

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 12/8/2021

Staff Report No. 21-563

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Renewal of Warehouse Leases

ACTION ITEM

RECOMMENDED ACTION(S):

Consider authorizing the General Manager to execute addenda to extend the leases for three of the District's warehouse tenants: JAFEC USA, Inc.; Gachina Landscape Management; and Cypress Mandela Training Center, as outlined in the staff report.

STRATEGIC IMPORTANCE:

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

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

BUDGETARY/FISCAL IMPACT:

The budgetary/fiscal impacts associated with the extension of these leases are the continuance of revenue that would otherwise terminate if the leases were not extended. The current lease with JAFEC USA, Inc. (JAFEC) has two months of remaining tenure payable at \$11,119.75 per month. The proposed one-year extension would be payable at \$11,453.34 per month beginning February 1, 2022. The current lease with Gachina Landscape Management (Gachina) has seven months of remaining tenure payable at \$12,030.61 per month. The proposed five-year extension would be payable at \$12,391.52 per month beginning July 1, 2022. The current lease with Cypress Mandela Training Center (Cypress Mandela) is month-to-month and is payable at \$25,202.70 per month. The proposed two-year extension would be payable at \$39,204.20 per month beginning January 1, 2022. The District would be responsible for paying a 5% commission to Colliers International for the term of the lease extensions.

BACKGROUND/RATIONALE:

The District owns and operates two warehouses, one in Newark and one in Oakland. JAFEC and Gachina both occupy space in the Newark warehouse while Cypress Mandela occupies space within the Oakland warehouse.

TENANT	WAREHOUSE	LEASE START
--------	-----------	-------------

JAFEC	Newark	April 1, 2016
Gachina	Newark	July 1, 2017
Cypress Mandela	Oakland	October 1, 2015

Commercial warehouse lease space in the Bay Area has maintained strong market appeal for the past seven years with no predicted change in the immediate overall leasing climate. Market rates for warehouse space with additional yard area range from \$.55 to \$1.00+ per square foot. These leases fall within that range at the mid-to-higher end of the range.

ADVANTAGES/DISADVANTAGES:

The advantages of securing additional tenancy with these particular three tenants are many. All three tenants have demonstrated consistent payment of rents due throughout their tenancies, including the entire duration of the current COVID-19 pandemic, while many tenants throughout the City and State stopped paying rent. It would serve the District well to extend each of these leases to maintain steady and predictable revenue at market rates. A search for new tenants could result in lower-performing tenants, in addition to potential short- or long-term vacancies. Each has made substantial physical improvements beyond their original contractual obligations and have maintained their respective units in good condition.

ALTERNATIVES ANALYSIS:

The alternatives to the requested action are either renewing the leases with different lengths or terms, not renewing the leases, or some combination thereof. Staff is recommending the specified renewals based on conversations with the tenants about their needs for the space and the District's plans. Without renewed leases, the tenants would all move to month-to-month status after their terms end. Having defined lease periods allows both the tenants and the District to better plan their respective operations and expenses/revenues.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 15-283 - Authorize lease negotiations with two tenants

SR 16-023 - Authorize lease extension with Summit CFS

SR 17-183 - Authorize two-year lease with Gachina

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