



December 4, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Proposed Management Plan for the Administrative Headquarters Building

Overview

On October 25, 2024, the Orange County Transportation Authority closed escrow and assumed ownership of the property located at 2677 N. Main Street, Santa Ana, California. This property will serve as the administrative headquarters for the Orange County Transportation Authority. Ownership of the property will require oversight of tenants, property management, service contracts, and building maintenance. In order to effectively carry out these ownership responsibilities, Board of Directors' authorization for the Chief Executive Officer to negotiate and execute lease agreements with tenants and service contracts necessary for the ongoing operations and maintenance of the property is recommended.

Recommendations

- A. Authorize the Chief Executive Officer, or his designee, to negotiate and execute lease agreements with tenants for lease maturities of no greater than ten years.
- B. Authorize the Chief Executive Officer, or his designee, to negotiate and execute service contracts necessary for the operations and maintenance of the property.

Background

The Orange County Transportation Authority (OCTA) has purchased the property located at 2677 N. Main Street, Santa Ana, California to serve as its administrative headquarters. The property is 4.6 acres and includes a ten-story office tower with 220,453 square feet of office space, a separate five-story parking structure, and surface parking. The property currently has 31 tenants, a

property management company, and 17 service contracts needed to operate and maintain the property, all of which OCTA assumed as part of the purchase.

Discussion

The acquisition of the property located at 2677 N. Main Street, Santa Ana, California requires OCTA to manage tenants, service contracts, property management, and maintenance of the property on an ongoing basis. It is anticipated that OCTA will continue to rent space in the administrative headquarters building after OCTA moves into the building. As such, OCTA will be responsible for retaining, relocating, and finding new tenants. Given the fluid nature of commercial real estate, and the timing and flexibility necessary to properly negotiate future leases, it is important that OCTA be able to react nimbly to allow the greatest opportunity for successful negotiations. Staff is recommending that the Board of Directors (Board) grant the Chief Executive Officer (CEO) the authority to negotiate and execute lease agreements with tenants for lease maturities of no greater than ten years. This would enable the CEO to approve new leases, lease amendments, lease renewals, early lease terminations, tenant relocations and tenant improvements. While many of these transactions would likely already fall within the CEO's signing authority, the larger leases will be greater than the current signing authority. In every case, regardless of the dollar amount, the CEO would be required to use staff and/or outside resources, such as real estate professionals, to determine fair market lease rates, establish criteria to determine prospective tenant's ability to pay, advertise the availability of property, select tenants, negotiate, and execute and/or amend leases and related documents, following review by OCTA General Counsel.

OCTA is currently using a property management company to manage the day-to-day operations of the property. OCTA retained The Muller Company (Muller), which was managing the property prior to OCTA's purchase, for a one-year contract. Retaining Muller provides OCTA and the existing tenants continuity as OCTA begins taking the necessary steps to construct a boardroom/conference facility and make tenant improvements to the building. Staff will bring a procurement for long-term property management services to the Board next year.

There are also 17 service contracts needed to operate and maintain the property. These contracts include services such as janitorial, security, building engineering, landscaping, elevator maintenance, generator service, lighting maintenance, as well as a host of other small service contracts. The majority of the expenditures associated with each of these contracts are low dollar amounts

with 13 being less than \$3,000 per month. OCTA assumed the existing service contracts at the close of escrow and all the contracts are open-ended (no specified termination date). None of the contracts exceed the CEO's \$500,000 procurement threshold over a one-year period, but three of them would exceed the threshold over a multi-year period, which include janitorial, security, and building engineering. Staff is recommending that the Board grant the CEO the authority to negotiate and execute service contracts for the ongoing operations and maintenance of the property with the expectation that this could be revisited once a new property management agreement is procured.

Summary

The acquisition of the property located at 2677 N. Main Street, Santa Ana, California requires OCTA to manage tenants, service contracts, property management, and maintenance of the property on an ongoing basis. In order for OCTA to be nimble in areas needed to successfully manage the property, OCTA staff recommends that the Board authorize the CEO, or his designees, to negotiate and execute lease agreements with tenants for lease maturities of no greater than ten years, and to negotiate and execute service contracts necessary for the ongoing operations and maintenance of the property.

Attachment

None.

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