



Legislation Text

File #: 16-0320, **Version:** 1

Recommendation to authorize City Manager to execute all documents necessary for the Second Amendment to Lease No. 29995 between Long Beach Center, LLC, a Delaware limited liability company, and the City of Long Beach for the relocation of City-leased office space to 420 Pine Avenue, Suite No. P-100, for the offices of certain veterans' organizations; and

Authorize City Manager to execute all documents necessary to amend Sublease No. 30276 with the Arthur L. Peterson Post No. 27, Inc., The American Legion, Department of California; and Sublease No. 30277 with Long Beach Chapter No. 17, Disabled American Veterans, Inc. (collectively, Subtenants), for the sublease of City-leased office space at 420 Pine Avenue, Suite No. P-100. (District 1)

By an agreement dated January 16, 1936 (Agreement), the City of Long Beach (City) and the County of Los Angeles (County) joined together to construct the Veterans' Memorial Building (Original Building) at 245 West Broadway, at Pacific Avenue, for the exclusive use and benefit of the Subtenants generally identified in the recommendation above. The City contributed the land, and the County contributed the funding for construction of the Original Building. The Agreement required that the City be given exclusive jurisdiction over the management, operation, control, maintenance, upkeep, and repair of the Original Building. In 1952, the State Attorney General opined that the Agreement created an easement benefiting the Subtenants, thereby obligating the City to maintain a facility for the Subtenants until they formally abandon said easement.

On October 28, 1975, the City Council approved an Agreement for Exchange of Real Property (Exchange) with the State of California (State), whereby the State conveyed a parcel of land at 332 West Broadway, at Cedar Avenue, to the City for the construction of the four-story Broadway Parking Garage. In exchange, the City conveyed the land and the Original Building at 245 West Broadway to the State for the construction of the Veterans' Memorial State Office Building (State Office Building). Due to the City's obligation under the Exchange to demolish the Original Building, the easement required the City to continue providing alternative office space for the Subtenants.

The Subtenants were relocated to the State Office Building and remained housed there until 1998, when the State announced its plans to dispose of the property and required all tenants to vacate the building. Pursuant to that decision, the City Council approved a lease for office space at 575-585 Pine Avenue and the Subtenants remained at this location until 2007.

On October 24, 2006, the City Council authorized the execution of Lease No. 29995 with the

Landlord for office space at 540 Pine Avenue, Suite J-115 in CityPlace, to house the Subtenants for a five-year term. Concurrently, the City Council authorized the execution of subleases between the Tenant and the Subtenants for the entire office space for the term of the Lease.

On August 7, 2012, as a result of Landlord's option to relocate the Subtenants, the City Council authorized the First Amendment to Lease No. 29995 for the relocation of Subtenants to space at 295 East Third Street, Suite No. A-100 (Existing Premises) to accommodate a larger tenant transaction at the CityPlace shopping center.

Due to planned improvements and a re-branding of the CityPlace shopping center, the Landlord has requested to, again, exercise the relocation option under Lease No. 29995. In order to continue to meet the City's obligation to provide a facility for the Subtenants, and to support the economic efforts of CityPlace, staff recommends a Second Amendment to Lease No. 29995 containing the following major terms and conditions:

- Landlord: Long Beach Center, LLC, a Delaware limited liability company.
- Tenant: City of Long Beach, a municipal corporation.
- Premises: Approximately 1,908 square feet of ground floor office/retail space at 420 Pine Avenue, Suite No. P-100.
- Use: General offices for the Subtenants.
- Term: The term of the Lease shall be extended through July 30, 2020.
- Early Termination: The City shall have the right to terminate the Lease at any time after the twelfth (12th) month of the extended term by providing 180 days prior written notification and paying the unamortized balance of the tenant improvements funded by the Landlord.
- Rent: The monthly base rent shall be \$4,007. This monthly rental rate represents a 42 percent reduction in the current monthly base rent paid by the Tenant under the existing terms.
- Utilities, Services, and Taxes: The City shall continue to be responsible for its pro-rata share of the property operation costs including common area maintenance charges, real estate taxes, utilities, and other property-related expenses.
- Relocation Option: Landlord has agreed to forego any relocation option through the remainder of the term.

The Subleases with each of the Subtenants shall be amended to contain the following major

terms and conditions:

- Tenant: City of Long Beach, a municipal corporation.
- Subtenants: Arthur L. Peterson Post No. 27, Inc., The American Legion, Department of California; and Long Beach Chapter No. 17, Disabled American Veterans, Inc.
- Premises: Approximately 1,908 square feet of ground floor office/retail space at 420 Pine Avenue, Suite No. P-100.
- Use: General offices for the Subtenants.
- Term: The term of each Sublease shall be extended through July 30, 2020.
- Early Termination: The City shall have the right to terminate each Sublease at any time after the twelfth (12th) month of the extended term by providing 180 days prior written notification.
- Rent, Utilities, Services, and Taxes: As discussed above, it is the City's obligation to provide office space for the Subtenants. As consideration, the existing training room at the Premises shall continue to be made available for City-sponsored events such as community meetings and election polling sites.

All remaining terms and provisions of Lease No. 29995, as well as Sublease No. 30276, and Sublease No. 30277, shall remain in full force and effect.

It should be noted that the First Amendment to accommodate a prior relocation included consideration of a third veteran's organization, Fleet Reserve Association, Branch 43. While conducting due diligence for this action, the City was made aware by Fleet Reserve Association National Headquarters that Branch 43 has not had an active charter since 2014. Therefore, under the obligations of the foundational agreements referenced above, no further easement exists requiring the City to provide office space for Fleet Reserve Association, Branch 43.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on March 21, 2016 and by Budget Management Officer Victoria Bell on March 30, 2016.

City Council action is requested on April 19, 2016, to finalize and execute the Second Amendment to Lease No. 29995 and commence the timely relocation of the veterans' organizations to the new premises.

Total annual rental costs associated with the Lease as a result of the modifications of the Second Amendment are approximately \$67,200 and reflect an anticipated cost reduction of approximately 42 percent. Of this amount, base rent payments are estimated to be \$48,084

and utilities, common area maintenance, and taxes are estimated to be \$19,116. Sufficient funding is appropriated in the Civic Center Fund (IS 380) in the Economic and Property Development Department (EP). There is no local job impact associated with this recommendation.

Approve recommendation.

MICHAEL P. CONWAY
DIRECTOR OF ECONOMIC
AND PROPERTY DEVELOPMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER