



100 City Hall Plaza Lease Renewal (VOTE)

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Background

The Health Connector rents 19,120 square feet of space on three floors (3rd, 5th and 6th) at 100 City Hall Plaza.

- The Health Connector has been in the building since early 2007, shortly after it was established
- The current lease, which was last renewed in 2015, expires on August 30, 2021
- For the final year of the current lease, the rate is \$42.13/sf, or \$745,680/year
- Beginning in January 2020, the Health Connector undertook an extensive market review to determine whether it would be advantageous to move to a new location or instead renew in the current space

Lease Renewal Proposal

After negotiations with the landlord, the Health Connector has the opportunity to renew its lease in accordance with the following terms.

- New lease term to begin August 31, 2021, extending to November 30, 2026
- The effective average rate for the renewal period is \$45.26/sf, reflecting full use of improvement allowance to abate rent, as described below
- Terms include 6 months of rent abatement
 - Final 3 months of 2020
 - First 3 months of new lease term
- Terms also include improvement allowance of \$344,500, which can be used to make improvements to the 5th and 6th floors, if desired, or alternatively used to abate rent, starting in 2022 and spread out over the remaining term of the lease
- Renewal terms include the right to terminate the 3rd floor lease after the third full year, if desired
 - At 5,340 square feet, this represents 28% of the total leased space
- The Health Connector also retains the right to sub-lease, if desired

Lease Renewal Analysis

The lease renewal terms are favorable compared to other options in the market, and provide important flexibilities.

- A review of the current commercial real estate market for buildings similar to 100 City Hall Plaza revealed rates per square foot of \$65, and such amounts did not significantly change, even after the effects of COVID-19 became more prevalent
- The effective average rate for the renewal period of \$45.26/sf is significantly lower than the rate would be were the Health Connector to move (and avoids moving costs), and is a modest increase above the current rate of \$42.13
- The ability to terminate the 3rd floor or to sub-lease some or all of the space means that the Health Connector will have the flexibility to reduce its office space footprint, if necessary, based on lessons learned from COVID-19
 - Like other employers, the Health Connector is considering whether, in a post-COVID-19 world, how much work will be done remotely vs. in-office
 - If it turns out that we will not require every employee to report to the office every day, we may find that we have leased more office space than necessary
 - The rights to terminate or sub-lease will mean that we can right-size our footprint and potentially save money

Recommended Vote

Staff recommend that the Board authorize the Executive Director to execute an extension of the lease at 100 City Hall Plaza on the proposed terms.