

All Receive - Agenda Item # 2  
For the Information of the:  
CITY COUNCIL  
ACM  CA  CC   
Date 1/9/18 City Manager



## Council Memorandum

January 9, 2018

**To:** Honorable Mayor Hall and Members of the City Council  
**From:** Gary T. Barberio, Assistant City Manager  
**Via:** Marisa Lundstedt, Chief Operations Officer *ML*  
**Re:** Supplemental Information for Agenda Item #2 – Bio, Tech, and Beyond

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At the City Council briefing on January 8, 2018, questions were raised regarding the estimated trash fees, annual city expenses at the entire Farmers property, current market lease rates, and performance metrics for Bio, Tech, and Beyond. Responses are provided below:

**Topic: Trash fees.** Per the proposed new Agreement, trash service for the incubator building will now be transferred to and paid directly by BTB. Currently, trash service for the entire Farmers property (BTB building and the larger office building) is in the city's name and is paid by the city at a rate of \$1,524 per month. With the new Agreement, the city will be relieved of the portion of the current \$1,524 monthly trash fee associated with the BTB building. The city will continue to be responsible for trash service at the larger office building and will pay the monthly trash fee for that property.

**Topic: Annual City Expenses at the Farmers property.** The annual city expenses for the entire Farmers property total \$131,400, which includes current annual expenses of \$8,953.13 for the BTB building. With the new Agreement, the tenant will cover the annual \$8,953.13 expenses for the BTB building, reducing the annual city expenses for the Farmers property to \$122,446.87. Annual expenses include costs associated with utilities, trash, security, window washing, landscape maintenance, and CRC dues (see attachment).

**Topic: Current Market Lease Rates.** The current lease rate of approximately \$.95 per square foot per month utilized in the staff report was generated by staff from readily available comparable data. A formal valuation/appraisal process was not completed. In this case, an end of year 2017 Co-Star Report, as well as a quick review of similar properties currently for lease and advertised on Loop-Net, were utilized to generate the \$.95 per square foot per month current lease rate estimate. Given the age, construction type, and level of tenant improvements, the BTB building would be considered a Class C/Class B Industrial/R&D building,

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and recent comparable lease rates for similar type properties fall in the range of \$.85 - \$1.10 per square foot per month.

**Topic: Performance metrics for Bio, Tech, and Beyond.** BTB currently has 18 tenants. Over the past five years, BTB has successfully incubated 31 companies, including six in 2017. Specific data on where the 31 incubated companies are currently located is not available, but some are located in Carlsbad and in the SD region. In addition, BTB hosts at least one educational event each quarter, hosting nine events in 2017, and approximately 80 events over the past five years

Attachment: Farmers Property Expenses

cc: Kevin Crawford, City Manager  
Celia Brewer, City Attorney  
Debbie Fountain, Community and Economic Development Director  
Christie Marcella, Economic Development Manager  
Curtis Jackson, Real Estate Manager

**FARMERS PROPERTY SITE AND BUILDING INFORMATION**

Total Farmers Property Acreage	13.50
Farmers Building SF	128,846
Bio, Tech, & Beyond (BTB) Building SF	6,100
* BTB Lease commenced 2013	

**BIO, TECH, & BEYOND PROPORTIONATE SHARE OF EXPENSES**

Total Farmers Property Acreage	13.50
BTB Property Acreage	1.46
Proportionate Share	11%

**TOTAL FARMERS PROPERTY EXPENSES 2013-2017**

	Exterior Building Painting	Elevator Maintenance	HVAC Repairs	Sewer/Water	Gas/Elec	Trash	Security	Window Washing	Landscaping	CRC Dues	Total
2013	\$ 37,530.00	\$ 5,000.00	\$ 21,200.00	\$ 20,000.00	\$ 24,000.00	\$ 1,524.00	\$ 500.00	\$ 2,100.00	\$ 40,200.00	\$ 38,000.00	\$ 190,054.00
2014		\$ 5,000.00		\$ 20,000.00	\$ 24,000.00	\$ 1,524.00	\$ 500.00	\$ 2,100.00	\$ 40,200.00	\$ 38,000.00	\$ 131,324.00
2015		\$ 5,000.00		\$ 20,000.00	\$ 24,000.00	\$ 1,524.00	\$ 500.00	\$ 2,100.00	\$ 40,200.00	\$ 38,000.00	\$ 131,324.00
2016		\$ 5,000.00		\$ 20,000.00	\$ 24,000.00	\$ 1,524.00	\$ 500.00	\$ 2,100.00	\$ 40,200.00	\$ 38,000.00	\$ 131,324.00
2017		\$ 5,000.00		\$ 20,000.00	\$ 24,000.00	\$ 1,524.00	\$ 500.00	\$ 2,100.00	\$ 40,200.00	\$ 38,000.00	\$ 131,324.00
											\$ 715,350.00

**TOTAL BROKEN-OUT BIO, TECH, AND BEYOND EXPENSES 2013-2017 (Not in addition to Total Farmers Cost)**

	Exterior Building Painting	Elevator Maintenance	HVAC Repairs	Sewer/Water	Gas/Elec	Trash	Security	Window Washing	Landscaping	CRC Dues	Total
2013	\$ 4,128.30		\$ 21,200.00	\$ 1,668.00		\$ 1,524.00	\$ 55.00	\$ 231.00	\$ 4,422.00	\$ 1,053.13	\$ 34,281.43
2014				\$ 1,668.00		\$ 1,524.00	\$ 55.00	\$ 231.00	\$ 4,422.00	\$ 1,053.13	\$ 8,953.13
2015				\$ 1,668.00		\$ 1,524.00	\$ 55.00	\$ 231.00	\$ 4,422.00	\$ 1,053.13	\$ 8,953.13
2016				\$ 1,668.00		\$ 1,524.00	\$ 55.00	\$ 231.00	\$ 4,422.00	\$ 1,053.13	\$ 8,953.13
2017				\$ 1,668.00		\$ 1,524.00	\$ 55.00	\$ 231.00	\$ 4,422.00	\$ 1,053.13	\$ 8,953.13
											\$ 70,093.95

**EXPENSE EXPLANATIONS TABLE**

ITEM	DESCRIPTION
Exterior Building Painting	The Exterior of both Farmers buildings was painted in 2013
Elevator Maintenance	There is no elevator located in the property leased by Bio, Tech, and Beyond; strictly the larger vacant building
HVAC Repairs	The city paid for the deferred maintenance required on the HVAC when Bio, Tech, and Beyond took occupancy in 2013.
Sewer/Water	The city pays \$20,000/year for all irrigation and water use on the property; Bio Tech, and Beyond is responsible for \$1,668 of the annual \$20,000 total
Gas/Elec	The city's SDG&E Bill doesn't include Bio, Tech, and Beyond.
Trash	The Trash line item above is for the entire property.
Security	Expense covers entire property; value above for Bio, Tech, and Beyond is 11% of total expense
Window Washing	Expense covers entire property; value above for Bio, Tech, and Beyond is 11% of total expense
Landscaping	Expense covers entire property; value above for Bio, Tech, and Beyond is 11% of total expense
CRC Dues	Expense covers entire property; However, CRC dues are lot specific and based on Net Sellable Acreage. Bio, Tech, and Beyond parcel total is \$1053.13