



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

C-12

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

November 14, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute the Sixth 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 for a five-year extension term at the initial monthly base rent of \$67,832. (District 7)

DISCUSSION

Since October 1997, the City of Long Beach, together with 15 other public and private organizations, has assisted approximately 2,500 job seekers monthly with free job training and employment placement services at the Career Transition Center (CTC). Located in a 35,701-square foot office building at 3447 Atlantic Avenue, the CTC has received national recognition for its success in providing training and employment services for the Long Beach community.

The lease term for the CTC will expire on January 31, 2008. The City has the right to extend the lease for an additional five-year term, subject to negotiation of the fair market rental rate. Although the lease will not expire for another year, staff initiated negotiations to exercise its option early in an effort to lock in a current fair market rental rate for a February 2008 extension term commencement date. Since the fair market rental rates for buildings in the area where the CTC is located have been increasing steadily over the years, this early effort fosters a stronger negotiating position and allows the CTC program to secure office space at a very competitive lease rate.

Prior to initiating negotiations with the Landlord, a citywide search and review of all other potentially suitable office properties was conducted. The CTC is currently located in a three-story stand-alone building on Atlantic Avenue in the Bixby Knolls area of the City. 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 search yielded 12 possible sites for relocation of the CTC. Unfortunately, the alternative sites lacked convenient public accessibility,

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sufficient contiguous space, adequate parking or competitive rental rates. As a result, staff pursued negotiations with the existing Landlord for a Lease extension.

A proposed Sixth 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.
- Premises: A three-story building consisting of 35,701 rentable square feet (RSF) of office space located at 3447 Atlantic Avenue.
- Length of Term: Five-year extension term commencing February 1, 2008 and terminating January 31, 2013.
- Rent: The monthly base rent shall be \$1.90 per RSF or \$67,832 and shall remain constant throughout the extended term. This is a full-service rate which includes janitorial and utilities expenses for the record premises.

The monthly base rent for the first three months of the extended term shall be reduced by fifty percent for a savings of \$101,748, providing for a net effective rental rate of \$1.85 per RSF.

- Tenant Improvements: Landlord shall provide a \$5 per RSF or \$178,505 tenant improvement allowance to be used at any time between February 1, 2008 and January 31, 2010.
- Operating Expenses: City shall pay its pro rata share of any increases in building operating and tax expenses, predicated upon a 2008 base year. Additionally, the City shall not pay any increases in property tax due to a sale or other transfer of ownership interest during the extended term.
- Option to Renew: City shall have one 5-year option to renew the lease. If exercised, a new fair market rental rate shall be negotiated.

All remaining terms and provisions shall remain in full force and effect.

This letter was reviewed by Deputy City Attorney Gary J. Anderson on October 23, 2006 and Budget Management Officer David Wodynski on October 30, 2006.

TIMING CONSIDERATIONS

City Council action on this matter is requested on November 14, 2006 to complete the transaction in a manner consistent with good business practice.

FISCAL IMPACT

The current annual rent of \$728,300 will remain unchanged until February 1, 2008, at which time it will increase to \$813,984, not including the rent reduction. 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. As such, the City will recoup approximately 35 percent of the annual rent costs from subleases resulting in a net annual rent cost to the City of \$529,090.

Sufficient funds to cover rental payments are currently appropriated in the Community Development Grants Fund (SR 150) in the Department of Community Development (CD). There is no impact to the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT

PHW:JMLR:lel
11.14.06 CC Ltr 6th Amend CTC.doc

APPROVED:

for 
GERALD R. MILLER
CITY MANAGER