



Legislation Text

File #: 16-0759, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute all documents necessary for a Lease with an Option to Purchase, by and between the City of Long Beach and the Jenni Rivera Love Foundation, a California 501 C (3) corporation, for City-owned property located at 1850-1862 Atlantic Avenue for a day care center, community room and Jenni Rivera Museum.

(District 6)

The City of Long Beach (City) currently owns the property located at 1850-1862 Atlantic Avenue, Assessor Parcel Numbers 7210-016-900, -901, -903 (Subject Property) (Exhibit A). The Subject Property is approximately 14,663 square feet and improved with a 4,800 square foot building, a former playground and an adjacent parking lot. The Subject Property was previously purchased utilizing Refuse/Recycling Funds. At the time of purchase, the proposed use was the development of an educational environmental recycling demonstration depot. Since then, the property has remained vacant. Representatives from the Jenni Rivera Love Foundation have expressed interest in leasing the property for use as a daycare center, community room and Jenni Rivera Museum. The lease of the Subject Property provides an opportunity to reactivate the currently dormant property, bring services to the surrounding community and provide a home for the community to celebrate Long Beach-native Jenni Rivera's life and accomplishments.

A proposed lease has been negotiated containing the following major terms and conditions:

- Lessor: City of Long Beach, a municipal corporation.
- Lessee: Jenni Rivera Love Foundation, a California 501 C (3) corporation.
- Leased Premises: Approximately 14,663 square feet of land, including a 4,800-square-foot building, at 1850-1862 Atlantic Avenue.
- Lease Term: Lease shall be for 69 months commencing within five (5) days of execution of the Lease.
- Options: Lessee shall have two five-year options to renew the Lease.
- Early Termination: Lessee shall have the right to terminate the Lease within 90 days of the commencement date if its necessary capital and tenant improvements are determined to be cost-prohibitive.
- Rent: Base rent will be \$1.35 per square-foot of building, or \$6,480 per month, for the first 69 months. Lessee shall receive abated rent for the first 15 months while the Lessee prepares the property for tenancy. Lessee's first month of rent shall begin in month 16. The rent shall be further offset monthly by the value of below market community services provided

at the Subject Property on a non-cumulative basis. As an example, if daycare services in the area are available at \$30 per hour and Lessee provides daycare services for \$10 per hour, the amount that is below market (\$20 per hour) can be applied towards rent on a monthly, non-cumulative basis. Rent for each option period exercised shall be adjusted by the cumulative change in the CPI and, once determined, will be fixed for each option term.

- Use: The Leased Premises shall be used for a day care center, community room and Jenni Rivera Museum.
- Capital Improvements: Lessee shall be responsible for all design, permitting, capital improvements and development of the Leased Premises including the maintenance, repair and replacement of the improvements throughout the Lease Term.
- Option to Purchase: The Lease includes an option to purchase at today's "as is" value of \$850,000, which shall be exercised within the first 10 years and 9 months of the Lease.

A Categorical Exemption, CE 16-189 (Exhibit B), was completed related to the proposed transaction on July 27, 2016.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on July 25, 2016 and by Budget Operations Administrator Grace Yoon on July 26, 2016.

City Council consideration of this Lease is requested on August 16, 2016, to ensure that occupancy and development of the Subject Property can occur in a timely manner.

No rental revenue will be received during the first 15 months of the lease agreement. During this time, rent will be abated while the Lessee prepares the property for tenancy. The estimated revenue for the remaining lease term is \$349,920. However, monthly rent may be reduced by the value of below market community services provided at the Subject Property. Any rent received will accrue in the Refuse and Recycling Fund (EF 330) in the Public Works Department (PW).

The local job impact associated with this recommendation includes approximately twelve temporary jobs and seven permanent jobs generated from services provided at this facility.

Approve recommendation.

MICHAEL P. CONWAY
DIRECTOR OF ECONOMIC
AND PROPERTY DEVELOPMENT

CRAIG A. BECK
DIRECTOR OF PUBLIC WORKS

APPROVED:

PATRICK H. WEST
CITY MANAGER