



DATE: June 25, 2020

TO: Transportation Authority of Marin Board of Commissioners

FROM: Anne Richman, Executive Director *Anne Richman*
Li Zhang, Deputy Executive Director/Chief Financial Officer

SUBJECT: Authorize the Executive Director to Enter into a Lease Agreement for Office Space (Action), Agenda Item No. 6b

RECOMMENDATION:

The TAM Board authorizes the Executive Director to negotiate and enter into a lease amendment or new 5-year lease agreement for the current office location, 900 Fifth Avenue, Suite 100, in San Rafael.

BACKGROUND:

In April 2015, TAM entered into the current lease agreement with the landlord of 900 Fifth Ave. and occupied the space as of November 1, 2015. The current 5-year lease is set to expire on October 31, 2020. The current lease offers the option to renew for an additional 5 years with a 3% rent increase, which can be exercised at least 6 months but not more than 9 months prior to the expiration of the current term.

DISCUSSION/ANALYSIS:

An extensive amount of time and effort were invested in the last round of the office location search process when TAM was forced out of the BioMarin Campus. An Office Relocation Ad-Hoc Committee of the TAM Board was also formed to guide staff through the process. After the process was conducted the space at 900 Fifth Ave. was determined to be the most ideal location that met most of TAM's operational needs and budget capacity. After the selection was made, both the landlord and TAM also invested a significant amount of time and resources to make all the agreed-upon tenant improvements, especially improvements required by the Americans with Disabilities Act (ADA). The office space has served the agency's operational needs well since then.

As mentioned above, the current lease offers TAM the option to renew for an additional 5 years with a 3% annual rent increase, which can be exercised at least 6 months but not more than 9 months prior to the expiration of the current term. While this provides the agency a readily available option, staff believes it is in the agency's best interest to explore other options to see whether a more cost-effective office location is possible since the current office location does have excess square footage and the lease expenditure is the second greatest of all operational cost items, after salary and benefit costs. With that in mind, staff interviewed and engaged Brian Foster and Steven Leonard with Cushman & Wakefield in January 2020 to help TAM with this round of option research. You may recall that Brian Foster and Steven Leonard were also the brokers that helped TAM negotiate and secure the current lease agreement.

Based on the guiding principles used during the last round of search, TAM staff, with the broker team, reviewed more than 20 available spaces and visited more than 5 potential locations in north and central San Rafael between January and March prior to the Shelter-in-Place order. Additional criteria such as the cost of the space, availability of a large conference room, and the overall work environment were taken into account.

Through this process, one option within walking distance of the current location was determined to meet all the important criteria and operational needs of the agency and was more cost effective compared to the renewal terms offered in the current lease. After informing Chair Arnold, staff started the negotiation and evaluation process with the potential new location in April. Chair Arnold, as well as all TAM staff, visited the space either in person or virtually.

On the other hand, taking consideration of the time and cost required for an office move, and all the challenges associated with COVID-19, staff also reviewed and compared the rent of the current office location to comparable properties in downtown San Rafael and offered our landlord a set of terms for renewing the current lease. Staff is happy to report the current landlord agreed that TAM's new proposal is acceptable and agreed to significantly reduce the rent rate for the first year of new 5-year lease from the \$2.90 per square foot offered in the current lease to \$2.50 per square foot, along with free rent for the months of November and December 2020. Staff will also use this opportunity to work in cooperation with the landlord to address a few maintenance issues. Under the renegotiated terms, it is more favorable for the agency to stay at the current location.

FISCAL CONSIDERATION:

With the renegotiated lease terms, TAM is expected to save more than \$59,000 in office lease expenditures in FY2020-21, and the accumulated savings over the 5-year period will be over \$214,000, compared to the renewal terms offered in the current lease.

NEXT STEPS:

With the approval of the TAM Board, staff will continue to finalize the renegotiation process and execute the lease amendment or new lease agreement with the landlord by the end of July.

ATTACHMENTS:

None