



**OPERATIONS COMMITTEE
May 20, 2010**

SUBJECT: STATUS OF FOOD VENDOR PROGRAM

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file report responding to Board motion requesting staff to explore feasibility of increasing revenue by expanding the number of third party vendors at bus and rail stations.

ISSUE

The Board adopted the General Management-Use of MTA Property for Commercial Activities Policy ("Gen 18") in April 2002 which permitted vendors and concessionaires to operate at its bus and rail transit facilities. Gen 18 was then implemented by the Real Estate Department, has been in place for approximately eight (8) years, and has been reasonably successful in attracting vendors to our public space. The following discussion explores the feasibility and utility of attempting to expand the program as a revenue source.

BACKGROUND

Prior to Board adoption of GEN18, a pilot vending program at two Red Line Metro Stations was initiated in 1995 under the management of the Planning Department. The pilot program was implemented in cooperation with the City of Los Angeles Department of Industrial and Commercial Development (ICD) and two community-based groups. The pilot program demonstrated some success in developing limited revenue and providing customer service. Pursuant to the Board's later adoption of Gen 18 in April 2002, the current vending program was implemented in order to generate increased revenue for MTA and to provide guidelines for regulating the use of MTA property by non-MTA personnel or by the public for eligible commercial and/or non-commercial activities.

The current program permits vendors to access MTA property for a variety of uses such as sale of small retail sundry items, newsstands, mail collection boxes, flower stands, vegetable stands (i.e. Farmer's Market), food kiosks, shoe shine stands, self-service

postal units, automatic teller machines, dry cleaners services (drop off and pick-up only) and film development (drop off and pick-up only). Vendors are currently limited to the Plaza Level of various bus and rail station locations.

The current program provides for two types of service: 1) The Vendor Program, which licenses individual third party entrepreneurs and 2) Vending Machines at rail stations as follows:

1) Vendor Program

The current vendor program includes fourteen (14) vendors who operate at nine (9) locations (Attachment "A"). The vendors sell various food items and products including sandwiches, fresh fruit, coffee, breakfast teas and pastry items, jewelry, hats, sunglasses wear, and fragrance products.

Since its formal inception in 2003, the vendor program has generated a total of approximately \$411,000 and averages approximately \$51,000 in revenue annually. The number and the location of vendors have evolved over the years based on the response to our bi-annual Request for Proposals to operate commercial activities at select MTA properties. The number of vendors permitted and the type of services allowed depends on the location of the transit facility, the response from the community to the placement of vendors, and the level of security risk and maintenance. Additional vendors can be permitted to operate at MTA facilities; however the locations may not generate enough funds to warrant the expense that would be incurred by vendor to operate a profitable business.

The vendors participating in this program are generally small, independent operators whose primary source of revenue is from this small business. They are required to produce city/county license documentation and proof of insurance prior to receiving a vending permit. The initial cost for a typical food vendor to set up operations averages approximately \$6,000. Vendors operating at bus or rail stations are charged an annual fee of \$3,000. Metro Security and our licensed vendors also monitor locations for undocumented vendors who occasionally also attempt to operate at MTA locations

The program generates a minimal amount of revenue; however it provides a service to transit patrons and employees at the stations. It also provides additional presence at the transit stations and can serve as a deterrent to criminal activity.

2) Vending Machines at Rail Stations

In June 2006, in response to an earlier board motion, the board approved an item to allow new revenue opportunities, one of which was the expansion of our current vending machine contract at the operating divisions to include placement of vending machines into rail stations. Because current codes prohibit eating or drinking on Metro trains and buses it was determined that beverage vending machines would be located outside the "Ticket Required" delineated area in Metro Rail stations. After a review of

the Metro Red Line, existing usable electrical outlets were found in only three stations (Pershing Square, Westlake/MacArthur Park and North Hollywood). Beverage vending machines were installed in these three stations (one station has 2 machines installed). All machines have posted signs reminding customers that no eating or drinking on Metro trains is allowed and requesting that they consume their beverage before or after they exit the station. Current revenue for these three stations is approx \$7,000/year and is in addition to the annual vendor revenue above referenced. More revenue may result if Metro were to install the required electrical outlets at the other stations.

3) Expansion of Vendor and Vending Machine Programs

The current programs permit vendors to operate only on the Plaza Level or outside locations at transit stations. However vending machines are placed on the Mezzanine level inside station locations. Gen 18 also contemplated the placement of concession stands and kiosks inside station locations on the mezzanine level, however, the necessary infrastructure improvements to enable access to electrical, water, and ventilation (for cooking) is not in place in every station. The cost to install the needed electrical and other infrastructure improvements is unknown at this time and funds are not currently budgeted for this work. It is also not certain that the revenue generated from additional vendor locations made possible by infrastructure improvements would be sufficient to offset the initial investment. In addition to added infrastructure costs to make the stations receptive to concessions stands and kiosks, the increased cost of maintenance may off-set the revenue that would be generated. Facilities Maintenance for both rail and bus operations have experienced increased maintenance costs since the implementation of the food vendor program at the rail station plazas and the vending machines within the stations mezzanines levels.


NEXT STEPS

The existing vendor program and the vending machines will continue to operate as contemplated by the Gen 18 policy. Further implementation of concession outlets in the station areas can be further explored to determine the cost of infrastructure improvements to provide electricity, water and other utilities that may be required to include permanent concession stands and kiosks inside the mezzanine levels of the Red Line Stations and other transit stations where appropriate. Staff does not recommend proceeding with this investment of time and resources at this time due to the limited revenue that would likely be generated and the safety, security and maintenance cost issues that would result from adding additional vending outlets in the stations.

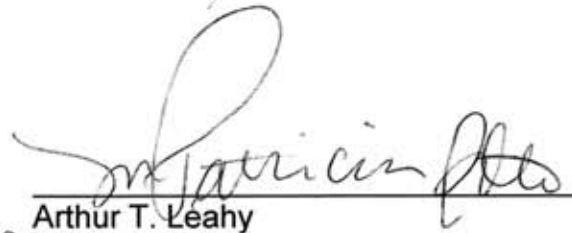
ATTACHMENTS:

Attachment A – List of Vendors and Locations


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LACMTA STATION RETAIL VENDOR PROGRAM
Calendar Year 2009 and 2010

Vendor Name	Station Location	Services	Effective Date of Permit	Ending Date of Permit	Annual/ Monthly Fee
Ira Monatlik dba Fresh Choice Hot Dog	North Hollywood Red Line	Hot dogs, chips, churros, cookies, sodas, juices and water	1/1/2009	12/31/2010	\$3000 / Annually
Clelia Alvarado DBA: St. Michael	North Hollywood Red Line	Costume jewelry, handbags, arts & crafts, holiday seasonal items	1/1/2009	12/31/2010	\$750 / Quarterly
Rafael Acosta DBA: Jilmar Fresh Fruit	North Hollywood Red Line	Pre-packaged Fresh Fruits, tamales, pastries, coffee, drinks & water	1/1/2009	12/31/2010	\$750 / Quarterly
Randy Grama dba Bubbies East Coast Hot Dogs	Universal City Red Line	Hot dogs, chips, pre-packaged snacks, sodas & drinks	1/1/2009	12/31/2010	\$750 / Quarterly
Carmit Solomon dba Lorelle's Coffee Shop	Universal City Red Line	Breakfast sandwiches, tamales, empanadas, pan dulce, bagels, cream cheese, muffins, fresh fruit, coffee and beverages.	1/1/2009	12/31/2010	\$750/ Quarterly
Ari McIntyre dba Candles by Ari	Universal City Red Line	Candles and Avon	1/1/2009	12/31/2010	\$750 / Quarterly
Rosa Carrillo dba Catering Services & Assoc.	Vermont/Sunset Red Line	Hot dogs, chips, sandwiches, pre-packaged snacks, and drinks	1/1/2009	12/31/2010	\$750 / Quarterly
Dora Alicia Hidalgo dba Ebenezer	Vermont/Santa Monica Red Line	Clothing, Belts, Hats, Cosmetics, and Holiday Seasonal Items	1/1/2009	12/31/2010	\$750 / Quarterly
Kathy Paraiso dba MHL 3 Enterprises IN COLLECTIONS	Vermont/Santa Monica Red Line	Kettle Corn	1/1/2009	12/31/2010	\$750 / Quarterly
Michelle Wong DBA: Mellow Mouse	Civic Center Red Line Station	Coffee, Tea, Gelato, and Organic Snacks	1/1/2009	12/31/2010	\$750/ Quarterly

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Hiroaki (Hiro) Congdon DBA: ii Trading	Aviation/LAX Green Line	Hot Dogs, Pre-packaged Chips, Candies, Muffins, Sodas, and Coffee	1/1/2009	12/31/2010	\$750 / Quarterly
Ana Rivera DBA: Hot Dogs Cheveres	Norwalk Green Line Station	Hot Dogs, Chips, Pre-packaged Snacks, Sodas, and Water	1/1/2009	12/31/2010	\$750 / Quarterly
Sabina Micic DBA: DIB	Rosa Parks Station Blue Line	Hot Dogs, Chips, Churros, Pre-packaged Snacks, and Drinks	1/1/2009	12/31/2010	\$750 / Quarterly
Noel Cruz DBA: Hot Dogs Y Tamales Rikos	Florence Ave. Blue Line	Hot Dogs, Tamales, Chips, Drinks, Pre-packed Fruit	1/1/2009	12/31/2010	\$750 / Quarterly