



Legislation Text

File #: 23-0523, Version: 1

Recommendation to authorize City Manager, or designee, to execute all documents necessary for an office sublease agreement between 4900 Long Beach Office, LLC, a Delaware limited liability company (Landlord), and the City of Long Beach (Tenant), for office space at 4900 Airport Plaza Drive, Suite 110, and 4910 Airport Plaza Drive, Suite 225 for the City of Long Beach Human Resources Department's Risk Management and Safety Bureaus. (District 4)

Levine Act: Yes

The City of Long Beach (City) Human Resources Department's Risk Management and Safety Bureaus (collectively "Bureaus") are currently split between City Hall and a portion of the City's main Health and Human Services Department facility at 2525 Grand Avenue. The Bureaus provide vital services to the City and serve City employees in several essential areas, including OSHA compliance, safety, risk management, employee medical care, and workers' compensation. The Bureaus have increased in size and scope over the years as a result of an increase in the City's workforce and the addition of the Workers' Compensation Division due to a reorganization of the City Attorney's Office. As the Bureaus have outgrown their current respective spaces and operational efficiencies can be achieved with co-location, a site search was conducted, and options evaluated. Office space at 4900 Airport Plaza Drive, Suite 100, and 4910 Airport Plaza Drive, Suite 225 (collectively "Premises") have been identified as the most suitable option.

The Premises are located within the Airport Plaza development adjacent to the Long Beach Airport, centrally located and easily accessible from all parts of the City. The Premises meets all Bureaus' space requirements, and the Landlord has agreed to provide an allowance of \$95 per rentable square foot, or \$1,256,090, to be used towards construction costs; and \$0.15 per rentable square foot, or \$1,983, to be used toward space planning costs to prepare a preliminary layout. Tenant Improvements, estimated at \$2,344,697, are required to build-out the interior of the Premises, including specialty clinical rooms for X-rays. The Landlord-provided Tenant Improvement Allowance will cover \$1,256,090 of the improvement costs, with the Bureaus responsible for the balance of the costs, estimated to be \$1,088,607. Reimbursement to the Landlord will be due and payable within 60 days following the completion of construction, estimated to be due in the first quarter of 2024. Installation of technology infrastructure and furniture, fixtures, and equipment, including specialty equipment such as X-ray machines, is estimated to be \$815,000, which will be the responsibility of the Bureaus. To move forward with the planning, construction, and eventual occupancy of the Premises, an Office Sublease Agreement between the City, in its capacity as Tenant, and the Landlord, is required.

Economic Development staff have negotiated the proposed Office Sublease Agreement containing the following significant terms and provisions:

- Landlord:** 4900 Long Beach Office LLC, a Delaware limited liability company.
- Tenant:** City of Long Beach, a municipal corporation.
- Premises:** 4900 Airport Plaza Drive, Suite 110, containing approximately 6,038 rentable square feet (RSF), and 4910 Airport Plaza Drive, Suite 225, containing approximately 7,184 RSF.
- Use:** General City office use (primarily in Suite 225) and occupational health clinical space (primarily in Suite 110).
- Initial Term:** One hundred twenty-eight (128) months after the Rent Commencement Date, which is the date that Landlord substantially completes the required Tenant Improvements to the Premises.
- Renewal Option:** One option to extend for a period of five (5) years upon written notice to the Landlord no less than nine (9) months and no more than twelve (12) months prior to the Initial Term's expiration date.
- Rent Commencement Date:** Rent Commencement Date shall be upon substantial completion of the tenant improvements, estimated to be December 2023.
- Base Rent:** The initial monthly base rent shall be \$2.80 per RSF or \$37,021.60 monthly with (3) three percent annual increases. The first month of base rent will be due upon full execution of the Office Sublease Agreement.
- Rent Abatement:** Base rent shall be abated for eight months to be taken during months two through nine after the Rent Commencement Date.
- Operating Expenses:** Tenant shall pay its pro rata share of 8.77 percent of any increases in operating expenses over the operating expenses of the base year. For the purposes of this Office Sublease Agreement, operating expenses shall be defined as heating, ventilation, and air conditioning (HVAC) and property taxes. The base year for operating expenses will be set at 2023.

Tenant Improvement Allowance:

Landlord shall provide a tenant improvement allowance of \$95 per RSF, or \$1,256,090, to be used as a credit against the Landlord's cost to prepare the Premises for Tenant occupancy. The total estimated cost of Tenant Improvements is \$2,344,697 with the remaining balance of \$1,088,607 due and payable to Landlord within 60 days of the completion of construction.

Space Planning Allowance:

Landlord shall provide a space planning allowance of \$0.15 per RSF, or \$1,983.30, to be used towards the Tenant's cost to prepare a preliminary space plan for the Premises.

Parking:

The Tenant shall be entitled to five unreserved parking spaces per 1,000 RSF of the Premises, or 67 spaces. Spaces are located within the parking lot and/or the garage of the Premises.

Signage:

Landlord, at Landlord's cost, shall provide suite entry and building directory signage in accordance with the Building's signage program.

Assignment/ Subleasing Rights:

Tenant shall have the right to assign or sublease all or any portion of the Premises subject to Landlord consent, which shall not be unreasonably withheld.

This matter was reviewed by Principal City Attorney Richard F. Anthony on May 8, 2023, and by Budget Management Officer Nader Kaamoush on May 9, 2023.

LEVINE ACT

This item is subject to the Levine Act. The Mayor, Councilmembers, and Commissioners who have received a contribution of more than \$250 within 12 months prior from a party, participant, or their representatives involved in this proceeding may do either of the following: (1) disclose the contribution on the record and recuse themselves from this proceeding; OR (2) return the portion of the contribution that exceeds \$250 within 30 days from the time the elected official knew or should have known about the contribution and participate in the proceeding.

All parties, participants, and their representatives must disclose on the record of this proceeding any contribution of more than \$250 made to the Mayor or any Councilmembers within 12 months prior to the date of the proceeding. The Mayor, Councilmembers, and Commissioners are prohibited from accepting, soliciting, or directing a contribution of more than \$250 from a party, participant, or their representatives during a proceeding and for 12 months following the date a final decision is rendered.

City Council action is requested on May 23, 2023, to finalize and execute the Office Sublease Agreement in a timely manner and commence permitting and build-out of the Premises.

The initial monthly Base Rent is approximately \$37,022, or \$444,264 annually, subject to annual increases of 3 percent. The first month which will be due upon full execution of the Lease Rent Commencement will begin upon the completion of construction, estimated to be December 2023 (FY 24), and Base Rent will be abated for eight months, from months two through nine. In FY 24, the total rent of \$37,022 will be absorbed within the Insurance Fund Group in the Human Resources Department. Regular payments for Base Rent will not be due and payable until month 10, estimated to occur in FY 25. In addition to Base Rent, the City shall pay its pro-rata share of operating expenses, or 8.7 percent of grossed-

up operating expenses for the entire development, above common operating expenses from the base year of 2023.

Tenant Improvements, estimated at \$2,344,697, are required to build-out the interior, including specialty rooms for x-rays. The Landlord-provided Tenant Improvement Allowance will cover \$1,256,090 of the improvement costs, with the City responsible for the balance, estimated to be \$1,088,607. Reimbursement to the Landlord will be due and payable within 60 days following the completion of construction. Further, furniture, fixtures and equipment including specialty equipment such as x-ray machines, estimated to be \$815,000, will be incurred to outfit the space for occupancy, and will come forth to City Council for any necessary approvals in a separate item at a future date. The total one-time funding need in the amount of \$1,903,607 will be included in the FY 24 budget development process, with an allocation split in the Employee Benefits Fund Group and Insurance Fund Group in the Human Resources Department.

Following City Council approval of the lease, staff will return with a planned reallocation of current appropriation within in the Employee Benefits Fund Group and Insurance Fund Group to offset the ongoing cost of the lease in the FY 24 budget development process. A one-time enhancement request will also be proposed in the FY 24 budget development process to cover the Tenant Improvement needs split between the Employee Benefits Fund Group and Insurance Fund Group in the Human Resource Department.

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.

[Enter Body Here]

BO MARTINEZ
DIRECTOR ECONOMIC DEVELOPMENT

JOE AMBROSINI
DIRECTOR OF HUMAN RESOURCES

APPROVED:

THOMAS B. MODICA
CITY MANAGER