

Memorandum

Agenda Item 3a

TO: Bay Area Headquarters Authority

DATE: September 20, 2017

FR: Executive Director

W. I. 9130

RE: **BAHA Financial Statements (Unaudited) for June 30, 2017**

Attached for your review is the unaudited closing revenue and expense numbers for the BAHA Building at 375 Beale Street in San Francisco, and the BAHA Capital and Commercial Development funds. The numbers are preliminary, unaudited and subject to change until final audited numbers are presented in October. The report includes all of the operating and capital programs relating to BAHA and the 375 Beale Street operations.

BAHA – BAHA is the operating authority and provides overall oversight for the entire enterprise, including our condominium operations. The overall commercial and condominium operations table (Attachment A Page 1) shows an operating surplus of \$3.4 million, \$2.4 million after depreciation, in our second year of operations.

BAHA Building Operations – BAHA Building Operations is responsible for total commercial and building operations. Our building operations had an surplus of nearly \$2.3 million, \$1.3 million after depreciation. Rental income was pretty much on schedule at \$5.9 million, with a net of \$5.8 million after contracted lease abatements during FY 2016-17. Expense reimbursements are a combination of sub-metered utility costs recovered from the tenants and webcasting service fees reimbursed by the Air District.

The shift in staffs' assignment during the year was the main reason that total expenses came in \$600,000 under budget. (Attachment A Page 2).

375 Beale, Inc. – This is the Condominium operations operated through its Board. The condominium operations had an operating surplus that will be reconciled for year-end actuals and credited to the three condominium agencies (Attachment A Page 3).

BAHA Capital – The Capital budget is 99% expended. Project revenue now includes \$30 million from the Air District sale and \$16 million from the Oakland building sale (\$5 million of which was ABAG's share). There is still \$4 million due from the Air District as well as a small portion due from ABAG. The project budget has \$1.6 million remaining after expenditures and encumbrances (Attachment A Page 4).

Commercial Development (tenant improvements) are now 72% complete, 87% after current contract encumbrances. We anticipate most of the \$2.7 million balance to be required for the buildout of the fifth floor (Attachment A Page 5).



Steve Heminger

SH:bm

BAHA Building and Commercial Operations
BAHA Operating Budget by Group
As of June 30, 2017 (Unaudited)

	Adopted FY2016- 17 Budget		Actual YTD	Budget Bal Over/(Under)
Revenue:				
Assessment fee - shared services	\$	1,456,146	\$	1,456,146
Assessment fee - common area		3,018,838		3,018,838
Lease income		5,564,578		5,752,198
Expense reimbursements		95,607		245,770
Other income - parking/antenna		57,600		2,400
Total operating revenue		10,192,769		10,475,352
Operating expenses:				
Staff Cost				
Salaries and Benefits		1,686,365		794,683
Overhead		720,530		340,961
Total Staff Cost		2,406,895		1,135,644
Cushman & Wakefield Op Exp				
375 Beale Inc Op Exp		3,018,838		2,384,610
Building Op Exp		2,254,623		2,801,234
Total Cushman & Wakefield Op Exp		5,273,461		5,185,844
In-House Op Exp				
375 Beale Inc Op Exp		654,000		520,193
Building Op Exp		360,000		235,371
Total In-House Op Exp		1,014,000		755,564
Total operating expenses		8,694,356		7,077,052
Operating surplus before depreciation		1,498,413		3,398,300
Depreciation		-		1,035,382
Total operating gain (loss)		1,498,413		2,362,918

BAHA Building Operations
As of June 30, 2017 (Unaudited)

	Adopted FY2016-17 Budget	Actual YTD	Budget Bal Over/(Under)
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Revenue:			
Lease income	\$ 5,564,578	\$ 5,752,198	\$ 187,620
Expense reimbursements	95,607	245,770	150,163
Other income - parking/Antenna	57,600	2,400	(55,200)
Total operating revenue	<hr/> 5,717,785	<hr/> 6,000,368	<hr/> 282,583
Operating expenses:			
Salaries and Benefits	1,124,317	422,097	(702,220)
Overhead	480,432	202,161	(278,271)
IT licenses, maintenance	50,000	157,531	107,531
Audit/tax prep	60,000	27,040	(32,960)
Contingency	199,200	-	(199,200)
Communications	6,468	6,468	-
Insurance	3,638	3,638	-
Other Exp./Misc. Expenses	40,694	40,694	-
Common area expenses - (CW)	2,254,623	2,801,234	546,611
Total operating expenses	<hr/> 4,219,372	<hr/> 3,660,864	<hr/> (558,508)
Operating surplus before depreciation	1,498,413	2,339,505	841,092
Depreciation	<hr/> -	<hr/> 1,035,382	<hr/> 1,035,382
Total operating gain (loss)	<hr/> \$ 1,498,413	<hr/> \$ 1,304,124	<hr/> \$ (194,289)

375 Beale Inc. Operations
As of June 30, 2017 (Unaudited)

	Adopted FY2016-17 Budget	Actual YTD	Budget Bal Over/(Under)
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Revenue:			
Assessment fee - shared services	\$ 1,456,146	\$ 1,456,146	\$ -
Assessment fee - common area	3,018,838	3,018,838	-
Total operating revenue	4,474,984	4,474,984	-
Operating expenses:			
Salaries and Benefits	562,048	372,586	(189,462)
Overhead	240,098	138,800	(101,298)
Comcast/Direct TV	6,000	1,589	(4,411)
Postal Machine Lease	6,000	11,054	5,054
Supplies/Signage/Copy Paper/Shredding	120,000	66,402	(53,598)
Safety Equip. (AEDs, First Aid Kits)	40,000	43,427	3,427
Shuttle services	50,000	49,410	(590)
IT licenses, maintenance	261,000	253,826	(7,174)
Contingency	25,000	-	(25,000)
Coffee / Tea Service	96,000	94,485	(1,515)
Insurance	50,000	-	(50,000)
Common area expenses - (CW)	3,018,838	2,384,610	(634,228)
Total operating expenses	4,474,984	3,416,189	(1,058,795)
Total operating gain (loss)	-	1,058,795	1,058,795
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BAHA Capital Fund LTD
As of June 2017 - Unaudited

		Budget LTD	Actual LTD	Encumbrances	Total LTD	Budget Balance Over/(Under)	% of Budget
Revenue:							
R1	Insurance Proceeds	\$ 311,738	\$ 1,284,457	\$ -	\$ 1,284,457	\$ 972,719	412.0%
R2	Transfer in from MTC	801,160	801,160	-	801,160	-	100.0%
R3	Transfer in from SAFE	112,910	112,910	-	112,910	-	100.0%
R4	Transfer in from BATA	6,906,010	6,906,010	-	6,906,010	-	100.0%
R5	Purchase from ABAG	1,600,000	5,815,497	-	5,815,497	4,215,497	363.5%
R6	Purchase from Air District	34,000,000	29,700,000	-	29,700,000	(4,300,000)	87.4%
R7	Reimbursement from Air District	500,000	-	-	-	(500,000)	0.0%
R8	Reimbursement from PG&E	64,154	54,601	-	54,601	(9,553)	85.1%
R9	TFCA Grant	151,000	-	-	-	(151,000)	0.0%
R10	Grant Local Match from MTC	119,000	-	-	-	(119,000)	0.0%
R11	Grant Local Match from Air District	150,000	-	-	-	(150,000)	0.0%
R12	SPANs Savings	33,000,000	33,000,000	-	33,000,000	-	100.0%
R13	Capital Contribution (BATA)	193,310,846	193,610,846	-	193,610,846	300,000	100.2%
R14	Capital Contribution from MTC	-	11,422,704	-	11,422,704	11,422,704	N/A
R15	Interest Revenue	-	79,867	-	79,867	79,867	-
R16	Reimbursement for Capital Expenditure	-	1,091,258	-	1,091,258	1,091,258	-
R17	Miscellaneous	-	26,634	-	26,634	26,634	-
Total Revenue		271,026,818	283,905,944	-	283,905,944	12,879,126	
Expenses:							
	Purchase Building	\$ 93,000,000	\$ 93,000,000	\$ -	\$ 93,000,000	\$ -	100.0%
E1	Building Development	137,553,343	134,012,988	3,113,764	137,126,752	(426,591)	97.4%
E2	Insurance	-	575,885	-	575,885	575,885	-
E3	Development Contingency	18,824,538	17,965,383	-	17,965,383	(859,155)	95.4%
E4	Furniture, Fixtures, Equipment	15,000,000	12,954,594	215,315	13,169,909	(1,830,091)	86.4%
E5	Backup Generator and 12V Feed	1,000,000	307,606	-	307,606	(692,394)	30.8%
E6	EV Station Project	420,000	17,128	202,512	219,640	(200,360)	4.1%
E7	Staff Costs	5,228,937	7,086,199	-	7,086,199	1,857,262	135.5%
Total Expenses		271,026,818	265,919,783	3,531,591	269,451,374	(1,575,444)	
Transfer to CDF			12,879,126				

BAHA Commercial Development Fund Life To Date As of June 2017 - Unaudited

Program #	Budget	Tenant Improvements	Commissions	Total	LTD Expense	Enc Amt	Budget Bal Over/(Under)
	Sales Proceeds			\$ 22,139,154			
9135	T.I. Rutherford and Chekene	\$ 1,198,880	\$ 123,181	\$ 1,322,061	\$ 1,235,930	\$ -	\$ (86,131)
9136	Conduent	-	110,975	110,975	110,975	-	-
9137	T.I. Degenkolb	1,834,670	452,740	2,287,410	2,287,410	-	-
9138	T.I. Twilio	8,338,957	1,836,460	10,175,417	10,175,417	-	-
9139	Construction contingency TIs	525,000	-	525,000		-	(525,000)
9139	Engineering/Architectural	150,000	-	150,000	143,802	-	(6,198)
9140	T.I. Ada's Café	455,000	-	455,000	413,117	41,883	-
9141	BCDC	5,000,000	80,000	5,080,000	478,337	3,002,907	(1,598,756)
9142	Cubic	450,000	44,000	494,000	-	-	(494,000)
	Total Tenant Improvements	\$ 17,952,507	\$ 2,647,356	\$ 20,599,863	\$ 14,844,988	\$ 3,044,790	\$ (2,710,085)
9143	Marketing			\$ 83,500	\$ 17,065	\$ -	\$ (66,435)
9143	Building Improvements			\$ 890,000	\$ -	\$ -	\$ (890,000)
	Total Budgeted CDF Expenses			\$ 21,573,363	\$ 14,862,053	\$ 3,044,790	\$ (3,666,520)
	Net			\$ 565,791			