

**BAY AREA HEADQUARTERS AUTHORITY**

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Agenda Item 2c

TO: Bay Area Headquarters Authority

DATE: February 13, 2019

FR: Executive Director

W.I. 9120

RE: Commercial Lease Extension – 375 Beale Street, Suites 200A and 300C: Bay Area Headquarters Authority – FasTrak® Regional Customer Service Center (estimated at \$4,200,000)

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.

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 March 31, 2022 by the Committee at its November 2018 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 at Beale Street under license agreement with BATA. As part of its obligations under the CSC Contract, Conduent pays the lease payments to BAHA on BATA's behalf.

Currently the BATA Lease expires in November 2019, 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 Lease.

The Lease allows BAHA and BATA to extend the Lease in increments agreed by BAHA and BATA of up to ten (10) additional consecutive years, with rent to be set at 100% of fair market value at the time of renewal; however, BAHA and BATA propose to set the revised Base Rent for 2019 to \$49.56/rsf/year based on 3% annual escalation of the most recent rental rate paid by BATA for the space. 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 relatively short period of two-and-a-half years. BATA expects during that time period to make decisions about all electronic tolling and 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 and BAHA can revisit the lease agreement and determine revisions to pricing.

Recommendation

Staff requests the Authority authorize the Executive Director or designee to negotiate and enter into a lease extension between BATA and BAHA under terms set forth in Attachment A.



Steve Heminger

SH:sw
Attachment

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ATTACHMENT A
SUMMARY OF LEASE EXTENSION TERMS

Staff is seeking referral to the Authority of a recommendation to approve a lease extension with the following terms:

Landlord:	Bay Area Headquarters Authority (“Landlord” or “BAHA”)
Tenant:	Bay Area Toll Authority (“Tenant” or “BATA”)
Use:	FasTrak® Customer Service Center
Space:	27,275 (approximately) Rentable Square Feet (RSF) Suite 300C and Suite 200A
Rent:	Base Rent 2019: \$49.56/RSF/year (net of electric) Increase: 3% annual escalation
Operating Expenses:	Base Year 2016; 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 2018 Operating Expenses.
Term:	Through 11/30/2022