

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 11/9/2022

Staff Report No. 21-563a

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager/Chief Executive Officer
SUBJECT: Extension of Lease

ACTION ITEM

AGENDA PLANNING REQUEST:

RECOMMENDED ACTION(S):

Consider authorizing the General Manager to execute a one-year extension of the lease with tenant JAFEC USA LLC for the Newark warehouse.

Staff Contact:
Chris Andrichak, Chief Financial Officer

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency
Initiative - Financial Efficiency and Revenue Maximization

The District benefits from the revenues collected from its warehouse in Newark and utilizes those funds in its operating budget.

BUDGETARY/FISCAL IMPACT:

The current lease with JAFEC USA, Inc. (JAFEC) has less than one month tenure remaining, payable at \$11,453.34 per month. The proposed lease extension would be payable at \$13,000.00 per month for the period of December 1, 2022, through December 31, 2023. This represents an approximate 10% increase over the previous year. The District would be responsible for paying a 5% commission to Colliers International for the term of the lease extension.

BACKGROUND/RATIONALE:

The District previously operated its Division 6 within the Newark warehouse, until the construction of the new Division 6 and TEC Center was completed in the 1980s on Mack Street in Hayward. The District has leased space in the Newark warehouse to industrial tenants since vacating the warehouse. Commercial warehouse lease space remains in high demand in the Bay Area.

ADVANTAGES/DISADVANTAGES:

The advantages of securing additional tenancy with JAFEC are the continued revenue stream, in addition to avoiding a potential vacancy of unpredictable length. JAFEC has been a model tenant since the inception of its tenancy in April 2016.

ALTERNATIVES ANALYSIS:

The alternatives to the requested action are either letting the lease expire and facing a vacancy, letting the lease revert to a month-to-month, or renewing the lease with a different length/term. Staff is recommending the specified term of renewal based upon conversations with the tenant's representative about their needs for the space and the District's plans. Having a defined lease term allows both the tenant and the District to better plan their respective operations and expenses/revenues.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 21-563 - Renewal of Warehouse Leases
Board Policy 465 - Procurement Policy

ATTACHMENTS:

None

Prepared by:

Lois C. Rawlings, Real Estate Manager

Approved/Reviewed by:

Chris Andrichak, Chief Financial Officer

Jill A. Sprague, General Counsel/Chief Legal Officer