

**Metro**Los Angeles County  
Metropolitan Transportation AuthorityOne Gateway Plaza  
Los Angeles, CA 90012-2952213.922.2000 Tel  
metro.net**FINANCE, BUDGET AND AUDIT COMMITTEE  
MAY 15, 2013****SUBJECT: LOS ANGELES UNION STATION****ACTION: AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE A REAL  
ESTATE LEASE TRANSACTION****RECOMMENDATION**

Delegate authority to the Chief Executive Officer (CEO) to conclude negotiation, approve and execute a revenue producing lease for the former "Union Bagel" location in Union Station.

**ISSUE**

We are currently negotiating with a local chef to open a new restaurant in the space formerly occupied by Union Bagel. Over the proposed 15-year term (10 years, plus one 5-year option), this lease is anticipated to generate \$1.2 million in rent based on the current market rate per square foot, and up to an additional \$1.0 million based on potential sales volume, which exceeds the current CEO's authority of \$500,000. The potential tenant is expected to invest between \$300,000 and \$400,000 in tenant improvements. Negotiations are expected to be concluded within the next 3-4 weeks with occupancy anticipated within nine months.

**DISCUSSION**

LACMTA has engaged a commercial real estate broker specializing in downtown Los Angeles retail and restaurant leases. Along with LACMTA executives and Morlin Asset Management, (Union Station property manager), the broker has completed a market analysis of the current proposal under negotiation by the aforementioned local chef. The lease not only meets appropriate market conditions but promises to exceed other current Union Station lease arrangements.

The financial analysis included a comparison of the proposed lease to other recent downtown restaurant leases as well as to other proposals received for Union Station.

The positive factors for accepting this proposal are the following:

- Reflects current market value for space lease
- Requires minimal improvements to the leased premises to be funded by LACMTA
- Proposer provided impressive financial investors
- Provides for future revenue growth in base rent escalations and percentage rents as restaurant business increases
- Tenant has agreed to make a substantial investment in tenant improvements that will maintain historic Union Station while improving existing location
- Proposal is a full-service restaurant that will appeal to both passengers and will attract people to visit Union Station
- Proposed restaurant menu has a broad appeal of quality offerings for breakfast, lunch and early evening.

This restaurant concept is consistent with the Board's vision that Union Station reflects the best of Los Angeles by using locally-based businesses. This approach has been successful in recently re-developed airport terminal retail spaces moving away from national chain restaurants and toward greater local flavor.

With the acquisition of Union Station in 2011, MTA has new opportunities to enter into longer-term, commercial/retail leases in the East Portal, Passenger Concourse, Passenger Waiting Area, the Fred Harvey Restaurant space and the Ticket Concourse areas of the Station. Additional opportunities will emerge as the Union Station Master Plan moves into the development stage.

### **DETERMINATION OF SAFETY**

Increasing occupancy in Union Station will have a positive impact for safety and security of the station and our patrons.

### **FINANCIAL IMPACT**

The proposed action is expected to generate between \$1.2 million and \$2.2 million in new revenue over the 15-year term of the lease.

### **ALTERNATIVES CONSIDERED**

Other proposals for the former Union Bagel space have been reviewed by the broker and LACMTA leasing team but were rejected because they were not as financially attractive or did not provide the ambiance desired for Union Station.

## **NEXT STEPS**

Upon approval, staff will continue work to conclude negotiations and execute a lease for the former "Union Bagel" location at Union Station.

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