

## AGENDA REPORT

**Ordinance:** Approve and Authorize the Executive Director to Execute a Second Amendment to Lease for the Premises Located at 530 Water Street, 5<sup>th</sup> Floor, and Execute a New License and Concession Agreement for Premises Located at 516 Water Street, Oakland, both for a Term of Approximately Five (5) Years, with GSC Logistics, Inc., for a Monthly Rent of \$32,090.00. **(CRE)**

**MEETING DATE:** 4/12/2018

**AMOUNT:** \$32,090.00 per month  
Revenue

**PARTIES INVOLVED:** GSC Logistics, Inc.  
Scott Taylor, CEO and 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 lease with GSC Logistics, Inc. ("GSC") to extend their lease term for the premises located at 530 Water Street, 5<sup>th</sup> floor, including a license for a rooftop antenna, and to approve a new License and Concession Agreement for GSC's premises located at 516 Water Street, each for a term of approximately five (5) years. The proposed actions will enable GSC to retain their administrative operations at 530 Water Street and ensure a continued stream of revenue for the Port from these spaces.

### **BACKGROUND**

GSC Logistics, Inc., a California Corporation, was founded by Andres ("Andy") Garcia and Scott Taylor in 1988. GSC provides drayage, over the road, cross-dock deconsolidation, and trans-loading services in the Bay Area and the Pacific Northwest. In 2006, the Port and GSC executed a lease for 7,777 square feet of office space at 530 Water Street, on the 5<sup>th</sup> floor. The original lease was for a six (6) year term but was amended in 2012 to add an additional six (6) year term extension, which will expire on May 31, 2018. The 5<sup>th</sup> floor is leased to GSC and National Railroad Passenger Corporation ("Amtrak"), who leases the remaining 8,907 square feet of space. In 2017, the Port and GSC entered into an Antenna Site License

Agreement for approximately five square feet of rooftop space at 530 Water Street to place and operate an antenna, which will also expire on May 31, 2018.

In 2017, GSC had an immediate need to expand their 5<sup>th</sup> floor office space. In response, a 12 month Temporary Rental Agreement (TRA) for 1,918 square feet of ground floor space located at 516 Water Street was executed by the Port to accommodate GSC's expansion needs. This TRA expires on April 14, 2018.

## **ANALYSIS**

In anticipation of the agreement expirations mentioned above, GSC has stated that they would like to extend their tenancy by amending their 5<sup>th</sup> floor lease (which would include a license for the rooftop antenna), and executing a separate License and Concession Agreement for a longer term for their 516 Water Street premises. The proposed key business terms of these two actions are summarized below:

<b>Lessee</b>	GSC Logistics, Inc.	
<b>Agreement</b>	Lease Amendment No. 2	License & Concession Agreement
<b>Premises</b>	530 Water Street - 5 <sup>th</sup> Floor, consisting of 7,777 sq.ft. of office space. - 5 sq.ft. of rooftop space for antenna	516 Water Street, consisting of 1,918 sq.ft. of office space.
<b>Term Commencement And Expiration</b>	June 1, 2018 – June 30, 2023	April 15, 2018 – June 30, 2023
<b>Minimum Monthly Rent</b>	\$27,997.00 (\$3.60 per sq.ft.), increased annually by 3%	\$3,903.00 per month, increased annually by 3%
<b>Performance Deposit</b>	Three times the Minimum Monthly Rent.	Three times the Minimum Monthly Rent.
<b>Common Area Maintenance (CAM) and Operating Cost Reimbursement</b>  All costs will adjust annually by 5%.	GSC will pay their proportionate share of Common Area and Building Operating Costs above the Base Year of 2018 starting on January 1, 2019, at a rate of \$445.00 per month.	GSC shall pay \$1,586.00 per month for Common Area maintenance and security, janitorial, engineering, garbage and recycling services. Electricity will be paid by tenant directly to the utility provider.
<b>Rooftop Antenna License</b>	\$190.00 per month	N/A
<b>Right of First Offer – Amtrak Offices</b>	In the event Amtrak vacates their 5 <sup>th</sup> floor premises in 530 Water St., GSC shall have a 30-day right of first offer to lease a	In the event GSC exercises their right of first offer to lease the Amtrak premises in 530 Water

	portion (as determined by the Port) or all of Amtrak's premises.	St., GSC will vacate the 516 Water Street premises.
<b>Landlord's Improvement</b>	Port agrees to update the 5 <sup>th</sup> floor elevator lobby to match colors, carpet and light fixtures of the 4 <sup>th</sup> floor elevator lobby. Estimated cost for these improvements is \$35,000.00.	None.

### **BUDGET & STAFFING**

The proposed Second Amendment to Lease and new License and Concession Agreement results in annual revenues that is approximately 31% higher than current terms. For FY 17/18, this action will result in a positive revenue variance of approximately \$36,421.00 compared to the FY 17/18 CRE Revenue Budget which only assumed approximately 11 months of rent.

The proposed action will have no impact on staffing as CRE Division staff currently manages both existing properties.

### **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 Business Plan (2018-2022):

<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>

Goal: Grow Net Revenues  
Objective: Maintain low vacancy rates.

Goal: Improve Customer Service  
Objective: Maintain tenant relationships.

### **LIVING WAGE**

Based upon a review of the terms of the agreement and information provided on this agenda report, the Port Living Wage requirements do not apply to the proposed GSC Logistics Lease Amendment and the new License and Concession Agreement. However, the tenant will be required to certify that should living wage obligations become applicable, the tenant shall comply with all of its obligations.

## **ENVIRONMENTAL**

CEQA: The proposed lease amendment and License and Concession Agreement with GSC Logistics, Inc. has been determined to be categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines, Article 19, 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. Approval of this matter falls within this class of exemptions, as negligible changes to the premises are proposed. No additional environmental review is required to take the action recommended in this Agenda Report.

## **GENERAL PLAN**

The project appears to conform to the policies of the General Plan. The project is within City of Oakland planning jurisdiction, and they will make an official finding as part of any applicable zoning approvals.

## **OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)**

The Owner Controlled Insurance Program (OCIP) does not apply to the matters addressed by this Agenda Report as there are no capital improvement construction projects planned.

## **OPTIONS**

1. Approve and authorize the Executive Director to execute the proposed Second Amendment to Lease with GSC Logistics to extend their lease term for their premises located at 530 Water Street, 5<sup>th</sup> floor (as well as GSC's rooftop antenna license) and the proposed License and Concession Agreement for the premises located at 516 Water Street; both agreements subject to the terms described in this Agenda Report. This is the recommended option.
2. Do not approve the proposed Second Amendment to Lease with GSC Logistics to extend their lease term for their premises located at 530 Water Street, 5<sup>th</sup> floor, nor the proposed License and Concession Agreement for the premises located at 516 Water Street, which will result in a vacancy of these spaces.
3. Direct staff to negotiate alternative terms for the proposed Second Amendment to Lease and/or the new License and Concession Agreement with GSC, which depending on the nature of the alternative terms, may prove to be unacceptable to the tenant.

## **RECOMMENDATIONS**

Staff recommends that the Board approve and authorize the Executive Director to execute the proposed Second Amendment to Lease with GSC Logistics, Inc. for the premises located at 530 Water Street, 5<sup>th</sup> floor, and approve a new License and Concession Agreement for the premises located at 516 Water Street, based upon the terms described in this Agenda Report and subject to approval as to form and legality by the Port Attorney.

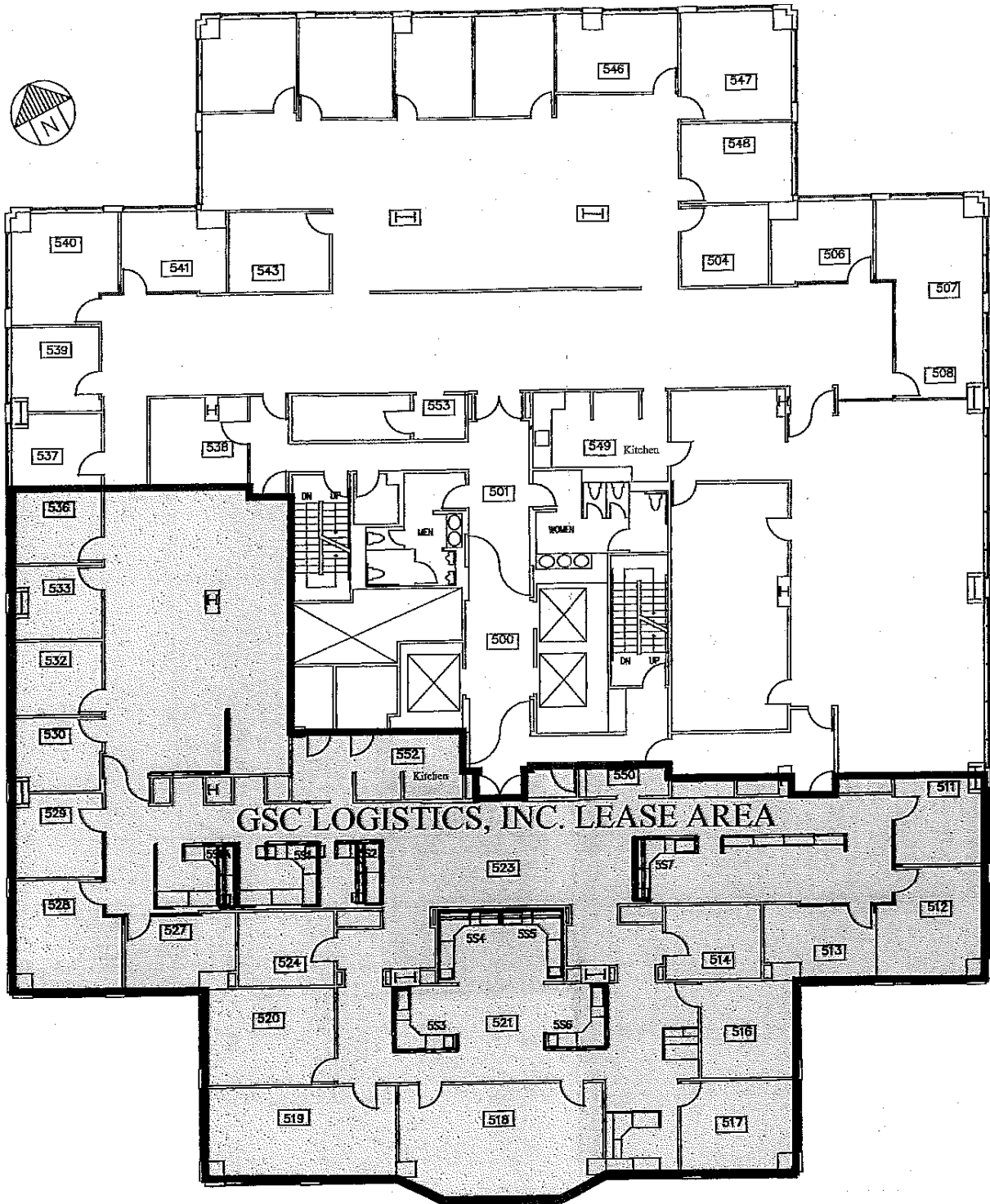
### **Attachments:**

Attachment A – 530 Water Street, 5<sup>th</sup> Floor

Attachment B – 516 Water Street

Attachment A

530 Water Street, 5<sup>th</sup> Floor



# Attachment B

516 Water Street

