

AGENDA REPORT

Ordinance: Approval of an Amendment to an Existing License and Concession Agreement with California Generator Service Corporation to Expand Their Premises to Include 7719 Oakport Street, Increase the Term of the Agreement, and Increase the Monthly Rent by \$4,125.00 **(CRE)**

MEETING DATE: 12/14/2017

AMOUNT: \$4,125.00 Additional Rent per Month
Revenue

PARTIES INVOLVED: California Generator Service Corporation
David Ainsworth, President

SUBMITTED BY: Pamela Kershaw, Director of Commercial Real Estate

APPROVED BY: J. Christopher Lytle, Executive Director

ACTION TYPE: Ordinance

EXECUTIVE SUMMARY

The subject Agenda Report is a request for Board approval to amend an existing License and Concession Agreement with California Generator Service Corporation to expand their premises to include an additional 5,050 square feet of building space and 4,050 sq.ft. of yard area into an adjacent suite located at 7719 Oakport Street. The proposed amendment will enable an existing Port tenant to expand their business to accommodate their growth needs and increase the rental revenues for the Port.

BACKGROUND

In May 2017 the Board approved a License and Concession Agreement ("Agreement") with California Generator Service Corporation ("CGS") for the premises located at 7723 Oakport Street and granted CGS the right to expand into an adjacent space located at 7721 Oakport Street, when the current occupant vacates, which is expected to occur on June 1, 2018. CGS's existing Agreement with the Port expires on June 30, 2022 and there are currently no options to extend the term beyond 2022. CGS provides sales, installation, repair and maintenance services on a wide range of emergency power generating equipment. CGS has been located at the 7723 Oakport Street premises since 2010 and currently has approximately 20 employees on site, many of whom are members of the International Union of Operating Engineers, Local 3.

Adjacent to 7721 Oakport Street is another suite located at 7719 Oakport Street, which was recently vacated by the prior tenant in August 2017. Due to continued business growth and expansion needs, CGS has requested an amendment to their existing Agreement to add the 7719 Oakport Street space, which will enable them to expand their current operations into the final remaining suite of the building. The 7719 Oakport Street site consists of 5,050 sq.ft. of combined office/showroom and warehouse space and 4,050 sq.ft. of yard area. Attachment A shows the current and proposed leased premises as well as the location of all three suites within the entire building.

ANALYSIS

CGS has presented the following offer to amend their existing Agreement and expand their current premises to include 7719 Oakport, the key business terms of which are summarized below:

Licensee	California Generator Service Corporation
Expansion Premises	7719 Oakport Street and related yard area
Use	Same as existing uses – sales, installation, repair and maintenance of commercial and industrial emergency power generating equipment.
Monthly Rent	\$4,125.00 per month for the expanded space at 7719 Oakport Street with an annual increase of 3% per year
Performance Deposit	Equal to three (3) times the Monthly Rent
Term for Expansion Premises	Concurrent with CGS's existing premises through June 30, 2022.
Option to Extend	The amendment includes one (1) option to extend the term for the entire building for an additional five (5) years at FMV but in no event less than 3% over the existing rent in effect at the time.
Tenant Improvements	CGS shall install security gates and cameras around the entire building to secure the premises at their sole cost and expense within the first 12 months of the amendment.
Landlord Repair and Maintenance Obligations	Same as existing Agreement terms; Port is responsible for repair to pavement, landscaping, roof and foundation.

Tenant Repair and Maintenance Obligations	Same as existing Agreement terms; Tenant is responsible for interior finishes, all utilities, doors, windows, etc.
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The proposed terms exceed the current Target Rental Rents approved by the Board for the space and will provide for an option to extend the term of both CGS's existing tenancy spaces (7723 and 7721 Oakport Street) as well as the new 7719 Oakport Street space for five additional years beyond the current term expiration date of 2022. CGS has continuously paid their rent in a timely manner during their tenure as a Port tenant and staff has reviewed and found their credit rating to be in good standing. The proposed amendment will enable the Port to accommodate the growth and expansion needs of an existing Port tenant and secure a revenue stream from the entire building for a longer term. Based on the analysis above, staff recommends approval of the proposed amendment to this existing Agreement.

BUDGET & STAFFING

The proposed amendment will generate approximately \$24,750 in additional revenues for the FY 2017-18 CRE Budget.

The proposed action will have no impact on staffing as the existing property is currently managed by existing CRE Division staff.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters contained in this Agenda Report do not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Plan:

Goal B: Maintain and Aggressively Grow Core Businesses

- Goal B: Object 1: Retain existing customers and tenants.

Goal D: Improve the Port's Financial Position

- Goal D: Objective 1: Improve cash position and debt service coverage ratio (DSCR).

LIVING WAGE

Living Wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the

“Living Wage Regulations”), do not apply to this agreement as the tenant does not employ 21 or more employees working on Port-related work. However, the tenant will be required to certify that should living wage obligations become applicable, the tenant shall comply with the Living Wage Regulations.

ENVIRONMENTAL

CEQA Determination: The proposed action to approve an Amendment to an existing License and Concession Agreement with CGS for the expansion of their premises to include 7719 Oakport Street is categorically exempt from CEQA pursuant to Section 15301 Existing Facilities which exempts the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency’s determination. The additional 5,050 sq.ft. of combined office/showroom and warehouse space and 4,050 sq.ft. of yard area are consistent with existing operations and are categorically exempt from CEQA.

Compliance: As part of its business operations, CGS may handle hazardous materials and waste at the site. CGS will comply with applicable local, state and federal environmental regulations, including the Port’s Environmental Ordinance No. 4345 and Storm Water Ordinance No. 4311, as referenced in the existing License and Concession Agreement.

GENERAL PLAN

This is an expansion of an existing use that was determined to conform to the City of Oakland General Plan. This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

The Owner Controlled Insurance Program (OCIP) does not apply to the matters addressed by this Agenda Report as they are not capital improvement construction projects.

OPTIONS

1. Approve the proposed amendment to the existing License and Concession Agreement with California Generator Service Corporation to expand the premises to include 7719 Oakport Street subject to the terms described in this Agenda Report. This is the recommended option.
2. Do not approve the proposed amendment to the existing License and Concession Agreement with California Generator Service Corporation for the premises located 7719 Oakport Street.

3. Direct staff to negotiate alternative terms for the proposed amendment to an existing License and Concession Agreement with California Generator Service Corporation, which depending on the nature of the alternative terms, may prove to be unacceptable to the tenant.

RECOMMENDATION

Staff recommends that the Board approve and authorize the Executive Director to execute an amendment to an existing License and Concession Agreement with California Generator Service Corporation to expand their premises to include 7719 Oakport Street, increase the term, and increase the monthly rent by \$4,125.00, as described within this Agenda Report, subject to the approval as to form and legality by the Port Attorney.

Attachment: Attachment A – Site Map

Attachment A – Site Map

California Generator Service Corporation Amendment to License and Concession Agreement Expansion Space – 7719 Oakport Street

