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AGENDA

Commercial Real Estate Committee
Wednesday, May 5, 2010 – 12:00 p.m.
530 Water Street - Board Room

THIS MEETING HAS BEEN CONTINUED UNTIL MAY 11TH AT 12:00 P.M.

Roll Call

Commissioner Kenneth **Katzoff**, Chair
Commissioner James **Head**
Commissioner Gilda **Gonzales**

ITEMS FOR DISCUSSION AND POSSIBLE ACTION

CLOSED SESSION

- A. Conference With Legal Counsel – Existing Litigation.** Pursuant to subdivision (a) of Section 54956.9. Names of cases: None
- B. Conference With Legal Counsel – Anticipated Litigation. Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9: (2 Matters)**
- C. Conference With Real Property Negotiator. Government Code Section 54956.8.**

Property: Various Parcels in Jack London Square
Negotiating Parties: Port of Oakland and Ellis Partners, LLC
Agency Negotiator: Director of Commercial Real Estate
Under Negotiation: Price and Terms of Agreement

Property: 1103 Embarcadero, Oakland
Negotiating Parties: Port of Oakland and Oakland Hospitality, LLC
Agency Negotiator: Director of Commercial Real Estate
Under Negotiation: Price and Terms of Agreement

Property: 2 Broadway, Oakland
Negotiating Parties: Port of Oakland and Scott's Restaurant
Agency Negotiator: Director of Commercial Real Estate
Under Negotiation: Price and Terms of Agreement

Property: 540 Water Street, Oakland
Negotiating Parties: Port of Oakland and Potomac Association
Agency Negotiator: Director of Commercial Real Estate
Under Negotiation: Price and Terms of Agreement

Property: Oak to Ninth Area, Oakland
Negotiating Parties: Port of Oakland and Oakland Harbor Partners, LLC
Agency Negotiator: Director of Commercial Real Estate
Under Negotiation: Price and Terms of Agreement

OPEN SESSION

ITEMS FOR DISCUSSION AND POSSIBLE ACTION

1. Approval of a Lease with Dealey, Renton & Associates, Inc. for the Premises Located at 530 Water Street, 7th Floor, with an Annual Rent Starting at \$345,306.00.

OPEN FORUM

*The Committee will receive public comment on non-agenda items during this time.
Please fill out a speaker card and present it to the Committee Secretary.*

ADJOURNMENT

The next regular meeting will be held on Wednesday, June 2, 2010 at 12:00 Noon

PUBLIC PARTICIPATION

Disability Related Modifications

Any person who requires a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in the meeting, may submit a written request, electronic request, or telephone request [via the California Relay Service (telephone) for the hearing impaired at (800) 735-2922], to the Secretary of the Board **no later than five working days** prior to the scheduled meeting date.

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Language & Interpretive Services

As a grantee of federal aid grant funds from the US Department of Transportation, the Port is responsible for ensuring equal access to its programs, services, and benefits. To request bilingual interpreters or materials in alternate formats, please contact the Director of Social Responsibility **no later than five working days** prior to the scheduled meeting date.

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Scented Products

Please refrain from wearing scented products to this meeting so attendees who experience chemical sensitivities may attend.

To Speak on an Agenda Item

You may speak on any item appearing on the Agenda. Please fill out a Speaker's Card and give it to the Board Secretary before the start of the meeting or immediately after conclusion of Closed Session. Cards received after the start of the meeting will be treated as a single request to speak in Open Forum. All speakers will be allotted a minimum of one minute.

Agenda & Related Materials

Should you have questions or concerns regarding this Agenda, or wish to review any of the Agenda Related Materials, please contact the Board Secretary, John Betterton, at (510) 627-1696, or visit our web page at www.portofoakland.com.

To receive Port Agendas and Agenda Related Materials by email, please email your request to jbetterton@portoakland.com.

ITEM 1

DRAFT AGENDA REPORT

TITLE: Approval of a Lease with Dealey, Renton & Associates, Inc. for the Premises Located at 530 Water Street, 7th Floor, with an Annual Rent Starting at \$345,306.00.

AMOUNT: \$3,958,546.31 (total over the proposed 10 year lease term)

PARTIES INVOLVED:

Corporate Name/Principal	Location
Dealey, Renton & Associates, Inc. a California Corporation	Oakland, CA
Alfred Chinn, President	

TYPE OF ACTION: Ordinance

SUBMITTED BY: Pamela Kershaw, Acting Director of Commercial Real Estate

COMMITTEE ASSIGNED: Commercial Real Estate

SCHEDULED FOR COMMITTEE: May 5, 2010

APPROVED BY: Omar Benjamin, Executive Director

FACTUAL BACKGROUND

The 530 Water Street Port administration building is a 7 story mixed-use structure, consisting of approximately 126,249 sq.ft. of office space located on floors 2 – 7 and approximately 35,158 sq.ft. of ground floor retail space. The Port of Oakland occupies office space on floors 2, 3, 4, and 6, while the 5th floor is leased to National Railroad Passenger Corporation (“Amtrak”) and GSC Logistics, occupying 8,907 and 7,777 sq.ft. respectively. The 7th floor was previously occupied by Port staff until April 2009 when this floor was vacated and Port staff were relocated elsewhere throughout the building in an effort to generate additional revenues by seeking a 3rd party tenant.

In January 2009, staff listed the 7th floor space available for lease with Collier’s International. Due to the current state of the commercial office market, the space remained available for lease for some time, however in late 2009 staff received several letters of intent from various parties, including Dealey, Renton & Associates. Dealey, Renton is a specialist insurance broker providing professional liability insurance to architects, engineers, attorneys, environmental consultants, accountants and insurance agents and brokers. Dealey, Renton has been in business since 1950, is based out of Oakland and currently located at 66 Franklin Street, is a former tenant of the Port of Oakland, and has additional offices in Pasadena and Santa Ana, California. Currently there are 59 employees in Dealey, Renton’s Oakland office.

ANALYSIS

The proposed lease with Dealey, Renton includes the following key terms:

1. Lease Term: January 1, 2011 – December 31, 2020.
2. Lease Premises: Approximately 15,145 square feet.
3. Option Term and Rent: One 5 year period at fair market value.
4. Rent will be increased by 3% per year after the first year, which will result in the following payments:

<u>Rent:</u>	<u>Year</u>	<u>Annual Rate</u>	<u>Annual Rent</u>
	1	\$22.80	\$345,306.00
	2	\$23.48	\$355,665.18
	3	\$24.19	\$366,335.14
	4	\$24.91	\$377,325.19
	5	\$25.66	\$388,644.95
	6	\$26.43	\$400,304.29
	7	\$27.22	\$412,313.42
	8	\$28.04	\$424,682.82
	9	\$28.88	\$437,423.31
	10	\$29.75	\$450,546.01

5. Tenant Improvement Allowance: The Port would contribute up to \$30.00 per sq.ft. in tenant improvements to accommodate Dealey Renton's office build-out, plus a \$.15 per sq.ft. space planning allowance. It is anticipated that the tenant improvements will take approximately 3 months to complete.
6. Leasing Commission: The Port of Oakland would pay a total commission of \$13.75 per sq.ft. (\$208,243.75 total), of which \$10.00 per sq.ft. would be paid to and shared by the two procuring brokerage firms of NAI/BT Commercial and CB Richard Ellis and \$3.75 per sq.ft. will be paid to the listing brokers, Colliers International.

Staff believes that the proposed lease with Dealey, Renton is an appropriate one which will generate additional revenues for the Port while utilizing a currently vacant underutilized space within the Port Administration building. Based on the analysis contained within this report staff recommends approval of the proposed lease.

BUDGET & FINANCIAL IMPACT

The proposed lease represents \$3,958,546.31 in total rental revenues to be received over a ten year period. Leasing costs such as of the tenant improvement allowance, space planning and commissions will be paid through the Commercial Real Estate's CIP funds,

specifically P1.00520.10, which have been allocated for leasing expenses in the 530 Water Street building.

STAFFING IMPACT

There will be no impact to Port staffing as a result of the proposed lease with Dealey, Renton as the proposed tenant account will be managed by existing CRE Division personnel.

SUSTAINABILITY

The proposed lease approval will result in the reuse of currently vacant underutilized space within the 530 Water Street building. Furthermore, as a tenant in the 530 Water Street building, Dealey, Renton will participate in our recycling and energy curtailment programs and will receive a Sustainable Opportunities Took Kit.

ENVIRONMENTAL

The proposed lease with Dealey, Renton for 15,145 sq.ft. at 530 Water Street for a ten year term has been determined exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines, Article 19, Section 15300.4, which directs public agencies, in the course of establishing their own procedures, to list specific activities that fall within each of the exempt classes categorized under Article 19 (Categorical Exemptions), and Port CEQA Guidelines Section 15301(p), which exempts the execution of leases or License & Concession agreements where the premises or licensed activity was previously leased or licensed to the same or another person, and involving negligible or no expansion of use beyond that previously existing. Approval of the proposed lease between the Port and Dealey, Renton falls within this class of exemptions. No additional environmental review is required to take the action recommended in this Agenda Report.

MARITIME AND 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.

OWNER CONTROLLED INSURANCE PROGRAM (OCIP)

OCIP does not apply to the proposed action.

GENERAL PLAN

General Plan conformity does not apply to the proposed action as the lease with Dealey Renton will not result in the construction of any new permanent facilities. Furthermore, 530 Water Street, 7th floor has been continuously utilized as office space since the building was constructed and the proposed lease will not alter that existing land use.

LIVING WAGE

Based upon a review of the terms of the agreement and information provided by the tenant, it appears that the Port Living Wage requirements do not apply because the tenant is not a Port Aviation or Maritime business, thus not subject to Section 728 of the Charter (tenancy agreements are not subject to Port Ordinance No. 3666). However, the tenant will be required to certify that should living wage obligations become applicable, the tenant shall comply with all of its obligations.

OPTIONS

1. Approve the proposed lease with Dealey, Renton for the premises located at 530 Water Street, 7th floor subject to the key terms described in this agenda report;
2. Do not approve the proposed lease with Dealey, Renton for the premises located at 530 Water Street, 7th floor; or
3. Direct staff to negotiate alternative terms for the proposed lease of this space, which may result in additional delay in leasing the space or depending on the nature of the alternative terms, may prove to be unacceptable to the proposed lessee.

RECOMMENDATION

It is recommended that the Board approve a lease with Dealey, Renton & Associates, Inc. for the Premises Located at 530 Water Street, 7th Floor, subject to the key terms as described in more detail within this Agenda Report.

530 Water Street
7th Floor

