

**Board Report**

File #: 2024-0246, **File Type:** Agreement**Agenda Number:** 24.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
JULY 18, 2024****SUBJECT: FIRST AMENDMENT TO LEASE AGREEMENT WITH DWF V WILSHIRE/ VERMONT LP****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (CEO), or their designee, to execute the First Amendment to the Lease Agreement (First Amendment) or any other documents with DWF V Wilshire/ Vermont LP, (Lessor), to extend the lease by five years (First Option) commencing September 1, 2024, for the Metro Customer Center located at 3183 Wilshire Boulevard, Suite 174 (Site) in Los Angeles consisting of 2,469 square feet at a rate of approximately \$10,001.93 per month for a total of \$600,115.80 over the First Option term.

ISSUE

On June 27, 2013, the Board approved a lease located at the Site for a Metro Customer Center (CC). The lease commenced on June 6, 2014, and expires on August 31, 2024. Under the terms of the lease, Metro has three (3) five-year options to extend the initial term. The Board approved the initial lease and options, however the amount authorized by the Board only included the first ten-year term. The total rent for the First Option is \$600,116, which exceeds CEO authority and requires Board approval.

BACKGROUND

The CC was originally located at a Metro-owned building at Wilshire Boulevard and La Brea Avenue. However, in 2014, the CC needed to be relocated so the property could be utilized for the extension of the D (Red) Line. After an extensive search, a suitable location was found within the Wilshire Vermont Joint Development project (Attachment A).

The Wilshire Vermont CC services about 4,250 customers per month, which is the second-highest volume of customer activity of the five Metro Customer Centers. Services provided at this location include TAP card fare media purchases, reduced fare subsidies, reduced fare application intake, LIFE program application Intake, Metro HR Career Kiosk, public phones that connect directly to Metro call centers which provide TAP information, bus and rail schedule and routing information, and photo booths.

DISCUSSION

Various sites were considered in the Wilshire/Vermont area but none of the potential sites offered the advantages found at the Wilshire/ Vermont Rail Station including proximity to the station, lower rental rate and ready condition. The current CC location continues to offer an urban landscape setting, is pedestrian friendly, easily accessible from both the B and D Metro Rail Lines and is steps away from Wilshire Boulevard and Vermont Avenue Metro bus stops which serve five Metro and one LA DOT bus lines.

The current rental rate at the CC is \$8,697 per month (\$3.52 per SF). The new rental rate is based on the Consumer Price Index (CPI), not to exceed fifteen percent (15%), and not to increase over the five-year period of the First Amendment. Based on the maximum allowable adjustment, the rent commencing September 1, 2024, will not exceed \$10,001.93 per month (\$4.05 per SF) full-service gross and will remain fixed over the five-year term. All the other terms and conditions of the lease will remain the same. A summary of the Deal Points is contained in Attachment B.

During this five-year Option Term, Real Estate in conjunction with the Joint Development Team and Customer Experience, will be evaluating the feasibility and possible cost reduction of returning the CC to a Metro-owned property within a new joint development project along Wilshire Boulevard.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

The five-year term will result in the payment schedule outlined in the section below.

Rental rates in the general Wilshire Boulevard areas from Wilshire/ Vermont to Wilshire/ La Brea generally range from an average rate of \$4.02 SF to a high of \$6.00 SF triple net (NNN). Therefore, the estimated rental rate of \$4.05 SF full-service gross is a competitive price for a market rate transaction. Metro Real Estate has determined that the rental rates are in line with the fair market for retail/office at this location.

Impact to Budget

Funds for this Amendment are budgeted annually in Cost Center 0651 (Real Estate Non-Departmental), Project 100001 (General Overhead), Account No. 51201 (Rent Property/Facilities) for fiscal year 2025. Future lease obligations will be included in annual budget preparation by Real Estate staff.

The five-year budget impact will be as follows:

| <u>Period</u> | <u>Monthly Rate</u> | <u>Monthly Rent</u> | <u>Annual Rent</u> |
|-----------------------|---------------------|---------------------|--------------------|
| 9/1/2024 to 8/31/2025 | \$4.05 | \$10,001.93 | \$120,023.16 |
| 9/1/2025 to 8/31/2026 | \$4.05 | \$10,001.93 | \$120,023.16 |

| | | | |
|-----------------------|--------|-------------|----------------------------|
| 9/1/2026 to 8/31/2027 | \$4.05 | \$10,001.93 | \$120,023.16 |
| 9/1/2027 to 8/31/2028 | \$4.05 | \$10,001.93 | \$120,023.16 |
| 9/1/2028 to 8/31/2029 | \$4.05 | \$10,001.93 | \$120,023.16 |
| Total Rent | | | <u>\$600,115.80</u> |

EQUITY PLATFORM

Services provided at this CC are likely to have a higher positive impact on Equity Focus Communities (EFC) who rely solely on the Metro system to travel throughout Los Angeles. This CC is located in a central, dense EFC, conveniently situated just outside the Wilshire/Vermont Station. This is particularly helpful to riders living with disabilities and the elderly, who might otherwise experience challenges traveling further away to a less conveniently located CC to obtain assistance, passes or other Metro services.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports strategic plan goals # 2: Deliver outstanding trip experiences for all users of the transportation system; and #5 Provide responsive, accountable, and trustworthy governance within LACMTA's organization.

ALTERNATIVES CONSIDERED

The Board could choose not to exercise the First Lease Amendment to extend the lease which would require closing or moving the CC to another location. Neither of these options is recommended as it would have an adverse impact on Metro's customer service and relocating would increase rental costs including new tenant improvements.

NEXT STEPS

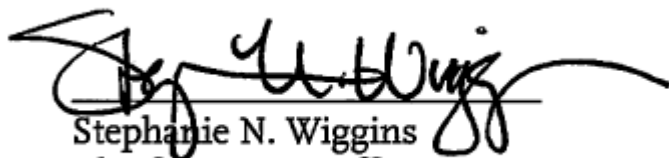
Upon approval by the Board of Directors, staff will finalize the First Amendment to the Lease Agreement or any other documents to extend the initial term, subject to review and approval by County Counsel for execution by the CEO or their designee.

ATTACHMENTS

Attachment A - Location Map
Attachment B - Deal Points

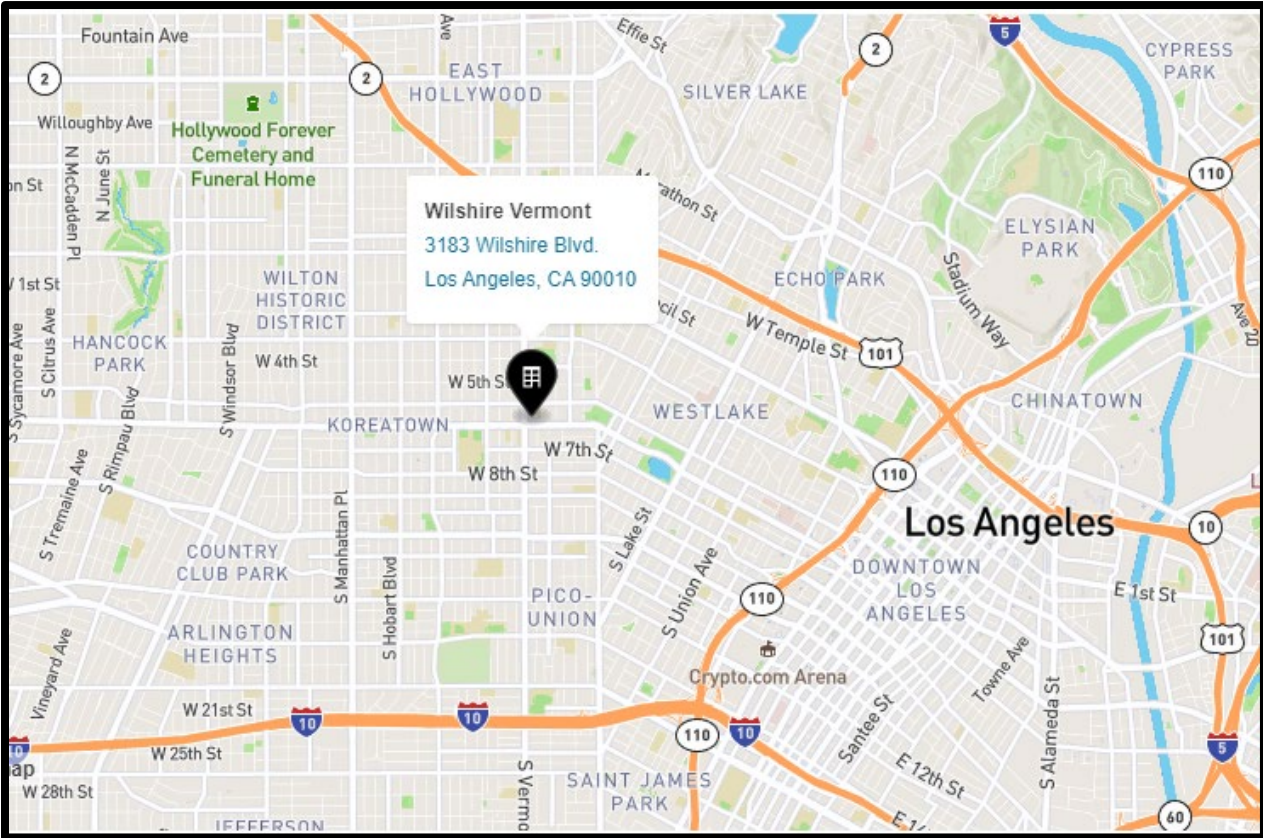
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Stephanie N. Wiggins
Chief Executive Officer

Attachment A – Location Map



Attachment B - Deal Points

| | |
|--|--|
| New or renewal | Lease Amendment |
| Landlord/Owner | DWF V Wilshire Vermont LP |
| Location | 3183 Wilshire Boulevard, Suite 174, Los Angeles |
| Premises | Approximately 2,469 square feet |
| Purpose | Customer Service Center |
| Commencement and Duration (note any extensions) | 5-years commencing approximately September 1, 2024 with two additional 5-year options to extend. |
| Total Cost | The total lease value is approximately \$600,115 over the five (5)-year term. |
| Early Termination Clauses | None. |
| Determination of Lease Value | Market data provided by Metro Real Estate. |
| Background with this Landlord | The underlying lease is with this landlord. |
| Special Provisions | None. |

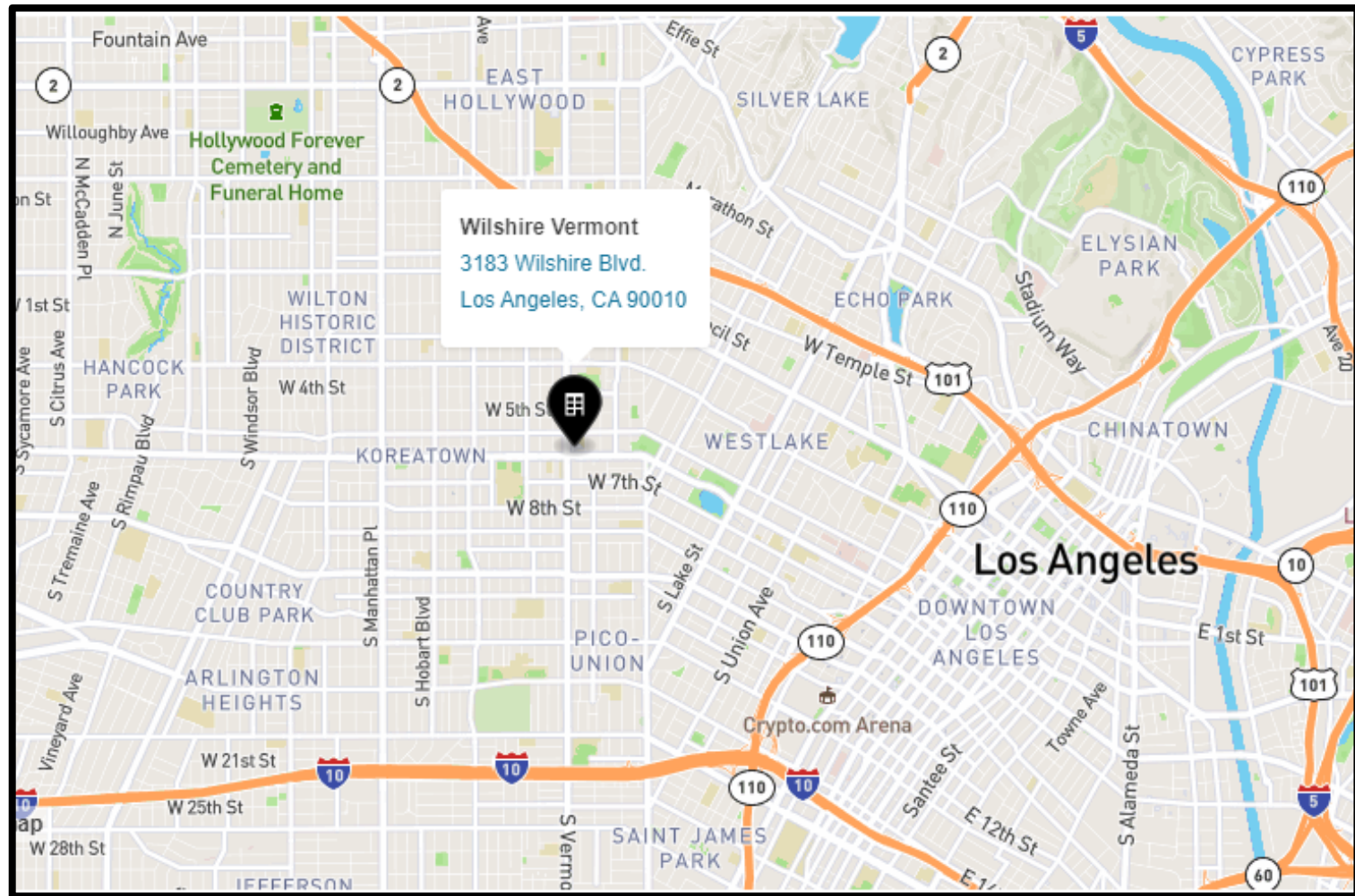


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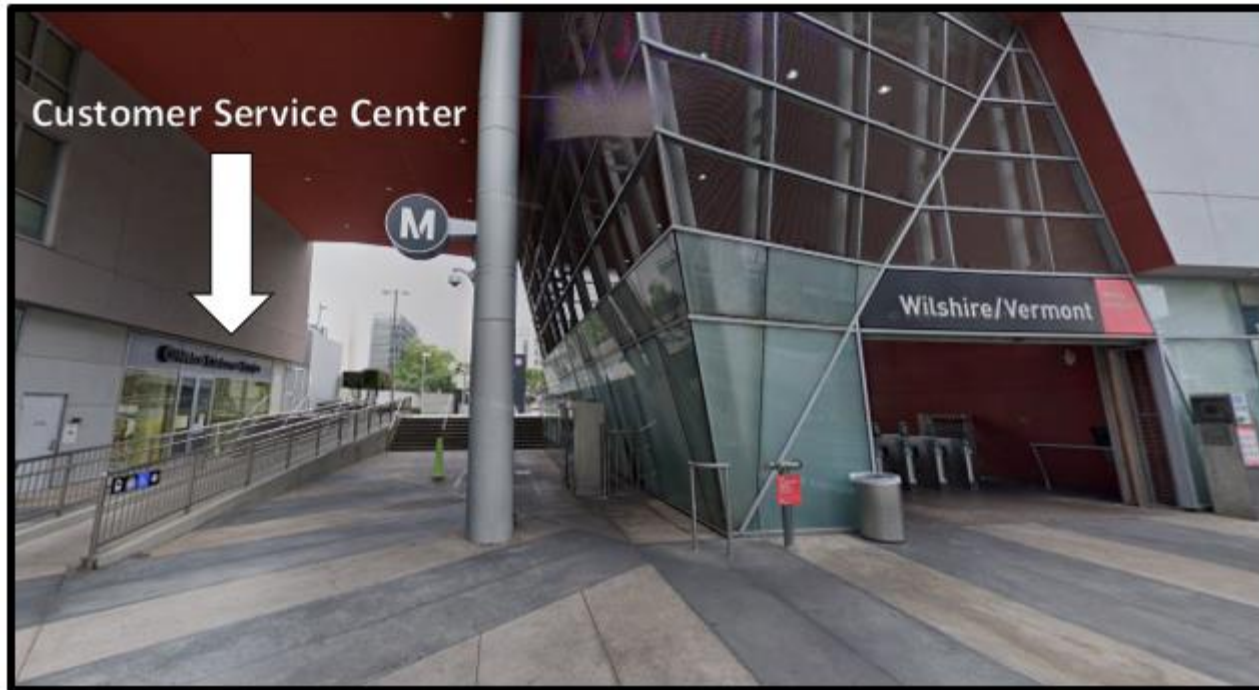
Recommendation

AUTHORIZE the Chief Executive Officer (CEO), or their designee, to execute the First Amendment to the Lease Agreement (First Amendment) or any other documents with DWF V Wilshire/ Vermont LP, (Lessor), to extend the lease by five years (First Option) commencing September 1, 2024, for the customer service center located at 3183 Wilshire Boulevard, Suite 174 (Site) in Los Angeles consisting of 2,469 square feet at a rate of approximately \$10,001.93 per month for a total of \$600,115.80 over the First Option term.

Wilshire Vermont Customer Service Center Location Map



Wilshire Vermont Customer Service Center Plaza View



Wilshire Vermont Customer Service Center (CSC) Considerations

The major points of this Amendment are as follows:

- The extended term is for five (5) additional years.
- The rent over the extended term is estimated at \$10,002 per month.
- No rent increases over the extended term.
- The rent is a market rental rate for similar space in the area.
- No improvements are needed to enhance operations of the term.
- The size of the Premises (2,469 SF) is an ideal size for the CSC.
- The CSC is ideally located just outside the Wilshire Vermont Station.

Financial Impact & Next Steps

Financial Impact

The table below outlines the annual costs to Metro assuming the maximum increase of 15%:

| <u>PERIOD</u> | <u>MONTHLY RATE</u> | <u>MONTHLY RENT</u> | <u>ANNUAL RENT</u> |
|--------------------------|---------------------|---------------------|----------------------------|
| 9/1/2024 to 8/31/2025 | \$4.05 | \$10,001.93 | \$120,023.15 |
| 9/1/2025 to 8/31/2026 | \$4.05 | \$10,001.93 | \$120,023.15 |
| 9/1/2026 to 8/31/2027 | \$4.05 | \$10,001.93 | \$120,023.15 |
| 9/1/2027 to 8/31/2028 | \$4.05 | \$10,001.93 | \$120,023.15 |
| 9/1/2028 to 8/31/2029 | \$4.05 | \$10,001.93 | \$120,023.15 |
| Total Rent | | | <u>\$600,115.77</u> |

Upon Board approval:

Staff will complete negotiations of an agreement to extend the lease subject to review and approval by County Counsel.