

**Metro**Los Angeles County
Metropolitan Transportation AuthorityOne Gateway Plaza
Los Angeles, CA 90012-2952213.922.2000 Tel
metro.net**FINANCE, BUDGET & AUDIT COMMITTEE
NOVEMBER 20, 2013****SUBJECT: EXTENSION OF LEASE AGREEMENT****ACTION: APPROVE EXTENSION OF EXISTING LEASE WITH CAMILLE'S INC.
(DBA DENNY'S RESTAURANT)****RECOMMENDATION**

Authorize the Chief Executive Officer to execute a lease amendment with Camille's Inc. ("Camille's"), dba Denny's Restaurant, to extend the term of the lease for five years, with an option for an additional five years, commencing February 1, 2014 and to reduce the monthly rental amount from \$18,000 to \$16,200 effective February 1, 2014.

BACKGROUND

Camille's has operated a Denny's Restaurant for approximately forty-five (45) years on a property currently owned by Los Angeles County Metropolitan Transportation Authority (MTA). The existing lease will expire on January 31, 2014. The long-term lease of the property is in keeping with the MTA goal of generating revenue from its real property assets.

The property is located at 530 Ramirez Street ("Property"), which is located diagonally across the street from the Gateway Building. Camille's has requested an extension of the lease for five years with an option for an additional five-year term. The lease amendment will extend the term of the lease from January 31, 2014 to January 31, 2019 with an option to extend for an additional five years

The current lease and the new lease amendment contain a provision which permits MTA to cancel the lease upon twelve months' notice to Camille's if the Property is required for a public project. The request was circulated to various MTA departments to ascertain whether there were any pending projects that would require this property. It was confirmed that there are no pending public projects at this time that would require the use of the entire parcel.

Rental Values

MTA real estate staff conducted an analysis of rental values for comparable restaurants properties and concluded that the market rent of the Property as a restaurant was

\$216,000 annually based on \$3.50 per square foot of building space. The existing building contains approximately 5,153 square feet. Staff analyzed thirteen comparable rentals of freestanding restaurant sites in Los Angeles County. Rental rates ranged from \$2.20/square foot of building to \$4.67/square foot of building. Based on staff's analysis of the date of the leases, the location and other significant factors, staff concluded that \$3.50/square foot of building or \$18,000 per month was representative of the market rent for this location.

Camille's has experienced a financial downturn as a result of the recent economic recession and has requested a ten percent (10%) or \$1,800 monthly reduction in rent for a twelve-month period. MTA staff has reviewed the tenant's financial statements and has determined that a temporary rent reduction is warranted.

Staff has negotiated an amendment to the lease that provides that the rent is reduced to \$16,200 per month beginning February 1, 2014 for twelve months. On February 1, 2015, the rent is increased to \$18,000 per month and subject to annual increases in subsequent years based on changes in the consumer price index. The Tenant has the option to extend the lease for an additional five-year period. If the lease is extended, the rent will be adjusted to the fair market rental value of the property at that time.

DETERMINATION OF SAFETY IMPACT

This Project will have no impact on safety.

FINANCIAL IMPACT

The lease is currently generating \$216,000 annually based on a monthly rental amount of \$18,000. The rental payment under the lease amendment will be reduced to \$16,200 per month or \$194,400 annually for the first year of the lease extension. On February 1, 2015, the rent will be increased to \$216,000 annually based on a monthly rental amount of \$18,000. The lease amendment will provide for annual adjustments in subsequent years based on changes in the consumer price index. If the lease is extend at the end of the fifth year, the rent will be adjusted based on the fair market rental value of the property as an operating restaurant.

ALTERNATIVES CONSIDERED

The alternative to extending the current lease would be to do nothing and let the lease expire in 2014. This alternative is not recommended as the current tenant is an excellent tenant who provides a needed amenity to the area as there are no other restaurant chains in the immediate vicinity. Another alternative would be to sell the property or enter into a long term ground lease. This alternative is not recommended at this time, since a portion of the site is needed for the Patsaouras Fast Lane Project. Retaining the Property provides MTA with continued control over a key parcel of land located across the street from MTA Headquarters Building while also providing a significant income stream.

NEXT STEPS

Execute the lease amendment with Camille's.

ATTACHMENT

A. Parcel Plat

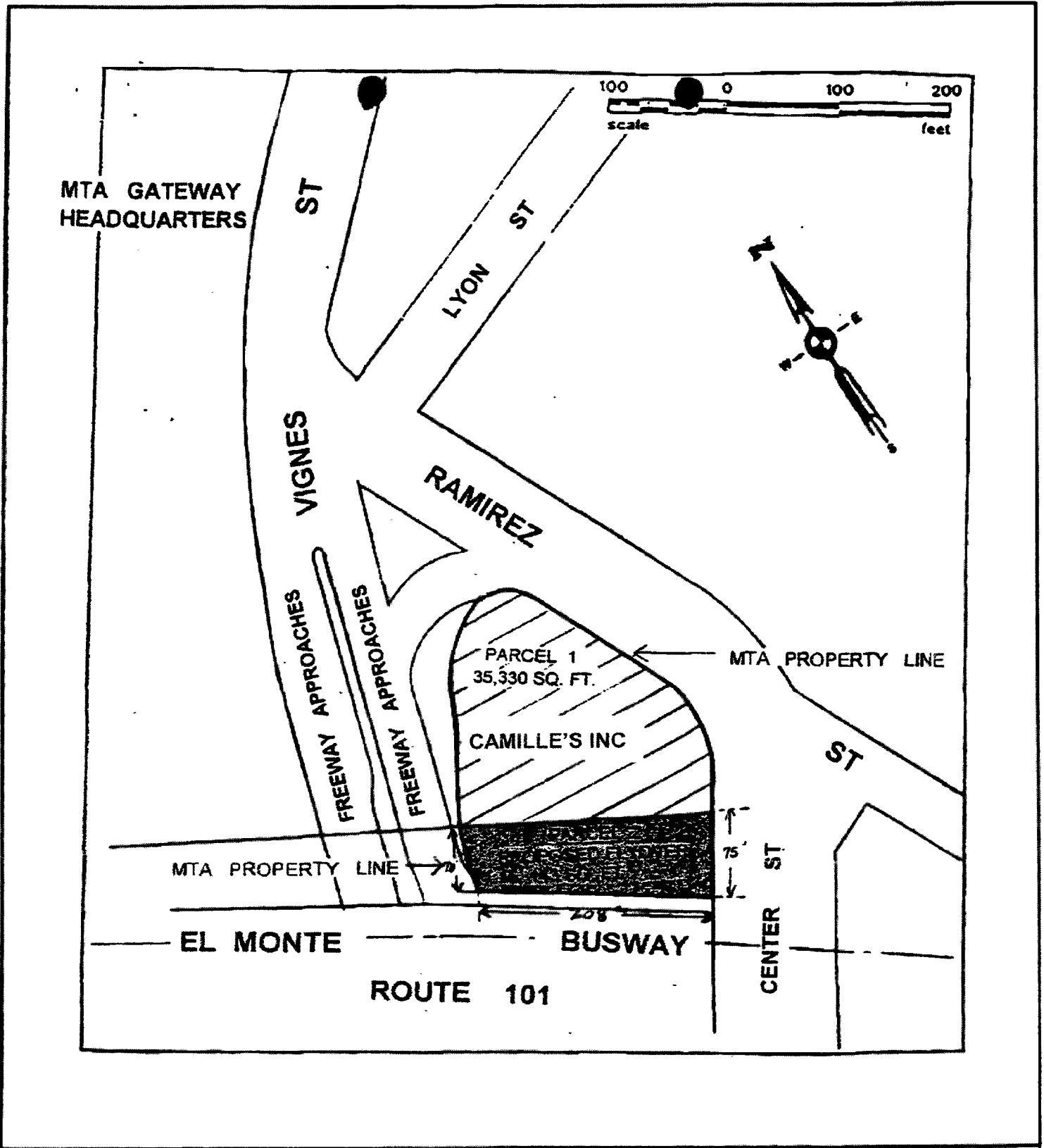
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Chief Executive Officer

ATTACHMENT A



APN: 5409-022-905

	Branch/Line N/A	Map Reference N/A	Mile Post N/A	PARCEL PLAT	TENANT CAMILLIE'S INC.	
	Engineers Station N/A	Community	City Los Angeles		MTA File No. RBUS014021	
	County LOS ANGELES	Nearest Cross St. VIGNES	Thomas Guide Grids 634 H3	Los Angeles Metropolitan Transportation Authority One Gateway Plaza Los Angeles, CA 90012-2952	Scale N/A	TH 10/24/2013
	Building Area 5,153	Use: RESTAURANT	Legend			

