PROPOSAL: Amend South Bay Field Office Lease to Expand Occupancy and Extend Term

SYNOPSIS: On July 8, 2016, the Board approved a five-year lease for the South Bay field office, which is used primarily by inspectors who conduct refinery and other specialized inspections in the area. There is a need to expand South Coast AQMD’s usable space at this office to provide for an increase in staffing and functionality. This action is to amend the lease with Circle Racquetball Courts, LP, adding 7,904 square feet of workspace and extending the term by five years. Funding for monthly lease payments through June 2020 for this amended lease has been included in the FY 2019-20 Budget and will be requested in successive fiscal years from the appropriate funding sources, including Rule 1180 fees.

COMMITTEE: Administrative, September 13, 2019; Recommended for Approval

RECOMMENDED ACTION:
Authorize the Executive Officer to amend the lease with Circle Racquetball Courts, LP to add 7,904 square feet of South Coast AQMD occupancy in the building and to extend the term to September 30, 2026. The total cost for the proposed amended lease for the 7-year term is not to exceed $2,432,000, which includes the base rent and any assessed Common Area Maintenance fees.

Wayne Nastri
Executive Officer

Background
Since 1995, South Coast AQMD has maintained an office in the South Bay area for the purpose of providing staff strategic access to petroleum refining facilities and industrial and port operations. The current lease for this office space, approved by the Board in July 2016, expires September 30, 2021.
South Coast AQMD currently leases 4,093 square feet of space at the Interchange Building in Long Beach. There are approximately twelve staff assigned to work from this location, with additional work stations available for use by other staff on an as-needed basis. There is also work space for testing, repairing, and maintaining monitoring and other equipment.

There is a need to expand South Coast AQMD’s presence in the South Bay area to implement new programs and emerging enforcement strategies. For example, Rule 1180 – Refinery Fenceline and Community Air Monitoring, requires real-time air monitoring systems that will provide air quality information to the public about levels of criteria air pollutants, VOCs, metals and other compounds at or near the property boundaries of petroleum refineries and in nearby communities. This requires South Coast AQMD staff to install, operate, calibrate, maintain and repair air monitoring equipment, as well as to conduct mobile optical remote sensing community surveys, data analysis, and reporting. The Long Beach office is an ideal location to serve as the center of these operations.

Proposal
This action is to amend the current lease for the South Bay field office to increase the useable office space by 7,904 square feet, for a total of 11,997 square feet. The expansion will allow approximately 45 additional compliance and monitoring staff to work from that office. In addition, there will be two workshop areas created for work on monitoring equipment and systems. The expanded offsite location will also be utilized for implementation of South Coast AQMD’s internal emergency operations programs.

The proposed lease amendment would extend the term by five years, to end in September 2026. It would also revise the terms of the base rent ($/sq.ft.) and Common Area Maintenance (CAM) fees. CAM fees cover costs for general building operating expenses, such as utilities, taxes, insurance, and janitorial and landscape services. The property owner pays for these expenses up to a negotiated baseline amount, and South Coast AQMD pays a prorated share of expenses that exceed the baseline amount for the year. The revised cost terms will establish a substantially higher baseline amount for CAM expenses to be paid by the property owner, which will result in an overall lower leasing rate for the first two years, and potentially lower CAM fees in future years.

The property owner is also agreeing to a substantial amount of tenant improvements as part of the lease amendment. The existing space and the proposed new space will be refurbished or reconfigured to accommodate staff and operational needs. New flooring will be installed and two small conference areas will be combined into one large conference area. The parking space allocation will be increased from 15 to 47 spaces, and two additional parking spaces will be allocated where South Coast AQMD will have an enclosed structure built to secure a new mobile monitoring vehicle.
Staff has surveyed office space available in the area and determined that the proposed leasing rate at this site is very competitive, if not slightly lower, for commercial buildings in the South Bay area. Accordingly, staff recommends amending the current lease with Circle Racquetball Courts, LP for the South Bay field office, to expand the office space from 4,093 square feet to 11,997 square feet, for seven years at a cost not to exceed $2,432,000, for base rent and CAM fees.

**Sole Source Justification**
Section VIII.B.2 of the Procurement Policy and Procedure identifies circumstances under which a sole source purchase award may be justified. This request for a sole source award is made under provision VIII.B.2.c.(3). The contractor has ownership of key assets required for project performance.

**Resource Impact**
The base rent for the first year of the proposed amended lease is $2.15 per square foot, with annual 3% increases, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Occupancy (4,093 sq.ft.)</th>
<th>Expanded Space (7,094 sq.ft.)</th>
<th>Total Monthly</th>
<th>Total Annual</th>
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<tbody>
<tr>
<td>1</td>
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<td>$309,523</td>
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<td>$17,468</td>
<td>$26,513</td>
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<td>$10,519</td>
<td>$20,313</td>
<td>$30,832</td>
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</table>

Grand Total: $2,371,087

In addition to the base rent listed above, assessed CAM fees are estimated to be about $10,000 per year, based on the revised baseline and higher occupancy. Per the terms of the proposed amended lease, CAM fees will not be assessed in Year 1.

Funding for the not to exceed cost of $2,432,000 for the proposed amended lease has been included in the FY 2019-20 Budget. The increased cost for the amended lease has come from Rule 1180 fees. Future funding will be requested in successive fiscal years from the appropriate funding source(s), including but not limited to the Rule 1180 Refinery-Related Community Air Monitoring System Annual Operating and Maintenance Fees pursuant to Rule 301(aa).