

October 6, 2020

C-11

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute all documents necessary for a lease between WCCP Airport Plaza L.B., LLC (Landlord), and the City of Long Beach (Tenant) for office space at 5001 Airport Plaza Drive, Suite 130, for the Office of Special Events and Filming. (District 5)

DISCUSSION

The City's Office of Special Events and Filming (SEF) is responsible for permitting all special events and film productions within the City, permitting more than 500 events each year, including festivals, runs/walks, holiday celebrations, and other activities. SEF issues more than 400 film permits annually and is a full-service operation that assists film, television, music, commercial production, and still photography by coordinating and facilitating the permitting process, as well as serving as a liaison with local government, the community, and the production industry.

SEF has operated from office space at 211 East Ocean Boulevard since 2010 and its current lease is set to expire on December 31, 2020. SEF has been searching for a suitable location to relocate its operations and has identified 5001 Airport Plaza Drive as the best option.

To ensure continuity for SEF operations, staff recommend a lease containing the following major terms and conditions:

- Landlord: WCCP Airport Plaza L.P., LLC, a California limited liability company.
- Tenant: City of Long Beach, a municipal corporation.
- Premises: Approximately 5,612 square feet of ground floor office space at 5001 Airport Plaza Drive, Suite 130.
- Use: General office space for SEF.
- Term: 91 months from substantial completion of tenant improvements, anticipated to be January 1, 2021.
- Option to Renew: Tenant will have an option to renew for five years at fair market rent by providing a minimum six months' prior notice.
- Tenant Improvements: Landlord will construct tenant improvements and provide a turnkey build-out encompassing all costs of the improvements, architectural and engineering fees, and permits, pursuant to a mutually agreed upon space plan.

- Rent: The monthly base rent will be \$2.45 per square-foot, with annual 2.5 percent increases. Rent will be abated for seven months.
- Utilities, Services, and Taxes: Tenant will pay increases in operating expenses over a 2021 base year, starting in the second year of the lease term.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on September 15, 2020 and by Budget Management Officer Rhutu Amin Gharib on September 20, 2020.

TIMING CONSIDERATIONS

City Council action is requested on October 6, 2020, to execute a lease and provide the Landlord sufficient time to complete tenant improvements and prevent disruption of SEF operations.

FISCAL IMPACT

Under the lease agreement, the monthly rent will be approximately \$13,749, including operating expenses. The base rent will increase annually by 2.5 percent. Additionally, beginning the second year of the term, the City will pay for increases to operating expenses over the base year (anticipated to be calendar year 2021). Rent for months 2, 3, 4, 13, 14, 25, and 26 will be abated; therefore, inclusive of abatement, the annual base rent for the first year will be \$123,741. Sufficient appropriation for the lease is budgeted in the Special Advertising and Promotions (SAP) Fund Group in the City Manager Department. However, the funding sources for SAP appropriations have been severely impacted by the pandemic, as Transient Occupancy Tax – the Fund's main source of revenue – is experiencing severe losses with the shut-downs and dramatic slowing of the tourism industry. It is anticipated that the SAP Fund will deplete its funds available and operating reserves over the next few years if no action is taken. Staff will continue to monitor the fund and develop recommendation for cost savings in the current year as well as in future budget development processes. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

APPROVED:



THOMAS B. MODICA
CITY MANAGER