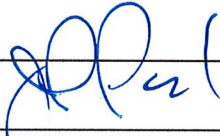


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Alameda Corridor Transportation Authority

September 12, 2019

To:	Governing Board
From:	James P. Preusch, CFO 
Subject:	<i>Approval of Second Amendment to Office Lease with Kilroy Realty, L.P. for ACTA's Headquarters Located at 3760 Kilroy Airport Way, Suite 200, in Long Beach, California (APPROVAL)</i>

Recommendation:

Approve the proposed second amendment to the office lease with Kilroy Realty, L.P. for ACTA's headquarters located at 3760 Kilroy Airport Way, Suite 200 in Long Beach, California for an additional 65 months at an approximate monthly average rent of \$20,007.68 and authorize the Chief Executive Officer or Chief Financial Officer to execute the second amendment in substantial final form and take all other actions necessary to complete the lease renewal.

Discussion:

In April 2014, the Governing Board authorized relocation of the ACTA headquarters from One Civic Plaza in Carson, California to 3760 Kilroy Airport Way using the assistance of Cushman & Wakefield as broker. ACTA began occupying the space in Long Beach in August 2014. The existing office lease expires on March 31, 2020. The present Kilroy location is efficient, clean and safe, presenting most staff with a shorter commuting alternative to the office options listed below.

Staff reviewed more than fifteen alternatives in the surrounding area, several of which were outside Los Angeles County. Following review, staff selected five optional locations to consider and visit, as summarized below:

Property 1 – Fairway Center – 1501 Hughes Way, Long Beach

At \$2.35 per sq. ft. the Fairway Center Class B property is more economical than the present office. The location would be somewhat challenging for visitors to find and would increase average commuting time and distance for most staff. There are few immediate amenities available to meet meal and other staff service needs. The review team ranked the property as third out the five properties visited.



Property 2 – One Civic Plaza – Carson Street, Carson

At \$2.40 per sq. ft. ACTA's former location at One Civic Plaza, a Class A property, is also more economical than our present office. The location would increase average commuting time and distance for most staff. ACTA's past experience at this location was marginal as to building maintenance. The review team ranked the property as tied with Topaz for last out the five properties visited.

Property 3 – The Enclave - 970 West 190th Street, Torrance

At \$3.00 per sq. ft. The Enclave Class A property would cost more than the proposed renewal rate at the present office. The location would be quite suitable for visitors to find but the average commuting time and distance would increase substantially for most staff. There are attractive amenities available to meet meal and other staff service needs, particularly after the October 2021 completion of the central restaurant mall which will serve the campus complex. The review team ranked the property as first out the five properties visited.

Property 4 – Gramercy Plaza - 2050 West 190th Street, Torrance

At \$2.90 per sq. ft. Gramercy Plaza Class A property would cost more than the proposed renewal rate at the present office. The location would be quite suitable for visitors to find but the average commuting time and distance would increase substantially for most staff. There are attractive amenities available to meet meal and other staff service needs. When completed, the entryway park-like setting would be similar to the comfortable grounds and walking areas at the present office property. The review team ranked the property as second out the five properties visited.

Property 5 – Topaz – 222 West 6th Street, San Pedro

At \$2.35 per sq. ft. for the ninth floor office suite, the Topaz Class A property is also more economical than the present office. The location would increase average commuting time and distance significantly for most staff. A major drawback is the 120-day lessor cancellation provision, required due to condo conversion considerations, which presents a serious flaw to a long-term office lease. The review team ranked the property as tied with One Civic Plaza for last out the five properties visited.

Current Property – 3760 Kilroy Airport Center Phase II, Suite 200, Long Beach

At \$2.85 per sq. ft. the 3760 Kilroy Class A property is more economical than The Enclave, the property ranked best of the alternate locations staff visited. The location is desirable as to commuting time and distance for most staff. Remaining in the present location would avoid out-of-pocket relocation costs (estimated to be \$70,000) as well as staff time and productivity loss (valued at an estimate of \$50,000). The review team ranked the option of remaining in the present office location as better than a relocation to any of the five properties visited or any of the other properties included in the market survey. The ACET consultant team will continue to share the office space and will continue to pay approximately half the monthly rent. Additionally, the lessor has offered a rent abatement for the first five months, representing a savings of \$100,804.50 in lease costs.

Lease Execution

Kilroy Realty, L.P. has provided a lease amendment, attached, renewing ACTA's lease as described in the attached term sheet. ACTA staff recommends that ACTA's Governing Board authorize staff to execute the lease amendment.

Budget Impact:

Lease costs for the current fiscal year are included in the FY20 Program and Operating Budget.

Co-General Counsel Review:

ACTA's Co-General Counsel has reviewed this Board Report and there are no legal issues at this time.

Transmittal:

- Transmittal 1 – Second Amendment to the Lease
- Transmittal 2 – Lease Renewal Term Sheet
- Transmittal 3 – Listing Agent Agency Disclosure and Consent Form
- Transmittal 4 – Disclosure Regarding Agency Relationship