

AGENDA REPORT

Ordinance: Approve and Authorize the Executive Director to Execute a Fourth Amendment to Lease with GSC Logistics, Inc. ("GSC") for Premises Located on the 5th Floor of 530 Water Street, Oakland, to Extend the Term Through June 30, 2025, Expand the Premises at the Same Location by an Additional Approximately 5,560 Square Feet, and Terminate the Temporary Rental Agreement for this Expansion Premises **(CRE)**

MEETING DATE: 10/14/2021

AMOUNT: \$43,145.60 (FY 2022)
Revenue

PARTIES INVOLVED: GSC Logistics, Inc., Oakland, CA
Scott Taylor, CEO / Chairman of the Board

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, on the 5th Floor, by an additional approximately 5,560 square feet ("Expansion Premises"), extend the term of the existing Lease through June 30, 2025, and to terminate GSC's Temporary Rental Agreement for the same Expansion Premises upon the effective date of this amendment.

BACKGROUND

GSC Logistics, Inc. ("GSC") is an existing tenant of the Commercial Real Estate Division and has its' headquarters on the 5th Floor of 530 Water Street, occupying approximately 11,264 square feet of office space under a Lease which began in February 2006 and terminates on June 30, 2023, as well as an additional 5,560 square feet of space on the 5th Floor under a Temporary Rental Agreement effective June 1, 2021, which terminates on May 31, 2022. GSC also leases a warehouse and transloading facility located in the Maritime area which is subject to a different Lease with the Port and managed separately by the Maritime Division.

GSC currently pays a fixed monthly rent of \$44,344.41 for their 5th floor office premises under the Lease and pays a building operating expense/common area reimbursement of \$709.63 per month. GSC also currently pays \$190.00 per month under an Antenna Site License Agreement that is attached to the Lease for a rooftop antenna.

In early 2021, GSC requested additional office space to accommodate increased staffing

expansion resulting from the attraction of new business activity for their operations. While negotiating a long-term agreement, GSC executed a Temporary Rental Agreement (“TRA”) on June 1, 2021 for the remaining office space available on the 5th floor, totaling approximately 5,560 square feet, in order to address their immediate need for additional office space. Under the terms of the TRA, GSC pays the Port approximately \$21,573.00 per month, and has also agreed to replace light fixtures, install new carpet, paint interior walls, and upgrade the kitchen with new cabinets, countertop and flooring, all at their own sole cost.

ANALYSIS

In anticipation of the impending expiration of their current Lease and TRA, GSC has requested the right to extend the term of their tenancy agreement for two additional years by amending their current Lease (which would include a license for the rooftop antenna) and amend their premises to incorporate the Expansion Premises so that GSC will occupy the entire 5th floor of 530 Water Street through June 30, 2025. Port staff has been negotiating the terms of a potential Lease amendment in response to this request, and a summary of the proposed key terms for a Fourth Amendment to Lease are provided below:

Premises	Both the current Lease Premises as well as the Expansion Premises consisting of an additional approximately 5,560 sq.ft. on the 5 th floor, 530 Water Street, Oakland.	
Effective Date	November 1, 2021	
Increased Rent Effective Date	May 1, 2022	
Total Fixed Monthly Rent (including the Existing Premises on 5 th Floor)	November 1, 2021 – April 30, 2022	\$44,334.42
	May 1, 2022 – May 31, 2022	\$66,240.00
	June 1, 2022 – May 31, 2023	\$68,183.00
	June 1, 2023 – May 31, 2024	\$70,324.00
	June 1, 2024 – May 31, 2025	\$72,434.00
	June 1, 2025 – June 30, 2025	\$74,607.00
Performance Deposit	Equal to three (3) times’ the Fixed Monthly Rent.	
Monthly Common Area Maintenance and Operating Expense Reimbursement	November 1, 2021 – December 31, 2021	\$ 709.00
	January 1, 2022 – December 31, 2022	\$1,028.00
	January 1, 2023 – December 31, 2023	\$1,361.00
	January 1, 2024 – December 31, 2024	\$1,708.00
	January 1, 2025 – June 30, 2025	\$2,069.00
Option Term	A 3 (three) year term at the greater of Fair Market Value or 3% over the monthly rent in effect at the end of the term	
Landlord’s Work	No landlord improvements, premises to be taken As-Is.	
TRA Termination	Upon the Effective Date of the Fourth Amendment to Lease, the current TRA for the Expansion Premises shall terminate.	

The proposed business terms are consistent with the rental rates charged in Jack London

Square for properties in similar condition and locations. Staff has negotiated terms such that the Port will not provide any allowance for tenant improvements related to the expansion space and in exchange GSC will receive 6 (six) months of rent abatement for the Expansion Premises. The proposed expansion will accommodate GSC's need for additional space to grow its business, which also serves the Seaport, and will result in additional rental revenue for the Port while reducing the potential for a period of vacancy on the 5th Floor of the 530 Water Street building beginning in 2023.

The proposed Lease Amendment will result in a continuous revenue stream for the Port through at least June 2025 at a rental rate consistent with the fair market value for the premises, will retain an important Port tenant for an additional two year period, and staff recommends approval of the proposed Fourth Amendment to the Lease.

BUDGET & STAFFING

The proposed Amendment stipulates Monthly Rent for the expansion space to commence on May 1, 2022 which will generate additional incremental revenues of \$43,145.60 over the adopted CRE FY 2022 Budget as the budget assumed no tenancy for the expansion space on the 5th floor during this fiscal year. 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).

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

- 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"), apply to this agreement as the tenant employs 21 or more employees working on Port-related work.

SUSTAINABILITY

The Licensee has not proposed any development to the leased office space 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). The CEQA Guidelines, Section 15301 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 expansion of existing or former use. Entering into an amendment with GSC to extend their Lease term at 530 Water Street and expand the Lease premises to include an additional 5,560 sq.ft. of existing office space meets the criteria for Section 15301. Therefore, this action is exempt from 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)

This action is not subject to the Port's Owner Controlled Insurance Program (OCIP) as it is not a capital improvement construction project.

OPTIONS

1. Approve and authorize the Executive Director to execute the proposed Fourth Amendment to Lease with GSC Logistics, Inc. to expand their premises located at 530 Water Street, 5th Floor by an additional approximately 5,560 square feet, extend the term of the Lease through June 30, 2025, and to terminate the Temporary Rental Agreement for the Expansion Premises, as further described in this Agenda Report.
2. Approve and authorize the Executive Director to execute a Fourth Amendment to Lease with GSC Logistics, Inc. to expand their premises located at 530 Water Street, 5th Floor by an additional approximately 5,560 square feet and extend the term of the Lease through June 30, 2025, 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 to the Lease, which will likely result in a vacancy for the 5th Floor of the 530 Water Street building beginning in 2023.

RECOMMENDATION

It is recommended that the Board approve the proposed Fourth Amendment to Lease with GSC Logistics, Inc. to expand their premises located at 530 Water Street, 5th Floor by an additional approximately 5,560 square feet, extend the term of the Lease through June 30, 2025, and terminate the current Temporary Rental Agreement for the Expansion Premises, subject to the 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. Premises
530 Water Street, 5th floor**

Approximately 16,824 square feet of office space located on the 5th Floor of the Port of Oakland Building, as indicated in red lines below, shall constitute the Premises.

