



Board Report

File #: 2017-0668, File Type: Agreement

Agenda Number: 6.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 15, 2017

SUBJECT: TRAXX RESTAURANT LEASE AGREEMENT

ACTION: APPROVE 3-YEAR LEASE WITH A 3-YEAR OPTION TO EXTEND

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute a three-year exclusive lease agreement and a three-year extension option with Tara Thomas Enterprises, Inc., a California corporation for the Traxx Restaurant and the Bar located in Union Station.

ISSUE

The lease area consists of 4,276 square feet on the west side of Union Station including seating area in the waiting room, entry vestibule, and north patio. In addition, the tenant has an office and two storage areas with stair access on the 2nd floor and in the basement totaling 702 square feet (see Attachment A).

Metro and Tara Thomas Enterprises, Inc. (Lessee) have conducted negotiations and desire to enter into a new lease that will replace and supersede all prior agreements and understandings between the parties. The prior lease expired and, per that agreement, the tenancy reverted to a month-to-month lease term. A new agreement and monthly base rent of \$9,080.00 has been negotiated with the assistance of County Counsel.

Over the proposed 6-year term (3 years plus one 3-year option dependent on performance per Attachment B term sheet), this lease is anticipated to generate in excess of \$1,100,000 in base rent, three percent annual increase, eight percent of gross sales percentage rent, and common area maintenance fees. Board authorization is requested because the expected lease revenue exceeds the CEO's current authority.

DISCUSSION

The Traxx Restaurant and Bar is a fine dining amenity for our public transit customers. It has been in operation in Union Station for twenty years and has created a following. Over the years, Traxx has been featured in many articles in restaurant magazines, the Los Angeles Times, and LA Weekly. The tenant also negotiates on a case-by-case basis special event catering services to various event licensees throughout the station.

As a material consideration of Metro entering into this agreement and subject to Metro's approval, the Lessee is to install certain improvements to the premises, including but not limited to, internet speed upgrade, new point of sale system, restroom remodel, bar fixtures and plumbing upgrade and new seating and umbrellas for the patio. Tenant shall be entitled to reimbursement of actual out-of-pocket costs of the foregoing not to exceed \$34,050.

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 \$1,100,000 in rent including the 3 percent annual increase, CAM charges, and percentage rents, over the initial 3 years of the lease and 3-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 negotiated lease terms. Staff does not recommend this since it would likely leave the retail space vacant for a time causing an interruption in service to regular Metro and Traxx customers. This would also trigger a loss of rent income to Metro during the vacancy. The Board may instead decide to go back to the open market to find an alternate tenant. This is not recommended as any new tenant would want to negotiate new improvements to the premises at Metro's expense. Additionally staff has already conducted an exhaustive lease negotiation process and settled with the tenant on terms and conditions within market parameters and favorable to Metro.

NEXT STEPS


Upon approval by the Metro Board of Directors, the lease agreement will be executed with all new terms, conditions and exhibits as of the retroactive date of October 1, 2017 per the negotiated lease start date.

ATTACHMENTS

Attachment A - Lease Area
Attachment B - Traxx Lease Agreement Key Terms

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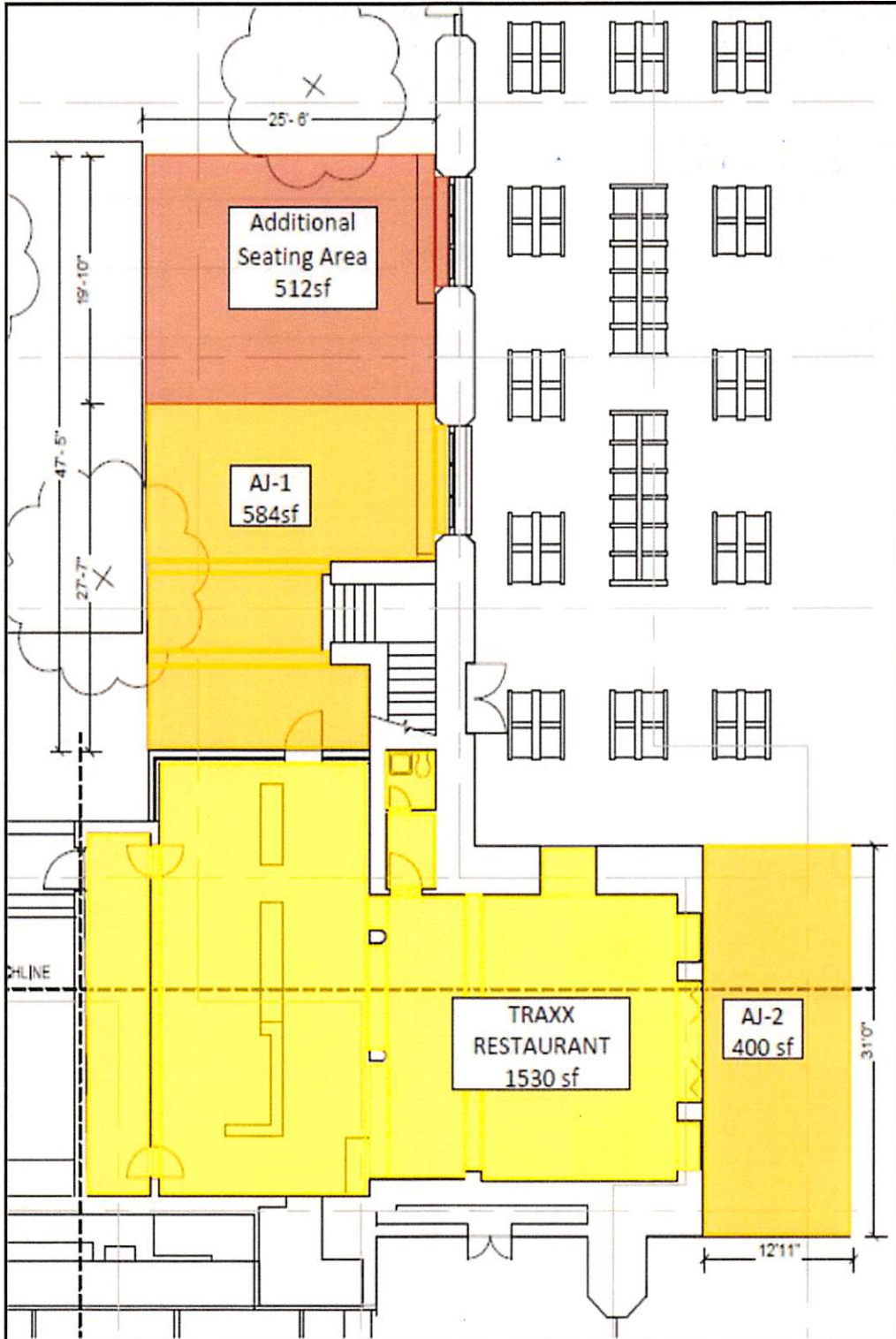
Reviewed by: Therese W. McMillan, Chief Planning Officer, (213) 922-7077



Phillip A. Washington
Chief Executive Officer

EXHIBIT "A-1"

DEPICTION OF RESTAURANT AND BAR
ADJACENT AREAS AND ADDITIONAL SEATING AREA
(plan not to scale)



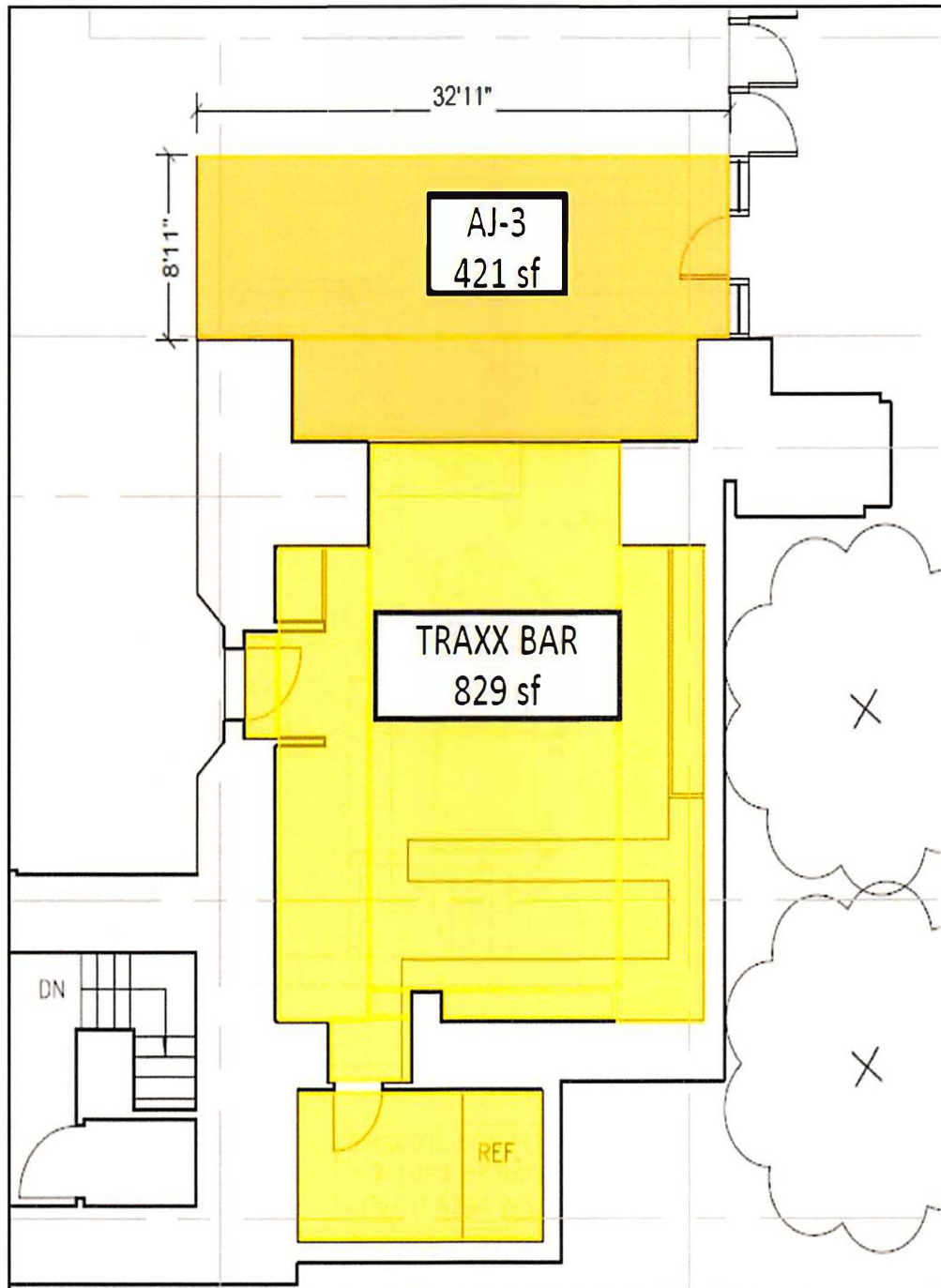
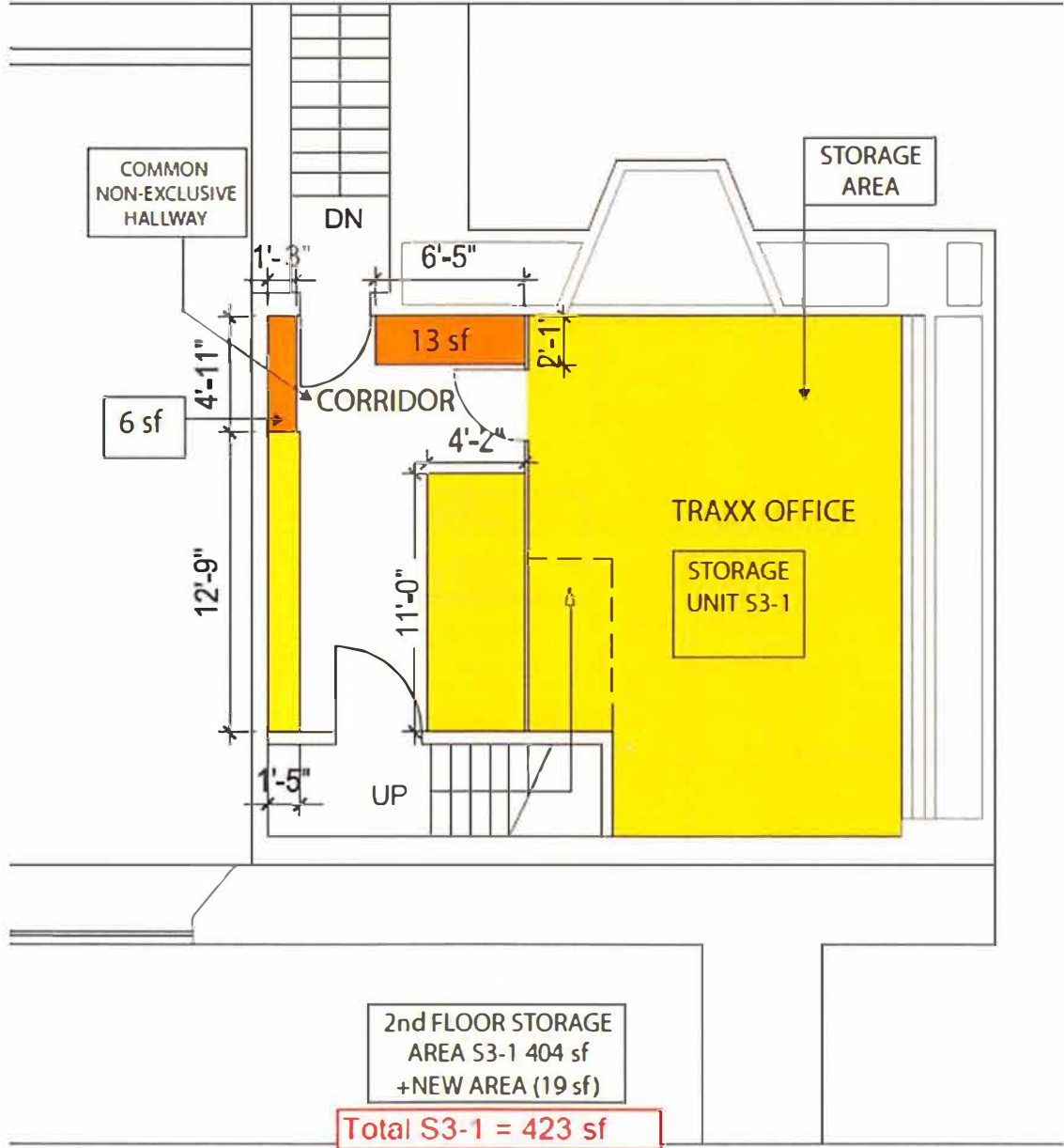
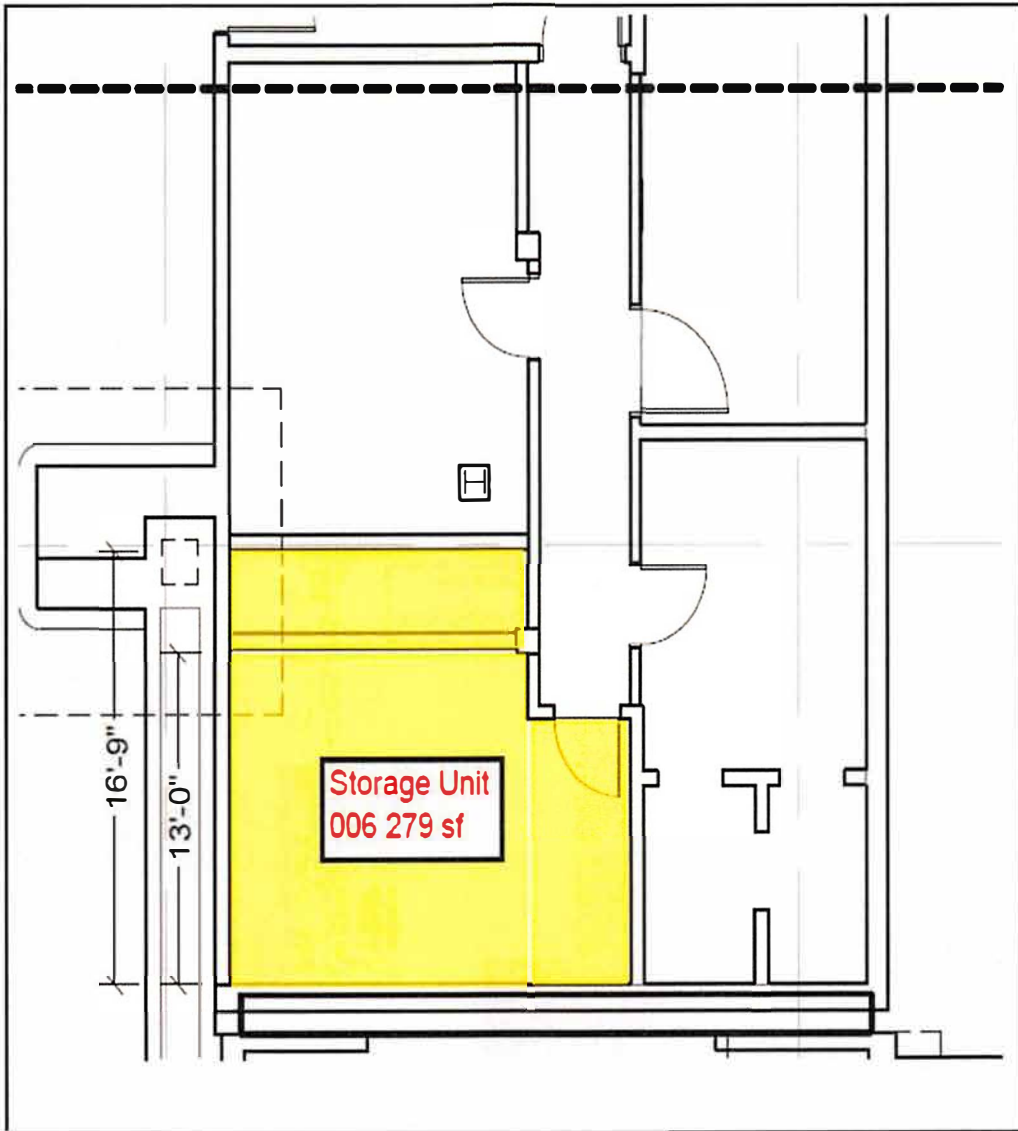


EXHIBIT "A-2"

DEPICTION OF STORAGE AREAS
(plan not to scale)





SUMMARY OF LEASE AGREEMENT KEY TERMS

TARA THOMAS ENTERPRISES, INC., A CALIFORNIA CORPORATION (aka, TRAXX RESTAURANT AND BAR) AT LOS ANGELES UNION STATION (LAUS)

| | |
|----------------------------------|---|
| <p>Premises</p> | <p>The Premises consists of <u>2,359 square feet</u> of retail tenant improvements (Restaurant and Bar areas) installed by Traxx.</p> |
| <p>Term</p> | <p>Lease Agreement is <u>three (3) years</u> commencing on October 1, 2017. Allowing for a <u>three (3) year</u> extension for a total term of six (6) years.</p> |
| <p>Rent</p> | <p>Six year base rent including 3% annual escalations \$704,798. Six year common area maintenance charges \$481,250. Total \$1,186,048.</p> |
| <p>Indemnification</p> | <p>Tenant will indemnify and hold Landlord and its agents harmless from all claims, liabilities and damages resulting from its use of the Premises.</p> |
| <p>Termination Clause</p> | <p>Terminable with <u>three (3) months' written notice</u> if required for any transportation or master plan project purposes.</p> |