



## Legislation Text

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**File #:** 21-0758, **Version:** 1

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Recommendation to authorize City Manager, or designee, to execute all documents necessary for a lease between SCTS Investments, LLC (Landlord), and the City of Long Beach (Tenant), for office and warehouse space at 3200 East 29th Street for the Police Department warehouse facility. (District 5)

Since 2015, the Police Department (PD) has leased an approximately 19,012-square-foot warehouse building with an approximately 7,125-square-foot private yard at 600 West 15<sup>th</sup> Street for its long-term property and evidence storage functions for the Forensic Science Services Division (FSSD). The lease is set to expire on September 30, 2021.

In anticipation of the expiration of the lease, staff from PD, with the assistance from the Economic Development Department (ED), conducted a search for a suitable location for long-term property and evidence storage operations. It was determined that it was neither financially nor operationally prudent to stay in the current facility. The property located at 3200 East 29<sup>th</sup> Street has been identified as the best option, as the property consists of two buildings with the appropriate warehouse and office space to accommodate PD's needs as well as being available for immediate occupancy. An Administrative Use Permit (AUP) will be required for PD's use and is currently in process. PD will be allowed to take occupancy upon issuance of the AUP. If the AUP is not approved, the lease will be null and void.

To ensure timely relocation of FSSD warehouse operations, staff recommend a Lease containing the following major terms and conditions:

- Landlord: SCTS Investments, LLC, a California limited liability company.
- Tenant: City of Long Beach, a municipal corporation.
- Premises: 3200 East 29<sup>th</sup> Street, consisting of two buildings, totaling approximately 33,024 square feet and a 1.83-acre site with parking and storage yards.
- Use: Property and Evidence Storage.
- Term: 60 months commencing October 1, 2021 through September 30, 2026.
- Rental Rate: Triple Net at the following schedule:
  - Months 1-12: \$1.35 per square foot, per month.
  - Months 13-24: \$1.39 per square foot, per month.

- Months 25-36: \$1.44 per square foot, per month.
  - Months 37-48: \$1.49 per square foot, per month.
  - Months 49-60: \$1.53 per square foot, per month.
- Renewal Options: 60 months at Fair Market rental rate but not less than the current rent increased by 3 percent.
  - Early Occupancy: Tenant will have early occupancy upon Landlord receipt of Lease and Tenant's evidence of insurance.
  - Zoning Approvals: Use is contingent on approval of an AUP for the proposed use. If an AUP is not approved, the Lease would be null and void.
  - First Right to Purchase: Tenant will have first right to purchase at mutually agreeable terms for the first 24 months of the Lease Term.
  - Utilities, Services, and Taxes: Tenant is responsible to pay for all operating costs, taxes, insurance, and management fees, which are estimated to be \$0.287 per square foot per month (\$9,478). Utilities will be metered separately and paid for directly by Tenant.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on July 23, 2021 and by Budget Management Officer Rhutu Amin Gharib on July 27, 2021.

City Council action is requested on August 10, 2021, to execute a lease and allow for timely relocation of PD operations.

Under the Lease agreement, the monthly base rent will be approximately \$44,582. The base rent will increase annually by \$.04-\$.05 per square foot. The City will also pay operating expenses estimated at \$9,478 per month. Rent and operating expenses will not be incurred until Fiscal Year 2022 (FY 22) and will be approximately \$648,723. Current appropriations of \$330,598 for property warehouse lease costs are budgeted in the General Fund Group in the Police Department. Therefore, an unfunded structural amount of \$295,902 is required to offset the increase in lease and operating costs for FY 22 and beyond. Additionally, it is anticipated that there will be approximately \$500,000 in one-time costs related to relocation. This recommendation is not requesting an increase to departmental appropriation at this time. Any increases in appropriation that may be needed related to this authorized expenditure will be evaluated as part of FY 21 year-end review and will be brought back to the City Council at a later time. The unfunded structural costs will be absorbed within the Police Department's operating budget in FY 22, using operating savings. Structural funding to offset this lease for FY 23 and beyond will be evaluated as part of the FY 23 proposed budget process.

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.

Approve recommendation.

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