



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

C-9

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

April 20, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute any and all documents necessary for the Second Amendment to St. Mary Physicians Center Medical Office Lease (City Contract No. 24687) with HTA - St. Mary Physicians Center, LLC, for the expansion of medical office space located at 1043 Elm Avenue, Suite 401, for the continued operation of the Department of Health and Human Services' Women, Infants, and Children Nutrition Program through October 31, 2016, at the initial monthly base rent of \$12,002. (District 6)

DISCUSSION

On July 2, 1996, the City Council authorized the execution of St. Mary Physicians Center Medical Office Lease No. 24687 for the office premises at 1043 Elm Street, Suite 401, in the St. Mary Medical Center complex for the establishment of the Department of Health and Human Services' Women, Infants, and Children (WIC) Nutrition Program. The WIC Program is a supplemental nutrition program that provides monthly food coupons, nutrition education, and referrals to prenatal and pediatric health care clinics for low-income, pregnant and postpartum women, infants and young children. The St. Mary WIC office is the largest of the City's five WIC sites and serves approximately 9,000 participants per month in the Central Long Beach area. The facility is conveniently located within WIC's demographic service area and is accessible via several major public transportation corridors.

In November 2006, the City Council authorized the First Amendment to Lease No. 24687, whereby the term was extended for 10 years until October 31, 2016.

The number of families served by the St. Mary WIC Program has increased significantly during the past several years, thereby causing the need for additional office space. To accommodate the WIC Program's expanded site requirements, a new Lease amendment has been negotiated for additional office space. The proposed Second Amendment to Lease No. 24687 contains the following major provisions:

- Lessor: HTA - St. Mary Physicians Center, LLC.
- Lessee: City of Long Beach.

HONORABLE MAYOR AND CITY COUNCIL

APRIL 20, 2010

Page 2

- Premises: The office premises are located at 1043 Elm Street, Suite 401, and consist of approximately 4,332 rentable square feet of medical office space. The adjacent expansion area shall increase the suite by 1,038 rentable square feet, for a total of 5,370 rentable square feet of medical office space.
- Length of Term: The Lease term shall remain the same, i.e., a 10-year term, commencing on November 1, 2006 and terminating on October 31, 2016.
- Rent: The current monthly rental rate is \$9,704 (\$2.24 per rentable square foot) for the entire leased premises. This is considered to be a very competitive rate compared to other transactions in the same medical office building. Upon substantial completion of the expansion project, the total monthly rent will be adjusted to include the expansion area. The adjusted monthly Base Rent during the remainder of the Lease term shall be as follows:

Year 4	11/1/09 – 10/31/10	\$12,002/Month	(\$2.24/RSF)
Year 5	11/1/10 – 10/31/11	\$12,363/Month	(\$2.30/RSF)
Year 6	11/1/11 – 10/31/12	\$12,733/Month	(\$2.37/RSF)
Year 7	11/1/12 – 10/31/13	\$13,115/Month	(\$2.44/RSF)
Year 8	11/1/13 – 10/31/14	\$13,509/Month	(\$2.52/RSF)
Year 9	11/1/14 – 10/31/15	\$13,914/Month	(\$2.59/RSF)
Year 10	11/1/15 – 10/31/16	\$14,332/Month	(\$2.67/RSF)

- Option to Renew: The Lessee shall have one option to renew the Lease for an additional period of five years. If exercised, the monthly base rent shall be \$2.75 per rentable square foot, with three percent annual increases.
- Tenant Improvements: Lessor, at Lessor's sole cost and expense, shall provide turnkey improvements for the expansion premises. The improvements shall include, but not be limited to demolition, framing and drywall, grid ceiling installation, painting, installation of new laminate floor covering and cabinets, plumbing and electrical repairs.
- Early Termination Option: Lessee shall have the option of terminating the Lease by providing 180 days prior notice anytime after the completion of the first year of the term of the Lease. Lessee shall have the right to exercise this option only if the following conditions are satisfied: a) Lessee shall not be in default in the performance of any obligations under the Lease, b) the level of WIC funding has been significantly reduced or terminated, and c) within 30 days after Lessee provides notice of early termination, Lessee shall pay to Lessor a sum equal to all unamortized amounts paid or incurred by Lessor for tenant improvement expenses and leasing commissions.

Lessee and Lessor both acknowledge the costs incurred by Lessor for Lessee Improvements under the terms of the Second Amendment to Lease No. 24687 shall be included in the calculation of the unamortized amounts paid or incurred by Lessor in Section 51(c) of the Addendum of the Lease. In the event that Section 51(c) is applicable, the amount, which is acknowledged and agreed upon by both parties, is \$81,433.

HONORABLE MAYOR AND CITY COUNCIL

April 20, 2010

Page 3

All other terms, covenants and conditions in Lease No. 24687 shall remain in full force and effect.

This letter was reviewed by Deputy City Attorney Linda Trang on March 11, 2010 and Budget and Performance Management Bureau Manager, David Wodynski, on March 31, 2010.

TIMING CONSIDERATIONS

City Council action is requested on April 20, 2010 in order to finalize and execute the Second Amendment to Lease No. 24687 for the expansion and continued use of the leased premises at 1043 Elm Street, Suite 401.

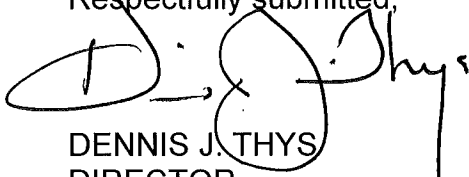
FISCAL IMPACT

The rent increase will not go into effect until the expanded space is available for move-in. The estimated move-in date is August 1, 2010. Therefore, the remaining Fiscal Year 2010 (FY 10) rental costs for the Second Amendment to Lease No. 24687 are estimated to be \$53,116. Sufficient funds are currently appropriated in the Health Fund (SR 130) in the Department of Health and Human Services (HE) to support this additional cost. The WIC Program is federally-funded by the U.S. Department of Agriculture. There will be no impact to the General Fund.

SUGGESTED ACTION

Approve recommendation.

Respectfully submitted,



DENNIS J. THYS
DIRECTOR
DEPARTMENT OF COMMUNITY
DEVELOPMENT



RONALD R. ARIAS
DIRECTOR
DEPARTMENT OF HEALTH AND
HUMAN SERVICES

DJT:LNW:lnw
4.20.10 St. Mary.1043 Elm Ave.WIC v3

APPROVED:



PATRICK H. WEST
CITY MANAGER