



EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL: <i>Pat M. Ryan</i> 20 FEB 2019		GENERAL MANAGER ACTION REQ'D:		
DATE: 1/29/2019		BOARD INITIATED ITEM: No		
Originator/Prepared by: Patricia Schuchardt Real Estate & Property Development Dept: Systems Development <i>Sean Adams</i> Con Patricia Schuchardt Signature/Date: 02/19/19	General Counsel <i>[Signature]</i> 2/20/19 []	Controller/Treasurer <i>[Signature]</i> 2/19/19 []	District Secretary []	BARC <i>[Signature]</i> 2/19/2019 []
Status: Routed		Date Created: 1/29/2019		

Amendment No. 10 to Lease for 300 Lakeside Drive, Oakland

PURPOSE:

To authorize the General Manager or her designee to execute Amendment No. 10 to the Lease for 300 Lakeside Drive in Oakland (the "Building") with SIC-Lakeside Drive LLC, resulting in adding Suites 1900, 1980 and 1975 (approximately 30,328sf) of the 19th floor of the building to the existing lease.

DISCUSSION:

In July 2004, BART entered into a lease with Summit Commercial Partners for 317,222 square ft of office space at 300 Lakeside Drive in Oakland (the "Lease"). The Lease includes a ten-year term with two 5-year options to extend. The Lease has been amended nine times. In the fall of 2016, Measure RR was passed approving BART's \$3.5 billion general obligation bond to be used to rebuild and upgrade the backbone of the BART system. The passage of Measure RR has resulted in the addition of over a hundred new staff and consultants to manage BART projects funded by the bond. The lease was amended in 2017 to add the 8th floor; however, additional, supplementary space is required to house the additional staff and a contractor related to the upgraded Train Control Modernization Program ("TCMP").

When staff entered into discussions with SIC-Lakeside Drive LLC ("SIC"), the current owner of the building, regarding additional space needs they were advised that the 19th floor was available. Staff considered the impacts of the lease expansion in the building as opposed to other potential short-term leasing opportunities and determined that adding an additional floor was the most favorable option for related synergies of having the TCMP project in close proximity to BART Headquarters. Staff negotiated satisfactory terms for the majority of the 19th floor of the building. Based on the proposed modifications to the 19th floor, the expansion will accommodate approximately 140 staff and consultants. In connection with the lease of the 8th floor staff engaged the on-call economic and property development consulting firm, BARD Consulting, to evaluate the proposed rent and deal.

The Proposed Lease amendment includes the following terms:

- The additional space consists of approximately 30,328 rentable square feet ("RSF").
- First phase will consist of 26,891 RSF known as Suite 1900 ("Primary Expansion Premises") commencing upon the later of the substantial completion of Tenant Improvements or 03/01/2019 and expire on the date of the existing Lease Term of 07/17/2021 (co-terminus with BART's existing floors).
- The second phase will consist of 3,437 RSF ("Must-Take Expansion Premises") commencing upon the later of substantial completion of Tenant Improvements or 04/01/2019 and shall also expire on the expiration date of the existing Lease Term of 07/17/2021.
- Base Rent will be for the first twelve (12) months of the Primary Expansion and Must-Take Lease term shall be \$53.00 per rentable square foot, per year, full service and increase by three percent (3%) per RSF on each anniversary of the Primary Expansion Term Commencement Date.
- BART will be responsible for paying its proportionate share of increases in Building operating expenses and property taxes above a base year of 2019.
- The Base Rent and any and all of BART's pro-rata share of the operating expenses and property taxes for the expansion premises shall be abated for the initial first two months of the Primary Expansion Premises Lease Term. In addition, 50% of the Base Rent for the Primary Expansion Premises will be abated during months three (3) through six (6) of the Primary Expansion Premises Lease Term.
- Landlord will provide turn-key tenant improvements for the expansion premises including the following:
 1. One (1) large conference room (12-14 people seated)
 2. Four (4) medium conference rooms (8 people seated)

3. Two (2) small conference rooms (4 people seated)
4. Forty (40) private offices
5. Adequate electrical distribution for District's layout
6. Landlord to provide stair access and install card key reader
7. Painting and installation of carpet tile in colors selected by District
8. At no cost to BART, the landlord will provide BART an accounting and the opportunity to inspect, select and use any available

furniture in the Premises for the Expansion Premises Lease Term and any extension thereof.

- BART will have the right to an additional ten (10) parking spaces in the parking garage for the duration of the Expansion Lease Term and extensions (if any).
- BART will have the right to an additional thirty (30) bike storage spaces exclusive to BART.
- BART's two existing renewal rights (as outlined in the Master Lease) will remain in place and will also be exercisable for the expansion premises at the end of the Lease Term.

Because BART already leases significant space in the Building, it is highly advantageous to fulfill the additional space requirements at BART's existing location for continuity and productivity.

BART Board Room

As part of the negotiations of the short-term nature of the lease, BART will also be entering into a license agreement which will allow the landlord to terminate BART's board room existing location at the 20th Street Mall location with a 120-day notice if landlord moves forward with the development of the Mall location site in the future. BART would be provided a comparable location by the landlord on the property premises (i.e. Auditorium or Building Conference Center) at no cost and fully built out per BART's board room standards.

FISCAL IMPACT:

The initial annual rent for the 19th floor will be \$950,149 for the Primary Expansion Premises and \$182,161 for the Must-Take Premises (this amount includes the first two months of rent

and an additional four months of half rent abated for the Primary Expansion Premises) plus the pro-rata share of operating, maintenance and tax costs for the Building. The two-month rent abatement and lower rent for 4 months will offset any tenant improvements.

The total cost for the Amendment No. 10 is estimated at \$3,463,144. The \$3,016,839 for 3-year base rent will come from Capital Project 49GH002, Train Control Modernization Program (TCMP). The \$446,305 for Must-Take Premises will come from Operating Account 680330 - Building Space Rentals, Cost Center 1011275.

The table below lists funding assigned to Project 49GH002 and is included to track funding history against spending authority. Funds needed to meet Capital request will be expended from the following sources:

Proposed Funding	
F/G 802A – Measure RR	\$8,000,000
F/G 8531 – FY17 Operating Capital Allocation	\$1,828,000
Total	\$9,828,000

As of February 7, 2019, \$9,828,000 is the total budget for this project. BART has expended \$438,701, committed \$769,838, and reserved \$0.00 to date. This action will encumber \$3,016,839 leaving an available fund balance of \$5,602,622 in this fund source for this project.

The Office of Controller/Treasurer certifies that funds are currently available to meet this obligation.

This action is not anticipated to have any Fiscal Impact on unprogrammed District reserves.

ALTERNATIVES:

1. Do not exercise the Lease Amendment and continue the existing lease at 300 Lakeside, housing the additional Measure RR staff in existing space, resulting in overcrowded and unproductive conditions.
2. Commence an additional search for other locations to house the additional Measure RR staff.

RECOMMENDATION:

Adoption of the following Motion.

MOTION:

The General Manager or her designee is authorized to execute Amendment No. 10 to the Lease for 300 Lakeside Drive in Oakland with SIC-Lakeside Drive LLC, consistent with the terms contained in the SIC's proposal dated December 13, 2018.