



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

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June 3, 1997

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Office Space Lease for the Career Transition Center (District 7)
COST: \$436,460 Initial Annual Rent (Employment and Training Grants Fund/13)

It is recommended that City Council request the City Attorney to prepare and authorize the City Manager to execute a lease with Fujita Investors of California for use by the Career Transition Center which is operated by the Department of Community Development.

BACKGROUND

In April 1995, City Council approved a lease for the operation of the Career Transition Center (CTC) for approximately 14,222 square feet of office space located at 4344 and 4340 Donald Douglas Drive at the Long Beach Airport. Subsequently, the CTC has expanded and the current facilities no longer adequately suit the program's needs. In addition, the Shipyard Transition Center program needs to be consolidated with the CTC facility because of the Shipyard's imminent closure.

At the City's request, the real estate brokerage firm of Matlow-Kennedy Commercial conducted a citywide search identifying every office building throughout the city with suitable office space of at least 25,000 square feet. Staff toured and reviewed all potentially available buildings using a multiple point evaluation criterion, such as central location, building layout, space size flexibility, price, ADA compliance, safety and other criteria. Subsequently, a very suitable building has been identified which is located in Bixby Knolls and owned by Fujita Investors of California.

Current occupancy costs at the existing CTC location, including build-out costs, rent, utility charges and parking fees, have averaged \$1.40 per square foot per month. Office space is available at the proposed building which offers superior improvements for an initial cost of \$1.35 per square foot per month. In addition, the CTC will have the option to expand in order to further consolidate facilities and to provide growth capabilities to serve an anticipated 3,500 clients annually. Moreover, the City may sublease portions of the premises to other government agencies or private firms providing services complementing the CTC programs which will reduce overall office space costs. Funding for the job training program, including the costs of office space, is provided through the Job Training Partnership Act. Matlow-Kennedy Commercial is not the listing agent for this building and, upon a lease being completed with the City, a commission will be paid by Fujita directly to Matlow-Kennedy.

Staff is recommending that a lease be prepared for the office space with the following proposed terms and conditions:

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1. Premises - 26,942 net leasable square feet of office space at 3447 Atlantic Avenue with the City having the option to lease more space under the same terms and conditions based upon the City's needs and space availability in the building.
2. Term - September 1, 1997 to August 31, 2002 (five years) with the City having one five year option to extend. If the premises are available prior to September 1, 1997, the City will be able to utilize the office space on a prorated rental basis.
3. Rent - During months 1 to 30, the rent will be \$1.35 per square foot. For months 31 to 60, the rent will be \$1.45 per square foot. In the event that the lease extension option is exercised by the City, rent will be adjusted to the then fair market rate, with provisions for arbitration if the City and the Building owners cannot agree on the rent adjustment.
4. Use - General office use including free parking.
5. Maintenance - The lease will provide that the premises are properly maintained by the building owner at a level consistent with industry standards.
6. Utilities, Operating Expenses, and Property Taxes - The landlord shall be responsible for all Base Year operating expenses associated with the City's occupancy of the premises including utilities, five nights per week janitorial, real estate taxes, property insurance, landscaping, and costs associated with maintenance of the building, including the parking areas, and property management fees. The City will be responsible for its prorated share of any increases (expenses) above the Base Year amount. The Base Year shall be the calendar year 1997, with a further provision that there will be no pass-throughs until September 1998. In no event, however, shall the City's prorated share of increases exceed 5% per year or the actual increases, whichever is less. In addition, the City will be protected from any increases in property taxes due to a sale of the building by the owners for the initial five year term.
7. Tenant Improvement Allowance - Initially, the City will be allowed to have the office space built to suit the needs of the CTC, at the building owner's expense, with a \$12.00 per rentable square foot allowance. The CTC may obtain up to an additional \$5.00 per rentable square foot in the event that the initial necessary office space improvements are more expensive than currently anticipated. Use of this additional allowance will be added to the rent, prorated over the term of the lease, amortized at 10% interest. In the event that less improvements are needed, savings from the \$12.00 per rentable square foot will result in a rent reduction of 100% of the actual amount saved, for up to \$4.00 per rentable square foot, to be taken as a rent credit whereby the monthly rent is reduced by one half until the rent credit is fully realized. The City will select a space planner, a construction contract representative and approve the contractor to ensure that the tenant allowance improvements are properly completed, all of which will be paid for by the building owner, as part of the tenant allowance. Any additional space added during the term will also have \$12.00 per rentable square foot allowance, prorated for the months remaining on the term. If the option to extend is exercised, a remodeling allowance of \$5.00 per rentable square foot will be given by the landlord at that time.

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8. Other Terms and Conditions - The lease will contain the City's standard terms and conditions as already negotiated by the City in a previous lease document with the owner for a different City agency.

This item was reviewed by Deputy City Attorney Donna Gwin on May 22, 1997.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Request the City Attorney to prepare and authorize the City Manger to execute a lease with Fujita Investors of California for the operation of the Career Transition Center which is operated by the Department of Community Development.

Respectfully submitted,



Susan F. Shick
Director of Community Development

SFS:GRM:jrc

APPROVED:



JAMES C. HANKLA
CITY MANAGER