



**April 25, 2018**

**To:** Finance and Administration Committee  
**From:** Darrell E. Johnson, Chief Executive Officer *[Signature]*  
**Subject:** 91 Express Lanes Corona Customer Service Center Relocation

**Overview**

The current lease for the 91 Express Lanes Customer Service Center in Corona expires September 30, 2018. The leased space accommodates the walk-in customer service center and the call center, and the facility is shared with the Riverside County Transportation Commission. Staff has retained the brokerage services of CBRE, Inc., and has researched various relocation opportunities for the customer service center. The terms of the proposed relocation include a ten-year lease for a total of 5,009 square feet, as well as tenant improvements, at a facility owned by the Riverside County Transportation Commission.

**Recommendations**

- A. Authorize the Chief Executive Officer to execute Agreement No. C-8-1660 with Riverside County Transportation Commission, to cover the ten-year lease, as well as tenant improvements, for the 91 Express Lanes Corona Office, located at 301 Corporate Terrace Circle, Corona, California, in an amount not to exceed \$999,000, which represents Orange County Transportation Authority's share of the costs.
- B. Authorize the Chief Executive Officer to execute Amendment No.3 to Agreement C-4-0384 with CPI Properties, LLC, to cover a six-month extension to the current lease, in an amount not to exceed \$55,000. This amount reflects the total lease cost and will be shared equally with the Riverside County Transportation Commission.
- C. Authorize the Chief Executive Officer to execute Amendment No.1 to Agreement C-6-1349 with CBRE, Inc., to cover real estate brokerage fees, in an amount not to exceed \$14,700.

### ***Background***

The 91 Express Lanes toll road operations includes a customer service center with 29 representatives who handle customer service issues both in person and by phone/internet, as well as handling the transponder inventory. Corona is home to the largest number of transponder holders of any city. In the past, approximately 44 customers visited the customer service center each day; however, since the extension of the 91 Express Lanes into Riverside County, the average visitors per day has increased to 71. Since April 2003, the customer service center has been located on the first floor of an office building in the City of Corona; however, various maintenance issues at the location, as well as future road construction adjacent to the location, make the location less desirable for future occupancy.

The Orange County Transportation Authority (OCTA) and the Riverside County Transportation Commission (RCTC) became partners in the facility operations of the 91 Express Lanes in November 2015, and in March 2017, RCTC opened up the extension of the 91 Express Lanes into Riverside County. An important part of the partnership agreement is that OCTA and RCTC share equally in the cost of lease and tenant improvement expenses.

### ***Discussion***

The lease for the current customer service center is expiring on September 30, 2018. In anticipation of the lease expiration, the real estate brokerage firm CBRE, Inc. (CBRE), conducted a property search along the State Route 91 corridor to determine what properties were available for lease and sale that fit within the customer service center's needs. Potential properties were identified based on square footage and pricing, and toured by staff, after which CBRE issued requests for proposals to four landlords of those properties, as well as the currently occupied property. Three responses to CBRE's requests for proposals were received, including one from the current landlord. In addition to these proposals, the RCTC proposed co-locating at a building they own in Corona. While the proposed space at three of the available locations and/or the pricing of the space were not in line with the Customer Service Center requirements, the RCTC proposed space at their building was a good fit for the customer service center, both with space and pricing.

Since the extension of the 91 Express Lanes into Riverside County, the staffing at the Corona Customer Service Center has increased from 20 to 29, an increase of 45 percent. This has caused significant space constraints at the current location, which occupies a total of 4,285 square feet.

RCTC has proposed space of approximately 5,009 square feet of their building, an increase of 16 percent over current space, which will ease the space limitations that are currently faced at the existing location. The proposed monthly rental rate is \$1.56 per square foot, modified gross, for the first year, with two percent annual increases thereafter. This rate includes janitorial services, so utility costs would be paid for separately. By comparison, the current location monthly lease rate is \$1.64 per square foot, modified gross, which means that OCTA pays for electricity and janitorial services separately. As part of the proposed lease agreement, RCTC will continue to share costs equally with OCTA, bringing the actual monthly rental rate for OCTA to \$0.78 per square foot the first year. RCTC has also agreed to manage the tenant improvement process at the new location. After considering the options available, and in the spirit of inter-agency partnership, staff recommends relocating to the RCTC site.

The proposed tenant improvements to the new location will include a walk-up customer service center and waiting area, a call center that handles all 91 Express Lanes customer-related business, cubicles and office space for 91 Express Lanes staff, technology, infrastructure, relocation costs, as well as some new furniture, fixtures, and equipment, though most will be relocated from the current location. The costs for the lease and tenant improvements are estimated at \$999,000 (\$502,000 for lease costs over ten years and \$497,000 for tenant improvements).

Because the tenant improvements for the proposed location will not be ready until March 2019, the lease at the current location will need to be extended for an additional six months to March 31, 2019, in an amount not to exceed \$55,000. A holdover provision is included in the proposed lease extension at the current location should the need for additional time arise.

As part of the proposed agreement with RCTC, OCTA will pay its own real estate fees to CBRE, Inc., in an amount not to exceed \$14,700. While it is generally customary for the landlord to pay for real estate fees, CBRE has acted in partnership with OCTA throughout the process, arranging tours, managing proposals, advising staff on project planning, logistics, negotiations, market trends, customary lease inclusions, and lease preparation. CBRE has been a tremendous asset to OCTA throughout the process.

#### **Fiscal Impact**

Funds for OCTA's share of the tenant improvements are included in the Fund 36 fiscal year 2017-18 budget. OCTA's share of the first year of the office lease is included in the Fund 36 fiscal year 2018-19 proposed budget, since the

estimated occupancy date is April 1, 2019. CBRE's brokerage fees are also part of the Fund 36 fiscal year 2018-19 budget.

***Summary***

Staff is recommending the Board of Directors authorize the Chief Executive Officer to execute Agreement No. C-8-1660 with the Riverside County Transportation Commission to cover both OCTA's share of the ten-year lease, as well as OCTA's share of the tenant improvements for the 91 Express Lanes customer service center in Corona, in an amount not to exceed \$999,000. Additionally, staff recommends the Board of Directors approve Amendment No.3 to C-4-0384 with CPI Properties, LLC, for a six-month extension to the current lease, in an amount not to exceed \$55,000. Finally, staff recommends the Board of Directors approve funding of an amount not to exceed \$14,700 for Amendment No.1 to Agreement C-6-1349 with CBRE, Inc., for real estate brokerage fees in accordance with the terms contained therein.

***Attachments***

- A. Proposed Standard Multi-Tenant Office Lease – Gross, 301 Corporate Terrace, Corona, CA 92879

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