

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
10	06/08/15	Open	Action	05/13/15

Subject: Delegating to the General Manager/CEO the Authority to Re-Implement the Retail Vending Program at Light Rail Stations

## ISSUE

Whether or not to re-implement the retail vending program at light rail stations.

## RECOMMENDED ACTION

Adopt Resolution No. 15-06-\_\_\_\_, Delegating Authority to the General Manager/CEO to Re-Implement the Retail Vending Program at Light Rail Stations.

## FISCAL IMPACT

Program will create a small amount of revenue for the District.

## DISCUSSION

In 2005, RT established a vendor program authorizing food and other vendors to sell products at some RT light rail stations. The program, which was developed as a pilot and expired in 2008, allowed for three to five vendors to sell products at light rail stations. The longest operational vendor sold hot dogs at RT's 29<sup>th</sup> Street Light Rail Station.

The original program excluded food trucks and required vendors to accept exclusive licensing for a specific station. Vendors were selected by a committee that included RT staff from Police Services, Facilities and Real Estate Departments.

The program generated income for the District as a result of the imposed monthly licensing fee. Vendors were responsible for cleaning and trash removal. They were provided the specific locations where they could operate their vendor activities within their assigned station. When the program was implemented, RT staff revised the policy for food and drink on vehicles to allow drinks with the appropriate lids. The program was seen as an amenity to customers and added a person at our stations concerned with cleanliness and security. Vendors were encouraged to report issues directly to RT Staff responsible for cleaning and security.

Staff is proposing authorizing the General Manager/CEO to re-institute the previous program with modifications to include the addition of food trucks, allow vendors to have time specific use of specific stations (8 AM to 10 AM at Meadowview as an example for a coffee vendor, and at the same station, a food truck could be licensed for 11 AM to 1 PM), and to allow a broader array of vendor types.

Although the program had a few issues early on, vendors and staff worked through the issues. The program was seen as successful until the recession. Vendors eventually left the program. The

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Approved:

Presented:

Final 06/02/15

General Manager/CEO

Chief of Facilities and Business Support Services

J:\Board Meeting Documents\2015\10 June 8, 2015\Issue Paper Vendor program.doc

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hot dog vendor remained until the expiration of the pilot program. Attachments 1 and 2 are reports from the previous program.

Staff will provide updated information on the program and vendors annually.

Staff requests that the Board delegate authority to the General Manager/CEO to re-implement the retail vending program at light rail stations.

## VENDOR REPORT

In September, 2004, RT's Board of Directors approved a plan by which RT's Real Estate Department ("RE") would organize and implement a Retail Vendor Pilot Program ("RVP") for a period of 18 months. The RVP would be established at certain RT light rail stations with the primary objective being to provide rider enhancement.

RVP focused on retaining vendors using permitted mobile carts displaying and providing retail goods for sale to light rail ridership. RE established a vendor committee ("Committee") comprised of staff from Real Estate, Facilities, and Police Services to evaluate the relative merits of applications from prospective vendors.

In May 2005, RE worked with RT's Public Information Department ("PI") to develop an advertising campaign for the RVP. This concerted effort was designed to roll out the vendor campaign and attract quality vendor applicants, with self-supporting carts (i.e., no plumbing connections and limited electrical outlets). Both food and non-food vendors were considered that would provide products and/or services for RT riders at stations that lack nearby, conventional retail and service options. The advertising campaign attracted nearly 10 applicants. After careful review of applications and vendor interviews, the committee chose five applicants based on weighted criteria, matters such as vendor experience and references, the aesthetics of the vendor's carts, and the scope and quality of products to be offered.

On September 19, 2005, RT introduced the debut of its first ever vendor pilot program and, as expected, the program was a success. Although four vendors were approved by the vendor program committee, three vendors began operations at various approved locations for RT's Vendor Pilot Program. RT's passengers were excited about the vendor program because the program was convenient to passengers and also provided an amenity. This was the first time passengers witnessed vendors at the LRT stations, and they were pleased they could purchase refreshments while waiting or prior to boarding transit. However, by late November 2005, due to inclement weather in Sacramento, the vendors began seeing less customer traffic. Therefore, the vendors were struggling to pay their monthly rent, and chose not to continue their vendor operations.

March 2006, Real Estate worked with Public Information to roll-out another large advertising campaign to attract vendor program applicants. On May 2, 2006, four approved vendors were selected to kick-off the Spring Vendor Pilot Program. The vendor program once again proved to be successful during the summer months, but as fall/winter approached, the vendors began to witness a decline in customer traffic flow. The Committee began to receive complaints from vendors regarding monthly vendor fees. There were also complaints of Facilities-approved locations at various stations. During the 18 months of the vendor pilot program, vendors complained of monthly fees and vendor cart accessibility to passengers made it difficult for a truly successful program. Currently, the program consists of two vendors. One vendor remains at the 65<sup>th</sup> Street light rail station and one vendor remains at 8<sup>th</sup>/O Street light rail station for an afternoon shift only. There is one vendor applicant pending approval.

RT's survey of other agencies identified three sources of program revenue from small-

scale vendor carts. These sources include initial application fees; license fees after approval of an application; and finally, periodic rents charged to use agency property to sell products. Most agencies charge a flat-fee rent and do not attempt to charge percentage rents of ridership or track sales volumes. Overall fees generated from vendor carts are nominal.

The retail policies and programs of certain transit agencies were examined prior to RT's Pilot Vendor Program. The only local pricing comparison is the City of Sacramento's downtown sidewalk street vendor program that charges \$100-\$200 per month. The City's Revenue Division, which operates the program, has stated that revenue generation is not a program priority. The City of Sacramento vendor turnover rate is nonexistent; in fact, their vendor program has a five year waiting list.

Local agency, Bay Area Rapid Transit (BART) began its program 20 years ago. Spokesperson Laura Gerald, Director of Real Estate with BART stated that BART began the program as an enhancement to ridership, not a revenue generator, therefore charging the vendors nominal fees for start-up. BART's vendor program became successful and convenient to passengers; BART began receiving rave reviews regarding the program. However, when BART began to increase vendor fees, the vendors balked at the fee increase and brought a class-action lawsuit against BART to halt the fee increases. Laura stated that BART uses local market values, not ridership percentages to determine vendor station rents. Some vendors receive a discount because of tenant improvements, such as providing their own electricity. BART currently increased vendor fees but in annual incremental amounts. BART's vendor fees range from \$300 - \$1200 monthly. BART's vendor turnover rate has been low. Laura stated that BART does not view the vendor program as a revenue generator to BART; however, the program is an enhancement to BART's ridership.

The vendor committee recommends that the vendor program in Sacramento should be a seasonal program due to the inclement weather during winter months. The vendor's customer base is robust during summer months but declines during winter months. Therefore, vendor fees should be based on year-round operation, which would allow RT vendors to continue to operate during winter months without financial hardship. However, vendor contract agreements should allow for annual incremental increases.

Location of vendor carts at RT's light rail stations were also a contributing factor to the success of individual vendors. Many of the approved vendor locations were found not to be favorable for the vendor program. Several of the light rail station platforms are narrow and do not safely allow for vendor carts, and ADA traffic. Therefore, vendor carts were not always convenient or accessible for passengers.

Security issues were not a major factor during the 18-month vendor pilot program. There were a few incidents involving vendors at light rail stations, overall; however, vendors felt relatively safe. RT Police Officers and Wackenhut security officers patrol light rail stations daily. Security cameras have been installed at various light rail stations that will add additional security for RT vendors.

After careful review of the program, the vendor committee has concluded that the vendor carts provide convenience to RT ridership. However, due to the inaccessibility of the vendors' carts at various stations, the vendor Committee recommends the vendor program

be terminated.

Attachment 2

## **VENDOR REPORT**

### **Introduction:**

In September 2004, Regional Transit's (RT) Board of Directors approved a plan by which RT's Real Estate Department would organize and implement a Retail Vendor Pilot Program for a period of 18 months. The Retail Vendor Pilot Program was implemented at certain RT light rail stations with the primary objective of improving rider experience by providing retail products at stations that lack onsite or nearby conveniences. The Real Estate Department established a vendor committee comprised of staff from Real Estate, Facilities, and Police Services to evaluate applications from prospective vendors. The committee chose five applicants based on their qualifications including, but not limited to: vendor experience, personal references, the aesthetics of the vendors' carts and the scope and quality of products to be offered. On September 19, 2005, the Retail Vendor Pilot Program began a trial period of approved vendors, providing a variety of retail goods to Light Rail passengers at selected light rail stations.

### **Program Development:**

In May 2005, the Real Estate Department worked with RT's Public Information Department to develop an advertising campaign for the Retail Vendor Pilot Program. This concerted effort was designed to introduce the vendor program and seek qualified applicants. Vendors with self-sufficient carts (i.e. no plumbing connections and limited electrical outlets) selling food and other retail items were preferred. As a result of the advertising campaign, several vendors applied for the program. In September 2005, the Retail Vendor Pilot Program began a trial period. In March 2006, a second recruiting effort was initiated to attract additional program applicants. The program is currently under review for future considerations and assessments.

### **Fees/Revenue Survey:**

RT's survey of the City of Sacramento's Downtown Sidewalk Street Vendor Program and Bay Area Rapid Transit identified three sources of program revenue from small-scale vendor carts. These sources include initial application fees; licensing fees, and periodic rents. Most agencies charge a flat-fee rent and do not attempt to charge percentage rents of ridership or track sales volumes. Overall fees generated from vendor carts are nominal.

The City of Sacramento's Downtown Sidewalk Street Vendor Program charges \$100-\$200 per month. The City of Sacramento's Revenue Division, which operates the program, stated that revenue generation is not a program priority.

The Bay Area Rapid Transit (BART) began their program 20 years ago. Information gathered from the Real Estate Department, with BART, also stated that program was not a revenue generator and charged nominal start-up fees. BART claimed the vendor program was initially successful and convenient for their passengers. BART uses local market values, not ridership percentages to determine vendor station rents. Some vendors receive a discount because of tenant improvements, such as providing their own electricity. BART

currently increased vendor fees in annual incremental amounts. BART's vendor fees range from \$300 - \$1200 monthly. The program experienced setbacks when BART began to increase vendor fees.

Both agencies surveyed by RT stated that although these programs were considered successful, they were not revenue generating programs.

### **Results:**

It is apparent that light rail passengers favored the vendor program, which allowed them to purchase refreshments and other convenient items. Passengers supported the program during favorable weather; however, vendors voiced the following concerns:

- **Reduced Customer Traffic-** Vendors experienced lower customer traffic during inclement weather months. Vendors consistently struggled to pay monthly rents during those time periods and often chose not to continue their vendor operations.
- **Location of Vendor Carts** – Many of the committee-approved vendor locations were not favorable to the vendor program. Several of the light rail station platforms are narrow and do not safely allow for vendor carts and ADA traffic. Therefore, vendor carts were not always convenient or accessible for passengers.
- **Security** – Although most light rail stations are equipped with video surveillance cameras and/or security officers, vendor assaults and product thefts did occur.

### **Recommendations:**

The vendor committee recommends that the vendor program be seasonal due to the inclement weather concerns. The vendor program's seasonal operation period should be from March through October of each year. Vendor fees should be changed to reflect the limited months of operation, which should reduce the concern of financial hardship claimed by the vendors. The committee also recommends that the vendor contract agreements allow for annual incremental increases.

The vendor committee recommends that due to the limited areas accessible for traditional vendor carts, mobile catering type vehicles are considered as an alternative. Mobile catering type vehicles offer self-containment, power, security, and other resources not traditionally provided on vendor carts.

The vendor committee also recommends that vendors should be provided security awareness and contact information in the event of a security concern or issue. Approved vendor locations should be in maximum view of the current video surveillance system.

RESOLUTION NO. 15-06-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

June 8, 2015

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO RE-IMPLEMENT THE RETAIL VENDING PROGRAM AT LIGHT RAIL STATIONS**

WHEREAS, RT adopted and implemented a pilot retail vendor program (Program) for its light rail stations in 2004;

WHEREAS, while the Program provided a popular amenity for RT's ridership, staff determined that the Program should not be renewed at the conclusion of the pilot term because several external factors made the Program unsustainable for many of the retail vendors;

WHEREAS, California's economy has rebounded and improved conditions for potential vendors at RT's light rail stations;

WHEREAS, RT staff desires to resurrect a modified version of the Program at several of RT's light rail stations;

WHEREAS, RT staff desires to modify the Program to include food trucks and allow multiple vendors to be assigned to the same light rail station at different times during the day.

NOW THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the General Manager/CEO is hereby authorized to re-implement the retail vending program with modifications that will authorize the participation of food trucks and authorize the presence of multiple vendors at each participating light rail station at different times of the day, and to enter into license agreements with participating vendors for retail vending at select RT light rail stations.

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JAY SCHENIRER, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary