



Legislation Text

File #: 08-0929, **Version:** 1

Recommendation to authorize City Manager to execute the Sixth Addendum to Lease No. 30545 between Worldport LLC, a Delaware limited liability company, and the City of Long Beach for City-leased office space at 1851 North Gaffey Street, Suites D-H, San Pedro, California, for the continued operation of the Harbor WorkSource Center, for a three-year term, at the initial monthly base rent of \$7,123.20. (Citywide)

On June 17, 2008, the City Council authorized the City Manager to execute all documents with the City of Los Angeles to receive a grant totaling \$700,000 to continue operations of the Harbor WorkSource Center for the term of July 1, 2008 through June 30, 2009. The Workforce Investment Network (Network) has been funded by the City of Los Angeles since October 2007 to operate the Harbor WorkSource Center (Center) for the communities of San Pedro, Wilmington, Harbor City and Harbor Gateway. The San Pedro-based WorkSource Center functions similarly to the Career Transition Center by providing employment assistance to adults and dislocated workers, and by partnering with businesses to meet their workforce needs. This contractual partnership continues to be part of a larger strategy allowing neighboring Long Beach and Los Angeles communities to work together by tapping into the employment opportunities of the Harbor area and its twin ports, thereby providing residents access to jobs in transportation and warehousing (logistics).

The Center is located at 1851 North Gaffey Street, Suites D-H, in San Pedro. The Center is situated along a major bus route with convenient access to Interstate 110 and ample parking for staff and visitors. The site is strategically located near the twin ports, which allows for a greater focus on demand occupations within the logistics industry. By partnering with the State Employment Development Department, the County Department of Public and Social Services, and Managed Career Solutions/Los Angeles Business Assistance Program (collectively, Partners), which are located on-site and are subleasing space, the Network has created a comprehensive one-stop career center that has approximately 2,000 customer visits per month.

Due to the fact the source of funding is the City of Los Angeles Community Development Department, the location of the Center must be within the City of Los Angeles and, specifically, within the Harbor Area. Prior to initiating negotiations with the Landlord to extend Lease No. 30545, a survey of all other potentially suitable office properties within the Harbor Area was conducted. The survey yielded six (6) possible sites for relocation, but each alternative either lacked competitive rental rates or would have proven to be cost prohibitive when calculating the moving costs of the Network and its Partners. As a result, staff pursued negotiations with the existing Landlord for a Lease extension.

The current Lease is on a month-to-month agreement, whereby either Landlord or Tenant can terminate the contract with thirty days' written notification. In order to fund needed tenant improvements and to secure the site for both the Network and its Partners, a proposed Sixth Addendum to Lease No. 30545 has been negotiated containing the following major terms and conditions:

- Landlord: Worldport LLC, a Delaware limited liability company.
- Tenant: The City of Long Beach.
- Premises: The leased premises shall consist of approximately 6,720 rentable square feet of commercial office space located at 1851 North Gaffey Street, Suites D-H, San Pedro.
- Length of Term: Three-year term commencing on September 1, 2008 and terminating August 31, 2011.
- Tenant Termination Option: Tenant shall have the option to terminate the Lease one time per year effective ninety (90) days after written notice is provided to the Landlord. The option to terminate shall be between July 1 and September 30 each year and the Tenant shall pay all unamortized tenant improvements and brokerage commissions upon notification.
- Landlord Termination Option: Landlord shall have the option to terminate the Lease with six months prior written notice in the case of site redevelopment.
- Rent: The monthly base rent shall be \$1.06 per rentable square feet (\$7,123.20 per month) with annual increases of no less than two percent and no more than four percent based on the Consumer Price Index (CPI).
- Tenant Improvements: Landlord shall provide a tenant improvement allowance in the amount of \$6.00 per rentable square feet (\$40,320) upon completion of approved work.
- Capital Improvements: Landlord shall be responsible for all capital improvements in excess of \$5,000 (e.g. HVAC, roof, foundation, structural walls, etc.)
- Option to Renew: Tenant shall have one three-year option to renew the Lease. If exercised, the monthly base rent for the option period shall be at the then current rental rate inclusive of the annual rent increases specified in the Lease.

All remaining terms and provisions of Lease No. 30545 shall remain in full force and effect.

This letter was reviewed by Deputy City Attorney Gary J. Anderson on August 19, 2008 and Budget Management Officer Victoria Bell on August 26, 2008.

City Council action is requested on September 16, 2008, in order to finalize and execute the Sixth Addendum to Lease.

Annual base rent is estimated at \$85,478 for FY 09. As part of its operation, the City subleases office space to public and private organizations that operate in partnership with the Network. As such, the City will recoup approximately 60% of the annual rent cost from subleases resulting in a net annual rent cost to the City of \$34,191.

Sufficient funds are currently appropriated in the Community Development Grants Fund (SR 150) in

the Department of Community Development (CD). There is no impact to the General Fund.

Approve recommendation.

DENNIS J. THYS
DIRECTOR
DEPARTMENT OF COMMUNITY DEVELOPMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER