

**Board Report**

File #: 2020-0081, **File Type:** Agreement**Agenda Number:** 9.

**FINANCE, BUDGET AND AUDIT COMMITTEE
MARCH 18, 2020****SUBJECT: LEASE AGREEMENT WITH NREA-TRC 700, LLC, FOR THE LA METRO TRANSIT CUSTOMER CENTER LOCATED AT 700 W. 7TH STREET, SUITE G80, LOS ANGELES****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (CEO) to execute a seven (7)-year lease agreement with NREA-TRC 700, LLC ("Landlord") for an LA Metro Transit Customer Center ("TCC") at 700 West 7th Street, Suite G80, Los Angeles (see Attachment A - Lease Location & Plan Draft), commencing approximately August 1, 2020 with a total lease value of approximately \$1.8 million (see Attachment B - Deal Points).

ISSUE

Customer Care has been searching for a location to provide Metro and other related transportation customer services near the 7th Street Metro Station ("7th Street"). Metro Real Estate has been negotiating with the landlord of THE BLOC Retail Complex to secure a location. The lease term and amount exceed the CEO's signatory authority.

BACKGROUND

Metro Customer Centers provide full transit services to customers in Los Angeles County, which include:

1. loading Metro and regional fares on TAP cards,
2. pre-screening and intake of Reduced Fare applications for K-12 students, college, seniors and persons with disabilities;
3. providing access to photo booths for reduced fare applicants for their Reduced Fare applications,
4. distributing transit information and other special promotional TAP related transit items,
5. certifying, issuing and selling Los Angeles County Transit subsidy (buy-down) fares to eligible customers, as well as other transit subsidies such as Low-Income Fares Made Easy (L.I.F.E.) program for low income patrons,
6. trip planning assistance using direct telephone lines to the Contact Center,
7. displaying bus/rail schedules/ brochures, and

8. answering related Metro questions regarding our service.

Metro was offered the opportunity by THE BLOC property management team to open a new TCC within THE BLOC Retail Complex near 7th Street, which is centrally located in downtown Los Angeles. This new location would provide convenient TAP regional transit fare sales and other related transportation services to customers near one of Metro's busiest station sites.

Metro is currently operating four Customer Centers at the following locations: Union Station (East Portal)), Baldwin Hills, East Los Angeles, and Wilshire/Vermont. Rosa Parks is planned to open in March 2020.

DISCUSSION

Findings

The proposed TCC office is located at The BLOC complex and has been identified as the optimal service location due to its proximity to 7th Street Metro Station and ease of wayfinding. This location uniquely has direct access to the station at the top of the stairs of the south portal.

Considerations

Without a TCC office near the 7th Street Metro Station, Metro will miss the opportunity to meet customer needs for transit fare sales, information about public transportation options, and other transportation services near a central hub in Metro's transportation network. This office will provide a positive impact on customers of Metro, Metrolink, LADOT and neighboring communities and tourists along or near the 7th Street Station.

Equity Platform

This project addresses Metro's equity platform by improving access to Metro's and other transportation partner's information and customer service, including Reduced Fare, buy-down and L.I.F.E. programs.

DETERMINATION OF SAFETY IMPACT

This board action will not have an impact on safety standards for Metro.

FINANCIAL IMPACT

Approval of the lease with NREA-TRC 700, LLC will cost approximately \$1.8 million over the initial seven (7)-year term, one five (5)-year option term and tenant improvement (TI) costs. The terms are within market for similar space in the area as reported by a professional commercial real estate broker. The TIs are estimated to be a one-time cost at approximately \$750,000 and come from Cost Center 6520 (Project 610061). There is a one-time \$159,000 allowance from the Landlord that lowers Metro's out-of-pocket expenses to \$591,000. The work will be performed by the Landlord and will be invoiced to Metro on a monthly basis. Metro will reimburse the Landlord through money

budgeted in FY2021 from Cost Center 6520. Funding for Cost Center 6520 payment is General Fund and funding for Cost Center 0651 is Enterprise Fund. Both funding sources are eligible for bus and rail operations and capital projects.

Impact to Budget

Real Estate has planned and submitted the cost of this lease as a part of its FY2021 budget in the Non-Departmental Real Estate Cost Center 0651(Project 300044) and separately Tenant Improvement costs as part of FY2021 Real Property and Asset Management Cost Center 6520 (Project 610061).

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports Strategic Plan Goal # 2, to provide “Outstanding Trip Experiences for All.”

ALTERNATIVES CONSIDERED

The alternative is to not place the lease site at this location and select an alternative which may be more costly and less convenient.

NEXT STEPS

Complete negotiations of lease terms with the Landlord subject to review and approval by County Counsel. Upon Board authorization, Real Estate will finalize the lease agreement with NREA-TRC 700, LLC, forward to County Counsel for approval review, and submit for execution by the CEO for the initial seven-year lease period.

ATTACHMENTS

Attachment A - Lease Location & Plan Draft

Attachment B - Deal Points

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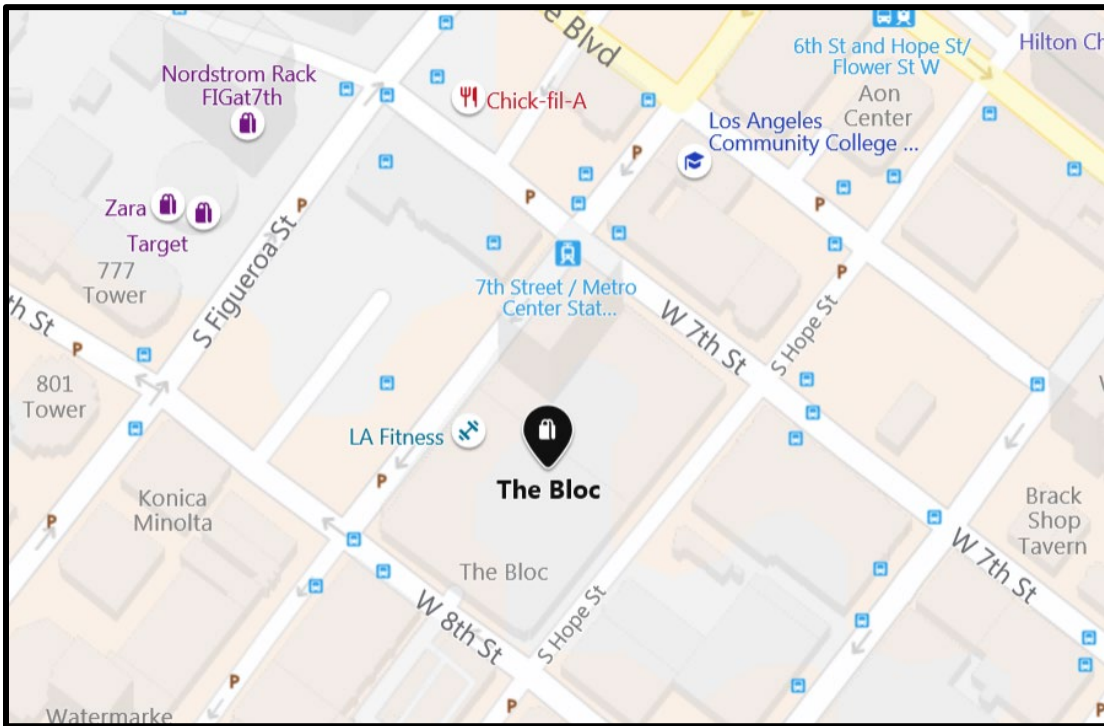
Reviewed by: James de la Loza, Chief Planning Officer, (213) 922-2920



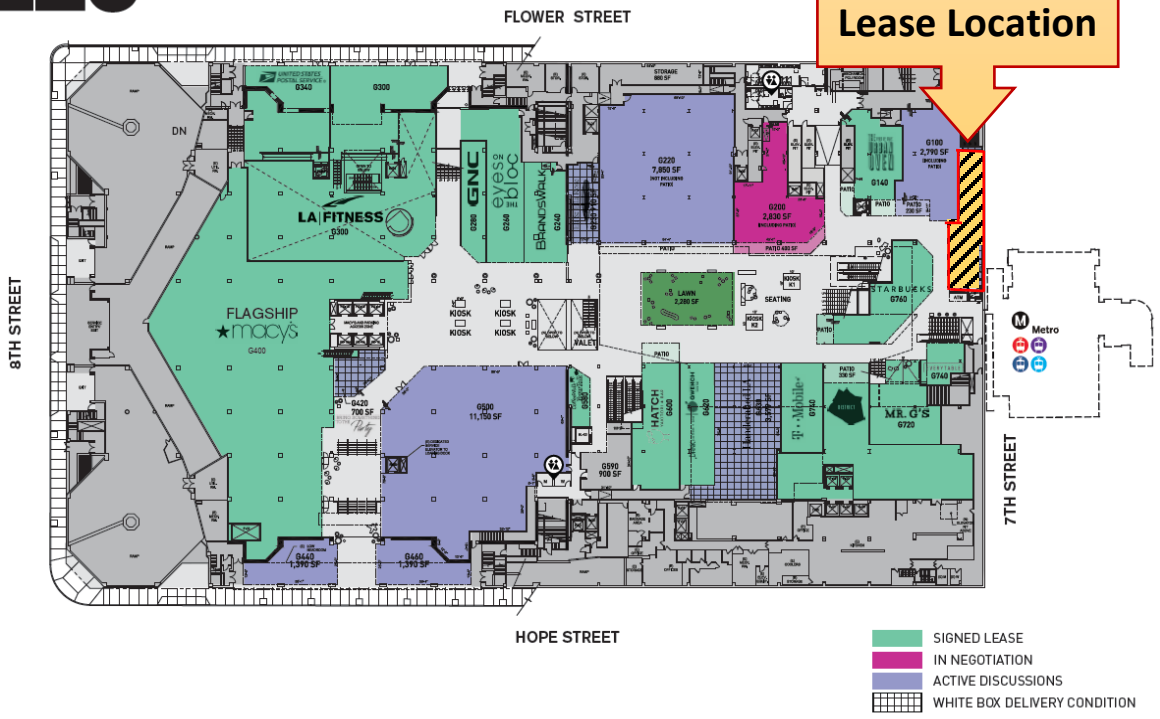
Phillip A. Washington
Chief Executive Officer

Attachment A – Proposed Lease Location and Plan Draft

Location Map



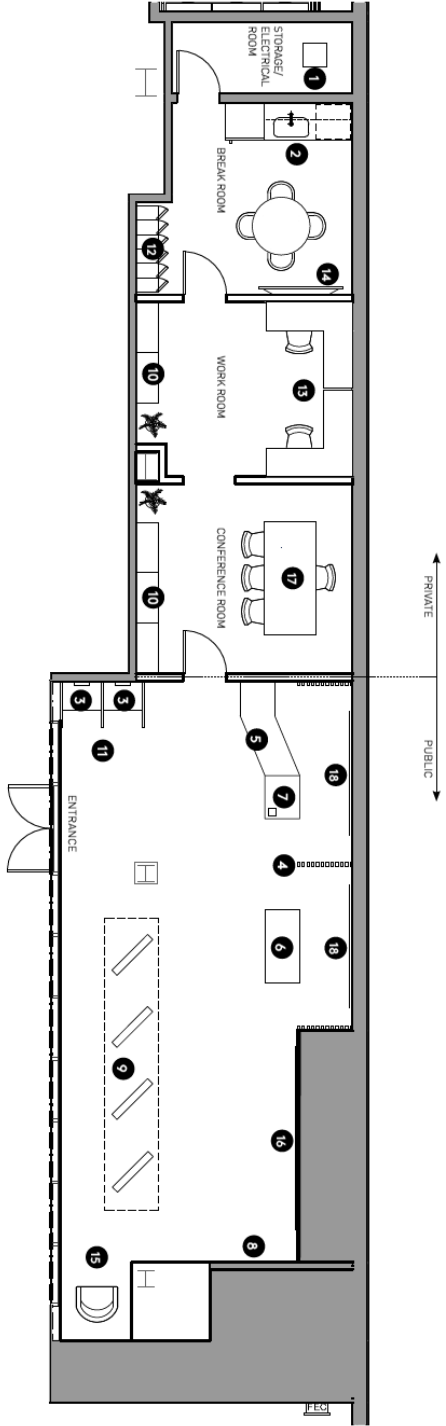
THE BLOC



PLAZA LEVEL



Floor Plan Draft



Attachment B – Deal Points

New or renewal	New Lease
Landlord/Owner	NREA-TRC 700,LLC
Location	700 West 7th Street, Suite G80, Los Angeles
Purpose	A one-stop location for customers to get information on Metro and related public transportation services.
Duration (note any extensions)	Seven-years with one five-year extension.
Total Cost	The total lease value is approximately \$1.8 million over the initial seven (7)-year term, one five (5)-year option term and tenant improvement (TI) costs.
Early Termination Clauses	None.
Determination of Lease Value	Market data provided by professional broker, Savills.
Background with this Landlord	None. This will be the first transaction with the landlord, NREA-TRC 700, LLC.
Special Provisions	The TI's are estimated to cost about \$750,000. There is a \$159,000 allowance from the Landlord that lowers the Metro out of pocket to \$591,000. The work will be performed by the landlord and will be invoiced to Metro on a monthly basis. Metro will reimburse the Landlord through money budgeted 20/21 in CC 6520.