



Berkeley Housing Authority

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Office of the Executive Director

Item []

NEW BUSINESS

September 30, 2025

To: Honorable Chairperson and
Members of Affordable Housing Berkeley

From: James Williams, Executive Director

Subject: Proposed Commercial Lease Agreement; Proposed Termination of Existing Office Lease

RECOMMENDATION

Adopt A Resolution Approving and Authorizing the Executive Director to Execute a Lease Termination Agreement Terminating the Lease Agreement by and Between the Berkeley Housing Authority and the City of Berkeley, dated January 1, 2021 for Office Space at 1947 Center Street, Berkeley, California and Take Further Actions Necessary to Effectuate the Termination of the Lease.

Adopt A Resolution Approving and Authorizing the Executive Director to Execute a Commercial Office Building Lease with 2000 Center Street LLC for Commercial Office Space Located at 2000 Center Street, Suite 100, in Berkeley California and Take Further Actions Necessary to Effectuate the Terms of the Commercial Lease. CEQA Exempt

BACKGROUND

The Berkeley Housing Authority (“BHA”) entered into a lease agreement dated January 1, 2021, with the City of Berkeley for its current office space on the fifth floor of the Civic Center Annex Building, located at 1947 Center Street, Berkeley California, (“City Lease”). The space includes 13 private offices, a medium sized conference room, a reception/mailroom, storage room, and nonexclusive use of certain common areas including an extra-large conference room, kitchenette, restrooms, hallways, and elevator lobby. The City Lease has a term of 10 years with options to renew for two additional 10-year periods. BHA staff recommend terminating this lease and relocating BHA’s offices and program spaces to a different office location. BHA’s current office space does not accommodate the need for the public to have access during normal business hours. In order to terminate the City Lease, BHA and the City of Berkeley will need to enter into a lease termination agreement. BHA will not incur any penalties or additional costs in connection with the early termination of the City Lease.

BHA staff viewed approximately six different office spaces that could meet BHA’s needs. The office space recommended by BHA staff provides for the first seven months of rent to be free and rent thereafter slightly below market rate, is configured in a way that will be more conducive to BHA’s uses and operations, and will allow for public access during normal business hours as well as for Board of Commissioner meetings. Additionally, the property owner is providing an allowance for tenant improvements and will make those improvements

prior to the commencement date of the lease. Comparisons of office space currently available is included as Attachment 3 and lists the rental cost and size of comparable office spaces. The proposed new lease will result in an average increase in rent of approximately \$3,150 per month, \$ 37,800 annually in the next five years, that is the remaining life of the existing lease at 1947 Center Street. The new lease is necessary to allow for public access. BHA utilized the broker services of Cornish & Carey Commercial, a California corporation, dba Newmark. All broker fees will be paid by landlord, 2000 Center Street LLC.

The recommended new office is located at 2000 Center Street, Suite 100 in Berkeley California. The key terms of the proposed lease agreement include the following:

- Landlord: 2000 Center Street LLC
- Premises: approximately 5,500 sq feet on the first floor of the building and access to common areas, such as lobbies, common corridors and hallways, restrooms, stairways, elevators, etc.
- Commencement Date: the later of January 15, 2026 or substantial completion of the tenant improvements.
- Term: 120 months, with two 5-year renewal options.
- Security Deposit: \$15,950.00
- Rent:
 - Months 1-7 Free Rent
 - Months 8 – 12 \$2.90 Per RSF Per Month = \$15,950 Per Month
 - Months 13-24 \$2.97 Per RSF Per Month = \$16,349 Per Month
 - Months 25-36 \$3.05 Per RSF Per Month = \$16,758 Per Month
 - Months 37-48 \$3.12 Per RSF Per Month = \$17,177 Per Month
 - Months 49-60 \$3.20 Per RSF Per Month = \$17,606 Per Month
 - Months 61-72 \$3.28 Per RSF Per Month = \$18,134 Per Month
 - Months 73-84 \$3.38 Per RSF Per Month = \$18,678 Per Month
 - Months 85-96 \$3.48 Per RSF Per Month = \$19,239 Per Month
 - Months 97-108 \$3.59 Per RSF Per Month = \$19,815 Per Month
 - Months 109-120 \$3.69 Per RSF Per Month = \$20,410 Per Month
- Proportionate Share of Project Operating Costs: 11.18%; no payments required during Months 1-7. (approximately \$220 per month in addition to Rent)
- Services and Utilities: Property owner will furnish electricity for normal office equipment, HVAC, water and sewer service, trash disposal, janitorial services and supplies, maintenance of common areas, and elevator service. (paid out of operating costs)
- Termination Rights: right to terminate after the end of the 72nd month of the lease upon 9 months written notice and payment of 3.5 months of rent and payment of unamortized deal costs, which include architectural fees, tenant improvements, leasing commissions, reasonable legal fees, and permitting costs and fees.

BHA Staff recommend moving forward with terminating the existing lease and entering into the new lease for commercial office space as described above.

FISCAL IMPACTS OF RECOMMENDATION

The approved budget for FY2026 anticipates that \$921,166 in operating expenses will be covered by HAP funding (by way of fungibility) due to insufficient operating revenues. Because of the free rent during the first 7 months in the proposed lease, BHA will generate savings of approximately \$53,000 in FY2026. However, the new lease will increase office rent by approximately \$55,000 to \$61,200 in the succeeding fiscal years through FY2030.

CONTACT PERSON

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Attachments:

1. Resolution No. [25-___], with exhibit
2. Resolution No. [25-___], with exhibit
3. Office Space Comparisons