



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: January 14, 2014

TO: Mayor and Councilmembers

FROM: Airport Administration, Airport Department

SUBJECT: Exclusive Listing Agreement With Radius Group Commercial Real Estate, Inc. For Airport Properties

RECOMMENDATION:

That Council approve, and authorize the Acting Airport Director to execute, an Exclusive Listing Agreement with Radius Group Commercial Real Estate, Inc. for real estate broker services to lease Airport property located at 6010 Hollister Avenue and 521 Norman Firestone Road, effective upon approval, with compensation estimated at \$64,000 for the Hollister property and \$103,500 for the Firestone Road property as determined based on ultimate lease term and rental rates.

DISCUSSION:

Background

The Airport Department has historically provided property management services in-house utilizing professional Department staff. The Department manages approximately 150 leases which total about 323,000 square feet of building space and 4.7 million square feet of land. The leases encompass both commercial/industrial and aviation uses with a 98% occupancy rate.

In 2013, the lease at 6010 Hollister Avenue (Woolever Tire) terminated and the lease at 521 Norman Firestone Road (Elephant Bar Restaurant) expired. Due to the unique requirements for the restaurant (Elephant Bar), and the prime location of the vacated Woolever Tire Shop, staff recommended retaining real estate broker services to find and negotiate lease agreements for these locations.

Request for Proposals

A Request for Proposal (RFP) for Real Estate Broker Services was developed and distributed to interested real estate companies. The RFP designated the following services to be provided by the real estate company:

- Specific market analysis for each property for potential use.

- Advertising the properties through various means available to the Broker/Agent as widely accessed and most commonly utilized in the real estate market.
- Create property specific profile and marketing materials. Post property with signage and contact information. The property profiles to include due diligence and full disclosure on the property as-is.
- Qualify potential tenants to lease the property under the terms and conditions of City requirements, and handle all closing activities.
- Provide a fixed-fee or percentage fee for the services rendered.

A pre-proposal site tour of both properties was held with two brokerage firms in attendance. Two proposals were received and both submittals were evaluated based on the RFP Evaluation Criteria by staff and the Airport Commission Lease Review Subcommittee. Based on the evaluation and interview, Radius Group Commercial Real Estate, Inc. was recommended to provide professional broker services for the Airport.

Proposed Agreement for Real Estate Broker Services

Staff is recommending that the City enter into a 12-month Exclusive Listing Agreement with Radius Group Commercial Real Estate, Inc., which Agreement can be extended for one additional 12-month period at the discretion of the Airport Director, to market and negotiate lease agreements for the two Airport properties. The real estate agents will maximize advertising and marketing by use of Multiple Listing Service and all other resources available for leasing specialized properties by selected realtors. This additional marketing in conjunction with on-site signage and website ads will gain wider exposure to potential tenants and subsequently result in the highest rental rate and best use for the properties.

BUDGET/FINANCIAL INFORMATION:

The actual brokerage compensation will be based on the term and rental rates of the two lease agreements once entered. Both leases are estimated to have a term of five years with two five year options. The charts below provide an overview of the lease rental and brokerage fees for the properties.

6010 Hollister Avenue

Lease Term Base rent with 3% annual adjustment	Base Rent/SF Rate	Total Base Rent	Brokerage Fees
Year 1-5	\$1.45 - \$1.63	\$557,507	\$33,450 – 6%
Year 6-10	\$1.68 - \$1.89	\$646,303	\$19,389 – 3%
Year 11-15	\$1.95 - \$2.19	\$749,243	\$11,239 – 1.5%
Total Rental		\$1,953,053	
Total Broker Fee			\$64,078

521 Firestone Road

Lease Term Base rent with 3% annual Adjustment	Base Rent/SF Rate	Total Base Rent	Brokerage Fees
Year 1-5	\$1.50 - \$1.69	\$899,453	\$53,967 – 6%
Year 6-10	\$1.74 - \$1.96	\$1,042,712	\$31,281 – 3%
Year 11-15	\$2.02 - \$2.27	\$1,208,789	\$18,132 – 1.5%
Total Rental		\$3,150,954	
Total Broker Fee			\$103,380

Fees for the first five year term will be paid upon execution of the lease, with subsequent brokerage fees paid as each option to renew is executed by the tenant. Funding for the brokerage fees will be included in the Airport Operating Fund budget.

Once tenants have been selected to occupy the properties, staff will return to Council for approval of the lease agreements and any adjustments needed to the Airport Fund budget to cover the compensation to Radius Commercial Real Estate.

PREPARED BY: Hazel Johns, Acting Airport Director

SUBMITTED BY: Hazel Johns, Acting Airport Director

APPROVED BY: City Administrator's Office