

**STAFF REPORT FOR CALENDAR ITEM NO.: 11  
FOR THE MEETING OF: March 14, 2024**

**TRANSBAY JOINT POWERS AUTHORITY**

**BRIEF DESCRIPTION:**

Authorize the Executive Director to transfer \$1,000,000 of the total Tenant Improvement Budget from the Tenant Improvement Allowance to the Base Building (Landlord Work) budget line item to bring P-01, the park level restaurant space, from a “cold shell” to a “warm shell”.

**EXPLANATION:**

In April 2020, the TJPA Board established a Tenant Improvement Budget in the amount of \$50.5 million. The budget allows the TJPA to plan for anticipated capital expenditures for Tenant Improvements in the Salesforce Transit Center required to activate the transit center consistent with the Merchandising Plan and secure superior rents from commercial/retail tenants. Each fiscal year, the TJPA Board approves a fiscal year capital budget for tenant improvements, which represents a slice of the overall budget.

With the goal of attracting a suitable long-term tenant and activating the space in the meantime, TJPA staff proposes to construct infrastructure and finishes in P-01, the park level restaurant space, that will be required for any future tenant to occupy and successfully utilize the space. Making this investment now will not only reduce the time to get a future tenant open for business but will also allow for interim activation of the space for use by the community, businesses, and nonprofits for a fair fee.

With assistance from the TJPA Asset Manager, Lincoln Property Company (LPC) and Colliers, the TJPA has engaged in diligence and good faith review of the current real estate market and have found various comparable properties that have invested in constructing a “warm shell” for prospective tenants. Examples of properties undergoing similar work are: 400 Post, 220 Post, and 100 Stockton, among others.

The proposed improvements to the space would include flooring (the current unfinished floor is sunken below the Park Level by six feet for utilities and not ADA compliant), fire and life safety systems, heating and ventilation, lighting and electrical, minor drywall and finishes, and basic audio-visual components. Additionally, and importantly, the recommended work does not preclude future design or buildout of the space for prospective tenants.

Estimated costs were developed with assistance from LPC and are considered reasonable for a space of this size, location, and use. The following table summarizes the cost estimate:

<b>Item</b>	<b>Estimated Cost</b>
Architectural services	\$100,000
Flooring	\$300,000
Fire and Life Safety	\$30,000
Lighting & Electrical	\$200,000
Drywall & Finishes	\$50,000
HVAC	\$60,000
Audio / Visual	\$60,000
Permits	\$30,000
Contingency (20%)	\$170,000
<b>Total</b>	<b>\$1,000,000</b>

Staff anticipates that if this item is approved, the design and engineering work would begin soon, with construction commencing in Summer 2024. The portion of the estimated budget that is design and engineering work could be accommodated in the Fiscal Year (FY) 2023-24 Tenant Improvements Budget. The FY 2024-25 Tenant Improvements Budget currently under development would reflect the portion of the estimated budget that is construction costs.

With regards to the overall Tenant Improvement Budget of \$50.5 million, if this item is approved, there will be an approximate remaining unexpended balance of roughly \$2 million, to be dedicated to the remaining improvements to the ground floor retail spaces in the transit center.

**RECOMMENDATION:**

Authorize the Executive Director to transfer \$1,000,000 of the total Tenant Improvement Budget from the Tenant Improvement Allowance to the Base Building (Landlord Work) budget line item to bring P-01, the park level restaurant space, from a “cold shell” to a “warm shell”.

**ENCLOSURES:**

1. Resolution

**TRANSBAY JOINT POWERS AUTHORITY  
BOARD OF DIRECTORS**

**Resolution No. \_\_\_\_\_**

WHEREAS, The Transbay Joint Powers Authority (TJPA) is a joint powers agency organized and existing under the laws of the State of California; and

WHEREAS, In April 2020, the TJPA Board established a Tenant Improvement Budget in the amount of \$50.5 million; and

WHEREAS, Based on diligent and good faith review of the current real estate market, TJPA staff proposes to construct infrastructure and finishes in P-01, the park level restaurant space, that will be required for any future tenant to occupy and successfully utilize the space without precluding future design and buildout; and

WHEREAS, TJPA estimates design and building costs for such improvements at not to exceed \$1,000,000, and are confirmed to be reasonable for a space of this size and use; and

WHEREAS, Making the funding available for the proposed work requires transfer of line items within the overall Tenant Improvement Budget; and

WHEREAS, The recommended transfer from the Tenant Improvement Allowance line item to the Base Building (Landlord Work) budget line items will not affect the \$50.5 million dollar total Tenant Improvement Budget; now, therefore, be it

RESOLVED, That the TJPA Board of Directors authorizes the Executive Director to transfer \$1,000,000 of the total Tenant Improvement Budget from the Tenant Improvement Allowance line item to the Base Building (Landlord Work) budget line item to bring P-01, the park level restaurant space, from a “cold shell” to a “warm shell”.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of March 14, 2024.

\_\_\_\_\_  
Secretary, Transbay Joint Powers Authority