

**Memorandum**

**Agenda Item 3b**

TO: Bay Area Headquarters Authority

DATE: March 15, 2017

FR: Deputy Executive Director

W. I. 9130

RE: Lease Agreement – Cubic Transportation Systems, Inc. (\$494,000) and Lease Amendment – Bay Area Toll Authority FasTrak® Customer Service Center

This memorandum seeks Authority approval to (i) enter into a 5 year / 3 months lease with Cubic Transportation Systems, Inc. (“Cubic”) to lease Suite #340 at 375 Beale Street at a cost not to exceed \$450,000 for tenant improvements and \$44,000 for real estate broker commissions; and (ii) amend the Bay Area Toll Authority (BATA) FasTrak® Customer Service Center (CSC) lease to reduce the lease area of Suite #330 by 2,991 rentable square feet (rsf).

**Background**

On October 1, 2015, BAHA executed an agreement with the BATA to lease Suites #210 and #330 to house the FasTrak® CSC for a total of 30,266 rsf. BATA’s contractor, Xerox State and Local Solutions, Inc. (Xerox), which operates the FasTrak® CSC, later determined that 2,991 rsf that was part of Suite #330 was not required for its operations. BATA subsequently licensed Suites #210 and #330 (less the 2,991 rsf) to Xerox for the purpose of providing customer service center operations. The remaining 2,991 rsf area was built out but is unoccupied. Cushman & Wakefield of California, Inc. (Cushman) has been working with BAHA to market the space.

Cubic is currently under contract with the Metropolitan Transportation Commission (MTC) to operate the Clipper® Customer Service Center. Cubic was in the market to obtain additional office space and contracted with real estate broker Jones Lang LaSalle (“JLL”). On March 9<sup>th</sup>, Cubic submitted a signed Letter of Intent (LOI) to lease the unoccupied 3<sup>rd</sup> floor space, now identified as Suite #340, for general office use. Additionally, Cubic plans to use the space to test equipment for future payment methods and fare gates for the Bay area transportation system.

Cubic will be responsible for all design costs, cabling and furniture/equipment. Based on a mutually agreeable design, BAHA will complete a turnkey build-out, which includes a demising wall to separate the new Suite from the FasTrak® CSC. For the build-out, BAHA is considering Swinerton Builders, the firm that was recently awarded the construction contract for the 5<sup>th</sup> floor improvements. The solicitation under which Swinerton was selected included a provision allowing BAHA to contract with the selected contractor to perform other tenant improvement projects at 375 Beale Street. All subcontractor services would be bid out. BAHA’s cost is capped at \$450,000, with BAHA and Cubic splitting any savings and Cubic fully responsible for any cost overruns.

### **Proposed Lease Terms and Conditions**


The signed LOI includes the following terms and conditions:

- Rentable Square Feet: 2,991 rsf
- Proposed Lease Terms: \$60.00 to \$69.56/rsf (assumes 3% CPI adjustment)
- Estimated Turnkey Build-out Costs: \$450,000 or \$150/rsf
- Estimated Commissions: \$44,000 (split between Cushman JLL)
- Net Effective Rent: \$113,632 over a 5 year /3 month term
- Subject to BAHA's need for additional space, Cubic will have two (2), three (3)-year options to renew the lease at 100% of the then fair market value.
- In the event that MTC terminates its Clipper<sup>®</sup> Customer Service Center contract with Cubic, the lease will automatically terminate effective on the contract termination date.

A summary of the proposed lease agreement, and the floor plan are attached. Prior to executing the proposed lease agreement, the BAHA/BATA lease for the FasTrak<sup>®</sup> CSC will need to be amended to reflect the reduction of 2,991 rsf to Suite #330.

### **Recommendation**

1. Authorize the Executive Director, or his designee, to negotiate and enter into a lease agreement with Cubic for Suite #340 at 375 Beale Street at the proposed terms and conditions outlined in this memorandum.
2. Direct the Treasurer and Auditor to set aside funds in the amount of \$450,000 for tenant improvements.
3. Direct the Treasurer and Auditor to set aside funds in the amount of \$44,000 for real estate broker fees to be shared between Cushman JLL.
4. Authorize the Executive Director, or his designee, to make adjustments to the lease terms that are up to the Executive Director's contract authority of \$200,000.
5. Authorize the Executive Director, or his designee, to negotiate and enter into a lease amendment to the BATA FasTrak<sup>®</sup> CSC lease to reduce the rsf in Suite #330 by 2,991.
6. Direct the Executive Director to report back to BAHA with the final terms and conditions of the lease agreement with Cubic and the lease amendment with BATA.

  
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Andrew B. Premier

SH:tg

Attachments

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## REQUEST FOR AUTHORITY APPROVAL

### Summary of Proposed Lease Agreement

Lessee:	Cubic Transportation Systems, Inc. San Francisco, California
Term:	Five year, 3 months with two (2) three (3)-year options to renew
Space:	3 <sup>rd</sup> Floor Suite #340 Approximately 2,991 Rentable Square Feet (estimated)
Full Service Rent:	\$60.00 to \$69.56 over 5 years / 3 months (estimated)
Commissions:	\$44,000 (estimated) payable to Cushman & Wakefield of California, Inc. (\$12,000) and Jones Lang LaSalle (\$32,000)
Rent Commencement:	TBD – estimated to be September 1, 2017 – includes one month rent abatement
Tenant Improvements:	BAHA to provide turnkey build-out capped at \$450,000
Funding Source:	FY 2016-17 BAHA Commercial Development Fund
Net Effective Rent:	\$113,632 over a 5 year / 3 months period (estimated)
Security Deposit:	None, but Cubic to provide a corporate guarantee
Parking:	None
Motion by Authority:	That the Executive Director or his designee is authorized to negotiate and enter into a lease agreement with Cubic Transportation Systems, Inc. for Suite #340 at 375 Beale Street as described above and in the Deputy Executive Director's Memorandum dated March 15, 2017, and the Treasurer and Auditor is directed to set aside funds in the amount of \$450,000 for tenant improvements and \$44,000 for broker fees.
BAHA Chair:	<hr/> Jake Mackenzie
Approved:	Date: March 22, 2017

## REQUEST FOR AUTHORITY APPROVAL

### Summary of Proposed Lease Amendment

Lessee: Bay Area Toll Authority  
San Francisco, California

Term: Through October 11/30/2019

Space:	3 <sup>rd</sup> Floor Suite #330	9,170 rsf (before this amendment) 6,170 rsf (after this amendment) (reduction of 2,991 rsf)
	2 <sup>nd</sup> Floor Suite #210	21,096 rsf

Impact to Rent: None

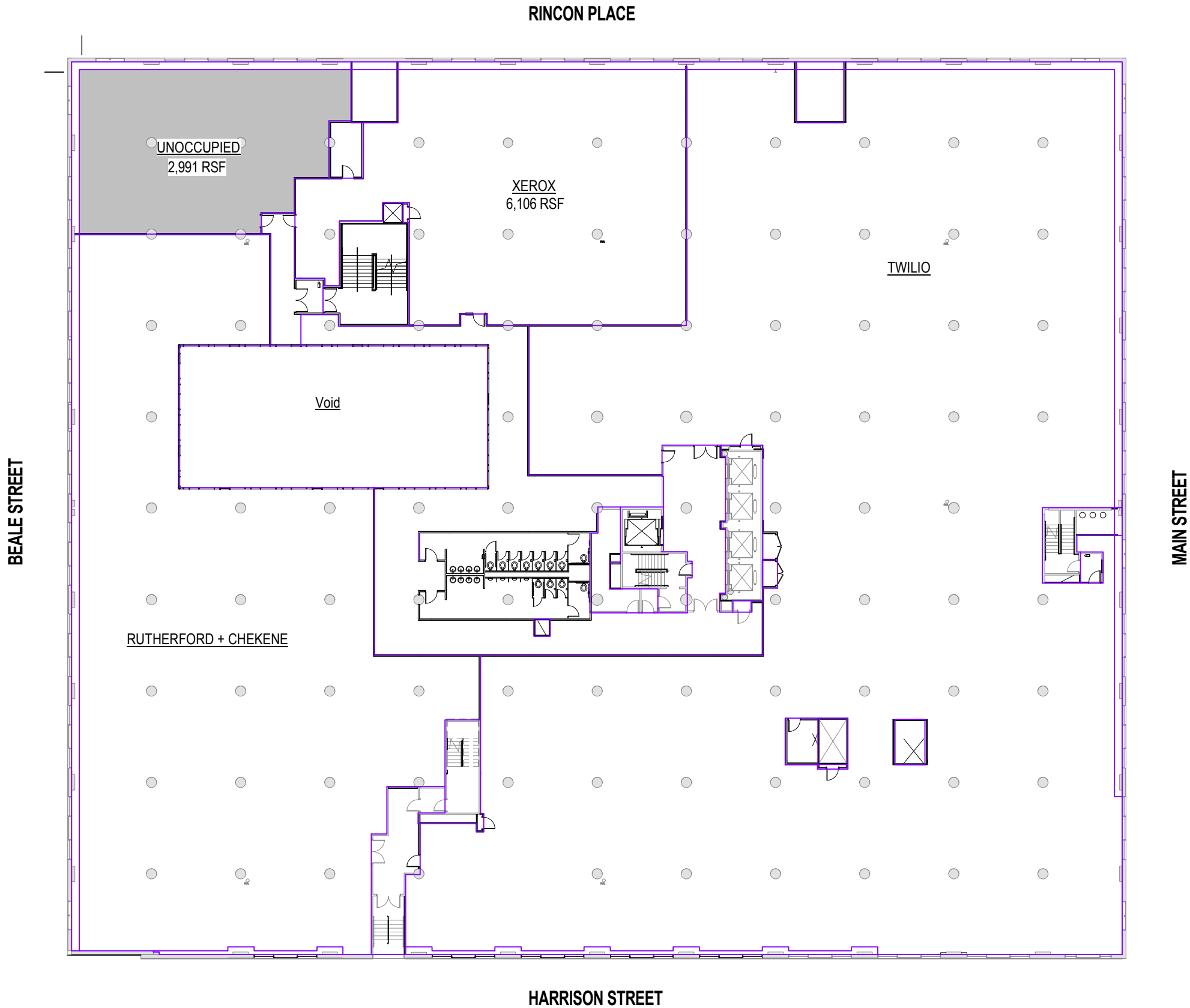
Motion by Authority: That the Executive Director or his designee is authorized to negotiate and enter into a lease amendment with the Bay Area Toll Authority to reduce the lease area of Suite #330 by 2,991 rsf as described above and in the Deputy Executive Director's Memorandum dated March 15, 2017.

BAHA Chair:

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Jake Mackenzie

Approved: Date: March 22, 2017



Level 03 - OVERALL PLAN

DRAWING TITLE

ISSUED WITH

DRAWING REFERENCE

1" = 30'-0"

DRAWING SCALE

06.29.2016

DATE

375 BEALE STREET

PROJECT NAME

38653.001

PROJECT NUMBER

SK 03

DRAWING NUMBER