



# CITY OF LONG BEACH

# R-23

DEPARTMENT OF PUBLIC WORKS

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December 4, 2012

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager to execute all documents necessary for the Seventh Amendment to Lease No. 25165 between Wardlow Atlantic, LLC, (Landlord) and the City of Long Beach (Tenant) for office space at 3447 Atlantic Avenue for the continued operation of the Career Transition Center by the Workforce Development Bureau of the Department of Human Resources. (District 7)

## DISCUSSION

Since October 1997, the City of Long Beach (City), in partnership with various public and private organizations, has assisted approximately 3,500 job seekers monthly with free job training and employment placement services at the Career Transition Center (CTC) under the guidance and direction of the Workforce Investment Board. Located in a 35,701-square foot facility at 3447 Atlantic Avenue, the CTC has received national recognition for its success in providing training and employment services for the Long Beach and Signal Hill communities.

In 2008, the City was selected to serve as the administering entity for providing training and employment services for the communities of Torrance and Lomita. In addition, under contract with the City of Los Angeles, the City was also identified to provide these services for the communities of San Pedro, Wilmington and Harbor City/Harbor Gateway. The Workforce Investment Board was renamed the Pacific Gateway Workforce Investment Network (PGWIN) and remained headquartered at the CTC. PGWIN continues to administer the communities' collective annual federal Workforce Investment Act (WIA) funds, as well as other employment and training funds. These funds continue to support job training programs and business services delivered by the CTC, as well as at satellite offices such as the Torrance Career Center, the Harbor WorkSource Center and by selected community-based organizations. These services and programs continue to assist local residents in acquiring skills leading to employment in high demand occupations and continue to assist local employers by providing employment placement services.

The CTC is currently located in a three-story stand-alone building on Atlantic Avenue in the Bixby Knolls neighborhood. It is situated along major bus routes with convenient access to Interstate 405. Additionally, the building has its own parking structure and

surface lot providing 122 parking spaces for staff and visitors. The term of the Lease for the CTC will expire on January 31, 2013.

In anticipation of the termination of the Lease, City staff initiated negotiations in January 2012 with the Landlord for an extension to the term of the Lease. Concurrently, a citywide search and review of other potentially suitable office properties was conducted. The search yielded three potentially viable alternative sites for relocation within the Long Beach Airport Business Park. As a result of concurrent negotiations with all four parties, including the existing Landlord, it was determined that the total costs associated with relocating (construction costs for tenant improvements, moving costs, etc.), coupled with high financial penalties for an early termination clause in the proposed new leases, provided for an overall higher rental cost to the City. As a result, City staff pursued final negotiations with the existing Landlord for a lease extension at a competitive lease rate.

A proposed Seventh Amendment to Lease No. 25165 has been negotiated containing the following major terms and provisions:

- Landlord: Wardlow Atlantic, LLC, a Delaware limited liability company.
- Tenant: City of Long Beach.
- Leased Premises: A three-story building consisting of 35,701 rentable square feet (RSF) of office space located at 3447 Atlantic Avenue.
- Term: The term of the Lease shall be extended for an additional five (5) years and shall terminate on January 31, 2018.
- Option to Terminate: Tenant shall have the one-time right to terminate the Lease effective between the thirty-sixth (36<sup>th</sup>) and forty-second (42<sup>nd</sup>) month of the extended term.
- Rent: The monthly base rent shall remain unchanged at \$1.90 per RSF, or \$67,832 for months one (1) through thirty (30) of the extended term. The monthly base rent shall be \$2.00 per RSF, or \$71,402 for months thirty-one (31) through sixty (60) of the extended term. This is a full-service rate which includes janitorial and utilities expenses for the leased premises.
- Rent Concessions: The monthly base rent for months one (1), seven (7) and twelve (12) shall be fully abated for a savings of \$202,146, providing for a net effective rental rate in the first year of the Lease of \$1.43 per RSF. The net effective rental rate over the 5-year extended term of the Lease shall be \$1.85 per RSF.
- Tenant Improvements: Landlord shall provide a \$6.50 per RSF or \$232,057 tenant improvement allowance for modifications to the leased premises.
- Operating Expenses: Tenant shall pay its pro rata share of any increases in building operating and tax expenses, predicated upon a 2013 base year.

- Option to Renew: Tenant shall have one 5-year option to further renew the lease pursuant to the negotiation of the new fair market rental rate and subject to City Council approval.

All other remaining terms and provisions of Lease No. 25165 shall remain in full force and effect.

This matter was reviewed by Deputy City Attorney Gary J. Anderson on October 26, 2012 and Budget Management Officer Victoria Bell on November 13, 2012.

### TIMING CONSIDERATIONS

City Council action is requested on December 4, 2012, in order to execute the Seventh Amendment in a timely manner to formalize the continued occupancy of the leased premises.

### FISCAL IMPACT

The current annual rent of \$813,984, not including the rent concessions, will remain unchanged until August 1, 2015, at which time it will increase to \$856,824. As a part of its operation, the City subleases office space to public and private organizations that operate in partnership with the Career Transition Center. The City will recoup approximately 35 percent of the annual rent costs from its subleases.

Sufficient funds to cover rental payments are currently appropriated in the Community Development Grants Fund (SR 150) in the Department of Human Resources (HR). There is no impact to the General Fund. There is no known local jobs impact associated with the recommended action.

### SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL P. CONWAY  
DIRECTOR OF PUBLIC WORKS

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DEBORAH MILLS  
DIRECTOR OF HUMAN RESOURCES

APPROVED:



PATRICK H. WEST  
CITY MANAGER