



Staff Report Item 15

TO: East Bay Community Energy Board of Directors

FROM: Nicolas Chaset, Chief Executive Officer

SUBJECT: Lease Agreement for EBCE Office in Oakland

DATE: April 19, 2023

Recommendation

Approve a Resolution authorizing the Chief Executive Officer to finalize negotiations and execute one of the following office space lease agreements:

- 1-year and 10-months (approximately 22 months) Sub-Lease with Big Fish Games, Inc. (exact legal entity name to be confirmed) followed by 7-years and 7-months (91 months) Direct-Lease with BCAL LMP Harrison Property LLC for office space at 1999 Harrison St, Oakland, California
- 5-years and 5-months (65 months) Sub-Lease Agreement with Fivetran, Inc. at 1221 Broadway, Oakland, California

Background and Discussion

EBCE currently has a 12-month lease with the building owner of 1999 Harrison St, BCAL LMP Harrison Property LLC, that is set to expire on October 31, 2023. EBCE was continuing to work with Komorous-Towey Architects to finalize building design and layout with Sixth Dimension as the project manager for construction of the new building at 251 8th Street, Oakland, California 94607, that EBCE currently owns.

However, a few challenges with the new space, and opportunities in the commercial office lease market, caused EBCE to reconsider its future office space. These challenges include:

- delays in the project timeline due to design, permitting, and supply chain disruptions;

- increase in cost estimates on the renovation (\$14MM including general contractor construction costs, architect, project manager, permits, insurance, furniture, contingency, relocation, etc., when the preliminary budget was \$7MM);
- EBCE staff size has outgrown the current capacity of our office space at 1999 Harrison St and will need a new space sooner than the new building could be remodeled to accommodate staffing needs;
- lack of parking options and increased security concerns

EBCE will continue to hold the 251 8th Street property for further consideration of how to develop the building to provide the greatest benefit for the agency and community. This could include selling the building immediately, deferring a sale process until more favorable market conditions, or developing the space for agency or community use.

There has also been tremendous opportunity as office space is readily available at various sizes through sub-lease and direct lease in downtown Oakland at attractive rates.

As such, during a Closed Session during the March 15, 2023 board meeting, the EBCE Board of Directors provided direction to staff to do follow up research on three possible tenant spaces. EBCE staff is closing in on a decision as staff concludes the negotiations and is now looking for authorization to move forward with a lease on one of two sites.

The major terms of the tenant spaces for consideration are as follows:

Address: 1999 Harrison St

Square Footage: 20,755 rentable square feet

Lease Dates:

- (Sub-Lease) Approximately July 1, 2023 through February 28, 2025. The lease start is anticipated to be 45-60 days after effective date of signing.
- (Direct Lease) March 1, 2025 through September 30, 2032

License Fees (Rent):

- (Sub-Lease) \$45.60 FSG (per RSF per year), with 3% increase per annum (NPV \$1.45M)
- (Direct Lease) \$64.00 FSG (per RSF per year), with 3% increase per annum

- NPV \$7.29M, which includes the sub-lease and direct lease terms together, totaling 9-years and 5-months. For comparison, the NPV for a 5-years and 5-months term is \$4.16M

Security Deposit: TBD depending on tenant finances

Relevant contract terms under negotiation:

- Early termination right after 24 months of paid rent on the direct lease with a termination fee
- Rent abatement of 7 months
- Tenant Improvement allowance/rent offset upon direct lease of \$45/RSF
- 5-year option to renew at FMV
- Parking allotment
- Early termination of EBCE current lease at 1999
- Sale of office furniture under sub-lease agreement

Address: 1221 Broadway

Square Footage: 21,534 rentable square feet

Lease Dates: (Sub-Lease for Full Term) June 1, 2023 through Oct 31, 2028

License Fees (Rent):

- \$52.80 FSG (per RSF per year), with 3% increase per annum
- NPV \$4.61M for full term of 5-years and 5-months

Security Deposit: TBD depending on tenant finances

Relevant contract terms:

- Early termination right at 41 months
- Rent abatement
- Provided furnishings

Fiscal Impact

If EBCE secures lease space with 1999 Harrison, the fiscal impact will be as follows:

- (Sub-Lease) \$45.60 FSG (per RSF per year), with 3% increase per annum
- (Direct Lease) \$64.00 FSG (per RSF per year), with 3% increase per annum
- Net Present Value of \$7.29M, including the sub-lease and direct lease terms together, totaling 9-years and 5-months
- Security deposit is to be decided, based on EBCE's financials

If EBCE secures lease space with 1221 Broadway, the fiscal impact will be as follows:

- \$52.80 FSG (per RSF per year), with 3% increase per annum
- Net Present Value of \$4.61M for full term of 5-years and 5-months
- Security deposit is to be decided, based on EBCE's financials

EBCE staff is seeking authorization to negotiate and execute a direct lease and/or sub-lease for one of the presented office locations. While staff has a preference for one of the locations, staff is continuing to negotiate the most favorable terms.

Attachments

- A. Resolution
- B. Rent Comparison Chart

RESOLUTION NO. __

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EAST BAY COMMUNITY ENERGY AUTHORITY AUTHORIZING THE CHIEF
EXECUTIVE OFFICER TO NEGOTIATE AND EXECUTE A LEASE AGREEMENT WITH BIG
FISH GAMES & CAL LMP HARRISON PROPERTY LLC THROUGH SEPTEMBER 30, 2032
AT 1999 HARRISON STREET, OAKLAND OR FIVETRAN INC THROUGH OCTOBER 31,
2028 AT 1221 BROADWAY, OAKLAND**

WHEREAS The East Bay Community Energy Authority (“EBCE”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of EBCE and parties to the JPA in March of 2020.

WHEREAS EBCE is currently in negotiations with Big Fish Games and BCAL LMP Harrison Property LLC to lease office space on the 23rd floor of 1999 Harrison Street and Fivetran, Inc to lease office space on the 20th floor of 1221 Broadway, both in Oakland, CA,

WHEREAS each of these prospective landlords has offered terms regarding the payment of rent, the term of the sublease, and other key terms,

WHEREAS the Parties are continuing to negotiate additional terms of a prospective Lease for office space for EBCE and EBCE plans to select one of the Parties.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE EAST BAY COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The Chief Executive Officer is hereby authorized on behalf of EBCE to finalize negotiations, enter and execute a lease for either of the following:

(A) Office space at 1999 Harrison Street, Oakland CA, with a term of no more than 113 months, pursuant to key terms outlined in the associated Staff Report, subject to approval by General Counsel.

(B) Office space at 1221 Broadway, Oakland CA, with a term of no more than 65 months, pursuant to key terms outlined in the associated Staff Report, subject to approval by General Counsel.

Section 2. The Chief Executive Officer is hereby authorized to take all actions necessary or proper to implement or effectuate the actions approved by this Resolution.

ADOPTED AND APPROVED this 19 day of April, 2023.

Elisa Marquez, Chair

ATTEST:

Adrian Bankhead, Clerk of the Board

Downtown Oakland Class A Effective Rent Comps

