

AGENDA REPORT

Ordinance: Approve and Authorize the Executive Director to Execute an Amendment to Lease with GSC Logistics, Inc. ("GSC") to Expand their Premises Located at 530 Water Street, 5th Floor by an Additional Approximately 3,487 Sq.Ft., for an Additional Fixed Monthly Rent of \$12,952.53 and an additional Monthly Building Operating/Common Area Expense Reimbursement of \$230.84, and Terminate the License & Concession Agreement with GSC for Ground Floor Office Space at 516 Water Street Upon GSC's Move Into the Expanded Premises at 530 Water Street, 5th Floor.
(CRE)

MEETING DATE: 1/23/2020

AMOUNT: \$30,235.00 (FY 19-20)
Revenue

PARTIES INVOLVED: GSC Logistics, Inc.,
Scott Taylor, Principal

SUBMITTED BY: Pamela Kershaw, Director of Commercial Real Estate

APPROVED BY: Danny Wan, Executive Director

ACTION TYPE: Ordinance

EXECUTIVE SUMMARY

The subject Agenda Report is a request for Board approval and authorization for the Executive Director to execute an amendment to the existing lease with GSC Logistics, Inc. ("GSC") to expand their premises located at 530 Water Street, 5th Floor by an additional 3,487 sq.ft., and to terminate GSC's License & Concession Agreement for ground floor office space at 516 Water Street upon GSC's move into the expanded premises at 530 Water Street, 5th Floor.

BACKGROUND

GSC Logistics, Inc. ("GSC") is an existing tenant of the Port of Oakland, headquartered at 530 Water Street, 5th floor, occupying approximately 7,777 sq.ft. under a lease ("Lease") which began in February 2006. GSC also leases a warehouse logistics facility located in the Maritime area which is managed separately by the Maritime division.

GSC currently pays a fixed monthly rent of \$28,836.91 for their 5th floor office premises and a building operating expense/common area reimbursement of \$445.00 per month. GSC also

currently pays \$190.00 per month under an Antenna Site License Agreement dated January 1, 2017 for a rooftop antenna. The Lease and Antenna Site License Agreement will expire on June 30, 2023.

In 2017, GSC requested additional office space to accommodate increased staffing. Since the remainder of the 5th floor was occupied by the National Railroad Passenger Corporation ("Amtrak"), GSC agreed to rent approximately 1,918 sq.ft. of office space located at 516 Water Street, which is at the ground floor of the 530 Water Street building. This ground floor space rental agreement runs concurrently with the Lease for GSC's 5th floor premises. GSC currently pays a monthly rent and building operating expense/common area reimbursement of \$4,020.09 and \$1,665.30 respectively, for their 516 Water Street premises.

A provision of GSC's existing lease provides a right of first offer to lease adjacent space on the 5th floor should it become available. In late 2018, Amtrak informed the Port that they would be vacating their premises upon the expiration of their lease. Port staff informed GSC of the upcoming 5th floor vacancy, at which time they exercised their right of first offer to lease an additional 3,487 sq.ft. of adjacent space and concurrently vacate and terminate the rental agreement for their 516 Water Street office. The proposed office expansion on the 5th floor will allow GSC to consolidate all their office employees into one location until their lease expires in June 2023. Amtrak vacated their premises on December 31, 2019 and GSC now wishes to expand their 5th floor premises and terminate their 516 Water Street Lease. The Antenna Site License Agreement will remain as-is.

ANALYSIS

GSC's current lease stipulates that should they exercise their right of first offer to expand their premises, the proposed expansion space would be subject to the same terms and conditions of GSC's primary lease, including rental rates and term. To facilitate the leasing of a vacant office space the Port will perform some improvements to the 5th Floor expansion premises before the Effective Date of any amendment to the Lease.

A summary of the proposed Lease amendments and termination of the 516 Water Street lease is provided below:

Expansion Premises	Approximately 3,487 sq.ft. on the 5 th floor, 530 Water Street, Oakland	
Effective Date of Expansion Premises	April 1, 2020 *	
Increased Rent Effective Date	April 23, 2020 *	
Total Fixed Monthly Rent (including for Existing Premises on 5 th Floor)	April 1 – 23, 2020	\$28,836.91
	April 23 – May 2020	\$41,789.44
	June 2020 – May 2021	\$43,043.12
	June 2021 – May 2022	\$44,334.42
	June 2022 – May 2023	\$45,619.20
	June 2023	\$47,083.52
Performance Deposit	Equal to three (3) times' the Fixed Monthly Rent	
Common Area Maintenance and Operating Expenses Reimbursement	An additional \$230.84 (beginning on the Increased Rent Effective Date), with total CAM increasing by 5% on January 1, 2021 and every year thereafter.	
Tenant's Work	Before occupying the Expansion Premises, install new flooring and paint Expansion Premises	
Landlord's Work	(prior to Effective Date) Demolish two existing walls, build demising wall and office, and relocate thermostat(s), light switches, and fire devices as needed.	
516 Water Street Lease	The Lease for 516 Water Street will terminate on the later of: (a) the Increased Rent Effective Date; or (b) the date GSC moves out of 516 Water Street premises. *	
* Timelines	In the event the Effective Date is delayed, all other dates may be extended proportionally by up to 60 days.	

The proposed business terms are consistent with the rental rates charged in Jack London Square for properties in similar condition. While the proposed expansion will accommodate GSC's need for additional space to grow its business, it will also result in additional rental revenue for the Port while reducing the vacancy at the 530 Water Street building.

Based on the analyses contained within this agenda report, staff believes that the proposed Lease Amendment will provide a continuous income stream until June 2023 at a rental rate consistent with the fair market value for the premises and recommends approval of the proposed amendment.

BUDGET & STAFFING

The proposed Amendment stipulates Monthly Rent for the expansion space to commence on April 23, 2020 which will generate additional incremental revenues of \$17,040.00 over the adopted CRE FY 2019-20 Budget as the budget assumed no tenancy of the former Amtrak premises during this fiscal year. Funds for the proposed tenant improvement expense, estimated not to exceed \$35,500.00 have been included in the FY 2020 CIP. 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 Business Plan (2018-2022).

- Goal: Grow Net Revenues

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 matter because tenancies outside of the Aviation and Maritime areas with entities that do not principally provide aviation or maritime services are excluded from the Living Wage Regulations. In addition, construction under this agreement construction prevailing wage requirements will apply.

SUSTAINABILITY

The Licensee has proposed only minor interior alterations to the leased area. If the tenant decides to substantially redevelop the site in the future, the tenant must comply with the 2000 Sustainability Policy and complete the Sustainability Opportunities Assessment Form.

ENVIRONMENTAL

This action was reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA) and the Port's CEQA Guidelines. Per its CEQA Guidelines, Port Ordinance No. 2581, Modification (9), the Port has added Subsection (p) to CEQA Guidelines Section 15301. This subsection states that the Port has determined that renewals, extensions or amendments to leases or to license and concession agreements, or the execution of leases or license and concession agreements, where the premises or licensed activity was previously leased or licensed to the same or another person and involving negligible or no expansion of existing or former use are categorically exempt from CEQA. Therefore, this action is not subject to CEQA and no environmental review is required.

GENERAL PLAN

This action does not change the use of any existing facility, make significant 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)

Although the construction project and scope are funded under the Capital Improvement Project, the limited nature of the construction activity does not warrant inclusion in the Owner Controlled Insurance Program (OCIP).

OPTIONS

1. Approve and authorize the Executive Director to execute an amendment with GSC Logistics, Inc. to expand their premises located at 530 Water Street, 5th Floor by an additional approximately 3,487 sq.ft. and to terminate their rental agreement for premises located at 516 Water Street, as further described in this Agenda Report.
2. Approve and authorize the Executive Director to execute an amendment with GSC Logistics, Inc. to expand their premises located at 530 Water Street, 5th Floor by an additional approximately 3,487 sq.ft., but subject to alternative terms and conditions than these described in this Agenda Report, which depending on the nature of those alternative terms and conditions, may not be acceptable to GSC.
3. Do not approve the proposed amendment, which may not be acceptable to GSC and will result in a continued vacancy of the proposed expansion space.

RECOMMENDATION

Approve and authorize the Executive Director to execute an Amendment to Lease with GSC Logistics, Inc. ("GSC") to expand their Premises located at 530 Water Street, 5th Floor by an additional approximately 3,487 sq.ft., for an additional fixed Monthly Rent of \$12,952.53 and an additional Monthly Building Operating/Common Area Expense Reimbursement of \$230.84, and terminate the License & Concession Agreement with GSC for ground floor office space at 516 Water Street upon GSC's move into the expanded Premises at 530 Water Street, 5th Floor, subject to the other terms and conditions stated within this Agenda Report and subject to the approval as to form and legality by the Port Attorney. Furthermore, if such documents are not fully executed within thirty (30) days after the effective date of the Board's approval, the approval shall be null and void, unless extended at the sole and absolute discretion of the Executive Director or his designee.

Attachment: Site Plan of Premises

Attachment

GSC Logistics, Inc. Expansion Premises
530 Water Street, 5th floor

