

EXPLANATION OF CONSENT AGENDA ITEM E.2.c.(21) October 28, 2015

ITEM:

A. Consideration of approving a new five year office lease in the Maritime Center second floor with Land and Sea Surveying for approximately 3,083 sf of class A office fit out to spec based on allowance for an annual initial payment of \$73,992 based on \$24 a sf. Commission also approves a fit-out lease with a continuing service CM firm, Heard Construction in an amount NTE \$242,500 for the project, contingent upon review and approval of the lease document by General Counsel and the Port Attorney

B. Consideration of approving the build-out of the remaining ±1000 sf second floor space with a continuing service CM firm, Heard Construction in an amount NTE \$77,500 for the project.

EXPLANATION:

A. Land and Seas has requested a suite fit out for a five year office lease in the Maritime Center. Fit out is at \$79 a SF to a proposed plan that is attached. Fit out budget is a NTE amount of \$242,500 with approximately 90 day fit out renovations. Lease is a gross lease at \$24 a SF or \$73,992 annually for 5 years with a 3 percent annual increase. Total lease value is over \$370,000. This lease uses a vacant second floor area and increases the building occupancy with lease rates consistent with other class A rentals on and off port. This is a credit worthy long term tenant and a long time vendor with the Port.

B. The build-out of the remaining ±1000 sq ft will be done in two phases. The first phase will be at a cost of \$36,500 and will consist of the shell. Phase 2, will be used to complete the build-out once one or more tenants are secured for the space at a cost of \$41,000.

Total cost for the project \$320,000

Funding Review by Finance (Pat Poston): The total NTE amount of \$320,000 for both A. & B. is included in the FY16 Capital Budget and no increase is required. [Budget item 2075 - Tenant Improvements]

Staff Recommends Approval

Prepared by Diane Denig/Scott Shepard

dd/ss

**Maritime Office Building
2nd Floor
Proposed Lease and Buildout
for
Land and Sea Surveying
and
remaining office area**

Prepared by
Scott Shepard, CCIM
Director of Real Estate
October 28, 2015



Executive Summary

- Maritime Center Office Building current has a vacate space of approximately 4000 SF located in the Southwest corner of the 2nd Floor
- We have three (3) Companies interested in smaller lease space.
- We have an LOI for approximately 3000 SF
- Dividing the 4000 SF space would leave 1000 SF
- The remaining 1000 SF could be leased as one Suite or two
- Funding of \$320,000 is required and requested
- Financial ROI.....21-24%



Building/Property Summary

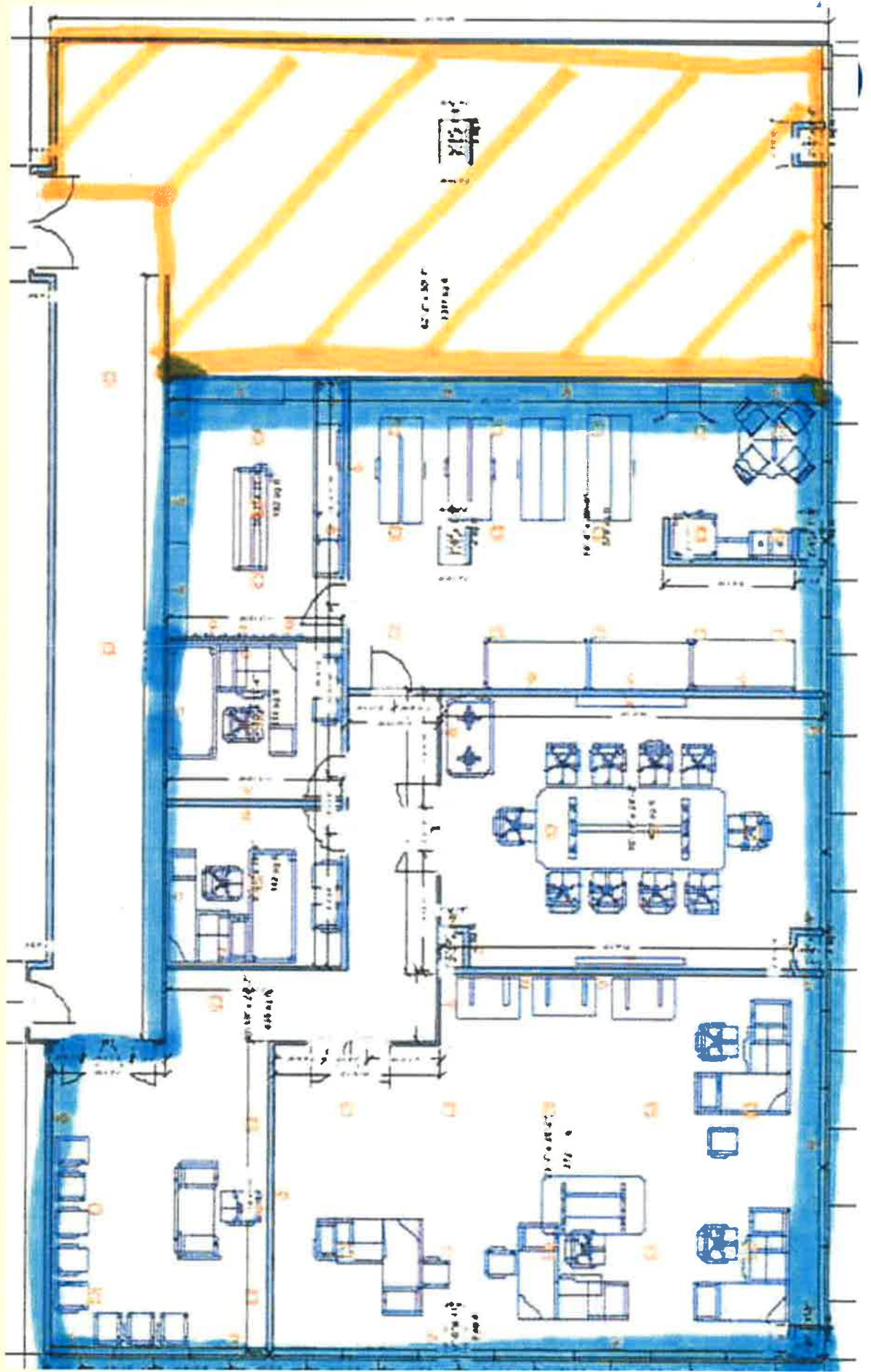
- **Address: 448 Challenger
2nd Floor**
- **Subject Area: The Southwest Corner**
- **Vacate Area: 4000 SF +/-**



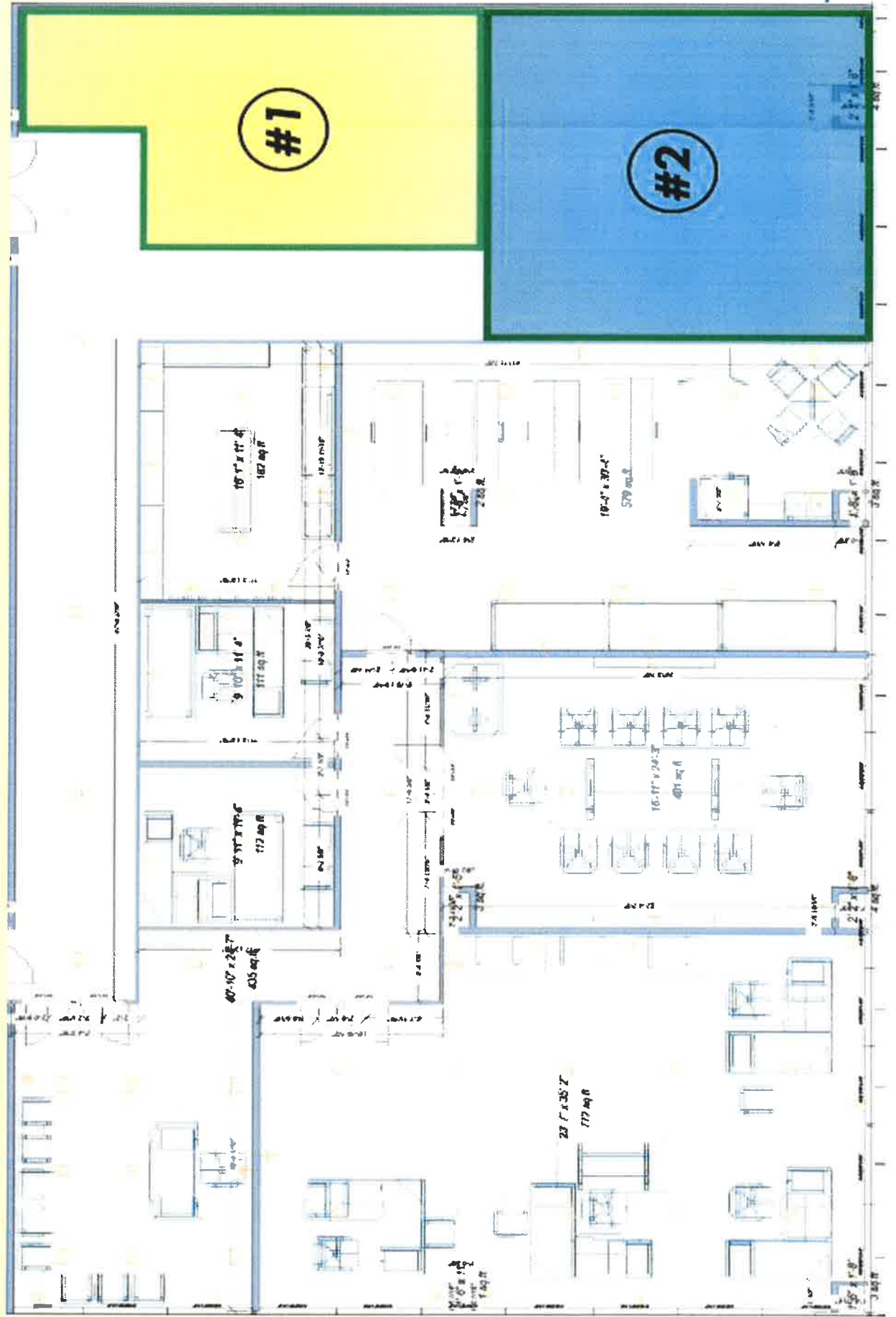
Location----448 Challenger---2nd Floor



2nd Floor Proposed Floor Plan



2nd Floor Proposed Floor Plan



Financial Summary

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
1	MARITIME CENTER																			
2	2nd Floor SW Corner Buildout																			
3	Prepared by Scott Shepard, CCIM																			
4																				
5	Suite #3 Only																			
6	(based upon total buildout)																			
7																				
8	Suite 3		3083 SF																	
9	Suite 1		515 SF	\$ 15,600 YR	\$ 30.29															
10	Suite 2		571 SF	\$ 18,000 YR	\$ 31.52															
11	Total SF		4169																	
12																				
13	Gross Rent:	\$	24.00 per SF																	
14	OPX	\$	6.00 SF																	
15	NET	\$	18.00																	
16																				
17																				
18	Buildout Cost	\$242,480.00	\$78.65																	
19	Remodel EOY 5	\$ 51,660.00	\$20.00																	
20	Reversion	\$130,820.00																		
21																				
22	Cost of Capital	5%																		
23																				
24																				
25	Year	Gross Rent	OPX	NET Rent																
26																				
27	1	\$ 73,992.00	\$18,498	\$ 55,494																
28	2	\$ 76,211.76	\$18,498	\$ 57,714																
29	3	\$ 78,498.11	\$18,498	\$ 60,000																
30	4	\$ 30,853.06	\$18,498	\$ 62,355																
31	5	\$ 33,278.65	\$18,498	\$ 64,781																
32																				
33																				
34	NPV	\$	158,284																	
35																				
36	IRR		21.07%																	
37																				

Conservation Scenario
Suite # 3 plus #1 & #2
(based upon no income for Suite1 & 2 in Yr. 1)

Suite 3 3083 SF
 Suite 1 515 SF \$15,600 YR \$ 30.29
 Suite 2 571 SF \$18,000 YR \$ 31.52
 Total SF 4169

Gross Rent \$ 24.00 per SF
 OPX \$ 5.00 SF
 NET \$ 13.00

Buildout Cost \$ 320,000.00 \$76.75
 Remodel EOY 5 \$ 83,380.00 \$20.00
 Reversion \$ 236,520.00

Cost of Capital 5%

Year	Gross Rent	OPX	NET Rent
1	\$ 50,792.00	\$ 20,014	\$ 30,778
2	\$ 108,500.00	\$ 25,014	\$ 83,486
3	\$ 111,853.00	\$ 25,014	\$ 86,839
4	\$ 115,213.74	\$ 25,014	\$ 90,200
5	\$ 118,570.15	\$ 25,014	\$ 93,556

NPV \$ 231,416
 IRR 22.56%

Recommendation

- With a ROI of 21-24%, Staff recommends approval to complete a lease with Land and Sea Surveying based upon a five (5) year term.
- Staff recommends approval to spend approximately **\$320,000** to complete the build-out of 3000 sf for Land and Sea Surveying and the buildout of the remaining 1000 SF space.
- The \$320,000 includes \$242,500 to complete Suite #3-3000 SF for Land and Sea Surveying, \$36,500 to complete the remaining 1000 SF in “Shell Condition” and \$41,000 to complete the buildout of the interior space for the remaining 1000 SF when a tenant or tenants are secured.



Questions??

