed sublease is approved by the Successor Agency Board, staff will present the sublease to the City of Los Angeles' Director of Recreation and Parks for review and present the use and the improvements to the Los Angeles Recreation and Parks Department Board of Commissioners for consideration at a future meeting of the Board of Commissioners.

After City of Los Angeles' approvals are secured and the sublease is executed, it will take approximately 16 months for Lamill to prepare construction plans, obtain building permits, and complete the initial Improvements.

FISCAL ANALYSIS:

For approximately the first 17 months, Lamill's rent will be \$0 to offset the estimated \$419,000 in Improvement and temporary security guard costs. At approximately month 18, the rent will be 5% of gross sales, and is currently anticipated to be approximately \$25,000/month. If more or less rent is received than anticipated, then the Improvement payback period will adjust accordingly. Per the Park Lease, rent proceeds will offset Media Park's ongoing maintenance, security costs, and fund the establishment of a capital improvement fund for recreational improvements.³

The Successor Agency currently pays approximately \$1,100 per month for landscaping maintenance, refuse collection, and utility fees to maintain Media Park, excluding in-house staff time to manage the space. As the rental income received from the sublease is anticipated to exceed Media Park's maintenance costs, staff is working with the City of Los Angeles to obtain their approval to use a portion of the net income to also maintain and improve the adjacent Ivy Substation now occupied by the Actors' Gang.

ATTACHMENTS:

1. Site Plan and Building Conceptual Plan

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MOTIONS:

That the City Council:

1. Approve a Sublease with Lamill Coffee Inc. to operate a coffee concession business out of Media Park which incorporates the terms and conditions set forth in this staff report; and,
2. Authorize the Successor Agency General Counsel to review/prepare the necessary documents; and,
3. Authorize the Executive Director to execute such documents on behalf of the Successor Agency.

NOTES:

¹Also in June 1987, the former CCRA entered into a separate 40-year lease with the City of Los Angeles for the no cost use of the Ivy Substation with an option to extend the term for an additional 10 years.

²For more information on Lamill Coffee, visit: <https://lamillcoffee.com/>

³The Lease allows the former CCRA (now the Successor Agency) to sublease a portion of Media Park, subject to the reasonable approval of the General Manager of the Department of Recreation and Parks of the City of Los Angeles of the lease terms and conditions. Any improvements made to Media Park as a result of the sublease are subject to approval by the City of Los Angeles -- Board of Recreation and Parks Commissions. Staff has met with the City of Los Angeles -- Building Safety and Planning Divisions and is currently working with the Department of Recreation and Parks to obtain these approvals.