

**BAY AREA HEADQUARTERS AUTHORITY**

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Memorandum**Agenda Item 2b**

TO: Bay Area Headquarters Authority

DATE: February 13, 2019

FR: Executive Director

W. I. 9110, 9120, 9130

RE: Second Quarter Bay Area Headquarters Authority (BAHA) Financial Statements for December 31, 2018

Attached are the BAHA Operating and Capital Financial Statements for the Fiscal Year 2018-19 second quarter ending on December 31, 2018.

Combined Operations: BAHA is the operating authority and provides oversight for the entire Bay Area Metro Center (BAMC) enterprise, including the operation of the 375 Beale Condominium Corporation (375 Beale Inc.). As of the end of the second quarter, the combined operating financials (Attachment A Page 1) show a surplus of \$2.5 million before transfer out and depreciation.

BAHA Building Operations: BAHA Building Operations represents the BAHA commercial building operations. These operations reported a \$1.9 million surplus before transfer out and depreciation (Attachment A Page 2). Total revenue of \$7.7 million is 40% of the approved budget. The main reason the revenue has come in below budget is because the proceeds from the sale of additional space to Bay Area Air Quality Management District (BAAQMD) were budgeted in Building Operations but reported in the Building Development Budget. Staff will propose amending the BAHA FY 2018-19 Operating Budget later in the year to increase the transfer amount to BATA and eliminate the sales proceeds line from the revenue section of the operating budget, since it has already been accounted for in the Building Development Budget.

Total operating expense was slightly below the approved budget at 47% or \$3 million at the half way point of the fiscal year.

BAHA transferred \$11.4 million to the Bay Area Toll Authority (BATA) in the second quarter. As of the end of the second quarter, BAHA has returned to BATA \$41 million of the \$163 million of toll contribution made by BATA for building purchase and development.


375 Beale Inc.: The board of directors of 375 Beale Inc., composed of representatives of the condominium owners, oversees the condominium operations. As of December 31, 2018, the condominium operations show a surplus of \$557,252 (Attachment A Page 3). Any surplus revenue at the end of the fiscal year will be returned to the condominium owners based on the assessment allocation formula.

Property Manager: Cushman & Wakefield of California, Inc. (CW) is hired by BAHA as the property manager for the BAMC. CW is responsible for ensuring the building is in operating condition throughout the fiscal year by managing utilities services, building security, janitorial service, and building maintenance. Total operating expense incurred by CW at the end of the second quarter was \$3.8 million, 49% of the approved budget. CW expenses were split between BAHA Building Operations and 375 Beale Inc. Detail can be found in Attachment A Page 4.

BAHA Building Development: BAHA received \$4.4 million from BAAQMD for the sale of additional space when the sale transaction closed in November. The capital budget is 99% expended. The project budget has \$715,549 remaining after expenditures and encumbrances (Attachment A Page 5). Staff anticipate closing the building development project by the fiscal year end.

Commercial Development: Tenant improvements are now 92% complete with three open projects remaining. The entire development project has \$1.7 million budget remaining after expenditures and encumbrances (Attachment A Page 6), largely reserved for the Retail Space project.

Building Improvement: This capital fund, establish in current fiscal year, is used for capital building improvement projects. Total budget for the fund is \$1.2 million. As of the end of December, the project budget has \$310,905 remaining after expenditures and encumbrances (Attachment A, Page 7).



Steve Heminger

SH:bm
Attachment

BAHA Building and 375 Beale Inc. Operations
BAHA Operating Budget by Group
As of December 31, 2018

	FY2018-19 Budget	Actual YTD	Budget Bal Over/(Under)	% of Budget	Year Expired	Enc	YTD Total (YTD + Enc)
Revenue:							
Assessment Fee - Shared Services	\$ 2,044,713	\$ 1,022,357	\$ (1,022,356)	50%	50%	\$ -	\$ 1,022,357
Assessment Fee - Common Area	3,414,726	1,707,363	(1,707,363)	50%	50%	-	1,707,363
Special Assessment for Ada's	152,000	-	(152,000)	0%	50%	-	-
Lease income	8,963,946	4,705,774	(4,258,172)	52%	50%	-	4,705,774
Expense reimbursements	206,368	81,253	(125,115)	39%	50%	-	81,253
Sales proceeds	4,389,000	-	(4,389,000)	0%	50%	-	-
Other income - Parking/Antenna	230,100	90,368	(139,732)	39%	50%	-	90,368
Other income	-	8,979	8,979	N/A	50%	-	8,979
Interest Income	-	85,954	85,954	N/A	50%	-	85,954
Total Operating Revenue	19,400,853	7,702,048	(11,698,805)	40%	50%	-	7,702,048
Expense:							
Staff Cost (In-House)							
Salaries and Benefits	1,270,919	416,999	(853,920)	33%	50%	-	416,999
Overhead	634,790	220,051	(414,739)	35%	50%	-	220,051
Total Staff Cost	1,905,709	637,050	(1,268,659)	33%	50%	-	637,050
Property Management Op Exp (CW)							
375 Beale Inc (SSO)	3,414,726	1,523,977	(1,890,749)	45%	50%	-	1,523,977
Building Op Exp	4,480,597	2,306,888	(2,173,709)	51%	50%	-	2,306,888
Total Property Management Op Exp	7,895,323	3,830,865	(4,064,458)	49%	50%	-	3,830,865
In-House Op Exp							
375 Beale Inc (SSO)	1,160,000	348,485	(811,515)	30%	50%	557,395	905,880
Building Op Exp	1,031,744	433,738	(598,006)	42%	50%	385,040	818,778
Total In-House Op Exp	2,191,744	782,223	(1,409,521)	36%	50%	942,435	1,724,658
Total Operating Exp	11,992,776	5,250,138	(6,742,638)	44%	50%	942,435	6,192,573
Total Operating Suplus (Deficit) before Transfer and Depreciation	7,408,077	2,451,910	(4,956,167)	33%	50%		
Transfer In/(Out)	(7,370,634)	(11,400,000)	(4,029,366)	155%	50%		
Depreciation	6,814,218	3,321,827	(3,492,391)	49%	50%		
Total Operating Suplus (Deficit)	\$ (6,776,775)	\$ (12,269,917)					

BAHA Building Operations
As of December 31, 2018

	FY2018-19 Budget	Actual YTD	Budget Bal Over/(Under)	% of Budget	Year Expired	Enc	YTD Total (YTD + Enc)
Revenue							
Special Assessment for Ada's	\$ 152,000	\$ -	\$ (152,000)	0%	50%	\$ -	\$ -
Lease income	8,963,946	4,705,774	(4,258,172)	52%	50%	-	4,705,774
Expense reimbursements	206,368	81,253	(125,115)	39%	50%	-	81,253
Sales proceeds	4,389,000	-	(4,389,000)	0%	50%	-	-
Other income - Parking/Antenna	230,100	88,514	141,586	38%	50%	-	88,514
Other income - Antenna	3,600	1,854	1,746	52%	50%	-	1,854
Other income	-	8,979	(8,979)	N/A	50%	-	8,979
Interest Income	-	79,040	79,040	N/A	50%	-	79,040
Total Revenue	13,945,014	4,965,414	(8,710,894)	36%	50%	-	4,965,414
In-House Op Exp							
Salaries and Benefits	680,903	216,096	(464,807)	32%	50%	-	216,096
Overhead	340,093	114,034	(226,059)	34%	50%	-	114,034
Contractual services	250,000	3,055	(246,945)	1%	50%	40,673	43,728
IT Licenses, Maintenance	288,000	197,213	(90,787)	68%	50%	81,270	278,483
Audit/Accounting/Other	129,088	45,910	(83,178)	36%	50%	4,434	50,344
Other Op Exp	150,520	82,855	(67,665)	55%	50%	37,202	120,057
Insurance	17,000	11,631	(5,369)	68%	50%	-	11,631
Art Related	75,000	27,754	(47,246)	37%	50%	39,166	66,920
Contribution to Ada's	172,000	65,320	(106,680)	38%	50%	79,872	145,192
Total In-House Op Exp	2,102,604	763,868	(1,338,736)	36%	50%	282,617	1,046,485
Property Management Op Exp (CW)							
Contractual services	499,403	233,082	(266,321)	47%	50%	-	233,082
Building Repair and Maint.	1,133,176	443,446	(689,730)	39%	50%	-	443,446
Security	524,606	257,842	(266,764)	49%	50%	-	257,842
Parking	272,011	130,512	(141,499)	48%	50%	-	130,512
Other Op Exp	26,305	11,949	(14,356)	45%	50%	-	11,949
Insurance	176,070	84,753	(91,317)	48%	50%	-	84,753
Utility - Ele	353,332	181,780	(171,552)	51%	50%	-	181,780
Utility - Gas	48,810	14,897	(33,913)	31%	50%	-	14,897
Utility - Water	61,857	19,554	(42,303)	32%	50%	-	19,554
Janitorial Service	742,686	306,904	(435,782)	41%	50%	-	306,904
Landscape	42,341	23,167	(19,174)	55%	50%	-	23,167
Possessory Tax	600,000	599,002	(998)	100%	50%	-	599,002
Total Property Management Op Exp	4,480,597	2,306,888	(2,173,709)	51%	50%	-	2,306,888
Total Operating Exp	6,583,201	3,070,756	(3,512,445)	47%	50%	282,617	3,353,373
Total Operating Suplus (Deficit) before Transfer and Depreciation	7,361,813	1,894,658	(5,198,449)	26%	50%		
Transfer In/(Out)	(7,370,634)	(11,400,000)	(4,029,366)	155%	50%		
Depreciation	6,814,218	3,321,827	(3,492,391)	49%	50%		
Total Operating Suplus (Deficit)	<u>\$ (6,823,039)</u>	<u>\$ (12,827,169)</u>					

375 Beale Inc. Operations
As of December 30, 2018

	FY2018-19 Budget	Actual YTD	Budget Bal Over/(Under)	% of Budget	Year Expired	Enc	YTD Total (YTD + Enc)
Revenue							
Assessment Fee - Shared Services	\$ 2,044,713	\$ 1,022,357	\$ (1,022,356)	50%	50%	\$ -	\$ 1,022,357
Assessment Fee - Common Area	3,414,726	1,707,363	(1,707,363)	50%	50%	-	1,707,363
Interest Income	-	6,914	6,914	N/A	50%	-	6,914
Total Revenue	5,459,439	2,736,634	(2,722,805)	50%	50%	-	2,736,634
In-House Op Exp							
Salaries and Benefits	590,016	200,903	(389,113)	34%	50%	-	200,903
Overhead	294,697	106,017	(188,680)	36%	50%	-	106,017
IT Licenses, Maintenance	802,000	218,460	(583,540)	27%	50%	370,519	588,979
Audit/Accounting/Other	40,000	35,995	(4,005)	90%	50%	5,336	41,331
Office Supplies	121,000	11,202	(109,798)	9%	50%	46,578	57,780
Coffee/Tea Service	96,000	40,638	(55,362)	42%	50%	39,362	80,000
Other Op Exp	101,000	42,190	(58,810)	42%	50%	33,314	75,504
Total In-House Op Exp	2,044,713	655,405	(1,389,308)	32%	50%	495,109	1,150,514
Property Management Op Exp (CW)							
Contractual services	578,249	289,594	(288,655)	50%	50%	-	289,594
Building Repair and Maint.	839,624	328,570	(511,054)	39%	50%	-	328,570
Security	390,985	191,587	(199,398)	49%	50%	-	191,587
Other Op Exp	19,491	8,853	(10,638)	45%	50%	-	8,853
Insurance	130,458	62,798	(67,660)	48%	50%	-	62,798
Utility - Ele	539,956	287,685	(252,271)	53%	50%	-	287,685
Utility - Gas	36,165	11,038	(25,127)	31%	50%	-	11,038
Utility - Water	45,833	14,488	(31,345)	32%	50%	-	14,488
Janitorial Service	797,662	311,869	(485,793)	39%	50%	-	311,869
Landscape	36,303	17,495	(18,808)	48%	50%	-	17,495
Total Property Management Op Exp	3,414,726	1,523,977	(1,890,749)	45%	50%	-	1,523,977
Total Operating Exp	5,459,439	2,179,382	(3,280,057)	40%	50%	495,109	2,674,491
Total Operating Suplus (Deficit)	\$ -	\$ 557,252					

Property Management Operations (CW)
As of December 31, 2018

	FY2018-19 Budget	Actual YTD	Budget Bal Over/(Under)	% of Budget	Year Expired
Op Exp - Split among 375 Beale Inc. and BAHA Building Operation					
Contractual services	812,687	405,784	(406,903)	50%	50%
Building Repair and Maint.	1,972,800	772,016	(1,200,784)	39%	50%
Security	913,311	448,889	(464,422)	49%	50%
Parking	272,011	130,512	(141,499)	48%	50%
Other Op Exp	45,796	20,802	(24,994)	45%	50%
Insurance	306,528	147,551	(158,977)	48%	50%
Utility - Ele	615,133	316,470	(298,663)	51%	50%
Utility - Gas	84,975	25,935	(59,040)	31%	50%
Utility - Water	107,690	34,042	(73,648)	32%	50%
Janitorial Service	1,292,976	534,303	(758,673)	41%	50%
Landscape	73,714	40,332	(33,382)	55%	50%
Total Op Exp	6,497,621	2,876,636	(3,620,985)	44%	50%
Op Exp - 375 Beale Inc.					
Contractual services	232,369	116,892	(115,477)	50%	50%
Security	2,280	540	(1,740)	24%	50%
Utility - Ele	278,155	152,995	(125,160)	55%	50%
Janitorial Service	247,372	84,470	(162,902)	34%	50%
Landscape	4,930	330	(4,600)	7%	50%
Total Op Exp - 375 Beale Inc.	765,106	355,227	(409,879)	46%	50%
Op Exp - BAHA Building Operation					
Contractual services	32,596	-	(32,596)	0%	50%
Possessory Tax	600,000	599,002	(998)	100%	50%
Total Op Exp - BAHA Building Operation	632,596	599,002	(33,594)	95%	50%
Total Operating Exp	\$ 7,895,323	\$ 3,830,865	(4,064,458)	49%	50%
Depreciation - BAHA Building Operation	1,514,218	757,109	(757,109)	50%	50%
Transfer Out - BAHA Building Operation	-	2,500,000	2,500,000	N/A	50%
Total Expense	\$ 9,409,541	\$ 7,087,974	\$ (2,321,567)	75%	50%

BAHA Building Development Fund
As of December 2018 - Life To Date

		Budget LTD	Actual LTD	Encumbrances	Total LTD	Budget Balance Over/(Under)	% of Budget
Revenue:							
R1	Insurance Proceeds	\$ 1,817,087	\$ 1,817,087	\$ -	\$ 1,817,087	\$ -	100%
R2	Transfer in from MTC	801,160	801,160	-	801,160	-	100%
R3	Transfer in from SAFE	112,910	112,910	-	112,910	-	100%
R4	Transfer in from BATA	6,906,010	6,906,010	-	6,906,010	-	100%
R6	Purchase from ABAG	1,600,000	5,815,497	-	5,815,497	4,215,497	363%
R7	Purchase from Air District	34,000,000	34,141,265	-	34,141,265	141,265	100%
R8	Reimbursement from PG&E	54,601	54,601	-	54,601	-	100%
R9	TFCA Grant	151,000	-	-	-	(151,000)	0%
R10	Grant Local Match from MTC	119,000	-	-	-	(119,000)	0%
R11	Grant Local Match from Air District	150,000	-	-	-	(150,000)	0%
R12	SPANs Savings	33,000,000	33,000,000	-	33,000,000	-	100%
R13	Capital Contribution (BATA)	193,310,846	193,610,846	-	193,610,846	300,000	100%
R15	Interest Revenue	-	194,364	-	194,364	194,364	-100%
R16	Reimbursement for Capital Expenditure	-	1,091,258	-	1,091,258	1,091,258	-100%
R17	Miscellaneous	-	27,133	-	27,133	27,133	-100%
R18	Transfer in from BAHA Operation	245,634	-	-	-	(245,634)	-100%
Total Revenue		272,268,248	277,572,131	-	277,572,131	5,303,883	
Expenses:							
	Purchase Building	\$ 93,000,000	\$ 93,000,000	\$ -	\$ 93,000,000	\$ -	100%
E1	Building Development	154,207,882	153,311,449	834,253	154,145,702	(62,180)	99%
E2	Insurance	573,017	573,017	-	573,017	-	100%
E3	Development Contingency	400,000	-	-	-	(400,000)	0%
E4	Furniture, Fixtures, Equipment	15,000,000	15,000,000	-	15,000,000	-	100%
E5	12V Feed	307,606	307,606	-	307,606	-	100%
E6	EV Station Project	420,000	276,727	69,144	345,871	(74,129)	66%
E7	Staff Costs	8,359,743	8,180,503	-	8,180,503	(179,240)	98%
Total Expenses		272,268,248	270,649,302	903,397	271,552,699	(715,549)	
Transfer to CDF			5,303,883				

**BAHA Commercial Development Fund
As of December 2018 - Life To Date**

Program #	Budget	Tenant Improvements	Commissions	Total	LTD Expense	Enc Amt	Budget Bal Over/(Under)
	Sales Proceeds			\$ 24,139,154			
	Cubic Reimbursement for TI			100,000			
				<u>\$ 24,239,154</u>			
9135	T.I. Rutherford and Chekene	\$ 1,112,749	\$ 123,181	\$ 1,235,930	\$ 1,235,930	\$ -	\$ -
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	Engineering/Architectural	350,000	-	350,000	350,000	-	-
9140	T.I. Ada's Café	465,454	-	465,454	465,454	-	-
9141	BCDC	7,014,940	-	7,014,940	6,995,698	19,242	-
9142	Cubic	550,000	44,000	594,000	547,227	13,761	(33,012)
9144	Retail Space	2,000,000	-	2,000,000	144,565	218,285	(1,637,150)
	Total Tenant Improvements	<u>\$ 21,666,770</u>	<u>\$ 2,567,356</u>	<u>\$ 24,234,126</u>	<u>\$ 22,312,676</u>	<u>\$ 251,288</u>	<u>\$ (1,670,162)</u>
	Total Budgeted CDF Expenses			\$ 24,234,126	\$ 22,312,676	\$ 251,288	\$ (1,670,162)
	Net			\$ 5,028			

Completed Project

**BAHA Building Improvement Fund
As of December 2018 - Life To Date**

Program #	Program Name	LTD FY2018-19	LTD Expense	Enc Amt	Budget Bal Over/(Under)
	In-House Improvement Project				
9160	IT Improvement Project	\$525,000	\$188,864	\$117,888	-\$218,248
	Total In-House Project	\$525,000	\$188,864	\$117,888	-\$218,248
	CW Improvement Project				
9180	AHUs1-4 Eyebrow Install	\$400,000	\$0	\$400,000	\$0
9181	Building Improvement	300,000	7,343	200,000	-\$92,657
	Total CW Project	\$700,000	\$7,343	\$600,000	-\$92,657
	Total Building Improvement Budget	\$1,225,000	\$196,207	\$717,888	-\$310,905