Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2026-0386, **File Type:** Agreement **Agenda Number:** 17.

FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 17, 2026

SUBJECT: AMENDMENT TO LEASE AGREEMENT WITH DOWNTOWN PROPERTIES, LLC FOR THE OFFICE OF INSPECTOR GENERAL LOCATED AT 818 WEST 7TH STREET IN LOS ANGELES

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) or their designee to execute Amendment No. 9 to the Lease Agreement with Downtown Properties, LLC ("Lessor"), for the Office of the Inspector General ("OIG") located at 818 West 7th Street in Los Angeles (Attachment A - Location Map), extending the lease term for 65 months (5 years, 5 months), commencing August 1, 2027, at an initial rate of $39,274 per month with 3% annual escalations, for a total of $2,521,267.65 over the 65-month term.

ISSUE

The current lease term for the OIG office space at 818 West 7th Street in Los Angeles ("OIG Office") will expire on July 31, 2027, unless the term is extended. The window for Metro to exercise the option to extend the lease commences August 1, 2026, and closes October 31, 2026. Board approval is needed to allow Metro to timely execute the negotiated lease amendment, obtain favorable lease terms, and allow sufficient time for completion of tenant improvements prior to the commencement of the extended term. Both the term and the value of the proposed amendment exceed the delegated authority of the CEO; therefore Board approval is required.

BACKGROUND

The OIG has occupied office space at 818 West 7th Street in Los Angeles since 1998. The original lease was for 55,560 square feet (SF), but has been reduced by approximately 77% during the lease period to the current size of 12,912 SF. The space is used by OIG staff and OIG consultants and is strategically located directly across from the Metro 7th Street/Metro Center Station. The current lease term expires July 31, 2027..

Prior lease amendments include:

- First Amendment to memorialize the commencement date as March 1,1998 and expiration date of February 28, 2003.

- Second Amendment to reduce the footprint to 32,701 SF.
- Third Amendment to extend the term to February 28, 2005
- Fourth Amendment to extend the term to February 28, 2007
- Fifth Amendment to extend the term to February 29, 2012 and reduce the premises to 12,912 SF
- Sixth Amendment to extend the term to February 28, 2017
- Seventh Amendment to extend the term to February 28, 2022
- Eighth Amendment to extend the term through July 31, 2027

DISCUSSION

OIG has a continued need for the OIG Office to provide ongoing independent oversight duties. OIG requires office space separate from Metro Gateway Headquarters to maintain operational independence, confidentiality, and separation from other Metro departments and functions.

The current OIG Office location has adequately served the needs of OIG since 1998. Continuing operations at the existing OIG Office would provide the least disruption to OIG services and avoid relocation, build-out, furniture, fixtures, IT installation, communications, and service interruption costs that would be incurred if OIG relocated to another location.

Staff has negotiated new lease terms effective August 1, 2027, including an initial rental rate of $36.50 per SF, or approximately $39,274 per month, with 3% annual escalations (See Attachment B - Deal Points). After accounting for five months of free rent as negotiated by staff, the effective rental rate is approximately $33.45 per SF. Metro Real Estate conducted a survey of 12 comparable Downtown Los Angeles office buildings which showed rates ranging from $36 to $49 per SF, thereby validating the proposed rental rate.

The proposed Amendment represents approximately 20% savings from the current rental rate, including eliminating operating expense pass-throughs, five months of free rent and an increase in parking from two to six spaces. The table below shows the comparison between the current annual rent compared to the proposed rent:

Annual Rent	Current Rent	Proposed Rent
Base Rent	$523,172	$432,014
Operating Expense Estimate	$24,168	None
Operating Expense Reconciliation	$3,820	None
Total Annual Rent	**$551,160**	**$432,014**

The Lessor will provide tenant improvements for needed upgrades including adding a door for security and replacing the air conditioning unit in the computer room. Also included is an additional allowance of $96,840 for future needs. The existing space also provides access to other amenities in the 818 building that have served Metro management for off-site retreats and meetings at no additional charge.

The term of the Amendment is five years and five months, which was negotiated to incorporate additional rent concessions. The proposed Amendment also includes, at no additional charge, a 24-month first right of refusal for the remainder of the fifth-floor space. This additional space may be beneficial for future Metro security or operational needs due to its direct view of 7th Street and Figueroa station areas.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

The proposed Amendment would commence on August 1, 2027 (FY28) and will be included in Project 100002, Cost Center 0651 during the FY28 Annual budget preparation by the Real Estate staff for applicable fiscal years.

The total cost of the proposed lease amendment is $2,521,267.65 over the 65-month term. This amount reflects the negotiated rental rate, 3% annual escalations, and five months of free rent.

Impact to Budget

The funding for the proposed lease is the General Fund, Right of Way. The funding source is eligible for bus and rail operations and capital projects.

The five-year budget impact will be as follows:

Extended Term Rent:				
Period		Rent SF*	Monthly Rent	Annual Rent
Year 1*	8/1/2027 - 7/31/2028	$36.50	$39,274.00	$ 432,014.00
Year 2*	8/1/2028 - 7/31/2029	$37.60	$40,452.22	$ 444,974.42
Year 3*	8/1/2029 - 7/31/2030	$38.72	$41,665.79	$ 458,323.65
Year 4*	8/1/2030 - 7/31/2031	$39.88	$42,915.76	$ 472,073.36
Year 5*	8/1/2031 - 7/31/2032	$41.08	$44,203.23	$ 486,235.56
Year 6	8/1/2032 - 12/31/2032	$42.31	$45,529.33	$ 227,646.65
Total Rent				**$ 2,521,267.65**

*Each year March is rent-free through 2032.

EQUITY PLATFORM

There are no anticipated equity impacts identified as a result of this action. The proposed lease amendment supports the continued operation of OIG, which provides independent oversight and accountability functions for Metro.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as the proposed lease amendment supports the continued operation of OIG, which provides oversight and accountability functions necessary to support Metro's agency-wide operations. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports the Metro strategic plan goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the proposed Ninth Amendment. However, the time and resources required to identify another downtown office location, negotiate a new lease, construct tenant improvements, install communications and IT facilities, and relocate OIG staff would far exceed the cost of remaining in the existing location. This alternative is not cost effective and is not recommended.

There is no available space at Gateway Headquarters that would provide comparable operational separation, confidentiality, and independence for OIG operations.

NEXT STEPS

Upon Board approval, staff will execute the Ninth Amendment to Lease Agreement with Downtown Properties, LLC for the Office of Inspector General located at 818 West 7th Street in Los Angeles, as reviewed and approved by County Counsel.

ATTACHMENTS

Attachment A - Location Map
Attachment B - Deal Points

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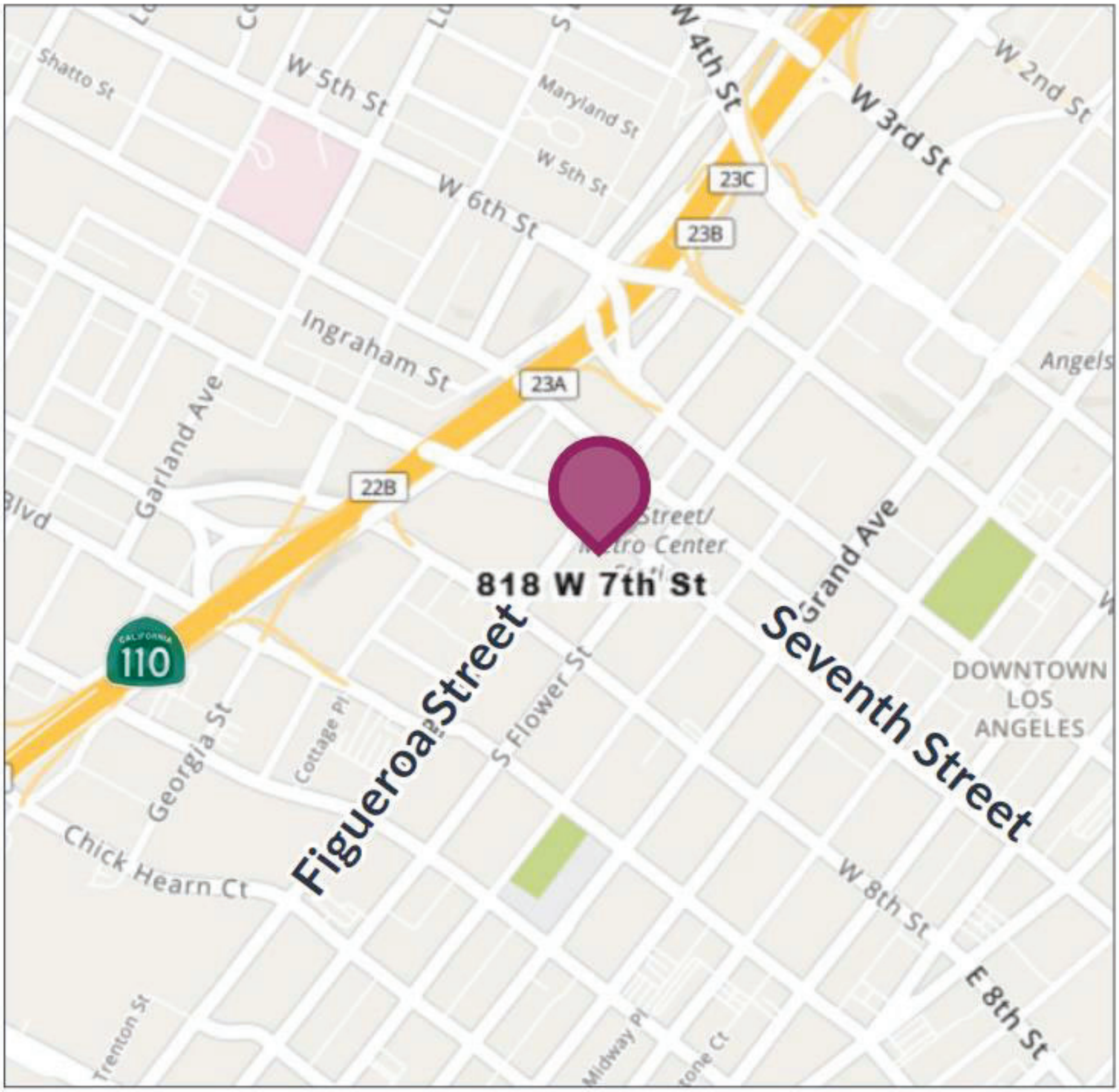
Stephanie Wiggins
Chief Executive Officer

Attachment A – Location Map

Location Map



818 W. 7th Street, Suite 500, Los Angeles

Attachment B – Deal Points

New or renewal	Ninth Amendment to Lease
Landlord/Owner	Downtown Properties, LLC
Location	818 W. 7th Street, Los Angeles
Premises	12,912 square feet of office space
Purpose	Office of the Inspector General.
Commencement and Duration (note any extensions)	65 months commencing August 1, 2027.
Total Cost	The total lease value is $2,521,267.65 over the 65-month term.
Early Termination Clauses	None.
Determination of Lease Value	Survey of current market rental rates of similar buildings.
Background with this Landlord	This will be the ninth transaction with the landlord at this location.
Special Provisions	Five months of free rent (March of each year).

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Amendment to Lease Agreement with Downtown Properties, LLC for the Office of Inspector General

Finance, Budget & Audit Committee - September 17, 2026

Legistar File #2026-0386

Metro

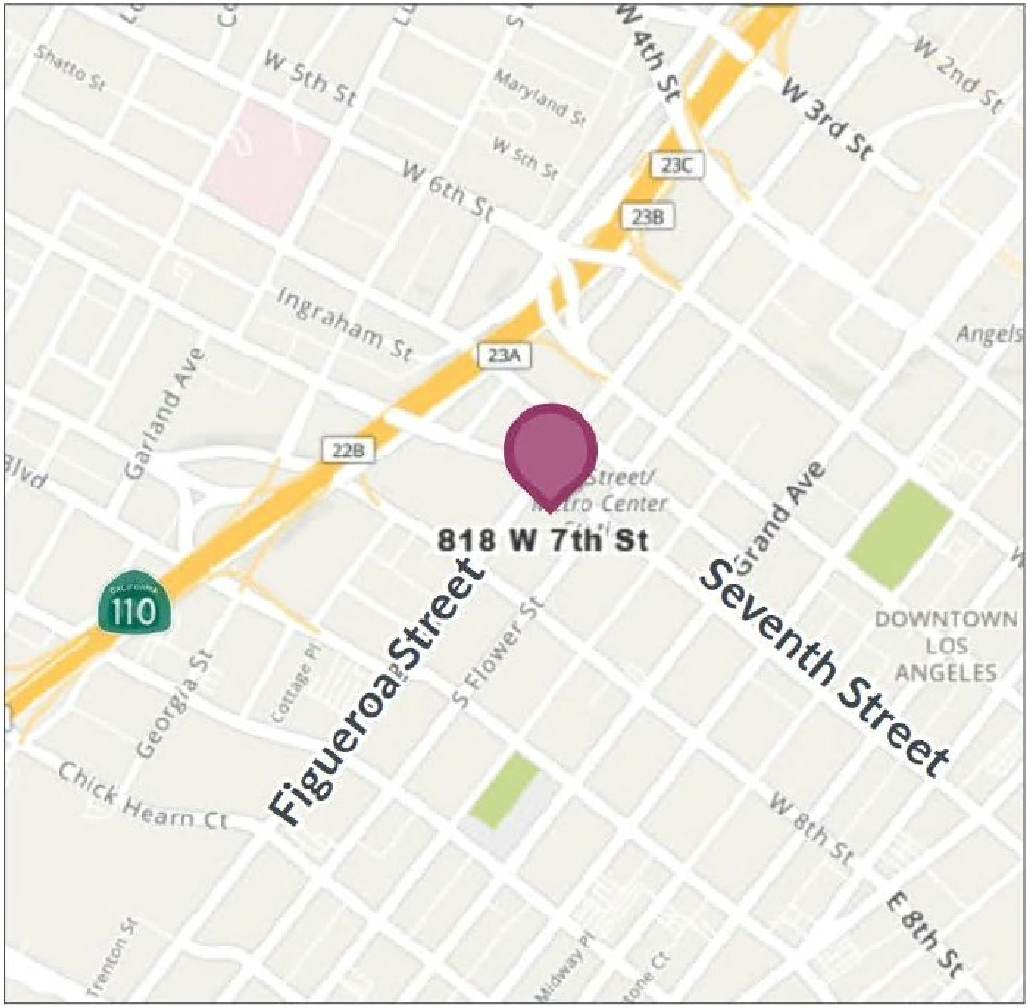
Recommendation

AUTHORIZE the Chief Executive Officer (CEO) or their designee to execute Amendment No. 9 to the Lease Agreement with Downtown Properties, LLC ("Lessor"), for the Office of the Inspector General ("OIG") located at 818 West 7th Street in Los Angeles (Attachment A - Location Map), extending the lease term for 65 months (5 years, 5 months), commencing August 1, 2027, at an initial rate of $39,274 per month with 3% annual escalations, for a total of $2,521,267.65 over the 65-month term.

Metro

Background

- OIG has occupied office space since 1998.
- Used by OIG staff and OIG consultants.
- Strategically located directly across from the Metro 7th Street/ Metro station.
- The current lease term covers the use of 12,912 SF and expires on July 31, 2027.
- Option to extend the lease for five years and five months commences August 1, 2026 and closes October 31, 2026.



Metro

Financial Impact & Next Steps

Approximately 20% savings from the current rental rate as shown below:

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Total proposed rent schedule as shown below:

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