



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

May 19, 1998

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HONORABLE MAYOR AND CITY COUNCIL
 City of Long Beach
 California

SUBJECT: Lease with Coastal Long Beach Properties, L.L.C., dba Pine Avenue Condominium Rentals for Office Space at 575-585 Pine Avenue to House Certain Veterans' Organizations, and Related Subleases between the City of Long Beach and the 1) Disabled American Veterans, Long Beach Chapter No. 17, Inc., 2) Disabled American Veterans Charities of Greater Los Angeles, 3) Fleet Reserve Association, P.P. BR 43/1990-93, and 4) American Legion, Arthur L. Peterson Post No. 27 (1)

COST: \$40,093.80 Annual Rent (Civic Center Fund)

It is recommended that the City Council authorize the City Manager to execute a lease with Coastal Long Beach Properties, L.L.C., dba Pine Avenue Condominium Rentals for office space at 575-585 Pine Avenue to house certain veterans' organizations in the amount of \$40,093.80 annually, and request the City Attorney to prepare all necessary sublease documents between the City of Long Beach and the 1) Disabled American Veterans, Long Beach Chapter No. 17, Inc., 2) Disabled American Veterans Charities of Greater Los Angeles, 3) Fleet Reserve Association, P.P. BR 43/1990-93, and 4) American Legion, Arthur L. Peterson Post No. 27, and authorize the City Manager to execute said subleases.

BACKGROUND

By an agreement dated January 16, 1936, the City and the County of Los Angeles joined together to construct a building for the use and benefit of veterans' organizations. The City contributed the land and the County contributed the funding for the construction of the building and its furnishings. The aforementioned agreement provided that the building would not become a part of the land and that the City would be given exclusive jurisdiction over the management, operation, control, maintenance, upkeep and repair of the building. The interest in the property by the veterans' organizations was in the nature of an easement of which they could not be divested, as was reconfirmed by the State Attorney General in 1952. Consequently, the City would be obligated to maintain the Veterans Memorial Building or a substitute thereof until the easement was formally abandoned by the veterans' organizations.

On October 28, 1975, the City Council authorized the City Manager to execute an Agreement for Exchange of Real Property with the State of California, whereby the State would convey a parcel of land at 332 West Broadway to the City for the future construction of the four-story Civic Center parking garage. In exchange, the City would convey the property occupied by the Veterans' Memorial Building and the Municipal Utilities Building in the 200 Block of West Broadway to the State for the construction of a new office facility. Additionally, the City would commit itself to the demolition of the Veterans' Memorial Building and adjacent structures to make way for the new State Office Building.

The Exchange Agreement also contained a provision for the relocation of the veterans' organizations to a substitute facility, i.e., the new State Office Building. Subsequently, the State and City entered into leases whereby the State leased a City-owned parking lot adjacent to the State Office Building, and the City leased office space in the State Office Building. In 1992, the leases terminated and went into "holdover" status.

Last year, the State announced its plans to dispose of the State Office Building at 245 West Broadway and is currently negotiating a sale with a prospective buyer who will be submitting proposed development plans to the City for review and approval. As a result of the pending sale, it is necessary for the veterans' organizations to relocate to a new office site, and due to the City's obligation as described in the first paragraph they have requested the City's assistance in securing replacement facilities.

During the past several months, the City has worked closely with representatives from the veterans' organizations in an effort to find office space in the downtown area that would meet the veterans' program requirements and be cost-effective. Of the five available properties that were evaluated, the most satisfactory office site identified is at 575-585 Pine Avenue. The ground floor office space is located within the veterans' defined search area (i.e., Alamos Avenue to the east, Ocean Boulevard to the south, Magnolia Avenue to the west and Seventh Street to the north), has adjacent parking facilities and is in a reasonably safe pedestrian area.

To accommodate the veterans' organizations, a new lease has been negotiated for approximately 3,517 usable square feet of ground floor office space at 575-585 Pine Avenue. The proposed lease contains the following major provisions:

- **Term:** Five years with three one-year options to renew at the pre-negotiated rates of \$1.04/per usable square foot for the first option period; \$1.07 per usable square foot for the second option period; and \$1.10 per usable square foot for the third option period.
- **Use:** General offices of the Disabled American Veterans, Long Beach Chapter No. 17, Inc.; Disabled American Veterans Charities of Greater Los Angeles; Fleet Reserve Association, P.P. BR 43/1900-93; and American Legion, Arthur L. Peterson Post No. 27.
- **Rent:** The monthly base rent for months 1-30 shall be \$3,341.15 (\$0.95/usable square foot/month), and the rent for months 31-60 shall be \$3,552.17 (\$1.01/usable square foot/month). The effective rental rate will be \$0.98 per usable square foot per month over a 60-month period. This is considered very competitive for office lease rates in the downtown Long Beach area.
- **Utilities, Services and Taxes:** The Landlord shall pay for all real property taxes, common area maintenance and property insurance. The Tenant shall pay for costs associated with electricity, gas, water and janitorial services that are provided to the Premises.

- Tenant Improvements: The Landlord shall undertake all tenant improvements to meet the Tenant's requirements and shall provide approximately \$17.00 per square foot (\$59,800) for tenant improvements. The Landlord, at Landlord's cost, shall provide signage, architectural and engineering services within the \$59,800 allowance.

The City will also enter into individual subleases with the Disabled American Veterans, Long Beach Chapter No. 17, Inc.; Disabled American Veterans Charities of Greater Los Angeles; Fleet Reserve Association, P.P. BR 43/1990-93; and American Legion, Arthur L. Peterson Post No. 27. The subleases will reflect the basic terms and conditions set forth in the master lease.

Donna F. Gwin, Deputy City Attorney, is assisting Community Development staff with the lease and subleases, and reviewed this letter on May 4, 1998.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute a lease with Coastal Long Beach Properties, L.L.C., dba Pine Avenue Condominium Rentals for office space at 575-585 Pine Avenue to house certain veterans' organizations in the amount of \$40,093.80 annually, and request the City Attorney to prepare all necessary sublease documents between the City of Long Beach and the 1) Disabled American Veterans, Long Beach Chapter No. 17, Inc., 2) Disabled American Veterans Charities of Greater Los Angeles, 3) Fleet Reserve Association, P.P. BR 43/1990-93, and 4) American Legion, Arthur L. Peterson Post No. 27, and authorize the City Manager to execute said subleases.

Respectfully submitted,


SUSAN F. SHICK
Director of Community Development

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a:vetap17.mdl

APPROVED:



JAMES C. HANKLA
CITY MANAGER