

375 Beale Condominium Corporation

June 16, 2026

Agenda Item 5a - 26-0664

375 Beale Condominium Corporation

Proposed FY 2026-27 Operating Budget and Assessments

Subject:

A request that the Board approve the 375 Beale Condominium Corporation (“375 Beale Condo”) Proposed fiscal year (FY) 2026-27 Operating Budget and the common area and shared service operation assessments.

Background:

In June 2017, Bay Area Headquarters Authority (BAHA), the Bay Area Air Quality Management District (“Air District”), and the Association of Bay Area Governments (ABAG) formed a nonprofit mutual benefit organization, 375 Beale Condo, to manage the condominium interest at the Bay Area Metro Center. The three agencies also adopted a Declaration of Covenants, Conditions and Restrictions (CC&Rs), which establishes the governance structure and cost allocation methodology for shared building operations and services for 375 Beale Condo. Under the CC&Rs, costs are allocated through two primary assessment categories: Common Area and Shared Services.

Summary:

Common Area:

Common area assessments are used to provide services that benefit all tenants, such as security, janitorial services, utilities, administration, and repair and maintenance services. In FY 2026-27, the total assessment for Common Area expense is proposed at \$4.3 million, an increase of \$38,000 or 0.9%. The proposed increase is primarily due to an increase in repairs and maintenance, insurance, and administrative costs.

Shared Services:

Shared service assessments are used to provide services that benefit the three condo owners, such as Information Technology (IT) services and upgrades, office supplies, conference room improvements, and other expenses shared amongst the Condo owners. In FY 2026-27, the

proposed assessment is \$3.9 million, a decrease of \$700,000, or 15.2%. The proposed decrease is driven by decreases in IT projects such as hybrid space modifications and broadband equity and user enhancement projects as well as overhead due to a lower indirect cost allocation plan (ICAP) rate.

Assessment Calculation:

The assessment is split amongst BAHA, ABAG, and the Air District based on the Total Agency Space Rentable Square Feet (RSF) table in Exhibit B of the Condo's Declaration of CC&Rs. The detailed breakdown of the calculation is attached. As provided in the CC&Rs, ABAG's FY 2026-27 assessment is capped at \$432,559. Without the cap, the total amount of ABAG's assessment would have been \$746,738. BAHA is responsible for the portion of ABAG's assessment that is above this cap, which is \$314,179.

Issues:

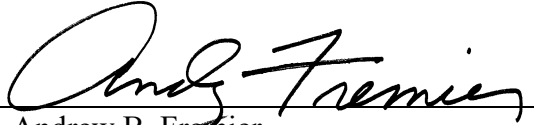
In addition to the operating expenses, the building has ongoing capital repair and maintenance needs that have not been included in the assessment calculation, as well as infrastructure upgrades that will benefit the condo owners and make the building more marketable in an extremely competitive commercial real estate market. While BAHA has historically relied on rental income to support capital repair and maintenance costs, this has become increasingly challenging due to lease non-renewals and higher downtown San Francisco vacancy rates. Staff have been working with executive leadership to determine ways to mitigate these funding challenges.

Recommendation:

Staff recommend that the Board approve the attached FY 2026-27 Operating Budget and the common area and shared services operation assessments.

Attachment:

- Attachment A - 375 Beale Condominium Corporation FY 2026-27 Operating Budget and Assessments.
- Attachment B - 375 Beale Condominium Corporation FY 2026-27 Operating Budget and Assessments Presentation


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