Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

Metro

September 3, 2014

TO: **BOARD OF DIRECTORS**

THROUGH: **ARTHUR T. LEAHY**
CHIEF EXECUTIVE OFFICER

FROM: **MARTHA WELBORNE, FAIA**
CHIEF PLANNING OFFICER

SUBJECT: **CONCESSIONS STUDY FINAL REPORT**

ISSUE

In previous Board meetings over the past several years, the Board had a number of discussions related to the potential for opening concession stands such as coffee kiosks at Metro Rail stations. A consultant was engaged to explore this potential concept systemwide and a final feasibility report is now available (Attachment A).

DISCUSSION

As set forth in the summary, the study results indicate: "Metro could feasibly manage a new and expanded concessions program; however, it will be important to consider the indirect maintenance and related additional costs needed and properly account for those costs in any concessions program budget projection." The study indicates that concessions would likely lose money at site constrained stations, while at larger stations and related Metro facilities well-implemented concessions could likely generate overall net operating income of just over $820,000 annually. A critical conclusion of the report is that certain existing Metro policies and guidelines, particularly those prohibiting food and beverage use in station areas will not allow a concessions program to maximize revenue.

The study surveyed concession programs at WMTA in Washington D.C., MBTA in Boston, CTA in Chicago, and BART in San Francisco. Each of these systems operate concession programs to some degree.

- WMTA: This concession system is limited to ATM service. Policy and statutes restrictions against food and beverage use precludes a retail or food and beverage concession program

- MBTA: Widespread concession programs include ATM, food and beverage and DVD rental kiosks. Littering and waste have not been a significant issue. Term of

concession may be extended at certain locations for expensive utility or other build out requirements.

- CTA: Widespread concession programs include ATM, food and beverage and DVD rental kiosks. Littering and waste have not been a significant issue. Key restriction is availability of power and data.

- BART: Utilize a third party master vendor that brokers and manages concessions at all stations. ATM's, food and beverage and retail, including food carts. Food and beverage not allowed on trains. Constraint is space availability in stations and availability of utility hook-ups.

The study further assumes that the cost of retrofitting stations to accept concessions, notably providing electrical and water connections, together with the cost of kiosks, carts or tenant demising and improvement costs, would be borne by the concessionaires. In cases where such costs are minimal, this assumption is valid. However many of our stations did not anticipate such use and the infrastructure required may be cost prohibitive. This has been experienced in the recent efforts to bring concessions to the El Monte Transit Center. Implementation costs can only be determined on a location by location basis.

NEXT STEPS

Staff will continue to evaluate a limited number of individual stations with the highest potential for revenue to determine both the capital costs necessary to accommodate concessions and the impact on an individual station with respect to access, egress, and incremental maintenance costs. Staff will work with Operations to explore a pilot program that would allow food and beverage at certain stations, although not on trains. Locations will be selected that would minimize investment such that the pilot could be terminated if found to raise significant operations and maintenance issues.

ATTACHMENT

A. Concessions Study Final Report

Los Angeles County Metropolitan Transportation Authority

Concessions Program Concept for Metro Owned Facilities

Date: June 28, 2013

Prepared by:

Contact:
Kurt Little, Managing Director
Jones Lang LaSalle Americas, Inc.
515 S Flower Street, Suite 1300
Los Angeles, CA 90071
Phone: 312.228.2632
Email: kurt.little@am.jll.com

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Executive Summary

Purpose

In July 2012, the Los Angeles County Metropolitan Transportation Authority (Metro) retained the Jones Lang LaSalle Team to analyze the potential costs, revenues and structure of an expanded concessions program, and to make recommendations to Metro based on the findings.

Existing Concessions Program

Metro currently has a limited number of concessions at four stations as well as its division facilities. In 2012, Metro's concession programs generated approximately $281,000 in revenues, excluding advertising revenues and concessions at Union Station. Although the cost of running this limited concessions program is low, Metro Operations staff indicates that these concessions alone generate additional pressure washing and janitorial services that cost approximately $76,100 annually per station.

Industry Standards

To understand the overall transit industry, a representative set of other large metropolitan transit agencies are analyzed. Based on key characteristics including mode type, existing concessions programs and number of stations, the study determined that the Chicago Transit Authority (CTA) and Massachusetts Bay Transportation Authority (MBTA) are most comparable to Metro for benchmarking purposes. The analysis includes a review of the benchmarked agencies' practices, as well as national transit literature to identify industry best practices that Metro could implement in an expanded concession program. As Table ES-1 shows, the comparable transit agencies all either have an expanded concessions program that includes ATMs, vending and retail or are working towards acquiring those concessions.

Table ES-1: Comparable Agencies Concessions Programs

Agency	ATMS	Vending	Retail
WMATA	Yes	Want/Food Ban	Want/Food Ban
MBTA	Yes	Yes	Yes
CTA	Yes	Yes	Yes
BART	Coming	Coming	Yes/Expanding
Hong Kong	Yes	Yes	Yes

Although BART and WMATA do not yet have some concessions types, they are both interested in expanding their programs to include all three types of concessions. BART recently hired a third-

party manager to expand their concessions programs. It was worried about added crime at ATMs and added litter from vending, but reached out to other transit agencies and found that these are not problems. WMATA would also like to add vending and retail at their stations, but have not yet been able to do so due to existing policies that ban food and drink vending at stations.

Best Practices

Drawing on considerable organizational experience, as well as research completed by the Center for Urban Transportation Research,* the analysis finds that revenue yield and customer amenities are the primary considerations for starting or expanding a concessions program. Common best practice elements used in transportation concessions are summarized below Table ES-2.

Table ES-2

Transit Agency Concession Programs: Summary of Industry Best Practices

Key Attribute	*Best Practice Elements*
Management, Planning and Capacity	Successful programs require a clear, well thought out and well-funded management plan. Without support from all agency groups, success is not assured.
Revenue	High traffic locations maximize revenue per square feet; website for lease revenue tracking maximizes collections.
Sense of Place	Use of local cultural/ethnic vendors and food themes/menus; integrate national brands at higher traffic/diverse stations.
Procurement	External asset management/brokerage contract; third party developer; pre-Inquiry or request-for-information before bid process ensures quality bidders, understanding of requirements and market rents; web-based RFP downloads reduces cost and increases local vendor, developer and DBE participation. Developer preferred contract with increasing capital investment for improvements vs. direct tenant lease.

* Center for Urban Transportation Research, *Lessons Learned in Transit Efficiencies, Revenue Generation, and Cost Reduction* (Tampa, Florida: University of South Florida, 2004).

Key Attribute	*Best Practice Elements*
Customer Value	Uniqueness; high rider visibility; added defensible space; exciting customer-shopper experience, high level of convenience to rider and ability to move customers quickly through sale process, provide an array of compelling concession choices and mix.

The benchmarking analysis and industry best practices review indicate that Metro could implement a program that generates additional non-farebox revenues and enhances rider experience. In order to understand the magnitude of potential costs and revenues, it is necessary to examine the potential for additional concessions at the station level.

Internal Facility Review, Market Analysis and Aggregate Revenues

In order to determine the potential aggregate revenues that Metro could generate from an expanded concessions program, the analysis reviews the existing station and facilities inventory. Five sample stations/facilities representative of the entire inventory are selected and market conditions assessed at each. The analysis identifies potential concessions to be located at each station/facility and projects the resulting concessions revenues and maintenance costs.

Sample Stations/Facilities

Metro staff chose the following sample stations/facilities for Jones Lang LaSalle to tour and review for concession expansion potential. Each of these representative stations/facilities was chosen for the ability to extrapolate the findings to other stations within the station families. Table ES-3 shows the sample stations that this analysis examines:

Table ES-3: Station Families

Station Family	Definition	Sample Station	Total Stations, Systemwide (a)
Concession Area Available with Limited or No Land Area	Stations that are not strictly area-constrained	Heritage Square Station	38
Concession Area Significantly Constrained	Stations with no significant plaza or land area for concessions	Washington Station	44
Concession Area Available with Significant Land Area	Stations and other public access points that have significant land area	North Hollywood Station	13
Facilities	Rail and bus maintenance divisions that primarily serve employees	Blue Line Main Yard	35
Special Cases	Special cases and exceptions	Chatsworth Station	7

Findings

Based on hypothetical concessions at each sample station/facility, the analysis finds that Metro could generate new revenues from adding ATMs, vending machines and retail space to existing stations with significant land available, as well as at facilities, as space and demand permit. Table ES-4 on the following page shows the hypothetical concessions that each sample station/facility could support and that would be profitable to Metro.

Table ES-4: Hypothetical Concessions, per Station

Station Family	Number of ATMs	Number of Vending Machines	Retail Square Feet
Concession Area Available with Limited or No Land Area	0	0	0
Concession Area Significantly Constrained	0	0	0
Concession Area Available with Significant Land Area	1	5	2,000
Facility	0	2	0
Special	0	0	0

Concessions at area available and significantly constrained stations are not profitable at this time. Additionally, each special case station must be evaluated for profitability.

As Table ES-5 shows, Metro could realize an additional $820,500 per year in net concessions revenues agency-wide if it implements concessions at all profitable facilities and stations. Net revenues assume that concessions in stations without other concessions would require both increased pressure washing, as well as janitorial services. Stations with existing concessions or farmers markets would not require more frequent pressure washing, but would generate additional program management and overhead costs. These costs are included in the net revenue projections.

Table ES-5: Systemwide Revenue Potential, Implemented at Positive Cashflow Stations Only

Station Family	Net Profits per Station	Number of Stations	Total Profits
Concession Area Available with Limited or No Land Area	($9,295)	38	$0
Concession Area Significantly Constrained	($61,373)	44	$0
Concession Area Available with Significant Land Area	$53,304	13	$692,955
Facility	$3,645	35	$127,564
Special	($54,084)	7	$0
Total			**$820,519**

In order to make the program successful, concessionaires must be responsible for the costs of extending power and utilities to their vending machines as well as building their retail kiosks to suit their needs within Metro standards. Concessionaires must also be responsible for all of their own maintenance, janitorial and trash disposal needs and should work in conjunction with Metro's maintenance staff on a case by case basis if any issues arise.

SWOT Analysis and Program Concept

SWOT Analysis

The SWOT analysis reveals that Metro could build a successful concessions program that uses available space in its stations to create economic development opportunities as well as generate non-farebox revenues. However, to realize this success, Metro would need to

- Implement new concession agreements;
- Find ways to lower or mitigate existing maintenance costs; and
- Review existing vending and concessions policies.

Program Concept

The study recommends Metro initiate implementation of an expanded system-wide concessions program where space permits and the program doesn't interfere operationally with station traffic flow. There is clear potential for this program to drive non-farebox revenue growth for Metro over the long term as maintenance cost issues are mitigated and initial successes are realized at market rents. Careful management of the program's marketing and procurement decisions from the outset that communicate that Metro is "open for business" could help set Metro up for continued long-term success with this program, which could ultimately improve the overall ridership experience.

The program should be expanded with careful consideration to minimize any additional maintenance costs. Vendor and new tenant leases and license agreements should be drafted requiring concessionaires to take responsibly for much, if not all, of the maintenance requirements their tenancy creates. Tenants should also be responsible for their space build-outs. Design guidelines and tenant guidelines for occupancy /expectations should be communicated up front so it is clear what is expected of a new tenant in order to assure Metro's needs are met.

Implementation Plan

If Metro chooses to proceed with an expanded concession program, it is important to establish an integrated implementation plan that has buy-in and support across multiple Metro departments, in addition to the department handling the day-to-day program management. Following are the main steps for successfully expanding the concessions program:

- Clearly identify concessions opportunities within each station;
- Adopt marketing/procurement strategies for each type of concession opportunity;
- Evaluate revenue potential internally (concession valuation);
- Considerations for New Programs:

  - Let concessionaires bid competitively on locations to help market value,
  - Create a single marketing website that contains all marketing and bidding information in one place and clearly spells out the bid process,
  - Consider trial programs for new types of concessions, and
  - Professionally market retail opportunities; and
- Carefully plan and manage infrastructure strategies that tie concessions build-outs into station utilities.

Cost Management Plan

Every attempt should be made to identify potential upfront and ongoing costs to Metro at a concession project's inception to allow for proper budgeting and cost control. Implementing a cost management plan from the outset of the concession program is critical to assure concession opportunities don't inadvertently increase overall agency operating expenses. Costs and revenues associated with each concession opportunity should be documented sufficiently to allow planning for future growth of the program as well as to determine where processes can be streamlined and where costs and staff time spent on the particular projects can be minimized without compromising overall project success. Main areas of cost control include

- Vendors should be responsible for all project physical startup costs such as construction of retail spaces or build-out, conduit runs for vending machines, etc., with Metro's approval;
- Project oversight and implementation costs for Metro can be minimized by having a streamlined process that is easily communicated to tenants for build-out/installation and move-in; and
- Ongoing operational costs can be minimized by making all maintenance and upkeep of the space the tenant's responsibility.

Recommendations

Potential Expanded Concessions Program

Metro could feasibly manage a new and expanded concessions program; however, it will be important to consider the indirect maintenance and related additional costs needed and properly account for those costs in any concessions program budget projection. If the new revenues exceed the total cost of administering the expanded concessions program and providing the necessary additional indirect maintenance and fire and life safety services associated with that expansion, then providing additional concessions would likely improve the overall transit patron experience and may result in increased ridership over the long term.

In addition to the potential for increasing non-farebox revenues from concessions, an expanded concessions program would provide non-monetary benefits. Vendors provide defensible space as they maintain "eyes on the street" and can be strategically located to minimize blind corners. Likewise, an expanded program provides economic development opportunities for Los Angeles residents and offers modern conveniences that promote transit use and enhance the rider experience.

In order to implement a successful concessions program, Metro should consider a variety of factors to determine the appropriate concession opportunities at each of its stations. Following are the recommended actions that Metro could undertake to expand its concession program successfully.

System-Wide Review of Conditions

Metro should review the system-wide policies and conditions that could impact its concession program. These include:

- Legal Policies and Design Guidelines
- Maintenance Cost Assessment
- Fire and Life Safety Assessment
- Procurement Strategies
- Utilities capacity

Outreach

Providing outreach to various stakeholders will allow groups sufficient opportunity to voice concerns, buy into the program, and prepare for new opportunities. Metro should

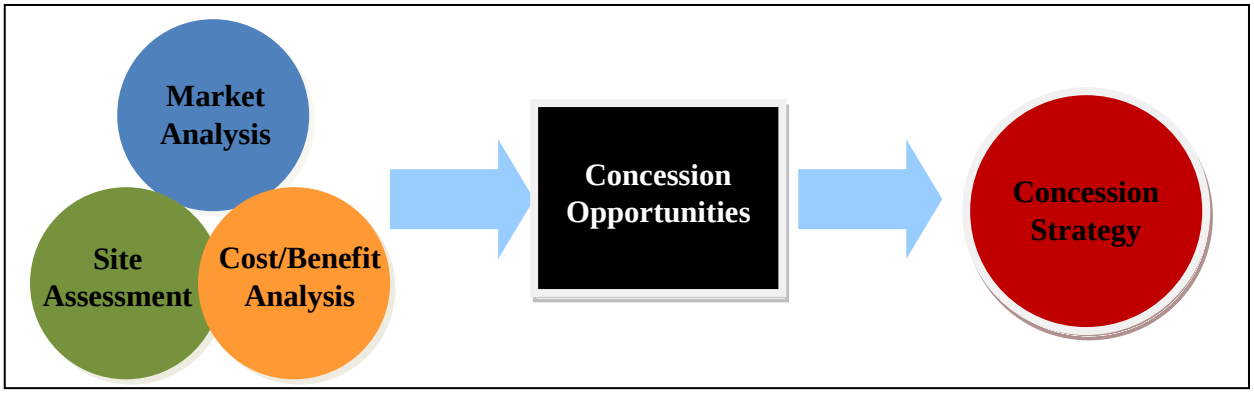
- Engage Metro staff members to gain a better understanding of their goals and concerns surrounding an expanded program;
- Engage in pre-marketing outreach to existing concessionaires to better understand their risks, strategies, successes and pitfalls, as well as to assess their interest in expansion;
- Develop a streamlined marketing program to present a cohesive message for the public; and
- Reach out to local chambers of commerce and economic development organizations to inform them of upcoming opportunities to contract and partner with Metro.

Station Specific Analysis

When it is time to determine where concessions should be located, Metro staff should fully vet each station for potential concessions opportunities on a case by case basis. Table ES-6 on the following page shows the due diligence that Metro should undertake for each station/facility under consideration.

Table ES-6

Due Diligence Summary for Station Specific Analysis



- A market analysis that includes ridership data would determine the types of concessions that the station can support.
- A site assessment would determine where concessions can be located, accounting for security, traffic flows, access to utilities, and other location factors.
- A cost/benefit analysis would compare the revenues and costs of each concession type at the station to determine which types of concession projects could generate positive revenues to Metro.

Together, the above information will help to more fully inform Metro as to the possible types of concessions that a given station could support. The potential range of supportable concession projects will then inform decision making at a given location.

Overall Recommendation

This study demonstrates there is clear potential – as well as sufficient organizational benefit – to justify expansion of the existing concession program, subject of course to the provisions described. While there can be no guarantee that an expanded concessions program will be successful, there is ample reason to consider the overall benefits that could be made available to Metro patrons, employees, and the communities that the agency serves.

Introduction

In July 2012, the Los Angeles County Metropolitan Transportation Authority (Metro) retained Jones Lang LaSalle and Beacon Management Group to provide an economic study that analyzes the potential costs, revenues and potential structure of an expanded concessions program, and to make recommendations to Metro based on this analysis. This analysis does not evaluate the additional FTEs that would be required to implement the program beyond the identified costs and does not include a proposal to implement the recommendations.

Although in general concessions can include vending machines, retail build-outs, joint TOD development, as well as parking management and advertising programs, this report excludes many elements. Table 1 shows the concession program components that are included and excluded from this analysis.

Table 1: Concession Study Components

Items Included in Study	Items Excluded from Study
ATMs	Parking management
	Station advertising, billboards, rolling stock advertising
Vending machines	and station naming programs
Retail (non-Union Station)	TOD, joint development and knock-out panels
	Fare revenues and other forms of operations value
Farmer's markets	capture
	Union Station concessions
	All activities at Caltrans-owned or other non-Metro
	owned properties
	Wi-Fi, cellular and other telecommunications

The study excludes elements that Metro already has in place in order to focus on the types of concessions that Metro has not yet fully developed and/or are not under analysis through other planning efforts.

Purpose

The purpose of this report is to understand the extent to which Metro could expand its current concessions programs to generate additional net revenues. Transit agencies across the world supplement their budgets to varying degrees with concessions contracts. These programs can range from vending machines to retail build-outs located on station mezzanines. In addition to providing revenues that Metro could use to supplement its budget, an expanded concessions program could also enhance the transit patron experience and provide additional non-monetary benefits, such as increased defensible space and economic development opportunities.

This report examines both the potential costs and benefits of an expanded concessions program. Average revenues per station from similar transit agency concessions' programs provide the basis for this analysis estimates the potential revenues of a system-wide expanded concessions program. Cost data from Metro's maintenance staff provide the basis for determining the additional costs of implementing an expanded program.

The remainder of this report examines Metro's existing concession program, best practices from external agencies, presents findings from an internal facility review and inventory to show potential concessions locations at five sample stations, projects system-wide program costs and benefits and develops a concept plan for an expanded program.

Internal Agency Review

This chapter provides a summary overview of Metro's existing concessions program(s), impediments to expansion, and its capability of expanding its concession programs. To understand the issues that Metro faces in its existing programs, the analysis reviews the existing concessions contracts and surveys contract administrators who have first-hand experience implementing the existing programs.

Existing Concession Program

Metro currently has a limited number of existing concessions vendors at its stations and divisions facilities. Aside from the concessions in the Union Station Gateway Building, which are outside the purview of this analysis, there are small business vendors at a few pilot stations who sell food, drinks and t-shirts on Metro-owned plazas, farmers' markets and pay phones, as well as vending machines serving three Red Line stations and the divisions facilities.

Of the total 103 vending machines, four soda machines are available to the public at three Red Line stations. The remaining machines are located in employee-only areas at stations and divisions facilities. There are currently 262 pay phones located throughout Metro's stations and divisions facilities, which are not considered concessions, and six video game machines at six divisions facilities. As Table 2 on the following page shows, the labor cost factor for program implementation and operations is approximately $80,000 per unit, where each unit can accommodate programming for 670 equivalent machines.[2]

[2] An equivalent machine equals one machine or 50 square feet of retail space. It is a unit created to measure the incremental increase in non-maintenance Metro staff time required to support an expanded concessions program.

Table 2: Existing Concessions Program Components		
Revenues	**Equivalent Machines (a)**	**2012 Revenues**
Machines		
Vending	103	$250,000
Video Games	6	(c)
Pay Phones	262	(d)
Retail (b)	29	$31,000
Total	**400**	**$281,000**
Costs	**Labor Cost Factor (e)**	**2012 Costs (i)**
Program Management		
Real Estate	0.10	$8,000
Procurement	0.10	$8,000
Operations	0.20	$16,000
Design/Construction	0.20	$16,000
Maintenance	(f)	(f)
Overhead		
Non-program and other Metro Admin Costs	(g)	$39,340
Contract Costs	(h)	$16,860
Total, Excluding Maintenance	**0.60**	**$104,200**
Total Equivalent Machines per Cost Factor Unit	***670***	

Notes:

(a) Each machine equals one Equivalent Machine. 50 square feet of retail equals one Equivalent Machine.

(b) Based on approximately 1,500 square feet of retail.

(c) Nominal

(d) Not included as concessions in study. Included here to illustrate staff time required to operate programs.

(e) Based on survey responses from Metro staff.

(f) Approximately 0.5 FTE per station with concessions. See Table 3.

(g) Based on percentage of revenues: 14%

(h) Based on percentage of revenues: 6%

(i) Based on average cost of $80,000 per cost factor unit.

Revenues

Annual revenues of existing concessions programs range from $1,500 per vendor, per year from permits to $250,000 per vendor per year from vending machines. Revenues are structured differently for different types of vendors. Farmer's markets and small business vendors pay a flat permit rate of $1,500 – $3,000 per year.[3] Vending machine operators pay a minimum commission on sales ($250,000) plus an additional share of revenues over a negotiated baseline[4] and pay phone operators pay Metro 42.5 percent of all revenues generated on Metro-owned properties. In 2012, Metro

[3] The Farmer's Market operator pays Metro $1,500 per year. Vendors at the Farmer's Market pay a negotiated rent to the market operator.

[4] The vending machine operator paid Metro a total of $250,000 in FY 2012. Revenues average $2,427 per machine.

received approximately $281,000 in concession revenues, excluding advertising revenues and concessions at Union Station.

Costs

Program Operations. According to Metro's existing concessions program managers, the costs of running the existing concessions programs are low. All of the surveyed program managers indicated that the main costs of operating the concessions programs are related to administration, specifically renewing contracts and assisting new vendors with forms and regulations. Although the dollar costs of implementing and operating the programs are unavailable, concession program managers estimate that the time spent on program operations by the contract manager, program manager and procurement staff account for approximately 40 percent one staff member's time, which translates into a 0.6 labor cost factor.[5]

Direct Maintenance. Vendor contracts require vendors to perform maintenance related to their occupancy, resulting in minimal direct maintenance costs. For example, vendors operating at Metro plazas must clean up their areas daily. The pay phone operator's contract also requires the vendor to maintain its pay phones, including graffiti removal. The result of these policies is that direct maintenance costs for most of the concessions programs are effectively zero. Additionally, retail buildouts reduce the amount of station space maintained by Metro staff because the retail tenants are responsible for maintaining their spaces, which in turn reduce Metro's station maintenance costs.

Conversely, Metro's farmers' market program manager indicated that hosting farmers' markets at station plazas generates significant maintenance costs for Metro staff since they must pressure wash the plaza before and after each farmers' market. These concessions also tend to overwhelm Metro's trash receptacles, including dumpsters. Although farmers' markets generate few revenues and significant costs, other benefits, such as providing local communities with fresh food options, creating jobs for local vendors, stimulating the local economy and supporting local agriculture, likely drive Metro's decision to host these concessions on its properties.

Indirect Maintenance. In addition to the direct maintenance costs of cleaning up after vendors, there may be some indirect maintenance costs from having to clean up after riders who litter both at stations and on trains. Metro maintenance staff estimates that each station that currently has concessions[6] requires more frequent power-washing by a factor of two. In addition, the existing concessions programs require an extra hour per shift, per day of janitorial services. Moreover, trains and busses providing service at each station with concessions will require an extra hour per shift, per day of janitorial services. As Table 3 shows, the cost differential of providing maintenance at stations with concessions and cleaning the train cars and busses is approximately $50,840 annually, which translates roughly into a 0.95 labor cost factor per station per year or $76,100 in maintenance costs.[7]

[5] Labor cost factors are not equivalent to FTEs due to different employment compensation packages for various types of employees. This analysis does not estimate the number of Metro FTEs required to implement an expanded concessions program.

[6] Union Station, Vermont/Santa Monica, NoHo and 7th Street

[7] Loaded maintenance costs include salaries and benefits of maintenance workers.

Utility Costs. Finally, an expanded concessions program could increase costs associated with utilities. If the stations were to include separate meters, the concessionaires would be responsible for paying for their share of water and electrical utilities. However, the program costs associated with monitoring utility usage and issuing invoices would increase. If the stations do not include separate meters, the monitoring costs would not increase, but Metro would pay higher utility fees from increased electrical loads.

Table 3: Annual Maintenance Costs from Concessions, per Station	
	2012 Costs
Pressure Washing Costs	
Days between Pressure Washing per Station, No Vending (a)	12
Days between Pressure Washing per Station, Vending	7
Number of Days per Year	365
Annual washes per station, No Vending	30
Annual washes per station, Vending	52
Cost per Wash (b)	$600
Annual Costs, No Vending	$18,250
Annual Costs, Vending	$31,286
Annual Cost Differential of Pressure Washing, per Station	$13,036
Annual Labor Cost Differential of Pressure Washing, per Station	*$19,512*
Annual Labor Cost Factor Diffierential for Pressure Washing, per Station (c)	*0.16*
Janitorial Maintenance Costs	
Additional Janitorial Hours Required per Day, Existing Vending (d)	2
Cost per hour	$75
Days per Year	365
Total Costs per Year	$54,750
Number of Stations with Concessions	4
Annual Janitorial Cost Differential per Station	*$13,688*
Annual Labor Cost Differential of Janitorial, per Station	*$20,488*
Annual Labor Cost Factor Diffierential for Janitorial, per Station (c)	*0.17*
Annual Additional Maintenance Costs, per Station	**$40,000**
Additional Maintenance Labor Cost Factor	**0.50**
Notes:	
(a) Average of 10-14 days between washes without concessions.	
(b) Each wash requires two men at four hours each, or 8-man hours.	
(c) Based on labor cost factor of $80,000 per unit.	
(d) Requires one additional man hour per shift, per day.	

Successes Already Achieved

Metro concessions program managers surveyed indicate that the concessions programs provide three types of benefits. First, the existing concessions programs inject non-farebox revenues into Metro's budget. Additionally, the small vendor program has created entrepreneurial opportunities for Los Angeles County residents who were previously unemployed, creating economic development opportunities and creating jobs in Los Angeles County. Lastly, the farmers' markets provide local communities with health, cultural and entertainment benefits.

Impediments to Expansion

Although the existing concessions programs are operating successfully and there is considerable interest in expansion opportunities, there are potential challenges to expanding Metro's concessions programs.

Existing Policies

Metro has two policies that could provide hurdles to expanding to the existing concessions programs and creating new programs.

Metro's internal concession design criteria do not allow for any food or drink concessions on the stations' mezzanine levels or station entry plazas. These criteria are meant to reduce maintenance needs and costs; however, they also prohibit the opportunity to provide food, drink or wet concessions. Although it is illegal to consume food or drink within the system, it is legal to carry food and drinks. This distinction provides Metro with the opportunity to allow for increased food and drink concessions if it chooses to review and reevaluate the design criteria. Metro will need to reevaluate these criteria before it can expand its food and drink concessions program and set guidelines that could accommodate a variety of vendors, yet safeguard Metro.

Additionally, there are internal disagreements as to whether concessionaires should conform to Metro's design standards (e.g., sign fonts) to show the concessions as a cohesive, integral part of the stations and their plazas or maintain a separate design aesthetic from Metro, in order "to not dilute the Metro brand." There are arguable reasons for both of these positions. Many national retailers will not go into a location that overly restricts their ability to display their signage package which is an extension of their national branding, which could limit the variety of concessions interested in opening in Metro stations. Metro staff should come to a unified decision early in the programs' planning stages in order to avoid confusion and delays.

Lack of Infrastructure

The lack of public restrooms at Metro stations could impede the ability to expand existing and future food and drink concessions programs. Currently, the Los Angeles County Department of Health Services (LACDHS) requires a restroom within 200 feet of food vendors, and recently suspended concession operations because restrooms were not available within the proscribed proximity. Metro does not provide public restrooms but was able to negotiate with the LACDHS to allow the vendors to operate within 400 feet of a public restroom. Of course, this does not suggest that Metro stations should include public restrooms, but shows that the lack of restrooms could provide a challenge to its ability to expand concessions programs.

No Formalized Internal Program Support

According to Metro staff, variations in internal support for concessions programs may be the largest impediment to expansion. Currently, Maintenance is unhappy with the existing vending machines and does not prioritize servicing the units (e.g., plugging machines in after they've been unplugged). Although litter is a consequence of selling vending concessions, it was also an issue before the concessions program began and will continue to be an issue as long as food and drinks are sold in proximity to stations at nearby businesses. In order to expand the concessions program, Metro program staff will need to better understand the maintenance costs related to expanding the program and gain the support of the Metro Maintenance department.

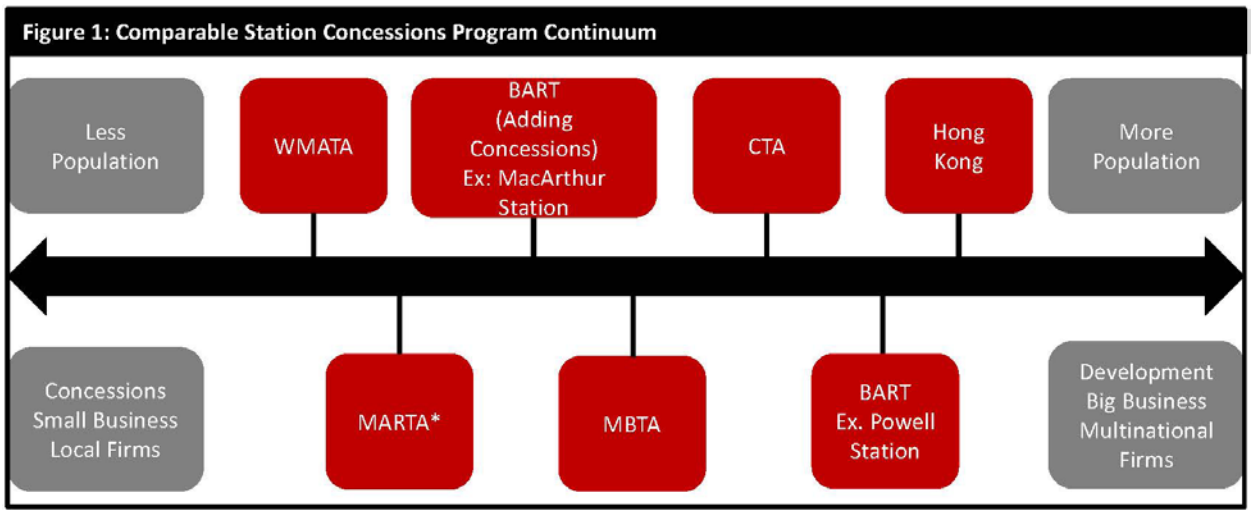
Expansion Capabilities

According to the Metro staff members who manage the existing concessions programs, Metro could feasibly manage new and expanded programs. Because the concession contracts generally require vendors to pay for their capital expenses as well as operating and maintenance costs, expanding the concessions programs should result in a net fiscal benefit to Metro. However, it will be important to consider the indirect maintenance demand and associated costs (i.e., the cost of cleaning up litter), and include those costs in any concessions budget projections. If the revenues exceed the cost of administering the concessions programs and providing expanded maintenance, providing concessions services to patrons will improve their experiences and could increase ridership over the long term. That is, the revenues will outweigh the costs to Metro's annual operating budget.

Additionally, Metro is in the unique position in that many of its stations have the space to accommodate an expanded concessions program. Many of Metro's peer transit agencies were constructed over a century ago. For these older agencies, real estate in stations is scarce, making it difficult to expand existing concession programs since there is simply no room for a vending machine or small retail vendor. Metro has an advantage in that most of its stations have the space available to accommodate new vending machines and carts, while some stations have enough space for small tenant build-outs (e.g., Vermont/Santa Monica).

External Agency Review

This chapter provides an overview of concessions programs at WMATA in Washington, DC; MBTA in Boston, MA; CTA in Chicago, IL and BART in San Francisco, CA, as well as the MTRC in Hong Kong, China. These agencies implement concessions programs to some degree, with the US agencies each sharing characteristics with Metro's system. As Figure 1 shows, these agencies have concessions programs that fall along a continuum based on station population.



Agencies with lower ridership offer a concessions program with little development. These stations have concessions that favor small businesses and provide opportunities to local firms. At the far right of the continuum, agencies that have highly populated stations move towards full development that can attract big business and multinational tenants. All of the agencies profiled are working toward implementing or expanding their concessions program, if they have not done so already.

BART appears twice on the continuum. Its MacArthur station represents the types of concessions generally available around the system – local business plaza retailers (e.g., hot dog carts, florists). Powell Station falls farther along the continuum towards full development because it includes a knock-out that connects the station to Nordstrom.

Tables showing the findings of the external agency review are located on the following pages.

WMATA – WASHINGTON DC	Typical scope of management focus for existing programs	Most Reliable procurement methods	Typical Contractual Agreements	Typical startup costs, operating costs, benefits and financial performance	Assessment of any impediments to implementation and solutions utilized
ATMs	Contract administration, current contracts run smoothly	RFP for a license agreement. Signed for 7 years with 2, 1 year options.	License agreement	$10-13,000 per ATM installation cost, 7 years ago, 5 with 2, 1 year options	No challenges with ATMs contracts have been successful so far. Installation was not a problem.
Vending	Unable to implement food or beverage vending because of food/ littering ban. Would be interested in implementing a specialty vending program such as DVD vending.	Not yet implemented	Not yet implemented	Staff feels this would be an added convenience for riders and is worth exploring further	In order to implement program, the food ban would need to be revised.
Retail Concessions	Tried to implement a retail program, but Board will not allow food and beverage within the system due to litter concerns. Against the law in jurisdictions so no eating and drinking on trains. Space is also limited in older stations. Only one information kiosk on the system.	Not yet implemented	Not yet implemented	Staff feels this would be an added convenience for riders and is worth exploring further	In order to implement program, the food ban would need to be revised and staff would need to identify potential spaces.

MBTA – Boston	Typical scope of management focus for existing programs	Most Reliable procurement methods	Typical Contractual Agreements	Typical startup costs, operating costs, benefits and financial performance	Assessment of any impediments to implementation and solutions utilized
ATMs	ATM's have been part of the MBTA concession program for decades. They are on their 3rd IFB. Always looking for locations to expand since ATMs are such a profit center for the concession program.	IFB, public bid	License Agreement	All expenses are the vendor's. Can impact fixed rent if bank has to install power and data. Agency electricians need to run lines from electrical rooms. $15,000+ average annual revenue per ATM.	Challenges are getting power and data to identified locations. Sometimes cost prohibitive to renting space out. Location by location deal structures are desirable. System wide offerings have worked best. Finding ways to make IFB process more efficient.
Vending	Exclusive beverage and snack on one line, about $100,000 per year for 100 locations, 1 contact. Others are location specific, short term licenses for beverage and snack. Also have the Redbox and Zoom and apparel in tubes vending machines. Depending on the concept they only pay % rent, if they are successful they enter into long term contracts and get base rent as well.	Either a trial program or IFB. Trial programs help provide unique options for vending and allow vending companies and transit agency to test the concept to see if it is a good fit. Once concept is proven, agency issues an IFB to get vending in long term.	Licenses or trial agreements.	All expenses are vendor's responsibility.	Littering and waste is not an issue, one hindrance was vandalism to machines, although this has been limited. No glass fronts on machines are allowed.
Concessions	Put brokerage out on the front end so when going to IFB stage you have market in mind and know who is likely to bid on the space.	Consultant test markets concessions spaces before listing IFB, figure out financial terms before any formal bid process has commenced. Term depends on station construction plans.	Retail Lease; use a license for less sophisticated, push cart programs. Under 1 year term bypass public bidding, allows for small business operators to get involved.	Tenant pays for build-outs, MBTA may install power. MBTA gives longer terms if it is an expensive build-out or building a new concession stand in order to amortize cost.	Banned popcorn sale, only item causing litter concerns Challenging to explain IFB process to small businesses. Have a tenant build-out process in place and an approval process in place.

CTA – Chicago	Typical scope of management focus for existing programs	Most Reliable procurement methods	Typical Contractual Agreements	Typical startup costs, operating costs, benefits and financial performance	Assessment of any impediments to implementation and solutions utilized
ATMs	Determining new locations for future RFP's, monitoring revenue from current contracts and analyzing trends. Finding ways to make RFP process more efficient	RFP, public bid	License Agreement	All expenses are the vendor's. Can impact fixed rent if bank has to install power and data. All installations overseen by Agency PM. CTA electricians need to run lines from electrical rooms. High teens average annual revenue.	Challenges are getting power and data to identified locations. Sometimes cost prohibitive to renting space out. Location by location deal structures are desirable. System wide offerings have worked best. Sync all contracts with various banks to end at the same time.
Vending	Exclusive beverage vending at station and employee locations focuses on contract oversight and program expansion. Redbox has been a successful as a trial contract, rolling out longer term IFB for specialty vending. Redbox very popular with ridership as a convenient amenity.	Either a trial program or IFB. Trial programs help provide unique options for vending to riders. Allows both vending companies and transit agency to test the concept to see if it is a good fit.	Licenses or trial agreements	All expenses are vendor's responsibility. Locate beverage vending where outlets exist. Results in $260K annually.	Littering and waste is not typically an issue.
Concessions	Implemented brokerage process allowing consultant to openly broker space. Has resulted in over 25 locations leased (vs. 4 by old RFP process). Brokerage process allows more open communication with small business owners and less paper work, while ensuring fair evaluation criteria.	Consultant markets concession space through open brokerage process approved by Transit Board. Chooses most competitive proposal based on 5 criteria.	CTA Standard retail lease, some tenants negotiate, other less sophisticated tenants simply sign the lease.	Tenant pays for all aspects of build-outs. Some issues bringing sufficient electrical service to space.	Challenging to explain RFP process to small businesses, brokerage process much more effective. Have a tenant build-out process in place and plan approval process in place.

BART	Typical scope of management focus for existing programs	Most Reliable procurement methods	Typical Contractual Agreements	Typical startup costs, operating costs, benefits and financial performance	Assessment of any impediments to implementation and solutions utilized
ATMs	No ATMS previously allowed. Had several library book dispensing machines previously. ATMs will most likely now be allowed under Transmart's 3rd party management agreement.	Through 3rd party manager	Through 3rd party manager	Through 3rd party manager	Through 3rd party manager
Vending	No Vending machines were previously allowed. May installation in conjunction with 3rd party management c contract.	Through 3rd party manager	Through 3rd party manager	Through 3rd party manager	Through 3rd party manager
Concessions	Program consists of food carts and fixed station retail. Oakland Coliseum station vendors do well, hot dogs vendors have been there many years. Goal is to make patron experience more desirable, convenience and security, i.e. "eyes on the street" are benefits of concessions program beyond just additional revenue. Have had success in mission district stations with retail partnered with local groups to provide art events. Also set up food cart fair at 16th St. Station.	If someone is interested in leasing they contact BART. Retailers are tapping into resources and utilities, now looking at retail in a more holistic sense. In Oct 2009 issued RFQ for master retail lessor. Selected Transmart in Jan 2011 as a result. Before any new retail can start at BART they do a review, Tier 1 overview of the location, then progress to a Tier 2 study, look at advertising and retail, utilities hookups available? Both studies are funded by Transmart. RFQ for a master vendor. http://www.bart.gov/about/business/permits/retailpermits.aspx Transmart has some of their own partner tenants they put in stations, some national brands. Set up new policy that encourages local businesses, but not an explicit rule. Some existing retailers that were under agreements did not go under the Transmart master agreement. Goal is to roll most small operators to Transmart	Typically utilizing month to month agreements. Used to do 5 years with options to renew. Call them Station Retail Permits, not leases. Longer term if you have a larger capital investment.	Transmart is responsible for making deal and all leasing costs and build-out costs. If an electrical hookup or sewer line is required BART may have assisted tenant in the past, but not anymore with the 3rd party manager in place. Most likely will collect $500,000 total from retail program in FY 2013. Advertising not included in this total.	Low ridership at many stations makes them unattractive to retailers. Successful with farmers markets at parking lots, very popular. Focus is transit so operations is very concerned is about added litter, customer service issues from vending machines, no food or beverage on trains. Fear the ATMs would be attracting crime, called others for best practices in the industry and found this is not the case. Main challenge is lack of space in stations.

MTRC – Hong Kong	Typical scope of management focus for existing programs	Most Reliable procurement methods	Typical Contractual Agreements	Typical startup costs, operating costs, benefits and financial performance	Assessment of any impediments to implementation and solutions utilized
ATMs	Managed by rail operations	Similar to mall / commercial arcade leasing.	License agreement	Tenant fits out their leased area.	None
Vending	Managed by rail operations	Similar to mall / commercial arcade leasing.	License agreement	Tenant fits out their leased area.	None
Concessions	Managed by rail operations, retail tenants are usually easy to find since stations are so populated.	Similar to mall / commercial arcade leasing.	Long term lease with MTR Corporation.	Comparable to a retail build-out in a shopping mall, tenants are typically Hong Kong chain stores. Tenants are responsible for fitting out their own tenant space. Concessions are typically very profitable for MRT Corporation.	Utilize land development revenue to fund expansion of rail lines. Retail areas typically very successful and in high demand.

Industry Best Practice Review

This chapter examines other US transit agencies' retail concessions programs to determine which practices best enhance the patron experience and are most cost effective while at the same time providing a relevant source of non-farebox revenue. This information is then used to benchmark estimates of revenue that an expanded concessions program could generate for Metro.

Methodology

In order to determine the relevant transit agencies' best practices that Metro could reproduce, the analysis:

- Selects transit agencies comparable to Metro,
- Reports findings from agency interviews, and
- Provides additional findings from a targeted literature review.

This chapter focuses on those concession program practices that result in increase in quality and convenience for transit patrons, while at the same time adding little additional demand to maintenance costs and supplementing the transit agencies' revenue generation. The analysis further scrutinizes these practices to determine whether Metro can implement them in an effective manner, and finally projects potential revenues based on benchmark agencies' average concessions per station.

Comparable Agencies

The benchmarking methodology includes a survey of a targeted pool of similar-sized transit agencies to compare their concessions program practices. Based on key characteristics including mode type, existing concessions programs and number of stations, the Chicago Transit Authority (CTA) and Massachusetts Bay Transportation Authority (MBTA) are most comparable to Metro. Additionally, the analysis also examines concessions program practices at the Metropolitan Atlanta Rapid Transit Authority (MARTA), Portland's TriMet and the New York Metropolitan Transportation Authority (MTA).

Best Practices

According to the National Center for Transit Research's 2004 "Lessons Learned in Transit Efficiencies, Revenue Generation, and Cost Reductions" report, revenue yield and customer amenities are the primary considerations for starting or expanding a concessions program. The best practice attributes commonly used in transportation concessions include:

Key Attribute	Best Practice (Summary)
Management, Planning and Capacity	Successful programs require a clear, well thought out and well-funded management plan. Without support from all agency groups, success is not assured.
Revenue	High traffic locations maximize revenue per square feet; website for lease revenue tracking maximizes collections.
Sense of Place	Use of local cultural/ethnic vendors and food themes/menus; integrate national brands at higher traffic/diverse stations.
Procurement	External Asset Management/Brokerage Contract; third party developer; pre-Inquiry or request-for-information before bid process to ensure quality bidders, understanding of requirements and market rents; web-based RFP downloads reduces cost and increases local vendor, developer and DBE participation. Developer preferred contract with increasing capital investment for improvements vs. direct tenant lease.
Customer Value	Uniqueness; high rider visibility; added defensible space; exciting customer-shopper experience, high level of convenience to rider and ability to move customers quickly through sale process, provide an array of compelling concession choices and mix.

A detailed review of best practices by key attribute follows.

Management, Planning and Capacity

Successful programs require a clear, well thought out and well-funded management plan. Without support from all agency groups, success is not assured. According to MBTA staff, the best practice for management, planning and capacity is to have a vision and clear goals. MBTA's vision is to bring airport-quality concessions to its riders, increase non-fare revenues and maintain a 100 percent occupancy rate. An agency supported vision with clear goals can guide many of the decisions in expanding and operating the concessions program. CTA has the additional goal of providing superior service and convenience amenities to its riders, while MTA focuses on recruiting local tenants and using its concessions program to create additional defensible space.

Revenue

All of the comparable transit agencies seek to maximize their concessions revenues, while minimizing additional maintenance demand. Most agencies reviewed contractually make tenants responsible for their own maintenance related to their occupancy. Each agency has metrics that it uses to determine the health of its concessions program. These can include number of new carts and

kiosks, measuring the average revenue per concession or tracking vacancy rates. These metrics, along with a detailed understanding of the nexus between concessions and maintenance, allows the agencies to measure the profitability and growth of their concessions programs.

Sense of Place

The agencies also agree that concessions can either accentuate or detract from a station's sense of place. Additionally, concessions that match the neighborhood's characteristics can create new connections between stations and their surrounding neighborhoods while at the same time facilitating the economic growth of local businesses. For example, a Famima!! market connected to a Downtown Los Angeles station provides amenities to riders commuting to work, while a concessionaire selling souvenirs alerts riders that they have entered the Hollywood tourism district. New concession businesses also help accomplish community participation and economic development goals by allowing for new local businesses to get the opportunity they need to open a small business.

Importantly, patrons and concession employees make stations safer by providing new defensible space. This benefit alone may provide sufficient justification for an expanded concessions program due to the high utility brought to the organization, its patrons and the communities they serve. CTA stated that their concessionaires provide another set of familiar eyes in the station. Their vendors are at the station each day and know their customers; they know the day to day workings of the station and generally are among the first to know if something is amiss.

Procurement

Generally, Joint Development or Real Estate departments manage an agency's concessions program, running contracting and RFP advertisement documents through the transit agency's procurement and legal departments. This can either be done internally or through a contract with a third-party vendor. Because concessions generate relatively low revenues compared to other types of joint development, contracting with a third party vendor allows the transit agency to save its limited staff resources for those projects that are more complex and provide higher returns.

Customer Value

Providing riders with a range of concession services can increase customer satisfaction. Concessions can include DVD vending machines, ATMs, souvenirs and/or food and drink vending. Although the consumption of food and drinks are prohibited inside of Metro stations and trains, allowing for the sale of these items outside of the fare areas provides riders with amenities on their ways out of the stations. In turn, this can lead to increased ridership via rider retention and increases in new riders. CTA offers a variety of concessions to its customers, which has increased rider satisfaction due to added services, such as popular DVD rental machines and additional vendors selling convenience items at many stations system-wide.

Appendix A shows the findings of the industry best practices review.

Potential Revenues and Costs

Based on the benchmark analysis, this analysis provides a range of potential revenues and costs that Metro could realize from expanding its concessions program. Although there are costs associated with implementing a concessions program, the benefits are far greater for all of the benchmarked agencies.

Potential Revenues

The National Transit Database Analysis System, the National Transit Institute and the Transportation Cooperative Research Program track transit concessions revenues as part of total auxiliary revenues, which also include advertising and other non-fare revenues. As Table 4 shows, in 2010/11 benchmark transit agencies' concessions revenue, generated at stations and operations facilities, ranged between $171,700 and $8.2 million. Dividing these total concessions revenue figures by the number of stations in each agency's system provides the basis from which this analysis projects potential Metro concessions revenues.

Revenues per station range between $4,500 and $17,200. On average, each station generates approximately $10,200 per year. Based on this average revenue per station, Metro could expect to generate revenues of approximately $1.0 million per year.[8]

Table 4: 2010/11 Concessions Revenue, Benchmark Agencies

Agency	Location	Number of Stations	Total Concessions Revenues	Total Auxiliary Revenues	Average Revenue per Station	Concessions Revenues as a % of Total Auxiliary Revenues
CTA	Chicago	143	$1,173,186	$21,303,365	$8,204	5.5%
MBTA	Boston	320	$1,734,539	$14,821,281	$5,420	11.7%
NYCMTA	New York City	470	$8,120,785	$175,316,548	$17,278	4.6%
MARTA	Atlanta	38	$171,712	$7,548,591	$4,519	2.3%
BART	San Francisco Bay Area	43	$664,788	$6,247,177	$15,460	10.6%
Average					**$10,176**	**7.0%**

Potential Costs

In order to determine whether to expand the concessions program, Metro must consider the potential management costs. There are two types of costs: management costs, which are the costs associated with running the concessions program or contracting with a third-party management team, and operating costs associated with increased janitorial and maintenance demand.

Management Costs. Because Metro already has some concessions in place, staff members were able to estimate the time they spend managing the existing programs. According to Metro staff, each program requires approximately five percent or less of the program manager's time. Time is spent during the RFP process and again when contracts are extended or modified. Otherwise, staff members spend minimal time managing the programs. Expanding the program may require

[8] Since the benchmarked agencies do not have concessions at every station, the average revenue per station figures used to estimate potential Metro revenues contains a built-in vacancy estimate.

additional staff time.[9] However, it should be noted that the returns to running a concessions program are much smaller than those realized from more traditional joint-development investments. Thus, Metro should consider whether diverting staff time from higher yield TOD projects is the best use of limited staff resources.

As another option, Metro can contract with a third-party firm to manage its concessions programs. This allows Metro staff to focus its time on more lucrative joint-development projects and day to day system administration of station facilities. Additionally, a third-party firm can utilize a more efficient procurement/brokerage process for retail leasing with FTA approval, while ensuring Metro tenant evaluation standards are upheld and enforced system wide. A third-party vendor can also bring private sector real estate and market expertise to Metro concessions leasing, helping to drive non-farebox revenue and recruit high quality tenants and operators. In this case, Metro has limited to no internal management costs.

The contract can be set up so that the third-party firm takes the risk, receiving its fee as a share of total tenant leasing revenues (e.g., 4-6% depending on the local market and typical brokerage commission structures for total lease contract value). This contract structure generates additional incentives for the third-party to maximize concessions revenues within Metro's specified parameters, because higher performance results in higher revenues to both Metro and the management firm.

Operating Costs. As with management costs, Metro staff can draw from its experience serving existing concessions programs to understand the potential operating costs associated with expanding the programs. According to Metro's maintenance staff, the cost differential of providing additional maintenance to stations with drink vending and/or concessions is approximately $40,000 per year. Because these costs are higher than the potential revenues generated per station, Metro will need to determine whether it can reduce maintenance costs enough to make the program profitable and/or initiate the expansion at high value stations that can generate revenues above $40,000 per year.

Findings and Next Steps

Through the benchmark analysis framework outlined above it appears an expanded concessions program could result in significant revenues to supplement Metro's budget, but potentially would not cover the additional maintenance costs if they are not actively managed. The next chapter of this report provides a more detailed analysis as to whether the five sample stations and facilities can support concessions and projects the associated system-wide revenues and costs.

[9] Based on conversations with Metro Concession Program managers.

Internal Facility Review, Market Analysis and Aggregate Revenues

This chapter examines Metro's potential to expand its concessions program at the fullest possible range of potential locations based on available space for concessions and market trends. Under guidance from Metro staff, this analysis reviews five sample locations for expanded concessions. Each of the locations falls within one of five representative station families, as defined and grouped by Metro staff. Metro staff then chose sample stations/facilities to tour and review for concession expansion potential. Each of these representative stations was chosen for the ability to extrapolate the findings to other individual stations within the station families. Table 5 shows the family stations, their definitions, the sample stations analyzed for this study and the total stations in each family.

Table 5: Station Families

Station Family	Definition	Sample Station	Total Stations, Systemwide (a)
Concession Area Available with Limited or No Land Area	Stations that are not strictly area-constrained	Heritage Square Station	38
Concession Area Significantly Constrained	Stations with no significant plaza or land area for concessions	Washington Station	44
Concession Area Available with Significant Land Area	Stations and other public access points that have significant land area	North Hollywood Station	13
Facilities	Rail and bus maintenance divisions that primarily serve employees	Blue Line Main Yard	35
Special Cases	Special cases and exceptions	Chatsworth Station	7

Note:
(a) List of stations per family provided in Appendix B

The remainder of this chapter contains the methodology, findings and recommendations for concessions placement and policy changes that could result in a robust system-wide concessions program.

Methodology

In order to better understand the potential of each station family to house concessions such as vending machines, retail kiosks or retail build-outs, the analysis includes

- Tour of sample station in each family,
- Review of station site plans,
- Count of potential concession locations ("Location Analysis"),
- Analysis of local market conditions, and
- Placement of hypothetical concessions areas on the existing site plans.

In order to determine proper placement for concessions, the analysis reviews Metro's concessions location policies and determines locations that could support concessions without impeding foot traffic. It should be noted that these locations are hypothetical because concessionaires, who are experts in their specific business line, may desire other locations within each station based on traffic flow, electrical access and other factors. Metro operations and engineering staff would also have to be consulted to approve final concession locations.

Findings

Findings for the inventory include a brief narrative, as well as a station illustration that shows the proposed hypothetical concessions locations, for all locations, except the Blue Line Main Yard.

Concession Area Available with Limited or No Land Area: Heritage Square Station

Station Family

The Heritage Square Station belongs to the "Concession Area Available with Limited or No Land Area" family. Stations in this family include all underground stations plus any station that is not strictly-area constrained. These examples may have smaller park and ride lot(s) in residential areas or some small amount of land available at an urban station such as a plaza or other land area.

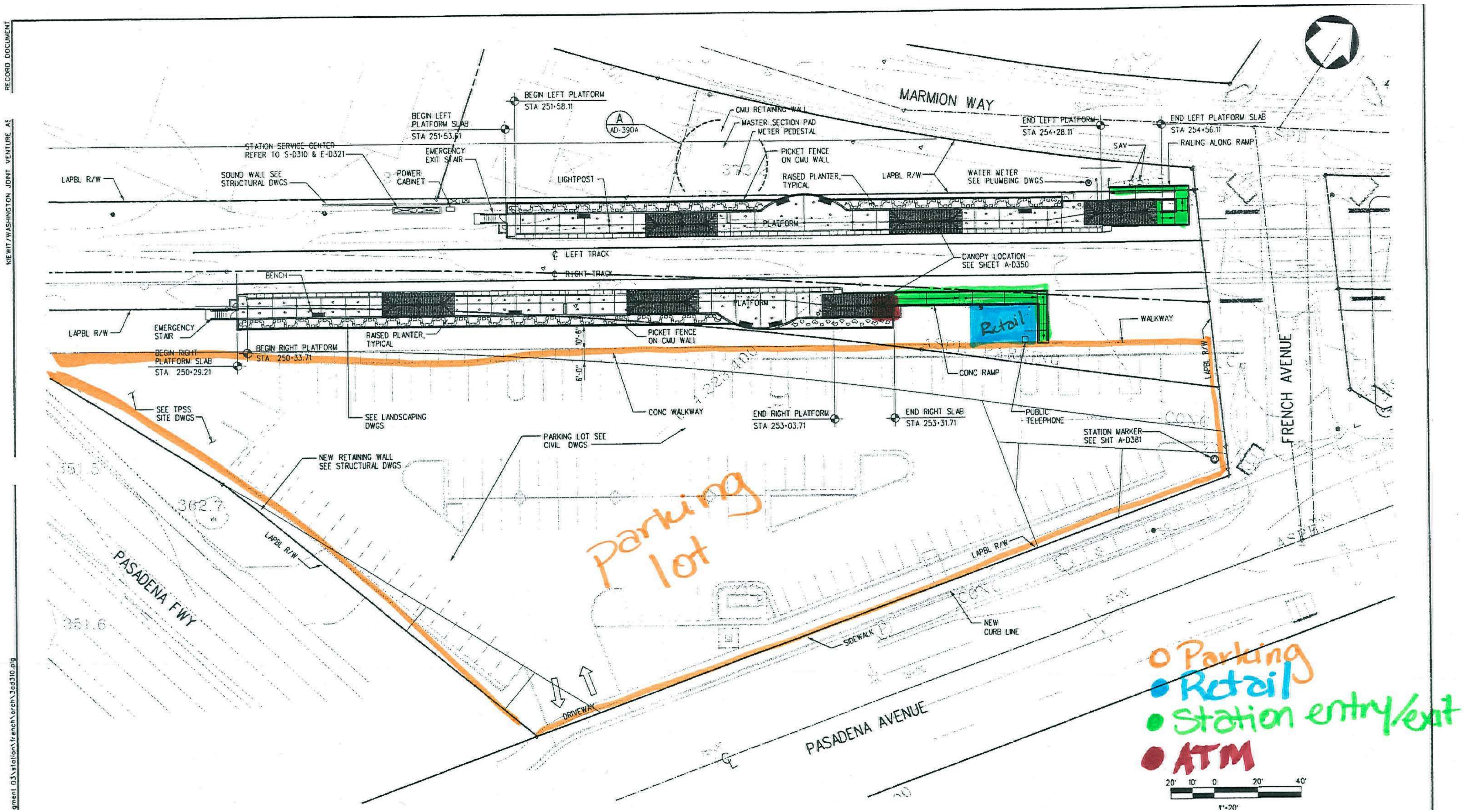
Location Analysis

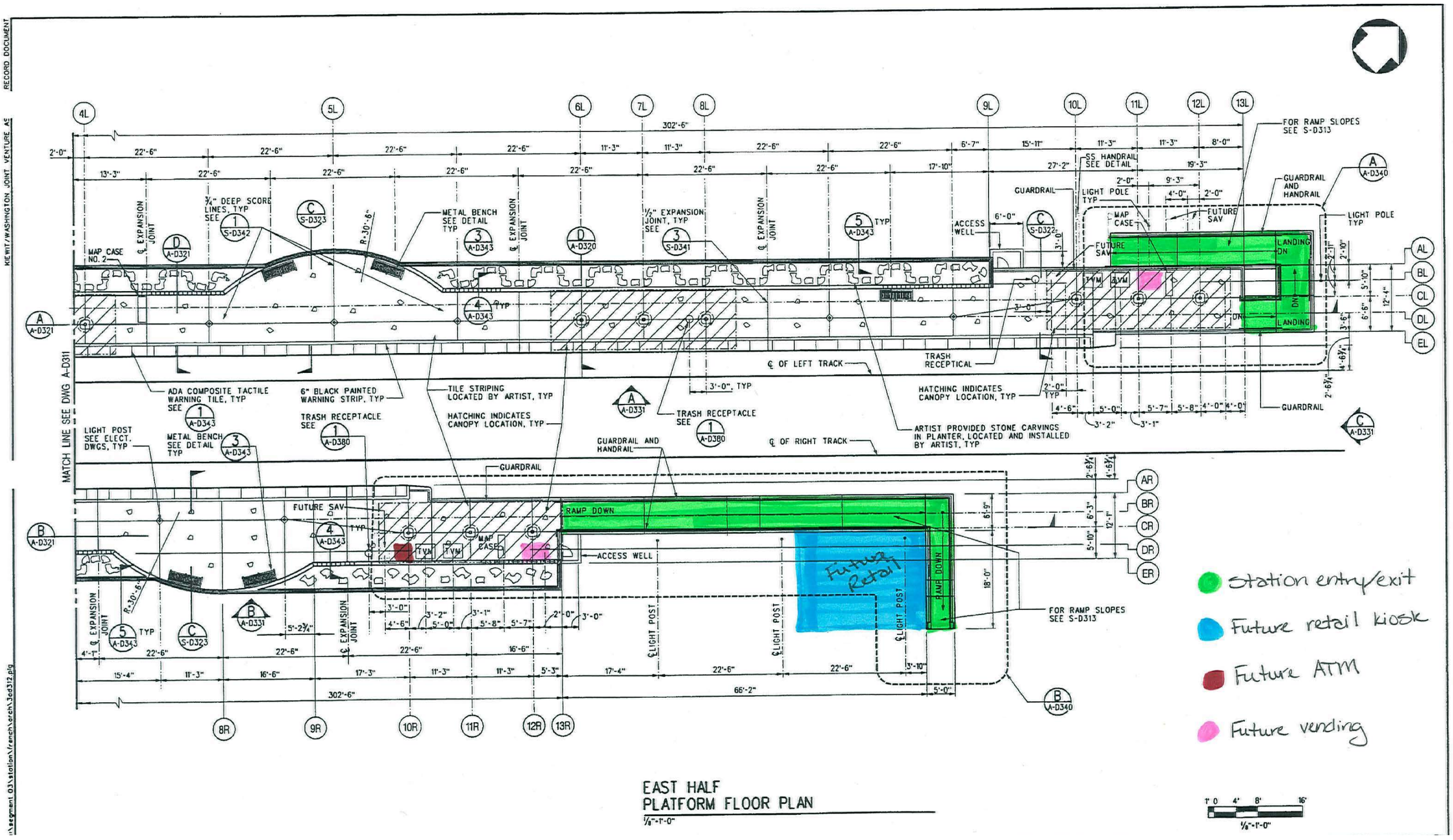
Specifically, the Heritage Square Station has:

- Park and Ride Lot – 1;
- Station Portals (Entry/Exit Points) – 2;
- Mezzanines – 0; and
- Lobbies – 2.

The station entry points, along with the ramps from the lobbies to the street generate moderate concession potential. Heritage Square Station can support a retail kiosk on its available land and/or vending within the station area, as well as an ATM, all of which can be located outside of the fare-restricted area.

In general, Area Available Stations should also be able to support a retail kiosk on its available land, as well as ATM and vending machines. However, Metro will need to review each station's concession potential on a case by case basis.


MARMION WAY
BEGIN LEFT PLATFORM STA 251+58.11
BEGIN LEFT PLATFORM SLAB STA 251+53.61
STATION SERVICE CENTER REFER TO S-D310 & E-D321
EMERGENCY EXIT STAIR
POWER CABINET
SOUND WALL SEE STRUCTURAL DWGS
LAPBL R/W
LIGHTPOST
CMU RETAINING WALL
MASTER SECTION PAD METER PEDESTAL
PICKET FENCE ON CMU WALL
RAISED PLANTER, TYPICAL
WATER METER SEE PLUMBING DWGS
END LEFT PLATFORM STA 254+28.11
END LEFT PLATFORM SLAB STA 254+56.11
RAILING ALONG RAMP
SAV
PLATFORM
LEFT TRACK
RIGHT TRACK
BENCH
CANOPY LOCATION SEE SHEET A-D350
EMERGENCY STAIR
BEGIN RIGHT PLATFORM STA 250+33.71
BEGIN RIGHT PLATFORM SLAB STA 250+29.21
RAISED PLANTER, TYPICAL
PICKET FENCE ON CMU WALL
WALKWAY
CONC RAMP
CONC WALKWAY
END RIGHT PLATFORM STA 253+03.71
END RIGHT SLAB STA 253+31.71
PUBLIC TELEPHONE
STATION MARKER SEE SHT A-D381
SEE TPSS SITE DWGS
SEE LANDSCAPING DWGS
PARKING LOT SEE CIVIL DWGS
NEW RETAINING WALL SEE STRUCTURAL DWGS
FRENCH AVENUE
PASADENA FWY
PASADENA AVENUE
DRIVEWAY
SIDEWALK
NEW CURB LINE
Retail
Parking lot
Parking
Retail
Station entry/exit
ATM
1"=20'



EAST HALF
PLATFORM FLOOR PLAN
1/8"-1'-0"

Station Specific Concessions and Revenue Potential

The Heritage Square Station serves 2,188 boardings and alightings per weekday. Based on this ridership data and the station layout, Heritage Square Station could support an ATM, retail kiosk and three vending machines. The ATM could be located on the east side of the station, outside of the fare-restricted area, while the vending machines could be located on the west side of the station, just outside of the fare-restricted area. Additionally, a retail kiosk could be located east of the platform, at the entrance to the park and ride lot. However, the additional costs of providing maintenance at Heritage Square Station would exceed the potential revenues. As Table 6 shows, the costs of adding concessions outweigh the potential review. Thus, the analysis does not recommend expanding concessions at stations that have area available with limited or no available land.

Table 6: Potential Heritage Square Concessions Revenues

Concession Type	Quantity	Average Revenues and Costs	Total Revenues and Costs
Revenues			
ATM (a)	1	$14,000	$14,000
Vending Machines (b)	3	$2,427	$7,282
Retail Kiosk (Sq. Ft.) (c)	100	$22	$2,214
Total Revenues			*$23,496*
Additional Costs			
Program Management Labor Cost Factor	0.01	$80,000	$716
Maintenance Labor Cost Factor (d)	0.34	$80,000	$27,375
Overhead (20% of Revenues)	20%		$4,699
Total Costs			*$32,791*
Net Revenues (Costs)			**($9,295)**
Generates Positive Revenues			**NO**

Notes:
(a) Based on data from CTA
(b) Based on data from Metro
(c) Based on a 10% discount from Countywide retail rents, per CoStar.
(d) No additional pressure washing required due to existing farmer's market. See Table, 1 Annual Maintenance Costs per Station.

Station Family Revenue Potential

According to Metro, there are approximately 38 Concession Area Available with Limited or No Land Area stations. Although potential concessions revenues will vary by location, this analysis assumes that Heritage Square Station represents an average revenue station. Thus, this family of stations could not provide Metro any additional concessions revenues per year.

Costs will also vary by location. Stations that already have some concessions could generate higher returns for Metro as they already have a more frequent pressure washing schedule and additional janitorial services. However, even with an accelerated pressure washing schedule, the additional

revenues that expanded concessions at Heritage Square Station could generate ($23,500) are less than the additional janitorial and maintenance costs ($32,800).

Note that this family of stations also includes many of the underground subway stations located downtown. These stations have significantly more revenue potential if Metro and the surrounding uses (e.g., Macy's) choose to use station knock-outs to connect the station to local retail. However, as the construction costs are likely prohibitive, this analysis does not include potential leasing revenues from knock out connections.

Concessions Area Significantly Constrained: Washington Station

Station Family

The Washington Station belongs to the "Concessions Area Significantly Constrained" family. Stations in this family include above-ground rail stations in street right of way, stations with no plazas and bus stops, as well as stations that are clearly separated from adjacent park and ride lots.

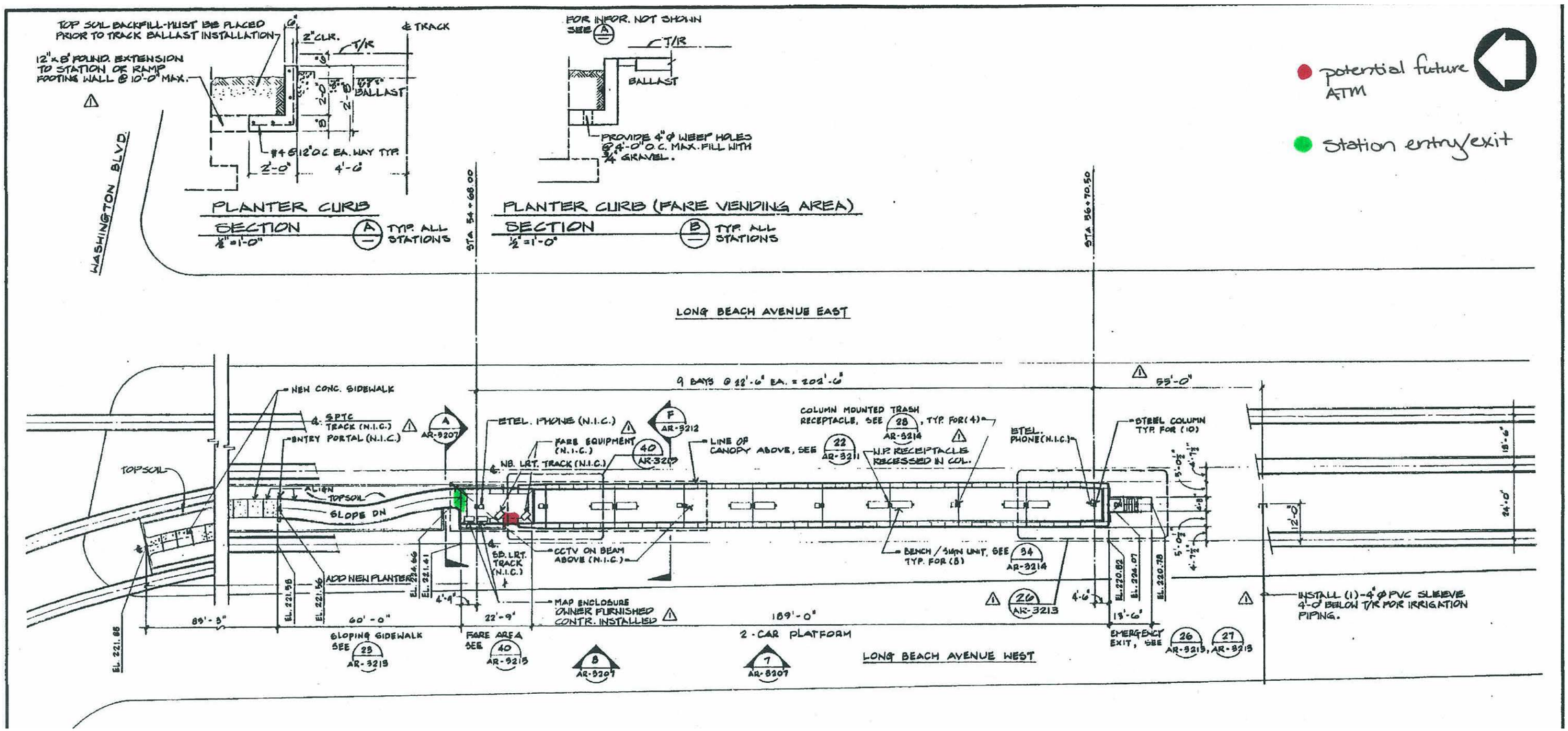
Location Analysis

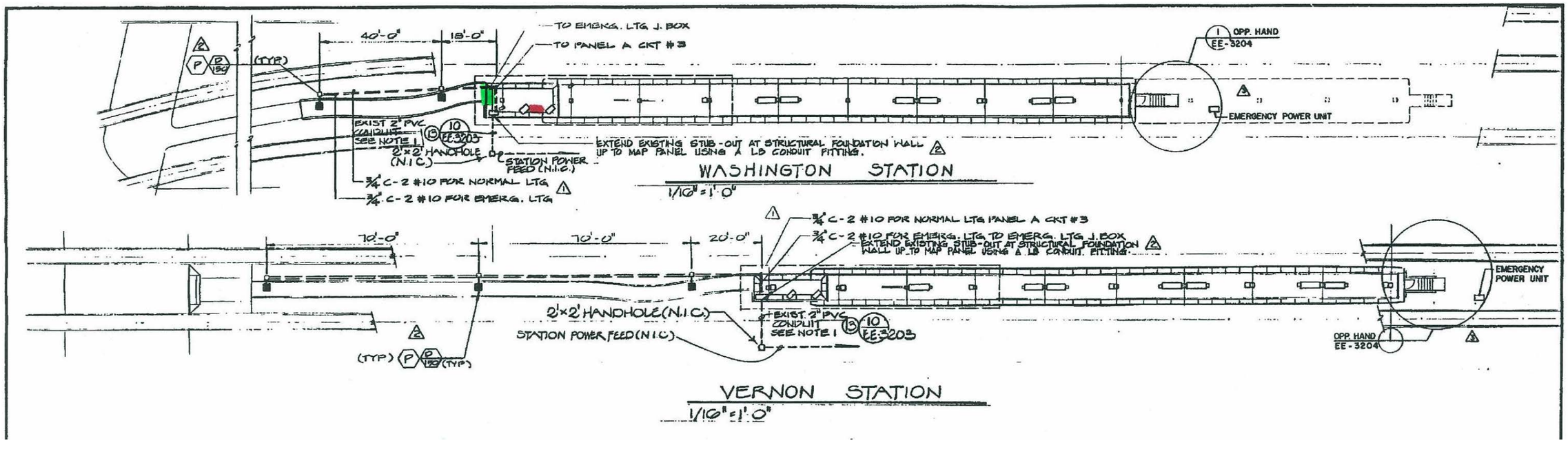
Specifically, Washington Station has:

- Park and Ride Lot – 0;
- Station Portals – 1;
- Mezzanines – 0; and
- Lobbies – 0.

The station entry points and platforms generate limited concession potential. Washington Station can support an ATM located outside of the fare-restricted area adjacent to the ticket machines.

In general, these stations can support an ATM outside of the fare-restricted area, next to fare boxes. They can also support vending machines inside of the fare-restricted area. Currently, Metro's concessions policy 6.5.3 in the Metro Rail Design Criteria requires all concessions to be located free areas that are not fare-restricted. In order to place vending machines inside fare-restricted areas, Metro would have to amend this policy. Additionally, Metro will need to review each station's concession potential on a case by case basis.


potential future ATM
Station entry/exit
TOP SOIL BACKFILL-MUST BE PLACED PRIOR TO TRACK BALLAST INSTALLATION
12"x8' FOUND. EXTENSION TO STATION OR RAMP FOOTING WALL @ 10'-0" MAX.
2"CLR.
T/R
6" TRACK
BALLAST
#4 @ 12" O.C. EA. WAY TYP.
2'-0"
4'-0"
WASHINGTON BLVD.
PLANTER CURB SECTION
1/2"=1'-0"
TYP. ALL STATIONS
FOR INFOR. NOT SHOWN SEE
PROVIDE 4" Ø WEEP HOLES @ 8'-0" O.C. MAX. FILL WITH 3/4" GRAVEL.
PLANTER CURB (FARE VENDING AREA) SECTION
STA 54+68.00
STA 56+70.50
LONG BEACH AVENUE EAST
9 BAYS @ 22'-6" EA. = 202'-6"
55'-0"
NEW CONC. SIDEWALK
4. SPTC TRACK (N.I.C.)
ENTRY PORTAL (N.I.C.)
TOPSOIL
ALIGN
SLOPE DN
ADD NEW PLANTER
ETEL. PHONE (N.I.C.)
NB. LRT. TRACK (N.I.C.)
FARE EQUIPMENT (N.I.C.)
LINE OF CANOPY ABOVE, SEE
COLUMN MOUNTED TRASH RECEPTACLE, SEE, TYP. FOR (4)
W.P. RECEPTACLES RECESSED IN COL.
ETEL. PHONE (N.I.C.)
STEEL COLUMN TYP. FOR (10)
SD. LRT. TRACK (N.I.C.)
CCTV ON BEAM ABOVE (N.I.C.)
BENCH / SIGN UNIT, SEE TYP. FOR (3)
MAP ENCLOSURE OWNER FURNISHED CONTR. INSTALLED
EL. 221.85
EL. 221.95
EL. 221.96
EL. 224.66
EL. 221.41
EL. 220.52
EL. 224.07
EL. 220.78
89'-3"
60'-0"
22'-9"
189'-0"
19'-6"
4'-9"
4'-6"
SLOPING SIDEWALK SEE
FARE AREA SEE
2-CAR PLATFORM
EMERGENCY EXIT, SEE
LONG BEACH AVENUE WEST
INSTALL (1)-4" Ø PVC SLEEVE 4'-0" BELOW T/R FOR IRRIGATION PIPING.
18'-6"
24'-0"
12'-0"


40'-0"
18'-0"
(TYP)
TO EMERG. LTG J. BOX
TO PANEL A CKT #3
OPP. HAND
EE-3204
EMERGENCY POWER UNIT
EXIST 2" PVC CONDUIT SEE NOTE 1
2'×2' HANDHOLE (N.I.C.)
STATION POWER FEED (N.I.C.)
EXTEND EXISTING STUB-OUT AT STRUCTURAL FOUNDATION WALL UP TO MAP PANEL USING A LB CONDUIT FITTINGS.
¾" C-2 #10 FOR NORMAL LTG
¾" C-2 #10 FOR EMERG. LTG
WASHINGTON STATION
1/16" = 1'-0"
70'-0"
70'-0"
20'-0"
¾" C-2 #10 FOR NORMAL LTG PANEL A CKT #3
¾" C-2 #10 FOR EMERG. LTG TO EMERG. LTG J. BOX
EXTEND EXISTING STUB-OUT AT STRUCTURAL FOUNDATION WALL UP TO MAP PANEL USING A LB CONDUIT FITTINGS.
2'×2' HANDHOLE (N.I.C.)
STATION POWER FEED (N.I.C.)
EXIST 2" PVC CONDUIT SEE NOTE 1
(TYP)
(TYP)
EMERGENCY POWER UNIT
OPP. HAND
EE-3204
VERNON STATION
1/16" = 1'-0"

Station Specific Concessions and Revenue Potential

Washington Station serves 3,600 boardings and alightings each weekday. Based on this ridership data and the station layout, Washington Station could support an ATM, which could be located adjacent to the fare boxes and up to two vending machines inside of the fare area; however, the additional costs of providing maintenance at Washington Station would exceed the potential revenues. As Table 7 shows, the costs of adding concessions outweigh the potential review. Thus, the analysis does not recommend expanding concessions at significantly constrained stations.

Table 7: Potential Washington Concessions Revenues

Concession Type	Quantity	Average Revenues and Costs	Total Revenues and Costs
Revenues			
ATM (a)	1	$14,000	$14,000
Vending Machines (b)	2	$2,427	$4,854
Retail Kiosk (Sq. Ft.) (c)	0	$20	$0
Total Revenues			*$18,854*
Additional Costs			
Program Management Labor Cost Factor	0.00	$80,000	$358
Maintenance Labor Cost Factor (d)	0.95	$80,000	$76,098
Overhead (20% of Revenues)	20%		$3,771
Total Costs			*$80,227*
Net Revenues (Costs)			**($61,373)**
Generates Positive Revenues			**NO**

Notes:

(a) Based on data from CTA

(b) Based on data from Metro

(c) Based on station area rental data from CoStar.

(d) See Table 1, Annual Maintenance Costs per Station

Station Family Revenue Potential

According to Metro, there are approximately 44 Concession Area Significantly Constrained stations. Although potential concessions revenues will vary by location, this analysis assumes that Washington Station represents an average revenue station. Thus, this family of stations could not provide Metro any additional concessions revenues per year.

Because Washington Station does not currently have any concessions, the incremental maintenance costs prohibit adding concessions. Stations that already have some concessions could generate higher returns for Metro as they already have a more frequent pressure washing schedule and additional janitorial services. Stations that do not have any existing concessions on site, like Washington station, may be unable to support ATM and/or food/drink concessions. Average additional maintenance costs for stations without concessions is approximately $76,100, which is greater than the potential average revenues of $18,850 per station resulting from an ATM and two

vending machines. Metro should carefully evaluate these types of stations on a station by station basis to determine if concession additions without substantial maintenance cost increases are possible.

Concession Area Available with Significant Land Area: North Hollywood Station

Station Family

The North Hollywood Station belongs to the "Concession Area Available with Significant Land Area" family. Stations in this family include rail stations that have significant land areas, bus transfer stations, customer service locations, park and ride lots, bikeways and other available land.

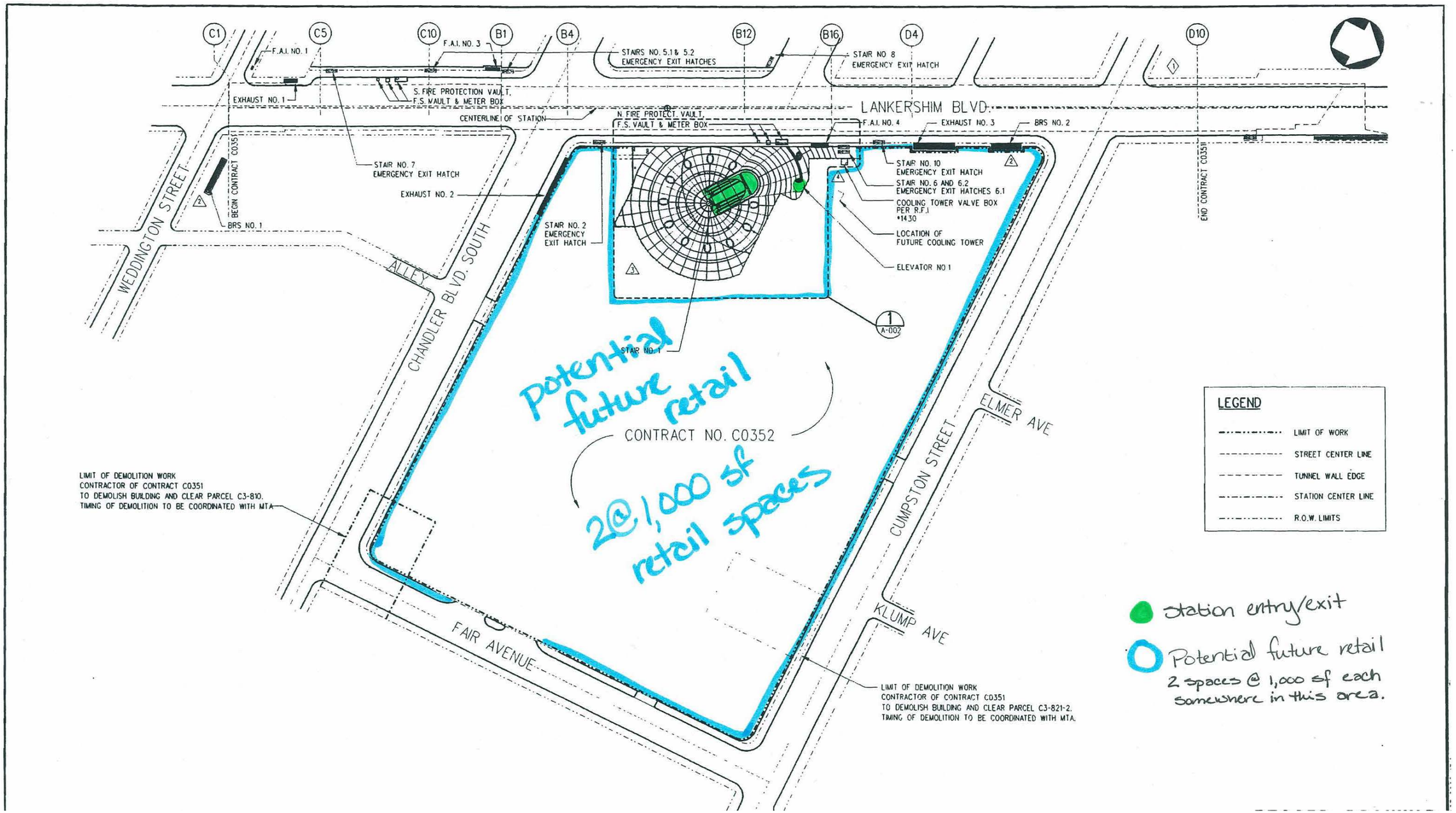
Location Analysis

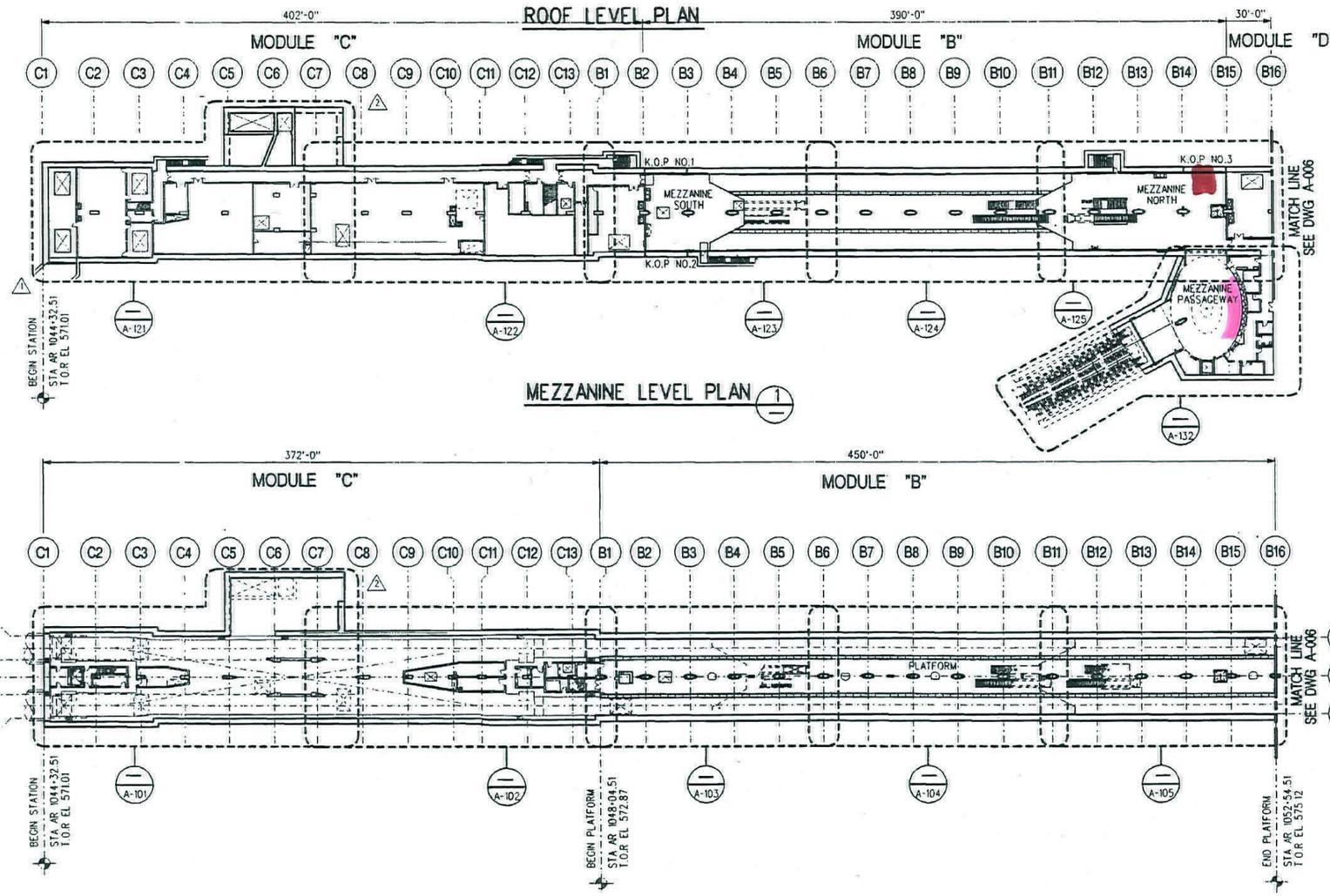
Specifically, the North Hollywood Station has:

- Park and Ride Lot – 0;
- Station Portals – 2;
- Plazas – 1;
- Mezzanines – 2; and
- Lobbies – 1.

The station plaza and mezzanines and lobby generate high concession potential. North Hollywood Station can support two 1,000 square foot retail spaces, up to five additional vending machines and an ATM, all located outside of the fare-restricted area.

In general, these stations can support retail kiosks on its available land and/or vending within the station area, outside of the fare-restricted area. However, Metro will need to review each station's concession potential on a case by case basis.


C1
C5
C10
B1
B4
B12
B16
D4
D10
F.A.I. NO. 1
F.A.I. NO. 3
STAIRS NO. 5.1 & 5.2 EMERGENCY EXIT HATCHES
STAIR NO 8 EMERGENCY EXIT HATCH
EXHAUST NO. 1
S. FIRE PROTECTION VAULT, F.S. VAULT & METER BOX
LANKERSHIM BLVD.
CENTERLINE OF STATION
N. FIRE PROTECT. VAULT, F.S. VAULT & METER BOX
F.A.I. NO. 4
EXHAUST NO. 3
BRS NO. 2
STAIR NO. 7 EMERGENCY EXIT HATCH
EXHAUST NO. 2
BEGIN CONTRACT C0351
BRS NO. 1
WEDDINGTON STREET
ALLEY
CHANDLER BLVD. SOUTH
STAIR NO. 2 EMERGENCY EXIT HATCH
STAIR NO. 10 EMERGENCY EXIT HATCH
STAIR NO. 6 AND 6.2 EMERGENCY EXIT HATCHES 6.1
COOLING TOWER VALVE BOX PER R.F.I #1430
LOCATION OF FUTURE COOLING TOWER
ELEVATOR NO 1
END CONTRACT C0351
STAIR NO. 1
Potential future retail
CONTRACT NO. C0352
2@1,000 sf retail spaces
ELMER AVE
CUMPSTON STREET
KLUMP AVE
FAIR AVENUE
LIMIT OF DEMOLITION WORK
CONTRACTOR OF CONTRACT C0351
TO DEMOLISH BUILDING AND CLEAR PARCEL C3-810.
TIMING OF DEMOLITION TO BE COORDINATED WITH MTA
LIMIT OF DEMOLITION WORK
CONTRACTOR OF CONTRACT C0351
TO DEMOLISH BUILDING AND CLEAR PARCEL C3-821-2.
TIMING OF DEMOLITION TO BE COORDINATED WITH MTA.
LEGEND
LIMIT OF WORK
STREET CENTER LINE
TUNNEL WALL EDGE
STATION CENTER LINE
R.O.W. LIMITS
station entry/exit
Potential future retail
2 spaces @ 1,000 sf each somewhere in this area.



up to five additional beverage vending

potential ATM

GENERAL NOTES

1. REFER TO STRUCTURAL AND MECHANICAL DRAWINGS FOR LOCATION AND SIZE OF OPENINGS THROUGH SLABS, WALLS AND EQUIPMENT PADS.

RECORD DRAWING

Station Specific Concessions and Revenue Potential

The North Hollywood Station serves approximately 64,000 boardings and alightings per weekday. Based on this ridership data and the station layout, North Hollywood Station could support an ATM, and up to five additional vending machines in the mezzanine passageway and two retail kiosks on the plaza. As Table 8 shows, these concessions could generate $82,700 per year of non-fare revenue for Metro. Since there are already food and drink concessions at this station, there should be no need for additional pressure washing or maintenance services. Program management and overhead would cost approximately $22,000 per station and generate net revenues of $60,700 per station.

Table 8: Potential North Hollywood Concessions Revenues

Concession Type	Quantity	Average Revenues and Costs	Total Revenues and Costs
Revenues			
ATM (a)	1	$14,000	$14,000
Vending Machines (b)	5	$2,427	$12,136
Retail Kiosk (Sq. Ft.) (c)	2,000	$28	$56,560
Total Revenues			*$82,696*
Additional Costs			
Program Management Labor Cost Factor	0.07	$80,000	$5,493
Maintenance Labor Cost Factor (d)	0	$80,000	$0
Overhead (20% of Revenues)	20%		$16,539
Total Costs			*$22,032*
Net Revenues (Costs)			**$60,664**
Generates Positive Revenues			**YES**

Notes:
(a) Based on data from CTA
(b) Based on data from Metro
(c) Based on station area rental data from CoStar.
(d) No additional maintenance required due to existing concessions at station.

Station Family Revenue Potential

According to Metro, there are approximately 13 Concession Area Available with significant Land Area stations. Using the County average retail rental rate of $24.60 per square foot, per year, instead of the station specific rental rate generates average station of revenues of approximately $75,340 per year. Multiplying the average revenue per station by 13 stations indicates that this family of stations could provide Metro with total revenues of $979,400 per year.

Costs will also vary by location. Stations that already have some concessions, like the North Hollywood Station, will generate higher returns for Metro as they already have a more frequent pressure washing schedule and additional janitorial services. Stations that do not have any existing concessions on site could be unable to support food/drink concessions. Average additional maintenance costs for stations without concessions is approximately $76,100, which on par with the

potential average revenues of $75,340 per station. Thus, Metro should prioritize expanding concessions at significant land area available stations, where potential average revenues exceed additional costs.

Facilities: Blue Line Main Yard

Family

The Blue Line Main Yard belongs to the "Facilities" family. These include facilities and divisions that are non-public. In general, facilities can support vending inside their break rooms. The Blue Line Main Yard currently has vending concessions in both its body shop and the division bus operator break rooms. Depending on the number of workers at a particular location there may be opportunities for ATMs at a few larger scale employee locations.

Specific Concessions and Revenue Potential

The Blue Line Main Yard contains 50-70 employees each workday, and could support up to two additional vending machines in the break rooms. As Table 9 shows, these concessions could generate $4,850 per year of non-fare revenue for Metro. Since there are currently vending machines at all of Metro's operations and facilities, there should not be additional maintenance demand from adding additional vending machines. At particularly heavily trafficked employee locations an ATM machine could become an appreciated convenience for employees resulting in additional revenue. Expanding concessions at facilities could result in additional $3,600 in non-fare revenues per facility.

Table 9: Potential Blue Line Main Yard Concessions Revenues

Concession Type	Quantity	Average Revenues and Costs	Total Revenues and Costs
Revenues			
ATM (a)	0	$14,000	$0
Vending Machines (b)	2	$2,427	$4,854
Retail Kiosk (Sq. Ft.) (c)	0	$25	$0
Total Revenues			*$4,854*
Additional Costs			
Program Management Labor Cost Factor	0.00	$80,000	$239
Maintenance Labor Cost Factor (d)	0	$80,000	$0
Overhead (20% of Revenues)	20%		$971
Total Costs			*$1,210*
Net Revenues (Costs)			**$3,645**
Generates Positive Revenues			**YES**

Notes:

(a) Based on data from CTA

(b) Based on data from Metro

(c) Based on Countywide retail rental data from CoStar.

(d) No additional maintenance required due to existing concessions.

.

Family Revenue Potential

According to Metro, there are approximately 35 Facilities. Although potential concessions revenues will vary by location, this analysis assumes that the Blue Line Main Yard represents an average revenue facility. Thus, this family could provide Metro with additional total revenues of $169,900 per year.

Costs will also vary by location. Facilities that already have some concessions will generate higher returns for Metro as they already additional janitorial services. Facilities that do not have any existing concessions on site could be unable to support concessions. Average additional maintenance costs for facilities without concessions is approximately $76,100, which is greater than the potential average revenues of $4,850 per station.

Special: Chatsworth Station

Station Family

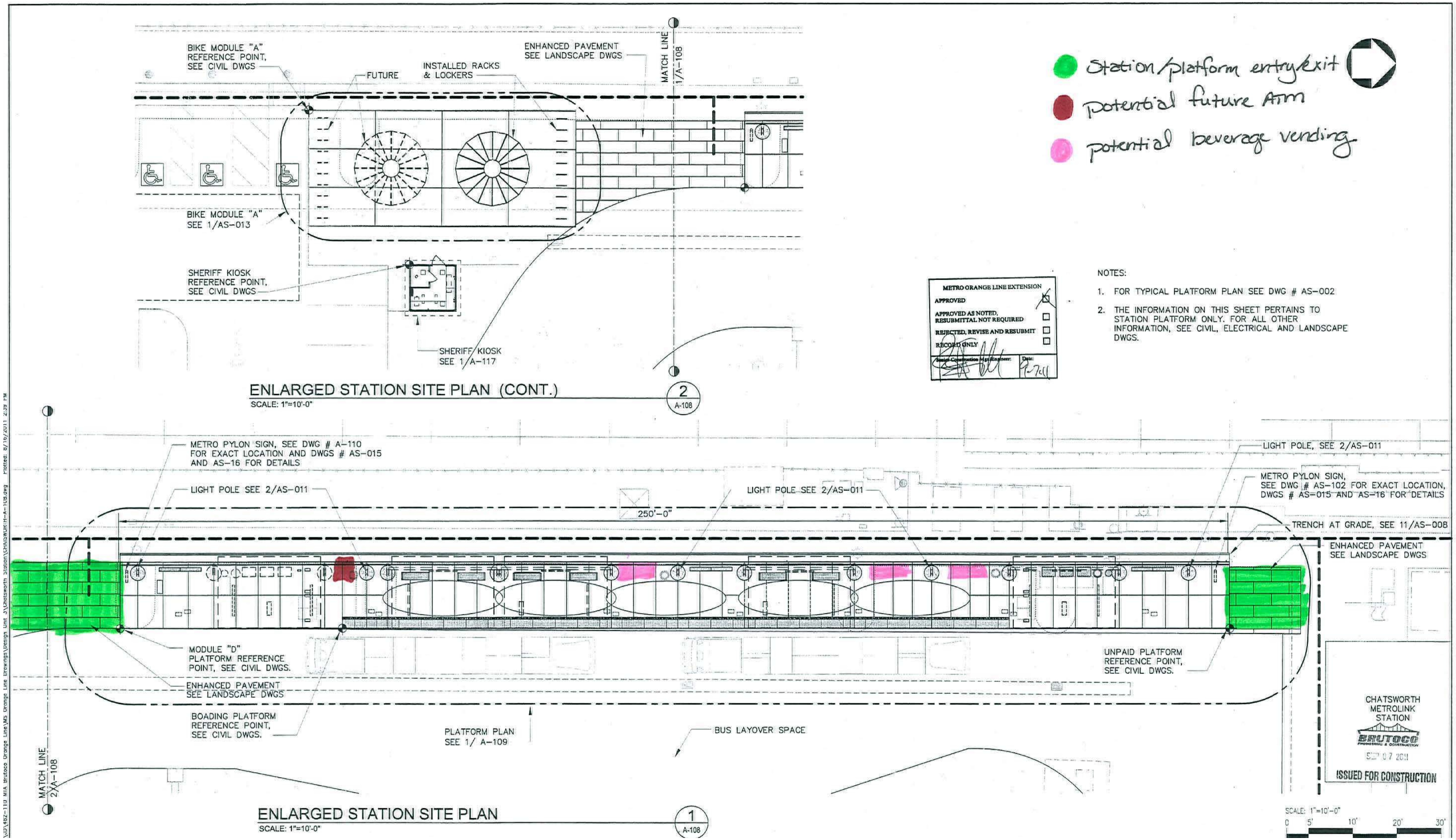
The Chatsworth Station belongs to the "Special" family. Stations in this family include rail stations that are special cases and exceptions. Special case stations include stations with land owned by another party (e.g., Caltrans). By definition, they should be considered individually.

Location Analysis

Specifically, the Chatsworth Station has:

- Park and Ride Lot – 1;
- Station Portals – 2;
- Plazas – 1;
- Mezzanines – 0; and
- Lobbies – 0.

The station plaza and entry points generate moderate concession potential. Chatsworth Station can support an ATM in outside of the fare-restricted area and up to six additional vending machines on the platform. Since Metro's existing concessions policy 6.5.3 in the Metro Rail Design Criteria requires all concessions to be located free areas that are not fare-restricted, Metro would have to amend this policy in order to place vending machines inside fare-restricted areas.



Station/platform entry/exit
potential future ATM
potential beverage vending
BIKE MODULE "A" REFERENCE POINT, SEE CIVIL DWGS
FUTURE
INSTALLED RACKS & LOCKERS
ENHANCED PAVEMENT SEE LANDSCAPE DWGS
MATCH LINE 1/A-108
BIKE MODULE "A" SEE 1/AS-013
SHERIFF KIOSK REFERENCE POINT, SEE CIVIL DWGS
SHERIFF KIOSK SEE 1/A-117
ENLARGED STATION SITE PLAN (CONT.)
SCALE: 1"=10'-0"
2
A-108
METRO ORANGE LINE EXTENSION
APPROVED
APPROVED AS NOTED, RESUBMITTAL NOT REQUIRED
REJECTED, REVISE AND RESUBMIT
RECORD ONLY
NOTES:
1. FOR TYPICAL PLATFORM PLAN SEE DWG # AS-002
2. THE INFORMATION ON THIS SHEET PERTAINS TO STATION PLATFORM ONLY. FOR ALL OTHER INFORMATION, SEE CIVIL, ELECTRICAL AND LANDSCAPE DWGS.
METRO PYLON SIGN, SEE DWG # A-110 FOR EXACT LOCATION AND DWGS # AS-015 AND AS-16 FOR DETAILS
LIGHT POLE SEE 2/AS-011
250'-0"
LIGHT POLE SEE 2/AS-011
LIGHT POLE, SEE 2/AS-011
METRO PYLON SIGN, SEE DWG # AS-102 FOR EXACT LOCATION, DWGS # AS-015 AND AS-16 FOR DETAILS
TRENCH AT GRADE, SEE 11/AS-008
ENHANCED PAVEMENT SEE LANDSCAPE DWGS
MODULE "D" PLATFORM REFERENCE POINT, SEE CIVIL DWGS.
ENHANCED PAVEMENT SEE LANDSCAPE DWGS
BOADING PLATFORM REFERENCE POINT, SEE CIVIL DWGS.
PLATFORM PLAN SEE 1/ A-109
BUS LAYOVER SPACE
UNPAID PLATFORM REFERENCE POINT, SEE CIVIL DWGS.
CHATSWORTH METROLINK STATION
BRUTOCO
ISSUED FOR CONSTRUCTION
MATCH LINE 2/A-108
ENLARGED STATION SITE PLAN
SCALE: 1"=10'-0"
1
A-108
SCALE: 1"=10'-0"
0 5' 10' 20' 30'

Station Specific Concessions and Revenue Potential

The Chatsworth Station serves approximately 2,000 boardings and alightings per weekday. Based on this ridership data and the station layout, Chatsworth Station could support an ATM, and up to six vending machines in the non-fare areas; however, because there are no existing concessions at Chatsworth Station, the increased maintenance costs from additional concessions would exceed potential revenues. As Table 10 shows, not adding concessions results in no additional revenues or costs.

Table 10: Potential Chatsworth Concessions Revenues

Concession Type	Quantity	Average Revenues and Costs	Total Revenues and Costs
Revenues			
ATM (a)	1	$14,000	$14,000
Vending Machines (b)	6	$2,427	$14,563
Retail Kiosk (Sq. Ft.) (c)	0	$18	$0
Total Revenues			*$28,563*
Additional Costs			
Program Management Labor Cost Factor	0.01	$80,000	$836
Maintenance Labor Cost Factor (d)	1	$80,000	$76,098
Overhead (20% of Revenues)	20%		$5,713
Total Costs			*$82,647*
Net Revenues (Costs)			**($54,084)**
Generates Positive Revenues			**NO**

Notes:
(a) Based on data from CTA
(b) Based on data from Metro
(c) Based on station area rental data from CoStar.
(d) See Table 1, Annual Maintenance Costs per Station, includes increased pressure washing.

Station Family Revenue Potential

According to Metro, there are approximately seven Special Case stations. Although potential concessions revenues will vary by location, this analysis assumes that Chatsworth Station represents an average revenue station. Thus, this family of stations could not provide Metro any additional concessions revenues or costs per year.

Because Chatsworth Station does not currently have any Metro concessions, the incremental maintenance costs prohibit adding concessions. Stations that already have some concessions could generate higher returns for Metro as they already have a more frequent pressure washing schedule and additional janitorial services. Stations that do not have any existing concessions on site, like Chatsworth station, may be unable to support ATM and/or food/drink concessions. Average additional maintenance costs for stations without concessions is approximately $76,100, which is

greater than the potential average revenues of $28,600 per station resulting from an ATM and six vending machines. Metro should carefully evaluate these types of stations on a station by station basis to determine if concession additions without substantial maintenance cost increases are possible.

Recommendations

As Table 11 shows, fully implementing an expanded at all stations would result in net costs to Metro of over $2.6 million, annually.

Table 11: Systemwide Revenue Potential, Full Implementation

Station Family	Gross Revenues per Station	Costs per Station	Number of Stations (b)	Total Profits	Revenues Exceed Costs
Concession Area Available with Limited or No Land Area	$23,496	$32,791	38	($353,209)	NO
Concession Area Significantly Constrained	$18,854	$80,227	44	($2,700,407)	NO
Concession Area Available with Significant Land Area	$75,336	$22,032	13	$692,955	YES
Facility	$4,854	$1,210	35	$127,564	YES
Special	$28,563	$82,647	7	($378,585)	NO
Total				**($2,611,682)**	

Notes:
(a) Based on average retail rents of $24.60 per square foot per year.
(b) Appendix B shows the stations by family.

However, as Table 12 on the following page shows, Metro could realize an additional $820,500 per year in net concessions revenues if it implements concessions at only the profitable facilities and stations. In order to realize these profits, concessionaires should be responsible for the costs of extending power and utilities to their vending machines as well as building their retail kiosks to suit their needs within Metro standards. Concessionaires should also be responsible for all of their own maintenance, janitorial and trash disposal needs and should work in conjunction with Metro's maintenance staff on a case by case basis if any issues arise.

Table 12: Systemwide Revenue Potential, Positive Cashflow Stations Only

Station Family	Gross Revenues per Station	Costs per Station	Number of Stations (b)	Total Profits	Revenues Exceed Costs
Concession Area Available with Limited or No Land Area	Not Implemented		38	n/a	**NO**
Concession Area Significantly Constrained	Not Implemented		44	n/a	**NO**
Concession Area Available with Significant Land Area	$75,336	$22,032	13	$692,955	**YES**
Facility	$4,854	$1,210	35	$127,564	**YES**
Special	Not Implemented		7	n/a	**NO**
Total				**$820,519** (c)	

Notes:
(a) Based on average retail rents of $24.60 per square foot per year.
(b) Appendix B shows the stations by family.
(c) Does not include losses from stations where costs exceed revenues.

Realizing this revenue would require Metro to amend its concessions policies, specifically Metro Rail Design Criteria 6.5.3, which does not allow for concessions in the paid areas or food or drink concessions. Metro can continue to prohibit eating and drinking in stations and on trains, but allow vending opportunities for beverages that come in re-sealable containers, such as sodas and water. Table 13 shows how the design guidelines and rules around food and drink can impact Metro's ability to implement concessions under existing rules.

Table 13: Station Evaluation Criteria

Station Area	Design Guidelines Apply? (Y/N)	Food/Beverage Consumption Allowed? (Y/N)	Allowed to Carry Food/Beverage? (Y/N)	Potential Concessions
Plaza/Entry	Y	Y	Y	ATM; Food/Bev Sales; Other
Mezzanine	Y	N	Y	ATM; Food/Bev Sales; Other
Platform	Y	N	Y	ATM

Additionally, when issuing a concession RFP, Metro should be as flexible as possible in its location requirements in order to generate interest from a wide array of concessionaires. This competition will ensure that Metro receives the highest possible market rate for leasing space at its stations while allowing concessionaires the best possible chance to be successful.

SWOT Analysis, Program Concept, Implementation and Cost Management Plan

This chapter provides a SWOT analysis for expanding the concessions program. It also includes a program concept, implementation plan and cost management plan. Findings from interviews with Metro staff as well as the preceding analyses inform the SWOT analysis and other chapter components.

Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

In order to analyze the overall expanded concessions program concept, the analysis includes a SWOT analysis detailing the strengths, weaknesses, opportunities and threats inherent in expanding the concession program at Metro. Table 12 shows the SWOT analysis findings.

Table 12: SWOT Analysis

Strengths	Weaknesses
Many stations have ample room for expanded concessions offerings	Perceived high maintenance costs
Help grow local / small businesses	Market risk for vendors
Increase defensible space	New program, startup time required for program to be a success
Improves rider experience	Staff time needed to successfully roll out and manage program
Provides additional non-farebox revenue to Metro	Current ban on food/drink vending

LA METRO Expanded Concessions Program

Opportunities	Threats
Realize additional non-farebox revenue at market rates	Potential growth in maintenance costs due to program expansion
Provide riders with updated, attractive & convenient amenities	Lack of support for program from all Metro departments & community
Encourages local new businesses startups, promotes econ. dev.	Ability to attract credit – worthy tenants
Demand shown from venders, successful programs at other transit agencies nationally	Tenants defaulting or going out of business
Relatively new stations	Continued market / economic downturn in real estate

Strengths

There are potential benefits from an expanded concessions program. Many stations have ample room for expanded concessions offerings, including ATMs, retail spaces and other vending options. Many older systems do not have enough room operationally for expanded offerings, making the opportunity for Metro to expand concessions a unique opportunity that can be accommodated operationally within many stations.

Expanding the concession program helps grow local/small businesses within Los Angeles neighborhoods that contain Metro stations. Opportunities include opening business such as convenience stores, coffee shops and quick service food options. All of these businesses not only improve the overall ridership experience for Metro users, but also provide additional non-farebox revenue to Metro with little upfront capital investment

In addition, expanding the program provides additional defensible space at stations. Concessionaires provide additional "eyes on the street," increasing security. Vendors have a vested interest in keeping their areas safe and clean, thereby reducing the likelihood that people and activities would go unnoticed. Concessions can also be strategically placed to reduce the number of blind corners in stations, making patrons feel safer and reducing the number of hiding places for would-be criminals.

Weaknesses

The benefits of expanding the concessions program at Metro come with some potential risks that need to be carefully understood and mitigated before the program can be successfully rolled out. One risk is the perceived heightened cost of maintenance at stations where new concessions are installed. Metro maintenance staff anticipates that an expanded program will require more frequent pressure washing, as well as additional janitorial services to clean up after spilled beverages and litter. Although there is likely to be some increased demand for maintenance services resulting from additional concessions, there may be a more cost effective method of providing those services than Metro currently employs.

There will also be market risk for vendors starting up new businesses at transit stations that previously did not have concessions. Although the risks of starting a new business is not unique to concessions businesses, potential concessionaires and Metro can anticipate a startup period before new businesses are profitable and vendor programs are successful. In addition, there is a startup time investment required for a program to be a success from Metro's perspective as well as staff time needed to successfully roll out and manage the program.

Finally, Metro's current ban on food and drink vending under its internal concession design criteria policy presents a serious challenge to expanding the concessions program. Under this policy, Metro can add ATM and/or DVD vending, but no food or drink vending or sales. Metro will need to reconsider this policy if it wants to expand concessions in a way that maximizes revenue potential and enhance rider experience.

Opportunities

Metro has a unique opportunity to expand its concession program offerings, leading to additional non-farebox revenue. In addition, an expanded program provides riders with updated, attractive and convenient amenities as well as encourages local new businesses startups, and promotes economic development. Potential vendors have shown interest in expanded transit offerings and have participated in successful programs at other transit agencies nationally. Metro's stations are relatively new and have ample room for expanded concession opportunities.

Threats

Despite the opportunities listed above there are some threats to successfully expanding the concessions program at Metro. One such threat that must be managed is the potential growth in maintenance costs due to program expansion. The program also cannot be successful without support from all Metro departments and the communities in which the stations are located. Metro must devote staff time to effectively marketing concession opportunities in order to successfully attract credit-worthy tenants. In addition, as with any landlord, there is the risk of tenants defaulting on their leases and going out of business. At the macro level, there is the risk of a continued market / economic downturn in real estate, although marked improvement has been seen in real estate markets nationally.

Program Concept

Metro could initiate implementation of an expanded system-wide concessions program, where space permits and the program doesn't interfere operationally with station traffic flow. Expanding this program will require an initial time investment by Metro staff as well as a ramp up period as concessions providers and retail tenants in the market are educated on the opportunity. There is clear potential for this program to drive non-farebox revenue growth for Metro over the long term if maintenance cost issues are mitigated, policies can be reevaluated and initial successes are realized at market rents. Careful management of the program's marketing and procurement decisions from the outset that communicate that Metro is "open for business" can help set Metro up for continued long-term success with this program.

Benefits

In addition to driving significant non- farebox revenue potential, offering expanded system-wide concessions through retail leasing, ATM and specialty/beverage vending opportunities is a chance for Metro to provide modern convenience offerings to riders. Large transit agencies across the nation are successfully providing similar services to improve their riders' experiences. These offerings can ultimately improve the overall ridership experience for all who use Metro services, as well.

Expanded retail locations also offer economic development opportunities. They present a chance for new business growth opportunities, both to national tenants looking for a unique outlet as well as to local "mom and pop" businesses looking for a new business venture. These ventures, in turn, would create jobs for Los Angeles residents and provide sales tax revenues to their cities.

Cost Considerations

The program must be expanded with careful consideration to minimize any additional maintenance costs. Vendor and new tenant leases and license agreements can be drafted in a manner that requires concessionaires to take responsibly for much, if not all, of the maintenance their tenancy creates. Tenants can also be responsible for their space build-outs. Communicating design guidelines and tenant guidelines for occupancy /expectations up front make tenant expectations clear and ensure that Metro's needs are met.

Other Considerations

An expanded concessions program increases the riders' experiences and promotes local businesses. Vendors increase the amount of defensible spaces in and around the station area as they have a vested interest in keeping their areas clean and crime-free. Additionally, vending and other concessions offer riders access to modern conveniences that promote transit use and enhance the rider experience. Finally, an expanded program also provides opportunities for local business to expand or undertake new ventures, contributing to local economic development efforts. Although these benefits do not contribute to Metro's bottom line in and of themselves, they can increase ridership over the long term and have their own inherent values that align with other Metro goals.

Implementation Plan

If Metro chooses to proceed with an expanded concession program, it is important to establish an integrated implementation plan that has buy-in and support from numerous Metro departments, in addition to the department handling the day-to-day program management. Potential groups that will need to be involved in order to make the program a success include engineering, construction, accounting, operations and procurement, among others. Support and timely responses from these groups is critical to the marketing, roll out and ongoing management of concession facilities. Following is a step-by-step plan for successfully expanding the concessions program.

Identify Concessions Opportunities

The first step to a successful program is clearly identifying the potential concessions opportunities that Metro can offer to the market. For each type of concession that Metro is seeking tenants/operators, Metro should identify financially viable stations with potential areas where a concession space is desired. Although some vendors may want to select their locations within a given station, Metro must ensure that potential concession areas are viable from an operations perspective. Identified concessions areas should also provide the future vendor with appropriate utilities, or the opportunity to install utilities, as needed. If no utilities are directly available, Metro should identify available tie-ins for tenants to use at their own expenses.

Marketing/Procurement Strategies

Metro should consider packaging its concessions opportunities in groups that it can present to the market through the procurement process. For example, it is helpful from a contract administration perspective to use a single procurement vehicle to contract all ATMs or station

vending. Likewise, choosing a single termination date for all contracts will make procurement easier on the back end, when Metro will have to renegotiate or enter into new contracts.

Depending on Metro's overall program goals, making contracts exclusive system-wide helps potential vendors subsidize less attractive locations with more attractive locations, provided the less attractive locations are profitable to Metro from an operations perspective. This has two benefits. First, it allows for expanded offerings in more stations across the system. Second, it gives vendors the advertising advantage to call themselves the sole provider for Metro.

Concession Valuation

There are several techniques that work for internally valuing potential concessions, depending on the motivation for implementing the program and Metro's goals. A simple payback method is a quick way to determine if the specific concession category in question is worth pursuing based on expected revenue and estimated costs associated with the project. In other cases a more detailed analysis might be necessary, particularly if any expenditure is required by Metro in order to make the program marketable. In almost every case it is recommended to have the vendor pay any up-front costs to bring the program to the market, such as running electrical conduit or building out a shell space for occupancy as a retail space.

Ultimately, concession values should be determined by the market, allowing vendors to competitively bid on the opportunities. Although a minimum bid or rate range can be determined as part of the RFP / IFB process, typically concession operators know their business and how their ventures will perform given certain parameters such as ridership, station foot traffic patterns and neighborhood demographics.

Considerations for New Programs

Valuation

In new programs, letting concessionaires bid competitively on locations will help market value. Bids for new programs may be low at the outset until the opportunity is definitively proved successful within the marketplace. Once the market is established and early success is achieved, many concessions, especially retail at key stations, can demand higher premiums than the local retail market outside of transit stations.

Marketing New Programs

Pointing prospective tenants to a marketing website that contains all marketing and bidding information in one place and that clearly spells out the bid process helps provide a one stop shop for information. Overall, Metro should communicate to the market that they view anyone who enters into a concession agreement at a station as a long term business partner whose success is important to the organization and the economic fabric of the community. Of course, there are specific strategies for attracting concessionaires to new programs.

Trial Programs. Positioning new types of concessions that are untested at Metro as trial programs helps vendors and Metro staff to determine whether the program is worth rolling out as a full, long term license agreement. However, if a significant investment is needed by a tenant for something such as the build-out of a retail space, Metro may have difficulty attracting a trial tenant.

Retail Programs. In the case of retail space it is important to have the opportunities professionally marketed to the local retail brokerage community, thereby ensuring top tier national brand tenants as well as successful local players hear about the opportunities. Other marketing avenues include making local government officials and economic development agencies, such as local chambers of commerce aware of the opportunities and able to share the listing information with constituents.

Infrastructure Strategies

Delivering and driving an infrastructure-driven concessions program is critical to the long term success of a program. Many types of concessions need to tie into existing station infrastructure. Careful planning and management of this process is required to achieve successful concessions, especially in retail build-outs, which tend to have the most complicated and greatest demands on station infrastructure.

Providing a program that guides new concessionaires through the build-out process is critical to the long-term retention of quality tenants. Support from engineering and trades staff through project build-out, during occupancy and ultimately when tenants move out is necessary to a successful program. At all times Metro staff and trade worker time must be minimized as their first and main task is upkeep of the railway infrastructure.

Cost Management Plan

Implementing a cost management plan from the outset of the concession program is critical to avoiding surprises down the road. Every attempt should be made to identify potential upfront and ongoing costs to Metro at a concession project's inception so it can be budgeted or mitigated going forward. Cost and revenue associated with each concession program should be documented in order to plan for future growth of the program as well as to determine where processes can be streamlined and costs and staff time spent on the projects can be minimized without compromising project success.

Main Categories of Costs

Following is a summary of the main categories of costs associated with concession programs.

- **Physical Start-Up Costs**

  Vendors should be responsible for all project physical startup costs such as construction of retail spaces or build-out, conduit runs for vending machines, etc., with Metro's approval. While this may impact rental revenue at the outset, having a concession infrastructure installed and a program in place for streamlined project management will benefit Metro over the long term.

- **Project Management Costs**

  Project oversight and implementation costs for Metro can be minimized by having a clear, streamlined process that is easily communicated to tenants for build-out/installation and move-in. A clear process should help minimize impacts on Metro's staff time; however, Metro will need to make an initial investment in defining the process in order to make the program a success.

- **Ongoing Operating Costs**

  Ongoing operational costs can be minimized by making all maintenance and upkeep of the space the tenant's responsibility. At times, issues will arise with tenants. Having clear guidelines for participating in the concession program that are distributed and communicated to tenants at lease signing goes a long way to ensure concessionaires become valued partners that enhance rider amenities without overburdening maintenance operations, both at stations and on trains.

- **Indirect Operating Costs**

  Having a clear understanding of the indirect maintenance costs associated with cleaning up station areas, as well as train cars and busses that may have increased incidences of littering, and building those costs into the concessionaire contracts will go a long way in mitigating the indirect costs of and expanded concessions program.

Documenting Revenues and Costs in Advance

In order to assure successful program rollout and continued success, Metro should document the above main categories of costs in advance of the decision to implement a given concession. In the event the decision is made to advance a given concession location even when costs exceed projected revenues, Metro management should identify the source of funds that will be made available to cover the projected deficit. This simple analytical exercise is at the heart of the cost management plan and is essential for maintaining accountability in large organizations such as Metro.

Following is a summary of the written analytical elements that should be made for each potential location in advance of implementation.

- **Location Analysis**

  As set forth in the Internal Facility Review section above, a count of the physical locations to be made available for concessions in each station or facility should be made in advance. This "Location Analysis" serves as the basis for the estimate of "Revenue Potential."

- **Revenue Potential**

  As described above in the Internal Facility Review, an estimate of the potential revenue based on a reasonable level of market analysis, as well as the expected costs of any added maintenance, should be made in advance of the decision to proceed. This "Revenue Potential" provides the means to distinguish a given potential concession location that supports ongoing program viability.

- **Costs Projection**

  As described above, a projected estimate of the main categories of costs associated with a given location should be made in advance of the decision to proceed. This "Costs Projection" provides an essential check to assure that the Revenue Potential is augmented by a careful understanding of the full costs to implement a concession in a given location.

- **Source of Funds and Authorization to Cover Deficit**

  In the event the Costs Projection and Revenue Potential clearly indicates that a given location would not provide long term net revenues to Metro, a source of funds to cover the projected deficit, together with a written authorization from the appropriate cost center, must be identified in advance of the implementation decision. In this manner, Metro decision makers may elect to proceed with a given location at a net cost to the agency when necessary with the proper authorization. Examples of this situation include the desire to place "eyes on the street" – in essence, implementing a concession location primarily for security purposes rather than economic viability.

Recommendations

This chapter outlines the recommendations for next steps that follow from the report's findings. Metro has the opportunity to increase its non-farebox net revenues by approximately $820,500 per year through an expanded concession program. Prioritizing those stations with retail space potential and that already have concession activity would allow Metro to generate additional revenues relatively quickly while minimizing the need for additional maintenance. For instance, Metro could initially implement additional concessions at the North Hollywood station, as well as at divisions facilities, before moving on to expanding the program to other locations. Alternatively, a more comprehensive, system-wide rollout might also be considered.

Recommendations

In addition to the potential for increasing non-farebox revenues from concessions, Metro should consider a variety of factors to determine the appropriate concession opportunities at each of its stations. Following are the recommended actions that Metro should undertake to expand its concession program successfully.

System-Wide Review of Conditions

Metro should review the system-wide policies and conditions that could impact its concession program. In particular:

- **Legal Policies and Design Guidelines**

  Metro's existing policies could hamper efforts to expand concession program opportunities. Metro should review existing policies to determine their potential impact. Additionally, Metro should support future policies that promote concession program opportunities.

- **Maintenance Cost Assessment**

  Metro should undertake a maintenance audit/assessment to identify potential cost reduction strategies. Metro's maintenance costs are considerably higher than the benchmarked agencies. In order to develop a successful concession program, Metro will need to identify means for mitigating maintenance costs at stations, as well as on train cars and busses. This can be through tenant contract requirements, as well as through more efficient maintenance processes.

- **Fire and Life Safety Assessment**

  Metro should review the impacts to fire and life safety. Retail spaces increase the "eyes on the street" and provide new defensible spaces. However, any concessions that encourage people to expose their wallets could provide additional opportunities for crime. Additionally, fire and life safety costs could increase from

- Increased number of passenger slips and falls in beverage spills;
- Increased fire risk in retail spaces that contain restaurant equipment;
- Increased instances of illegal vendors; and
- Changes in use and occupancy fire requirements with the addition of retail vendors.

Although this report does not address these impacts, Metro should consider them before expanding its concessions program.

- **Procurement Strategies**

  Having a streamlined process that is clear and concise is critical to attracting quality tenants. Metro will need to review its concession procurement policies and vehicles. If existing procurement methods are not clear or concise, Metro should work with its procurement staff to develop streamlined strategies or consider outsourcing concessions procurement.

- **Utilities**

  Metro should evaluate the overall power demand at each station, as well as the capacity of communications equipment. This will inform concessions location, upfront capital costs that vendors will need to consider and determine the extent to which Metro can recoup utility costs, as the electrical load from vending and concessions will add to station energy demand.

Outreach

Metro should also consider the potential for outreach efforts that could help promote its concession program. In particular:

- **Internal Outreach**

  Metro staff assigned to or otherwise interested in expanding the concession programs could begin engaging staff members in other departments to gain a better understanding of their goals and concerns surrounding the expanded program. This is critical to getting the support of other departments (e.g., operations, engineering, construction), which will need to provide services or assistance to ensure a successful outcome.

- **Pre-Marketing Outreach**

  Because overall market potential is still untested, and there is some risk as to whether firms would be interested in contracting with Metro to provide concessions services, Metro should engage in pre-marketing outreach to existing concessionaires to better understand their risks, strategies, successes and pitfalls, as well as to assess their interest in expansion. This will both inform Metro about expansion interest from existing concessionaires, as well as allow Metro to address concerns from potential concessionaires.

- **Public Outreach**

  If Metro decides to expand its concession program significantly, Metro should develop a streamlined marketing program to present a cohesive message for the public. This will inform the public that Metro is expanding its concession program to better serve existing riders and may also result in new riders.

- **Industry Outreach**

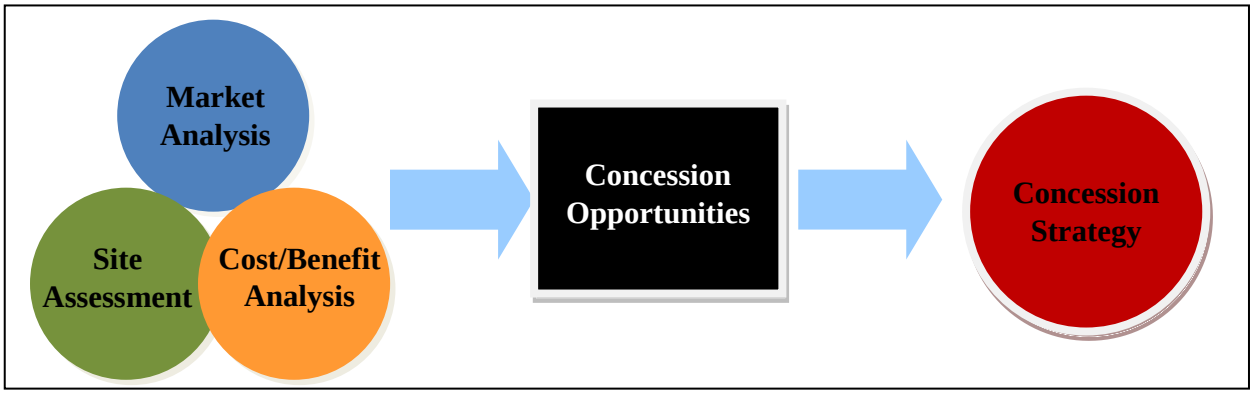
  Finally, Metro should reach out to local chambers of commerce and economic development organizations to inform them of upcoming opportunities to contract and partner with Metro. Giving these organizations a "heads up" about the upcoming program can allow them to put together workshops for local entrepreneurs who are looking for new opportunities to start small businesses. It can also provide information to existing local businesses that may be interested in expanding into the transit space.

Station Specific Analysis

When it is time to determine where concessions should be located, Metro staff should fully vet each station for potential concessions opportunities on a case by case basis. This analysis provides an overview of the potential revenues that Metro could generate with an expanded concessions program. However, additional due diligence at each station is necessary to determine which stations present the best concessions opportunities. Chicago's CTA and Boston's MBTA both undertake this type of due diligence as part of their best practices. Figure 2 shows the due diligence that Metro should undertake for each station under consideration in order to successfully implement an expanded concessions program.

Figure 2

Due Diligence Summary for Station Specific Analsyis



- First – A market analysis that includes ridership data would determine the types of concessions that the station can support. Concessionaires know the minimum and optimum number of boardings and alightings required for success. Assessing the market conditions at each station will inform Metro and potential concessionaires about the market risks and the types of concessions that riders can support.
- Second – A site assessment would determine where concessions can be located, accounting for security, traffic flows, access to utilities, and other location factors.
- Third – a cost/benefit analysis would compare the revenues and costs of each concession type at the station to determine which types of concession projects would generate positive revenues to Metro.

Together, the above information will inform Metro as to the possible types of concessions that a given station or other location could support. The potential range of supportable concession projects will then inform decision making regarding whether or not to implement a concession at a given location.

Overall Recommendation

This study demonstrates there is clear system-wide potential – as well as sufficient organizational benefit – to justify expansion of the existing concession program, subject of course to the provisions described. While there can be no guarantee that an expanded concessions program will be successful, there is ample reason to consider the overall benefits that could be made available to Metro patrons, employees, and the communities that the agency serves.

Appendix A: Benchmark Report

METRO CONCESSIONS STUDY – BENCHMARK ANALYSIS OF BEST PRACTICES

Attribute Elements	**Management, Planning and Capacity:** Agency management plan and activity to maximize concession program capacity to meet customer demand and revenue potential.	**Facility/Aesthetics:** Include store design, construction, maintenance, capacity/space and mix of concessions.	**Customer Service:** Looks at the transit agency's concessionaries' effectiveness providing rider amenities and concessions.	**Revenue Production/ Metrics:** Increase non-fare revenue through concessions leases and services to increase financial return to the agency.	**Sense of Place:** Reflects the unique attributes of a city and region, offering riders-local community and culture in retail concessions.	**Value, Variety and WOW Factor:** As it relates to value of concession services offered, concession mix and type.	**Procurement, RFP and Contract Processes:** Covers the RFP/BID/Contracting process, DBE requirements and concession leasing agreement terms and conditions.	**Typical Challenges to Developing Concessions Program**
Transit Considered Best-In-Class" Transit Practices	Leasing retail space in transit stations provides an attractive way for a transit system to raise additional funds. The most important lesson an agency can learn is that it is necessary to put concessions where the people are. **CTA:** Concessions Leasing and Management: Retail operations, Vending, ATMs, Parking services resulting in a dedicated CTA web site –www.ctarealestate.com, over 50,000 web site hits, received over 1,000 property inquires and 260 RFP Downloads, web enabled lease administration tracker with all files and photos available electronically-OneView **(CTA 2009, p.6)** http://www.transitchicago.com/assets/1/procurement/Procurment_Policy_and_Procedures_Version_2_1_%283_8_12%29.pdf **MTA:** New database for property (we use "YARDI) and Quarterly update for property management report have reduced vacancies, improved update of rent rolls and overall tenant and space presentations.	**MTA:** The hiring of a construction manager to coordinate between architect/design team, contractor and tenant for built-out tenant improvements; to make sure plans are code ready; and streamline the construction permit approval process results faster market entry for tenant and better quality construction outcomes. **MBTA:** Establishing a sound selling proposition for tenants; a) the system ridership #s; b) square footage available (i.e., utilities, water, etc., available?); c) let potential tenant come up with proposed rent---we work from there; d) have the tenant provide a picture of what they want space to look like—we work from there to see if it's a fit or what adjustments can be made.	**MTA:** Tending growth in concessions segments: ATM's, Karts and exclusive vending at employee facilities. **CTA:** Mix of concessions, services, specialty retail, vending, ATM, beverage and food. **MARTA:** Reminds customers that, while state law allows eating and drinking in rail stations, the consumption of food on MARTA trains and buses is prohibited. Customers are permitted to bring food in closed containers and drink beverages in re-sealable plastic containers. As part of a competitive bid process, MARTA selected Gilly Vending, Inc. to install 70 beverage machines throughout the system as well as recycling receptacles to support MARTA's "green" initiatives. "http://itsmarta.com/concessions.aspx?terms=retail+concessions	**Performance Metrics** Fares and earned income (concessions, advertising, lease revenues, etc.) are the largest sources of operating support and are predominantly used to support operations regardless of agency type (Stanley 2008,p . 4) and are budgeted as local and regional transit revenue. **MTA:** concessions require at least 5,000 deboarding /riders per day to be economically feasible.	"Numerous passenger surveys have shown that concession stands give riders a sense of well-being and security because people are moving and congregating in numbers." p.172TCRP1998 **CTA:** Understanding location within the city – what works and what doesn't. Example: Starbucks in high end area, but does not work in low income neighborhoods. Get input from local community groups to figure out what would work; provide base numbers on demographics and what might work to assist concessionaires.	**MBTA:** Seek mix of local, national and regional brands. **CTA:** Create variety by neighborhood and community. High-end national brands in premier stations, and small, locally owned/run business in small neighborhood stations. Incorporate area of a particular ethnicity, maximize business participation among businesses run by that ethnicity. Work with local chambers and alderman to get the word out into the community about retail opportunities.	**NJ Tansit:** *Pre marketing inquiry* being used via REQUEST FOR EXPRESSIONS OF INTEREST & QUALIFICATIONS by Newark Pennsylvania Station for Food and/or Food/Retail Concession(s). http://www.njtransit.com/pdf/db_ls_req5.pdf **MBTA and CTA:** *Contract with asset management companies.* TRA and Jones Lang LaSalle, respectively manage both direct leased tenant and third party developer master leases (who sublease to vendors). The third party model is most efficient and highly practiced in the airport concessions field; now being more widely used in transit as a business model; third-party has no obligation to go through the inefficient public bid process for its retailers. http://www.transitchicago.com/assets/1/board_presentations/Real_Estate_and_Asset_Manangement_%28JLL%29_for_August_2009.txt **MBTA:** TRA makes available all retail locations in an Interest For Bid (IFB) to determine if potential tenants of developers would or would not be interested in bidding, before the agency goes through the cost and administrative burden of a bid	**MTA:** "It is very difficult for a transit agency to realize the maximum revenue from concessions if they are not a priority. The MTA Real Estate Department could generate more concessions revenue if the success of the program was as high a priority as people movement." p.1782TCRP1998 **CTA:** Entered into innovative contract with Jones Lang LaSalle to provide concessions leasing and management, retail operations, vending, ATMs and parking operations.
Transit-Boston/ MBTA[1]	MBTA philosophy/vision is to "attract airport quality" in its concession vendors. Goals to increase non-fare revenue; airport quality concessions; no vacancies (accounting for all leases). Best Practice: retail tenant database developed.	Establishing a sound selling proposition for tenants; a) the system ridership #s; b) square footage available (i.e., utilities, water, etc., available?); c) let potential tenant come up with proposed rent---we work from there; d) have the tenant provide a picture of what they want space to look like—we work from there to see if it's a fit or what adjustments can be made.	Concession Management Firm Transit Realty Associates (TRA) utilizes the rider research conducted by MBTA to assist vendors in location, location, location analysis; Bus planning data and rider demographics assist in determining concessions offered.	**Performance Metrics:** a) increase push kart revenue 200% within 5 years b) reduce capital investment to startup to between $12-15,000 kiosk c) increase number of kiosk 25% 1-2 yrs. and 50% 3-5 yrs. Total annual concessions revenue $3,200,000 (70% of revenue fixed rental); square footage 99,543 and average revenue per sf. $32.15.	Seek local concessionaire offerings through direct vendor base contracting, primarily: 55 (41 at commuter stations) retail specialty; 37 ATMs; 18 snack/ beverage vending (one agreement covers 80-100 locations); 49 push carts.	Seek mix of local, national and regional brands.	MBTA/TRA we typically sign 10-20 year master leases; recently signed a 75 year master lease for No. Station which leads into Boston Garden (home of NBA Celtics) for $75 million; if a lease is $1,000 or less, analysis only consists of comparables. Master leases involve more sophisticated analysis (comparables, appraisals, economic ROI analysis). Example: 20 yr. term with $2 million capital investment requirement; IFB/RFQ/SOQ/RFP and direct negotiation.	Establishing and maintaining current rent roll and property management data; to sustain reliability of data (i.e., labor costs, rent rolls, % rental tenant mix, # of retailers, contract renewal periods, operating expenses, etc.). Sustaining tenant quality.

[1] Beacon Management Group (August 2012), Interview with R.J. Long, Project Manager-Retail Concessions, Transit Realty Associates contracted to (MBTA), August 10, 2012

METRO CONCESSIONS STUDY – BENCHMARK ANALYSIS OF BEST PRACTICES

Transit-Chicago/ CTA[2]	Oversee Concession space development and leasing – ranging from RFP for ATMs, Redbox, etc… to local brokerage of retail space. Goals: Provide superior service to the tenant and CTA; Maximize revenue; Strategic eye to provide an outlook for good concessions; Reduce staff in the real estate department.	Positive Trend. Used to be all RFPs, and now that there is an open brokerage, space is very much in demand – even from major brands, Dunkin Donuts, to local flower shop. All sides of the market. If there hasn't been much opportunity for vendors for a few years, there will be a lot of pent up demand. The simpler the process (more open – user friendly), then you'll get more interest. Mix of concessions and services (i.e., retail, food/beverage, services, vending).	Mix of concessions, services, specialty retail, vending, ATM, beverage and food.	**Performance Metrics:** High priority to maximize financial return to agency (i.e., revenue growth, etc.). Annual rents/lease and/or other revenue Per unit concession 12,000/year (dependent on location – large spread from $200-$20,000).	Understanding location within the city – what works and what doesn't. Example: Starbucks in high end area, but does not work in low income neighborhoods. Get input from local community groups to figure out what would work; provide base numbers on demographics and what might work to assist concessionaires.	Create variety by neighborhood and community. High-end national brands in premier stations, and small, locally owned/run business in small neighborhood stations. Incorporate area of a particular ethnicity, maximize business participation among businesses run by that ethnicity. Work with local chambers and alderman to get the word out into the community about retail opportunities. Current mix of vendors/concessionaires: 136 retail spaces; 79 ATMs (with 60 potential new ATM locations in current RFP process.)	Split Retail is open to public through brokerage; simpler than RFP – no need for RFP skills, more available for small businesses (IFP still for vending and ATMS). Great success with leasing properties instead of purchasing contract. Concession leases tend to be between 5-10 years. (have tried month to month, or year to year, but long term agreement seems to work better, as you can build a relationship; also uses less manpower on real estate process). Master Concessionaire would be ideal, but CTA would rather give opportunity to more businesses. Disadvantaged Business Enterprise (DBE) program participation a priority.	Developing the program was a new adventure… lots of scrutiny on determining what exactly to do, and if it was being done right. -Tenant build-up process. Need to tune construction managers at CTA to realize that they are not building a station, but are building concession spaces for retail (taking too long to review layout plans/construction). Security – some increase in break in or crimes with vendors – communication increase between security and police – communication on how to prevent future crime. Restrooms are a bit of a problem, as the stations are the only ones that have bathrooms available – Just for CTA staff and concessionaire employees. No public use of restrooms.
Transit-New York/ MTA[3]	Oversee (centralized) retail concession activity of the transit, rail and commuter group of agencies including: Long Island Transit, Long Island Railroad, NYC Bus Company., NYC Subway, Metro-North Railroad, and Staten Island Railroad. Program Goals: Increase non-fare revenue; Offer customer amenities; Target recruitment of specific new/local companies; Have additional eyes and ears "on-the-ground" in the subway for security reasons (to call on or discourage crime) Overall: Board and senior management very supportive of new initiatives and "out-of-the-box" thinking when it comes to non-fare opportunities in retail concessions. New database for property (we use "YARDI) and Quarterly update for property management report have reduced vacancies, improved update of rent rolls and overall tenant and space presentations.	Have an excellent knowledge and understanding of physical challenges of tenant spaces (i.e., utilities, location traffic, data base property profile, etc.) in order to optimize space presentation and utilization. The hiring of a construction manager to coordinate between architect/design team, contractor and tenant for built-out tenant improvements; to make sure plans are code ready; and streamline the construction permit approval process results faster market entry for tenant and better quality construction outcomes. Ability to get utilities to retail sites; the logistical difficulty of making space work for tenant and the associated costs.	Provide usage of rider data to tenants; customer data (behavioral) is available but tenants do not have current access to it. Goal is to make data available in the near future to potential tenants for product/service analysis and concession fit.	**Performance Metrics:** Would like to add 50-100 karts via RFP process and may offer exclusivity to for example: Coke, Pepsi or Schweppes, etc. Direct leasing to multiple tenants (90% of business equal 720 tenants; Other examples of pricing differences by station location: avg. least revenue $100/sf. around Manhattan stations versus. $20-30/sf in the boroughs.	Outreaching and meeting with new/potential local tenants interested in considering because of large ridership on MTA-NY; helping them get their (tenant) head around how to fit into the subway system with local offering.		Always conduct broad outreach to reach new potential tenants using brokers and respond to tenant requests quickly. Outreach includes pre-advertising -- presents opportunity to come in and discuss plans/regulations, etc.-position the space) IFB/RFQ/SOQ/(RFI – request for interest sometimes used; the RFP (used 100% of time and is a process governed by NY State law/regulations includes: Introduction of Process; can negotiate with top proposers after RFP process to get best terms-best and final offers). Two RFPs out now to developers for Fulton Station (70,000 sf. to be divided up for subleasing) and Columbus Circle (13 retail spaces). As of August 29, 2012 MTA to lease all the retail space at the Fulton Street Transit Center to one company and let that company manage it, such a move would mark a departure from the approach it has taken at Grand Central Terminal, where the agency deals directly with retailers. The move would put one firm in charge of filling 70,000 square feet of retail space.	Ability to get utilities to retail sites; the logistical difficulty of making space work for tenant and the associated costs. Slowness in agency reviews for new retail site plans; code compliance department put their priorities first versus streamlining the process for tenants. Other typical challenge in subway include: the age of facilities (physically), smell, floors unclean and water leakage and dripping.

[2] Beacon Management Group (August 2012), Interview with Lindsey Fahey, Associate, Jones Lang La Salle contracted to Chicago Transit Authority (CTA), August 12, 2012
[3] Beacon Management Group (August 2012), Interview with David Bosch, Director of Leasing & Acquisition, New York-MTA Real Estate, August 15, 2012

Appendix B: Station Family List

Concession Area Available with Limited or No Land Area	
Stations	**Line**
Civc Center	Red
Pershing Square	Red
7th & Metro	Red
Westlake/MacArthur Park	Red
Wilshire/Vermont	Red
Wilshire/Normandie	Red
Wilshire/Western	Red
Beverly/Vermont	Red
Santa Monica/Vermont	Red
Sunset/Vermont	Red
Western/Hollywood	Red
Vine/Hollywood	Red
Highland/Hollywood	Red
Slauson (don't confuse with Slauson on Silver Line)	Blue
Firestone	Blue
Compton	Blue
Del Amo	Blue
Redondo Beach (also called Marine)	Green
El Segundo	Green
Mariposa (also called Nash)	Green
105/Crenshaw	Green
Harbor Fwy (820-Green)	Green & Silver
Avalon	Green
Long Beach Bl	Green
Chinatown	Gold
Heritage Square Station	Gold
Highland Park	Gold
Sierra Madre Villa	Gold
Mariachi Plaza	Gold
Soto	Gold
East LA Civic Center	Gold
Atlantic	Gold
Expo/La Brea	Expo
La Cienega/Jefferson	Expo
Culver City	Expo
Slauson (don't confuse with Slauson on Blue Line)	Silver
Manchester	Silver
Rosecrans	Silver

Concession Area Significantly Constrained	
Stations	**Line**
Pico	Blue
Grand	Blue
San Pedro	Blue
Washington	Blue
Vernon	Blue
Pacific Coast Hwy Stn (don't confuse with Pacific Av Stn)	Blue
Anaheim	Blue
5th Street	Blue
1st Street	Blue
Transit Mall	Blue
Pacific Ave (don't confuse with PCH Stn)	Blue
Douglas	Green
105/Hawthorne	Green
105/Vermont	Green
Lakewood	Green
Lincoln/Cypress	Gold
Southwest Museum	Gold
South Pasadena	Gold
Fillmore	Gold
Del Mar	Gold
Memorial Park	Gold
Lake	Gold
Allen	Gold
Little Tokyo	Gold
Pico/Aliso	Gold
Maravilla	Gold
23rd Street	Expo
Expo Park/USC	Expo
Expo/Vermont	Expo
Expo/Western	Expo
Expo/Crenshaw	Expo
Farmdale	Expo
Laurel Canyon	Orange
Valley College	Orange
Woodman	Orange
Woodley	Orange
Tampa	Orange
Pierce College	Orange
De Soto	Orange
Warner Center	Orange
Roscoe	Orange
Nordhoff	Orange
Jefferson/USC	Expo
LAC/USC Med Center	Silver
Cal State LA	Silver
37th St/USC	Silver

Concession Area Available with Significant Land Area	
Stations	**Line**
Universal	Red
North Hollywood	Red
Florence	Blue
103rd St/Watts Towers	Blue
Artesia	Blue
Wardlow	Blue
Willow St	Blue
Indiana	Gold
Van Nuys	Orange
Sepulveda	Orange
Balboa	Orange
Reseda	Orange
Sherman Way	Orange

Metro Divisions Facilities	
Facility	**Name**
Division	Active Bus Operating Division
Division	Active Bus Operating Division
Division	Active Bus Operating Division
Division	Non-Revenue Vehicle Division
Division	Active Bus Operating Division
Division	Active Bus Operating Division
Division	Active Bus Operating Division
Division	Active Bus Operating Division
Division	Active Bus Operating Division
Division	Active Bus Operating Division
Division	Blue Line Main Yard
Division	Active Bus Operating Division
Division	Active Bus Operating Division
Division	Red Line Main Yard
Division	Pasadena Gold Line Yard
Division	Green Line Main Yard
Location	Maintenance Support Services Center
Location	Vernon Yard
Location	Facilities Maintenance
Location	Maintenance of Way - Red Line
Location	Maintenance of Way - Light Rail
Location	Surplus Office Space
Location	Office Space
Location	Office/Warehouse Building
Location	San Fernando Valley Service Sector
Location	San Gabriel Valley Service Sector
Location	South Bay Service Sector
Location	Gateway Cities Service Sector
Location	Westside-Central Service Sector
Location	Arco Plaza Cust. Svc. Ctr.
Location	San Fernando Cust. Svc. Ctr.
Location	Wilshire Cust. Svc. Ctr.
Location	East Los Angeles Cust. Svc. Ctr.
Location	Center Lot
Location	Transit Tots - Chatsworth

Special Case Stations	
Stations	**Line**
El Monte (0019-Terminal)	Silver
Harbor Gateway Transit Center (former Artesia Tr Ctr - 0075)	Silver
Union Station (Red-602, multiple codes)	Red, Gold, Silver
Willowbrook (formerly Rosa Parks) (Blue-722, Green-824)	Green & Blue
Aviation/LAX	Green
Norwalk	Green
Chatsworth Station	Orange

Appendix C: Station Market Analysis

METRO CONCESSIONS STUDY – METRO STATION MARKET POTENTIAL and REVENUE ESTIMATE

Chatsworth Station

Service Profile:
Description of transit and rail lines that service the station.

Chatsworth Station services: Metro Transit way – Metro Orange Line Bus Rapid Transit, METROLINK -Ventura County Line, 158, 166, 167, 244, 245, 364; CE419; SC791; AMTRAK.

Monday-Friday

Eastbound	Westbound
3:54 AM	5:21AM
11:51PM	1:54AM

Also has weekend and Holiday service.

(Source:http://www.metro.net /riding/maps/)

Rider Demographic and Trip Profile:
Boardings, alightings; ridership counts, origin/destination counts and demographics by line. Profiles key age, sex, and racial composition of station market riders.

In 2012 there are more than 2,038 boardings (513 before Metro Orange line) and alightings (557 before Metro Orange Line) composed of all services (includes transferring) at the Chatsworth Station.

Dominant trips by origin/destination:

	Rider Trip Origin	
91311	Los Angeles	20%
91367	Chatsworth	20%
91303	Woodland Hills	18%
		58%
	Rider Trip Destination	
91311	Canoga Park	20%
93650	Chatsworth	22%
91345	Mission Hills	7%
		49%

Dominant trip purpose (origin): 87.3% work, social and my home
Dominant trip purpose (destination): 92% work, social and my home

Forty-three % of all trips started from home (Canoga Park 43.6% and Chatsworth 23.7 %).

Employment: (a) Employment 54.6; (b) Students 26.4% = 71.0% daily activity

Age: 18-34 yrs 74.3% (younger demo)

Ethnicity: 82.3% (Asian, Black, Hispanic/ 62.4%)

Income: 60.1% $0-10,000/yr.

(Source: Metro Onboard Survey, 2012-Weekday Data Only)

Potential Consumer Demand:
Profiles catchment area and rider consumer/sales demand for specific/discretionary needs, wants and spend.

Demographic Profile: heavily ethnic and low income around all stations as well as ridership.
Ethnicity:77.4% - 97.2% (Black, Asian, Hispanic)
Income: 80+% $0-34,999/yr.
Age: varies by station

Consumer Demand

Estimated US per capita sales in 2009 and 2010 (000):

445-Food/Beverage Stores
2009- $ 1,854
2010- $ 1,881

452-Genl Merchandise Store
2009- $ 1,929
2010- $ 1,965

722-Food Services & Drinking Places
2009- $ 1,471
2010- $ 1,506

Source: http://www.census.gov/retail/

Specific sales activity for the period 2009-2010 in airport concessions indicate retail concessions revenue growth in the following areas:

Food/Beverage Stores	2.0%
Specialty Stores	7.5%
Gift Shops	11.0%

Source: American Association of Airport Executives 2011, p.6-13

Space Rent Rate Estimates by Comparables
Compiles commercial and transit retail rents into comparables for selected Metro rail and transit way station markets. Includes: total space, occupied space, vacancy rate net absorption and annual gross rents per square foot.

	Total Available Space	Occupied Space	Vacancy Rate	Net Absorption	Annual Gross Rent/SF
Office Space					
Q2 2012					
Station (a)	25,388	23,062	9%	0	$16.89
LA County	401,707,021	350,976,988	13%	(1,223,389)	$28.03
Q2 2007					
Station (a)	25,388	24,268	4%	130	$18.00
LA County	398,588,528	372,739,073	6%	856,158	$29.48
Change					
Station (a)	0	(1,206)	5%		-$1.11
LA County	3,118,493	(21,762,085)	6%		-$1.45
Retail Space					
Q2 2012					
Station (a)	158,011	155,401	2%	(1,160)	$18.19
LA County	421,341,911	400,253,978	5%	(1,130,793)	$24.60
Q2 2007					
Station (a)	158,011	157,011	1%	0	$18.00
LA County	412,751,459	401,423,036	3%	437,312	$29.23
Change					
Station (a)	0	(1,610)	1%		$0.19
LA County	8,590,452	(1,169,058)	2%		-$4.63

(a) Based on a 0.75-mile radius from the Chatsworth station. Source: Jones Lang LaSalle (CoStar data sources)

Summary: Retail gross rents have remained flat over past five years in Chatsworth station market at $18.19 per square foot (psf) for period Q2-2012 as compared to LA County decline of $4.63 psf; station market vacancy rates are low (2%) in relationship to LA county at 5% and have not trended up much since 2007 (1%).

Financial Modeling Assumptions and Performance Estimates:
Assumptions and estimates based on existing (known) and potential startup costs, operating costs, gross revenues and expected financial performance for retail concessions.

Chatsworth Station Assumptions:
1) Gross Rental Rates (retail space only) (Q1:2012 Q-2-Q change .3%; "Rents will pick up in 2012 and see considerable growth through 2016, although they will not make up the levels seen prerecession." (source: http://www.us.am.joneslanglasalle.com/ResearchLevel1/US_Retail%20Outlook_Q1-2012.pdf)
2) Ridership boardings and alightings = **2,000 per day weekday** (source: Metro - Service Performance Analysis Data-SPA, 2012)
3) No capital improvements by Metro; all absorbed by tenant
4) Metro real estate operations expenses
5) Monthly rental rates psf

Ex: Dry cleaners, newsstand, deli shop, sundry store, gift shop, etc. (Source: http://www.itsmarta.com/uploadedFiles/News_And_Events/System_Alerts/MARTA%20Psychographic%)

Annual Base Gross Rent Forecast: $8,325
($25 sf x 333)

North Hollywood (NoHo) Station

Service Profile:
North Hollywood Station services: Metro Red Line, 152, 154, 156, 162, 183, 224, 353, 656 Owl; BB Media District, Airport/Empire, CE549; SC757Laurel.

Monday-Friday

Eastbound	Westbound
4:31 AM	4:59AM
1:56PM	2:12AM

Rider Demographic and Trip Profile:
In 2012 there are more than 32,000 boardings (32,608) and alightings (32,375) composed of all services (includes transferring) at the North Hollywood Station.

Dominant trips by origin/destination:

	Rider Trip Origin	
many	Los Angeles Metro	37%
91601+	No. Hollywood	17%
90028+	Hollywood	7%
		61%

	Total Available Space	Occupied Space	Vacancy Rate	Net Absorption	Annual Gross Rent/SF
Office Space					
Q2 2012					
NoHo Station (a)	1,068,346	986,167	8%	2,801	$27.79
LA County	401,707,021	350,976,988	13%	(1,223,389)	$28.03
Q2 2007					

Financial Modeling Assumptions and Performance Estimates:

North Hollywood Station Assumptions:
1) Gross Rental Rates (retail space only) (Q1:2012 Q-2-Q change .3%; "Rents will pick up in 2012 and see considerable growth through 2016, although they will not make up the levels seen prerecession." (source: http://www.us.am.joneslanglasalle.com/ResearchLevel1/US_Retail%20Outlook_Q1-2012.pdf)
2) Ridership boardings and alightings = **64,000 per day weekday** (source: Metro - Service Performance Analysis

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Also has weekend and Holiday service.

(Source:http://www.metro.net /riding/maps/)

Rider Trip Destination

many	Los Angeles Metro	33%
91601+	No. Hollywood	18%
90028+	Hollywood	8%
91401+	Van Nuys	9%
		68%

Dominant trip purpose (origin): 85.1% work, home and student
Dominant trip purpose (destination): 85.2% work, social and my home

Forty-three % of all trips started from home (LA30% and Hollywood 23%).

Employment: (a) Employment 69.5%; (b) Students 17.6% = 87.1% daily activity

Age: 18-34 yrs 52.4% (47.6% 35yrs. +)

Ethnicity: 77.4% (Asian, Black, Hispanic/ 52.8%)

Income: 67.9% $0-24,999/yr.

(Source: Metro Onboard Survey, 2012-Weekday Data Only)

NoHo Station (a)	896,294	888,349	1%	9,783	$28.82
LA County	398,588,528	372,739,073	6%	856,158	$29.48
Change					
NoHo Station (a)	172,052	97,818	7%		-$1.03
LA County	3,118,493	(21,762,085)	6%		-$1.45
Retail Space					
Q2 2012					
NoHo Station (a)	1,883,143	1,845,816	2%	(22,743)	$28.28
LA County	421,341,911	400,253,978	5%	(1,130,793)	$24.60
Q2 2007					
NoHo Station (a)	1,288,523	1,271,644	1%	(1,679)	$35.28
LA County	412,751,459	401,423,036	3%	437,312	$29.23
Change					
NoHo Station (a)	594,620	574,172	1%		-$7.00
LA County	8,590,452	(1,169,058)	2%		-$4.63

Notes:
(a) Based on a 0.5-mile radius from the NoHo station. Source: Jones Lang LaSalle (CoStar data sources)

Summary: Retail gross rents have dropped 19.8% (-$7.00) over the past five years at the NoHo station market to$ 28.28 per square foot (psf) for period Q2-2012 as compared to LA County decline of $4.63 psf; station market vacancy rates are low (2%) in relationship to LA county at 5% and have not trended up much since 2007 (1%).

Data-SPA, 2012)
3) No capital improvements by Metro; all absorbed by tenant
4) Metro real estate operations expenses
5) Monthly rental rates psf

Ex: Dry cleaners, newsstand, deli shop, sundry store, gift shop, etc. (Source: http://www.itsmarta.com/uploadedFiles/News_And_Events/System_Alerts/MARTA%20Psychographic%)

Annual Base Gross Rent Forecast: $ 8,325
($25 sf x 333)

Heritage Square Station

Heritage Square Station services: Metro Gold Line, Metro Local 81 and 83.

Monday-Friday

Northbound	Southbound
3:51AM	4:58AM
2:18PM	2:00AM

Also has weekend and Holiday service.

(*Source:http://www.metro.net /riding/maps/)*

In 2012 there are more than 2188 boardings and alightings composed of all services (includes transferring) at the Heritage Square Station.

Dominant trips by origin/destination:

Rider Trip Origin

many	Los Angeles Metro	89%
		61%

Rider Trip Destination

many	Los Angeles Metro	90%
		68%

Dominant trip purpose (origin): 99% work, home, student and shopping.
Dominant trip purpose (destination): 94% work, my home and student.

One-third of trips started from home (LA).

Employment: (a) Employment 71.2%; (b) Students 15.4% = 86.3% daily activity

Age: 18-49 yrs. 81.5%

Ethnicity: 86.9% (Asian, Hispanic/87%)

Income: 82% $5,000-34,999/yr.

(Source: Metro Onboard Survey, 2012-Weekday Data Only)

	Total Available Space	Occupied Space	Vacancy Rate	Net Absorption	Annual Gross Rent/SF
Office Space					
Q2 2012					
Station (a)	63,682	63,682	0%	0	$27.18
LA County	401,707,021	350,976,988	13%	(1,223,389)	$28.03
Q2 2007					
Station (a)	63,682	58,582	8%	0	(b)
LA County	398,588,528	369,808,209	7%	856,158	$29.48
Change					
Station (a)	0	5,100	-8%		(b)
LA County	3,118,493	(18,831,221)	5%		-$1.45
Retail Space					
Q2 2012					
Station (a)	129,039	129,039	0%	0	(b)
LA County	421,341,911	400,253,978	5%	(1,130,793)	$24.60
Q2 2007					
Station (a)	129,039	120,939	6%	(100)	(b)
LA County	412,751,459	401,423,036	3%	437,312	$29.23
Change					
Station (a)	0	8,100	-6%		(b)

Heritage Square Station Assumptions:
1) Gross Rental Rates (retail space only) (Q1:2012 Q-2-Q change .3%; "Rents will pick up in 2012 and see considerable growth through 2016, although they will not make up the levels seen prerecession." (source: http://www.us.am.joneslanglasalle.com/ResearchLevel1/US_Retail%20Outlook_Q1-2012.pdf)
2) Ridership boardings and alightings = **2,188 per day weekday** (source: Metro - Service Performance Analysis Data-SPA, 2012)
3) No capital improvements by Metro; all absorbed by tenant
4) Metro real estate operations expenses
5) Monthly rental rates psf

Ex: Dry cleaners, newsstand, deli shop, sundry store, gift shop, etc. (Source: http://www.itsmarta.com/uploadedFiles/News_And_Events/System_Alerts/MARTA%20Psychographic%)

Annual Gross Rent Forecast: $ 9.315
($27.97 x 333=)

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				LA County 8,590,452 (1,169,058) 2% -$4.63 Notes: (a) Based on a 0.5-mile radius from the Heritage Square station. (b) Data not available. Source: Jones Lang LaSallle (CoStar data sources) **Summary:** Retail gross rents not available at Heritage Square station. LA County rental rates are at $24.60 per square foot (psf) for period Q2-2012 representing a decline of $4.63 psf since Q2-2007; station market vacancy rates are zero in relationship to LA county at 5% and have trended down since 2007 (6%).	
Slauson Station	Slauson Station services: Metro Blue Line, Metro Local 108 and 358. Monday-Friday Northbound 4:30AM 12:1AM Southbound 5:03AM 1:03AM Also has weekend and Holiday service. (Source:http://www.metro.net/riding/maps/)	In 2012 there are more than 4,867 on average of boardings (4,619) and alightings (5,115) composed of all services (includes transferring) at the Slauson Station. **Dominant trips by origin/destination:** **Rider Trip Origin** many LA/Long Beach 79% 90058 Los Angeles 16% **95%** **Rider Trip Destination** many LA/Long Beach 71% 90001 Los Angeles 23% **94%** **Dominant trip purpose (origin):** 90.4% work, home and student (college) **Dominant trip purpose (destination):** 91.7% work, social and my home **Sixty-three% of trips started from home (LA/LB).** **Employment:** (a) Employment 54.6%; (b) Students 17.1% = 71.7% daily activity **Age**: 18-49 yrs. 77.9% **Ethnicity**: 97.2% (Black, Hispanic/ 78.4%) **Income:** 88.3% $0-24,999/yr. (Source: Metro Onboard Survey, 2012-Weekday Data Only).			**Slauson Station Assumptions:** 1) Gross Rental Rates (retail space only) (Q1:2012 Q-2-Q change .3%; "Rents will pick up in 2012 and see considerable growth through 2016, although they will not make up the levels seen prerecession." (source: http://www.us.am.joneslanglasalle.com/ResearchLevel1/US_Retail%20Outlook_Q1-2012.pdf) 2) Ridership boardings and alightings = **5,000 per day weekday** (source: Metro - Service Performance Analysis Data-SPA, 2012) 3) No capital improvements by Metro; all absorbed by tenant 4) Metro real estate operations expenses 5) Monthly rental rates psf Ex: Dry cleaners, newsstand, deli shop, sundry store, gift shop, etc. (Source: http://www.itsmarta.com/uploadedFiles/News_And_Events/System_Alerts/MARTA%20Psychographic%) **Annual Gross Rent Forecast: $ 9.315** ($27.97 x 333=)

	Total Available Space	Occupied Space	Vacancy Rate	Net Absorption	Annual Gross Rent/SF
Office Space					
Q2 2012					
Slauson Station (a)	249,130	219,431	12%	12,720	$23.33
LA County	401,707,021	350,976,988	13%	(1,223,389)	$28.03
Q2 2007					
Slauson Station (a)	249,130	228,307	8%	(1,365)	$21.68
LA County	398,588,528	369,808,209	7%	856,158	$29.48
Change					
Slauson Station (a)	0	(8,876)	4%		$1.65
LA County	3,118,493	(18,831,221)	5%		-$1.45
Retail Space					
Q2 2012					
Slauson Station (a)	54,604	54,604	0%	900	$20.04
LA County	421,341,911	400,253,978	5%	(1,130,793)	$24.60
Q2 2007					
Slauson Station (a)	56,238	51,638	8%	(100)	(b)
LA County	412,751,459	401,423,036	3%	437,312	$29.23
Change					
Slauson Station (a)	(1,634)	2,966	-8%		(b)
LA County	8,590,452	(1,169,058)	2%		-$4.63

Notes:
(a) Based on a 0.5-mile radius from the Slauson station.
(b) Data not available. Source: Jones Lang LaSalle (CoStar data sources)

Summary: Retail gross rents are currently $20.04psf at the Slauson station market for the period Q2-2012 as compared to LA County decline of $24.60 psf; station market vacancy is zero in relationship to LA county at 5% and have trended down since 2007 (8%).

System wide Perspective	1) Six Metro Light Rail Lines: Red, Blue, Gold, Purple, Green, Expo 2) Approximately 76 LRT stations 3) Two Metro Transit way/Bus Rapid Transit Lines: Orange, Silver 4) Approximately 26 TW stations 5) Stations/Line: Gold (13), Orange (18), Purple (2), red (15), Blue (22), Green (14), Expo (10), Silver (8) excludes Union Station				**Proxy Baseline Estimate of Gross Revenue** **Current Metro Rates**: $3,000 flat fee/yr. for approx.120sf for vending machines, karts and kiosks units which is equal to **$ 25psf annual rent.** **Aggregate Revenue Forecast (model): See Narrative** Note: A thorough inventory of station capacity (ie,

	and shared stations = 102 stations. (*Source:http://www.metro.net/riding/maps/)*				electrical, water, space-size), unit availability, consumer demand, etc. needs to be conducted to inform these baseline forecasts of revenue.

Appendix D: Aggregate Revenue Analysis

Metro Market Potential and Aggregate Revenue Study

Presented to:

Jones Lang LaSalle

October 29, 2012

155 S. El Molino Ave., Ste. 103
Pasadena, CA 91101
www.look2beacon.com

Methodology and Analysis Framework

The task at hand is to conduct a study of market potential and aggregate revenue for a selected number of concession sites at selected Metro Stations: Chatsworth, North Hollywood, Slauson and Heritage Square. This select mix of Metro stations informed by industry benchmark data will be used to build a baseline forecasting model to estimate potential consumer demand and rental revenue for an expanded Concession Program at Metro, system-wide.

Understanding consumer behavior is the key to determining the potential for retail concession sales or demand at Metro stations. Understanding the potential for retail concession demand in combination with and comparable rental rates in the Metro station market areas is essential to forecasting rental revenue.

The research methodology undertaken to unearth potential concession station sites, mix of potential concession services and associated retail concession site size and projectable rents was conducted in the following steps.

1. Direct interviews with benchmark transit systems to identify concession facility sizes, rental rates, concession mixes and revenue performance by rail stations.
2. Review of benchmark transit system retail trends to inform about the feasibility of various concession strategies.
3. Researched retail rental rates in real estate submarkets adjacent to Metro rail stations.
4. Designed selected station market profiles including demographics, psychographics, facility use and station market area rents.
5. Calculated the estimated total retail spend (demand) by Metro's ridership in station markets.
6. Proposed feasible concession configurations for selected Metro rail stations and calculated rentable square footage.
7. Made assumptions about Metro's retail concession space on a square footage basis for each pilot station and estimated rental market value.

Key Demographic and Psychographic Data

The demographic profile of riders for the selected Metro stations for this study reflects a heavily ethnic composition: 77.4% - 97.2% (Black, Asian and predominantly Hispanic). A lower income profile is also evident around all stations as well as ridership composition of types of weekday trips skewed toward: employment, my home and school. Some general Metro system facts that we know about the ½ mile catchment radius around Metro stations:

- Median household income is $29,726 vs. LA region $45,000
- Average household size is 3.02 vs. LA region 3.00
- Average share of renter households is 73% vs. LA region < 46%.

Selected station profiles:

Chatsworth - Metrolink/Orange Line BRT
Neighborhood Type Suburban Neighborhood (elementary, middle schools; medical center)
Station Type Street Level, Moderate corridor ridership
Neighborhood Change Mixed Income ($45-56,000 med. HH income)
Development Opportunity Moderate

North Hollywood - Orange and Red Lines
Neighborhood Type Transit Neighborhood (elementary, middle schools; park)
Station Type Underground & street level, High corridor ridership
Neighborhood Change Becoming more low income ($22,500-36,000 med. HH income)
Development Opportunity Low-moderate

French/Heritage Square - Gold Line
Neighborhood Type Suburban Neighborhood (elementary, middle schools; park)
Station Type Street level, Low corridor ridership
Neighborhood Change Stable Mixed Income ($22,500-36,000 med. HH income)
Development Opportunity Low-moderate

Slauson - Blue Line
Neighborhood Type Transit Neighborhood (elementary, middle schools; park)
Station Type Elevated, Moderate corridor ridership
Neighborhood Change Stable Low Income ($22,500-36,000 med. HH income)
Development Opportunity Moderate

(Sources: Los Angeles TOD Typology and Case Study 2010, CTOD; Metro - Service Performance Analysis Data-SPA 2012, Metro Planning Department Metro - 2012 On Board Survey-OBS 2012, Metro Communications)

Consumer Demand: Retail Concession Market Potential

Consumer demand for transit retail concessions and amenities will be based on a number of characteristics as it relates to passenger/riders. (Dallas Airport System 2009, p. 16)

- Passenger/Rider Characteristics
- Station Facility Characteristics
- Concessions Characteristics

Passenger characteristics reflect the intersection of rider demographics, consumption behavior and lifestyle choices. Metro customers/riders by station market create a unique window of opportunity for the system to provide services and amenities that address passenger/rider needs. Most all concessions literature in transportation now supports a marketing-customer orientation. A market model vs. infrastructure model will "focus on understanding and planning for customer needs and expectations. Focus on delivering customer service and pursuing service improvement". (American Association of Airport Executives 2011, p.7)

A concessions environmental analysis of sales growth at domestic United States airports indicate annual overall concession sales growth of 56% over the period 2005 to 2010 among the top 10 airports in

comparison to sales per enplanement of 27% during the same period. (American Association of Airport Executives 2011, p.6-13) Most of the airport concession sales growth is attributed to several key strategies and trends:

- Customer-centric (Airport) terminal concession programs: a shift from "main street" branding to "local branding"
- Street pricing in rents and consumer goods/services
- Increased use of carts and kiosks; specialty self-serve retail
- Increasing service concessions to be a larger percent of the overall concession mix

Specific sales activity for the period 2009-2010 in airport concessions indicate retail concessions revenue growth in the following areas:

- Food/Beverage Stores ↑ 2.0%
- Specialty Stores ↑ 7.5%
- Gift Shops ↑ 11.0%

Similarly, in the transit industry, retail concession revenues are unknown as of this reporting. According to the 2012 US Census, retail consumer demand (spending) continues to grow across the concessions categories represented above and the trend toward "getting-things-on-the-go" is evident in traveler and passenger lifestyles. Concessions revenue will be driven by sales across these categories as well as retail specialty and merchandise sales.

The data suggests, discretionary spending growth will continue for all concessions sales in airports, transit stations, sports facilities, theme parks, movie theaters and street vendors in 2012 according to several concession trade associations (Airport Revenue News-ARN, 2012). Transit systems that have benefited from this consumer demand have shown strong retail concessions revenue growth in selected product/service categories associated with obvious successful consumer/rider demand in system station markets prior to 2007 (before the economic crisis) and over the period 2009-2010 include: MTA-New York City Transit, New Jersey Transit Corporation, MBTA and Chicago Transit Authority. MARTA, through its recent Retail Concessions Psychographic Analysis, RetailLocation and Financial Analysis Study, identified a significant relationship between the level of adjacent retail activity around its light rail stations and the market rental rates charged in the area. This reveals the greater the retail development-activity reflecting a higher consumer demand, the higher the market rents that can be charged for transit retail concessions space. (Newmark Knight Frank, 2012)

The transit industry as it relates to concession (rent revenue in this context) revenue overall experienced a decline during the period 2010-2011. However, unique strategies and trends have been implemented among selected systems that have resulted in significant vendor rental revenue increases year-to-year.

Transit systems that show strong concessions revenue growth associated with obvious successful consumer/rider demand in system station markets include: MTA-New York City Transit, New Jersey Transit Corporation, MBTA and Chicago Transit Authority. All these systems represent mature concession programs. (National Transit Database Analysis System-INTDAS,2011)

Rental Rates, Location Analysis and Aggregate Revenue Forecasts

The selected Metro stations that establish the baseline for the forecasting model represent distinctly different types: street level, underground and elevated. A significant amount of additional research and inventory regarding available space and the capital improvements needed at the various types of stations will inform Metro of the average cost of improvements and ultimately the amount of projected space for a system-wide concessions program.

In transit retail concessions the site selection process and location analysis is multi-faceted and involves several key elements:

- Visibility (from rider boardings and alightings)
- Physical barriers and site access
- Foot traffic volume (rider boardings and alightings)
- Potential consumer demand
- Potential rental rates
- Availability of similar services

Again, significant assessment of stations, inventory of available space/vendor amenities, market demand with and evaluation of the types of concessions (e.g., coffee shops, delis, newsstands, kiosks, vending, ATMs, specialty stores, gift shops, etc.) that best meet the needs of riders. The ultimate goal of the forecast modeling is to identify a range of scenario outcomes based on assumptions that deliver financial performance metrics for feasibility study. All modeling takes into account:

- Market rental rates
- Future supply and demand
- An estimate of potential startup costs, ongoing operating costs
- An estimate of gross revenues and net financial performance
- Market and industry other concession revenue (e.g., sponsorships)

The forecast assumptions and resulting modeling builds on the previous benchmarking of peer transit systems through direct contact/interview, secondary review of transit system studies and utilization of the National Transit Database Analysis System.

NTD-Based Forecast Model

NTD-Based Forecast Model is based on utilization of the industry peer data in the National Transit Database Analysis System (NTDAS). The basic concessions revenue assumption set and definitions for this model include:

1. Estimated median concession revenue per station: $8,911
2. Estimated median average concession revenue % of total auxiliary transportation revenues: 12.7%

National Transit Database : Scoring of Peer Concessions Revenue Performance				
	Median concessions revenue per station	Peer Systems	Median score % of total auxiliary concessions	Peer Systems
High performing systems	Greater than $10,000	NYCT, NJT	Greater than 10.0%	NJTC, SDNCTD,SFBART, MBTA
Medium performing systems	$4,000-$10,000	MBTA, CTA, MARTA	Between 4.0-10.0%	GCRTS, MBTA, MTA-NYCT,
Low performing systems	Less than $4,000	SEPTA, WMATA, GCRTA	Less than 4.0%	MARTA, WMATA, SEPTA
MEDIAN	$8,911	na	12.7%	na
Source: NTDAS 2010: Table prepared by Beacon Management.in conjunction with Higher Growth Strategies 2012.				

Model A: based forecast on peer group median concession revenue per station $8,911 x 99 (Metro stations) = $882,189 annually

Model B: based forecast on peer group median average concession revenue % of total auxiliary transportation revenues: $35,330,891/.873 = $40,470,665 - $35,330,891= $5,139,774 annually

In the above forecasts the median is much more representative of the central tendency of the transit system peer set of metrics in tables (1 & 2). As you can see some outliers on the extremely high or low performing end for concession revenue dramatically impact the mean (average), whereas the median is less affected. Further analysis might consider elimination of some of the outliers, specifically MTA-NYCT, a New Jersey Transit. The NTD forecast is the median between station concession revenue performance and concession revenue performance as a percentage of Total Auxiliary Transportation Revenues as reported in the 2010 National Transit Database. The median forecasted outcome represents peak annual revenue over a five-year performance horizon assuming execution of a build-out plan and senior management commitment.

NTD based Targeted Mature Transit Annual Revenue Estimate $3,010,981.00

	Table 1: Total Auxiliary Transportation Revenues	Non-Transportation Revenues	Auxiliary Transportation Revenues (Concessions)	Auxiliary Transportation Revenues (Advertising)	Auxiliary Transportation Revenues (Other)	
1. LACMTA	**$35,330,891**	**0**	**0**	**$25,660,000**	**$9,670,891**	**99**
2. CTA	$21,303,365	$25,074,672	$1,173,186	$19,593,502	$536,677	143
3. MBTA	$13,444,132	$14,821,281	$1,734,539	$11,709,593	0	320
4. SEPTA	$11,689,536	$9,733,385	$149,001	$11,383,605	$156,930	274
5. MTA	$1,884,893	$2,414,857	0	$1,884,893	0	89
6. WMATA	$43,351,217	$100,174,230	$161,664	$42,103,855	$1,085,698	86
7. MDT	$4,022,228	0	0	$4,022,228	0	42
8. NYCT	$175,316,548	$88,535,469	$8,120,785	$87,326,743	$79,869,020	470
9. MARTA	$7,548,591	$3,941,593	$171,712	$7,156,741	$220,138	38
10. PATH	$4,175,000	0	0	$1,553,000	$2,622,000	91
11. GCRTA	$730,323	$238,000	$71,186	$659,137	0	59

12. NJ TRANSIT	$20,089,306	$38,891,503	$5,057,500	$13,487,898	$1,543,908	315
Peer Group Total (Excl. Metro)	$303,555,139	$283,824,990	$16,639,573	$200,881,195	$86,034,371	1,927
Peer Group Average/ System (Excl. Metro)	$27,595,921	$25,802,271	$1,512,688	$18,261,926	$7,821,306	175
Average Revenue per Station-A	na	na	$9.759	na	na	
Source: Transit Concessions Revenue Peer Grouping prepared by Beacon Management Group in conjunction with Higher Growth Strategies (2012) utilizing National Transit Database Analysis System-INTDAS (2011) and the National Transit Institute (NTD), Transportation Cooperative Research Program (TCRP) 2010 Database. Excludes: systems with no concessions revenue						

Table 2: Comparison of Auxiliary Transportation Revenues (ATR) by Selected Transit Agency					40610 - Concessions		
NTD ID	Transit Agency Name	Location	State	# Stations	Total Auxiliary	Concessions	% of Total
9154	Los Angeles County Metropolitan Transportation Authority	Los Angeles	CA	**99**	$35,330,891	**$0**	0.00%
5066	Chicago Transit Authority (1)	Chicago	IL	143	$21,303,365	$1,173,186	5.51%
1003	Massachusetts Bay Transportation Authority (1)	Boston	MA	320	$14,821,281	$1,734,539	11.70%
3019	Southeastern Pennsylvania Transportation Authority	Philadelphia	PA	274	$11,689,536	$149,001	1.27%
3034	Maryland Transit Administration (2)	Baltimore	MD	89	$1,884,893	$0	0.00%
3030	Washington Metropolitan Area Transit Authority (2)	Washington	DC	86	$43,351,217	$161,664	0.37%
4034	Miami-Dade Transit (2)	Miami	FL	42	$4,022,228	$0	0.00%
2008	MTA New York City Transit (1)	New York	NY	470	$175,316,548	$8,120,785	4.63%
4022	Metropolitan Atlanta Rapid Transit Authority (2)	Atlanta	GA	38	$7,548,591	$171,712	2.27%
2098	Port Authority Trans-Hudson Corporation	Jersey City	NJ	91	$4,175,000	$0	0.00%
5015	The Greater Cleveland Regional Transit Authority (2)	Cleveland	OH	59	$730,323	$71,186	9.75%
2080	New Jersey Transit Corporation	Newark	NJ	315	$20,089,306	$5,057,500	25.18%
9003	San Francisco Bay Area Rapid Transit District	Oakland	CA	43	$6,247,177	$664,788	10.64%
9030	North County Transit District	Oceanside	CA	31	$477,595	$68,815	14.41%
	Weighted Peer Group Average			182	$ 28,332,460	$ 1,579,380	8.0%
Source: Transit Concessions Peer Grouping prepared by Higher Growth Strategies and Beacon Management. (2012) utilizing National Transit Database Analysis System-INTDAS (2011) and the National Transit Institute (NTD), Transportation Cooperative Research Program (TCRP) 2010 Database with base variables.							

Market-Based Forecast Model

Market-Based Forecast Model is built around market rent rates as determined by market forces in the geographic areas served by various transit systems. Retail rental rates in adjacent areas (within ½ miles) to transit or rail stations provide the opportunity to capture real value as it relates to market demand. The Market-Based Forecast Model adapts the framework of the MARTA Retail Concessions Psychographic Analysis, Retail Location and Financial Analysis Study (Newmark Knight Frank, 2012). The study along with peer interviews identified four key components to building a sound financial forecast in the retail concessions area.

1) Retail square feet to be built-out an/or available for rent
2) Rental rates by square feet
3) Retail capital improvement costs and/or start-up costs
4) System retail operating expenses

In the transit retail concessions arena, typical sized units have emerged from peer interviews and a review of industry studies and literature. These unit sizes are labeled and listed below by square footage per unit. In order to determine the appropriate mix of units by type, size, location and rental rates a further assessment of market demand and a study of all physical space must be conducted and inventoried by station. The evaluation of actual station space beyond the pilot locations will need to be conducted to determine the associated activities and costs necessary to bring the space to market for retail concession purposes

- Kart (mobile) Retail Unit (KRU) = 120sf
- Vending Machine Unit (VMU) = 120sf
- Automatic Teller Machine (ATM) = 120sf
- Small Permanent Kiosk (SPK) = 120sf
- Large Permanent Kiosk (LPK) = 250sf
- Small General Merchandise (SGM) = 640sf
- Large General Merchandise (LGM) = 960sf

The Market-Based Forecast Model applied here makes assumptions about average unit sizes and the gross amount of retail space that would be available for rental to tenants/vendors based on peer experiences. Market rent rates reflect actual the Southern California retail real estate market rent rates adjusted based on market assumptions. The capital and operating costs suggested in this forecast analysis is implied as an example of the net revenue calculation utilizing estimated costs from other transit markets based on interviews.

Below is a profile of rents from peer transit systems that provide some idea of framing revenue for the forecast based on square foot basis.

2012 Benchmark Analysis of Transit Systems – Retail Concession Rental Rates							
System	**Median or Mean Rent Rate per Square Foot** (1)	**Annual Gross Square Feet Rented**(8)	**Number of Units**	**Average Rental Income Per Unit/Year**	**Average Rent Revenue per Station per Year**(9)	**Total Estimated Gross Revenue**(10)	**2009-2011 Growth Rate**(11)
Metro-Los Angeles	$25.00(2)	2,160(11)	18	$3,000	$545	$54,000	na
NYCT-New York	$62.50(3)	123,891(12)	800			$8,120,785	na
CTA-Chicago	$(4)		215	$12,000	$18,401	$2,580,000	23%
MBTA-Boston	$32.15(5)	99,453			$10,000	$3,200,000	27%
MARTA-Atlanta	$36.44(6)	4,712			$4,519	$171,712	na
Median	$32.00(7)						
Sources: (1) Median rental rates based on midpoints, equally between reported high and low rental rates per square foot per year by agency; (2) Based on reported 2010 flat vendor fee of $3,000/year, assuming an average concession unit size of 120 square feet; (3) Based on average rate in burroughs $25.00psf and Manhattan/Downtown $100psf; (4) (5) self-reported average of $32.15psf; (6) Based on MARTA Psychographic Study Concessions Final Report 2012 average market lease comps on pages 140-143. (7) median rental rates for all transit peers; (8) agency rented gross square footage; (9) estimated from peer NTD and system self-reports (10) 2010 revenue exception MBTA and CTA 2011revenue; (11) Metro est. based on rates and revenue est. 2010 (12) MTA-NYCT based on rates and revenue est.2010							

Recent comps of selected Metro station markets indicate the following median retail rent comps in the 2nd quarter 2012 (CoStar, 2012). Metro ½ radius and Los Angeles County retail rental rate median (by station type): Street Level, Underground and Elevated:

And Los Angeles County retail rental rate median:

	Metro Station				LA County			
Station Type	Chatsworth	NoHo	Heritage	Slauson	Chatsworth	NoHo	Heritage	Slauson
Street Level	$16.89	$28.28			28.03	$24.60	24.6	
Elevated				$23.33				$28.03
Underground		$28.28				$24.60		
Median (all)	**$22.86**				**$26.32**			

Overall, the median rental rates are within the range of the current estimated and forecasted rates that Metro may consider in the forecasting results below. Other things to be considered in the forecasting

assumptions will be whether the management and marketing strategy will be operationally driven by the real estate department or outsourced to a real estate brokerage (i.e., MBTA and CTA). Another influencer that may drive rent rates up with further investigation are the findings from MARTA's concessions study (Newmark Knight Frank, 2012,p. 140-143) which indicated a trend in comps that reflected higher comps when rail stations were surrounded by adjacent retail including malls, strip malls, boutiques stores, etc. In a New York City Transit (NYCT) concessions study (Stanley, 2008) the historical retail concession vendor findings indicated that each transit retail concession location required at least 5,000 boarding/alightings of riders per day to be economically feasible. Obviously, the consumer demand will support the ability for a vendor to pay the going concession rental rate, its operations and make a reasonable profit. Metro station concession expansion could better control its yield with a strategy that incorporated the findings of these two studies.

Market-Based Forecasts

	BASE SCENARIO 2: RETAIL FORECASTING ASSUMPTIONS					
	BASE YEAR	**Year-1**	**Year-2**	**Year-3**	**Year-4**	**Year-5**
Rental Square Footage(1) Growth Rate	**2500**	**1.0**	**1.0**	**0.25**	**0.25**	**0.25**
Rental Rates psf(2) Growth Rate	**$25**	**0.025**	**0.025**	**0.025**	**0.025**	**0.025**
Revenue(3)						
Less Operating Expenses(4)						
Less Capital Costs(5)						
Net Income(6)						
	OPTIMISTIC SCENARIO 1: RETAIL FORECASTING ASSUMPTIONS					
	BASE YEAR	**Year-1**	**Year-2**	**Year-3**	**Year-4**	**Year-5**
Rental Square Footage(1) Growth Rate	**2500**	**1.0**	**1.0**	**1.0**	**0.5**	**0.5**
Rental Rates psf(2) Growth Rate	**$25**	**0.025**	**0.025**	**0.035**	**0.035**	**0.035**
Revenue(3)						
Less Operating Expenses(4)						
Less Capital Costs(5)						
Net Income(6)						

	PESSIMISTIC SCENARIO 3: RETAIL FORECASTING ASSUMPTIONS					
	BASE YEAR	**Year-1**	**Year-2**	**Year-3**	**Year-4**	**Year-5**
Rental Square Footage(1) Growth Rate	**2500**	**0.5**	**0.5**	**0.25**	**0.25**	**0.25**
Rental Rates psf(2) Growth Rate	**$25**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**
Revenue(3)						
Less Operating Expenses(4)						
Less Capital Costs(5)						
Net Income(6)						

Forecast Assumption Notes:

(1) based on assumed % estimate 0f 2500 sf; growth rate assumes long term leases (3-5 yrs) and space available

(2) based on % 2010 vendor rates $3000/yr at est. avg. unit size of 120sf

(3) a function of gross retail space leased x annual rental rates incl. 2.5% annl increase (escalation; new tenant agreements)

(4) Operating expenses include potential startup costs and ongoing Metro dept. charges as % of revenue or flat budget (based on MBTA est. =2.5 FTE mgt or outsource. plus maintenance/repair-est. for example purposes only)

(5) Captial costs include expenses to build out space (i.e., electrical, plumbing, ventilation, shell, etc.) that may not be covered by tenant as a % of revenue (est. for example purposes only)

(6) Net Income after expenses

METRO	BASE SCENARIO 2: RETAIL FORECASTING					
	BASE YEAR	**Year-1**	**Year-2**	**Year-3**	**Year-4**	**Year-5**
Rental Square Footage(1)	2,500	5,000	10,000	12,500	15,625	19,531
Rental Rates psf(2)	$25.00	$25.63	$26.27	$26.92	$27.60	$28.29
Revenue(3)	**$62,500**	**$128,125**	**$262,656**	**$336,528**	**$431,177**	**$552,445**
Less Operating Expenses(4)						
Less Capital Costs(5)						
Net Income(6)						
	OPTIMISTIC SCENARIO 1: RETAIL FORECASTING					
	BASE YEAR	**Year-1**	**Year-2**	**Year-3**	**Year-4**	**Year-5**
Rental Square Footage(1)	2,500	5,000	10,000	20,000	25,000	31,250
Rental Rates psf(2)	$25.00	$25.63	$26.27	$27.18	$28.14	$29.12
Revenue(3)	**$62,500**	**$128,125**	**$262,656**	**$543,698**	**$703,410**	**$910,036**
Less Operating Expenses(4)						
Less Capital Costs(5)						
Net Income(6)						
	PESSIMISTIC SCENARIO 3: RETAIL FORECASTING					
	BASE YEAR	**Year-1**	**Year-2**	**Year-3**	**Year-4**	**Year-5**
Rental Square Footage(1)	2,500	3,750	5,625	7,031	8,789	10,986
Rental Rates psf(2)	$25.00	$25.25	$25.50	$25.76	$26.02	$26.28
Revenue(3)	**$62,500**	**$94,688**	**$143,452**	**$181,108**	**$228,648**	**$288,669**
Less Operating Expenses(4)						
Less Capital Costs(5)						
Net Income(6)						

Conclusion

The forecast for Metro aggregate gross revenue (revenue line) over the five-year horizon on a base case, either with high or low projects basis is within the framework of current peer-sized transit systems in the U.S. running existing and more mature retail concessions programs. Comparative analysis of the forecasts in terms of rental rates, revenue per square feet, revenue per station put Metro in line with similar peer operational performances as it relates to total concession revenue (CR) performance as a percentage of Total Auxiliary Transportation Revenues (TATR), achieving about 1/3 of a mature system's performance on an annual basis as a percent of TATR within five-years. There is a body of evidence that, if Metro desires

to establish a concession program, it has the ability to create a robust system aligned with other more developed transit operators around the nation.

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