

Bay Area Headquarters Authority

July 27, 2022

Agenda Item 2c - 22-1179

Commercial Lease Extension -375 Beale Street, Suites 200A and 300C: Bay Area Headquarters Authority (BAHA) - FasTrak® Regional Customer Service Center (estimated at \$7,953,964)

Subject:

Under this item, staff is recommending the Authority authorize the Executive Director to negotiate and enter into an extension of the lease agreement (the BATA Lease) with Bay Area Toll Authority (BATA) for the FasTrak® Regional Customer Service Center (CSC) space for the term of December 1, 2022 through September 28, 2027, in increments agreed to by BATA/BAHA, in the amount not to exceed \$7,953,964.

Background:

The CSC is operated by Conduent State and Local Solutions, Inc. (Conduent) under a contract with BATA (the CSC Contract). The CSC Contract was extended until September 28, 2027, by the BATA Oversight Committee at its January 2022 meeting. Conduent currently operates the CSC at 375 Beale Street, which was a requirement of the CSC Contract procurement. BATA leases the CSC space from BAHA under the BATA Lease, and Conduent operates the CSC at Beale Street and pays the lease payments to BAHA on BATA's behalf under license agreement with BATA.

Currently the BATA/BAHA Lease expires on November 30, 2022, which originally aligned with the Conduent Contract term. However, since the Conduent Contract term has been extended, staff is recommending an extension of the BATA/BAHA Lease for the period of December 1, 2022 through September 28, 2027 at increments agreed to by BATA/BAHA.

The current BATA/BAHA Lease allows extensions in increments agreed by BATA/BAHA of up to ten (10) additional consecutive years through November 30, 2029 with rent to be set at 100% of fair market value at the time of renewal; however, BATA/BAHA propose to set the revised Base Rent at a 3% annual escalation of the most recent rental rate paid by BATA for the space for 2022 at \$56.86/rsf/year. This aligns with the rent escalation assumptions provided by BATA to bidders, including Conduent, during the CSC Contract procurement.

The duration of Conduent's extension is for the period of five years. BATA expects during that time period to release a re-procurement of the CSC contract. These decisions will have significant impact on the strategies for the CSC location. Once those decisions are made, BATA/BAHA will revisit the lease agreement and determine revisions to pricing.

Next Steps:

If this lease extension is approved to the lease between BATA/BAHA, BATA Staff will request approval to extend Conduent's license agreement at the BATA Oversight meeting in August 2022

Issues:

None identified.

Recommendations:

Staff requests the Authority to authorize the Executive Director or designee to negotiate and enter into a lease extension between BATA and BAHA for the FasTrak[®] Regional Customer Service Center (CSC) space for the term of December 1, 2022 through September 28, 2027 in increments agreed to by BATA/BAHA, in the amount not to exceed \$7,953,964 under terms set forth in Attachment A.

Attachment:

Attachment A - Summary of Lease Extension Terms



Therese W. McMillan

Attachment A

Summary of Lease Extension Terms

Work Item No.: 1253

Landlord: Bay Area Headquarters Authority (“Landlord” or “BAHA”)

Tenant: Bay Area Toll Authority (“Tenant” or “BATA”)

Use: FasTrak® Customer Service Center

Space: 27,261 (approximately) Rentable Square Feet (RSF) Suite 300C and Suite 200A

Rent: Base Rent 2022: \$56.86/RSF/year (net of electric)
Increase: 3% annual escalation

Operating Expenses: Base Year 2022; Tenant to pay pro rata share of Operating Expense increases over and above the Base Year. The additional share is estimated to be approximately \$2.76/RSF/year net of electrical and taxes, based on 2022 Operating Expenses.

Term: December
1, 2022 through September 28, 2027, in increments agreed to by BATA/BAHA

Motion by Committee: That the Executive Director or designee is authorized to negotiate and enter into a lease extension between BATA and BAHA described above and in the Bay Area Headquarters Authority Summary Sheet dated July 27, 2022.

Bay Area Headquarters Authority:

Alfredo Pedroza, Chair

Approved: July 27, 2022