

# OCTA Skips Santa Ana Buy, Renews Lease in Orange

## 11th-Hour Deal to Stay at Union Bank Square HQ

The Orange County Transportation Authority is staying in Orange, after all.

Last month, I wrote about how the county's transportation agency was contemplating buying the State Fund Building in Santa Ana to serve as its new headquarters and administrative building. I also noted that the agency could end up staying put with an 11th-hour renewal or buy in Orange.

The Santa Ana deal was valued at about \$65 million, factoring in tenant improvements and other costs, or \$42.5 million just for the purchase of the building at 1750 E. Fourth St., according to OCTA staff reports.

The purchase, initially recommended by OCTA staff, was scheduled to be voted on by the agency's board at its first meeting of 2014.

OCTA, prior to that Jan. 13 meeting, received a new and improved offer from its existing landlord at the Union Bank Square office complex in Orange. The agency has been there since 1992.

The property's owner, UBS, offered OCTA the option of renewing its lease at better terms for either 10 or 15 years, according to agency reports. It also offered the option to purchase a portion of the office campus for its own use.

The agency voted on Jan. 13 to stay put, opting to renew its lease for 15 years.

A key factor in OCTA's decision was a concern that a lease-back provision at the State Fund Building for its current owner, California's State Compensation Insurance Fund, wouldn't leave enough space for OCTA to comfortably house its operations.

The eight-story, 228,750-square-foot State Fund office is part of the Xerox Centre campus. The State Compensation Board wanted to lease back more than 100,000 square feet of that space, but OCTA was hoping for a leaseback provision closer to 77,000 square feet.

Terms of the new lease at Union Bank Square weren't immediately disclosed; a letter to the agency's board from OCTA Chief Executive Darrell Johnson noted the new deal in Orange would provide it "a longer period of free rent, a larger tenant improvement allowance, and the ability to acquire additional space."

The tenant improvement allowance is \$35 per square foot, and the new lease also includes extra space for OCTA at an additional office at Union Bank Square, which is just north of the Garden Grove (22) Freeway near the Westfield MainPlace mall.

About 450 OCTA employees work in the Orange offices.

### Hager Pacific Additions

Newport Beach-based industrial real estate investor Hager Pacific Properties has been on an acquisition kick in Southern California and Texas.

The privately held company said it has made about \$20 million worth of purchases over the past three months, adding to its portfolio six buildings, as well as 7 acres of land used for storage near the Long Beach and Los Angeles ports.

Deals in Los Angeles County included a 70,000-square-foot industrial building at 7630 Industry Ave. in Pico Rivera and a 68,000-square-foot research and development facility at 2900 Bradley St. in Pasadena.

In Texas, the company completed the purchase of four buildings near the border town of McAllen. It first invested in the town's indus-



Union Bank Square: houses 450 OCTA employees

trial market last April and also began buying in El Paso around the same time.

It now owns about 700,000 square feet of buildings in McAllen and is the largest private investor in industrial real estate in that market.

Hager Pacific's portfolio is now valued at about \$2 billion; it said it plans to buy about 1

million square feet of property in 2014.

"We are not market timers," Managing Partner Rob Neal said. "Everything we acquire we expect to hold for the long term, so if a deal meets our acquisition criteria, we will close the deal regardless of the macroeconomic environment."

### Brea Buy

An affiliate of Signal Hill-based Walter's Wholesale Electric Co. bought a 246,000-square-foot Brea building that it's been using as its primary distribution center.

A partnership with ties to the company's owners paid a reported \$22.7 million for the building at 200 N. Berry St. TA Associates Realty was the seller of the property in a deal brokered by NAI Capital's Alejandra Valenzuela and David Moore.



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