



Legislation Text

File #: 06-1088, **Version:** 1

Recommendation to authorize City Manager to execute all documents necessary for a lease between CityPlace Long Beach, LLC; CityPlace Long Beach TIC I, LLC; and CityPlace Long Beach TIC 2, LLC, all Delaware limited liability companies, as tenants in common (Landlord), and the City of Long Beach (Tenant) for office space at 540 Pine Avenue (Building J-115) to house certain veterans' organizations for a five-year term at the initial monthly base rent of \$6,358;

Authorize City Manager to execute all documents necessary for subleases between the City of Long Beach (Sublandlord) and the American Legion, Arthur L. Peterson Post No. 27 (Subtenant); Disabled American Veterans, Long Beach Chapter No. 17, Inc. (Subtenant); and the Fleet Reserve Association, P.P. BR 43/1990-93 (Subtenant) for approximately 3,179 square feet of office space at 540 Pine Avenue (Building J-115) for a five-year term; and

Increase appropriations in the Civic Center Fund (IS 380) and in the Department of Community Development (CD) by \$245,946. (District 1)

By an agreement dated January 16, 1936 (Agreement), the City of Long Beach and the County of Los Angeles joined together to construct the Veterans' Memorial Building (Building) at the northeast corner of Broadway and Cedar Avenue for the exclusive use and benefit of certain veterans' organizations. The City contributed the land and the County contributed the funding for construction of the Building. The Agreement required that the City be given exclusive jurisdiction over the management, operation, control, maintenance, upkeep and repair of the Building. As was reconfirmed by the State Attorney General in 1952, the Agreement created an easement benefiting the veterans' organizations, thereby obligating the City to maintain a facility for the veterans' organizations until they formally abandon said easement.

On October 28, 1975, the City Council approved the Agreement for Exchange of Real Property with the State of California, whereby the State conveyed a parcel of land at 332 West Broadway to the City for the construction of the four-story Broadway Parking Garage. In exchange, the City conveyed property in the 200 block of West Broadway (including the Building) to the State for the construction of the Veterans' Memorial State Office Building (State Office Building).

The veterans' organizations were relocated to the State Office Building and remained housed there until 1998, when the State announced its plans to dispose of the property, thereby requiring all tenants to vacate the building. Pursuant to that decision, the Long Beach City Council approved leasing ground floor space at 575-585 Pine Avenue for the veterans' organizations.

The Lease at 575-585 Pine Avenue terminated on September 15, 2006, and is currently in "holdover" status. The landlord at 575-585 Pine Avenue has announced his plans to reposition the property for upgraded residential use and is unwilling to extend the term of the Lease. Consequently, the veterans' organizations are seeking the City's assistance in leasing new office space.

During the past several months, the City has worked closely with representatives from the veterans' organizations to identify ground floor office space in the downtown area that meets their program requirements. Of the eight available properties that were evaluated, the space at 540 Pine Avenue (Building J-115) best suits the veterans' organizations. The site is situated on the ground floor and is located within the preferred service area (i.e., Alamitos Avenue to the east, Ocean Boulevard to the south, Magnolia Avenue to the west and Seventh Street to the east). The property has adjacent parking facilities, is located within a safe pedestrian area, is accessible by public transportation and is near the U.S. Armed Forces' recruitment offices.

To accommodate the veterans' organizations, a new Lease has been negotiated for approximately 3,179 square feet of ground floor space at 540 Pine Avenue (Building J115). The proposed Lease between the City and the Landlord, as identified in the recommendation above, contains the following major provisions:

- Premises: The leased premises shall be composed of approximately 3,179 square feet of ground floor office/retail space.
- Use: General offices of the veterans' organizations that are identified in the recommendation above.
- Length of Term: The term of the Lease shall be for five years.
- Rent: The monthly base rent shall be \$6,358 with annual four percent increases as listed below:

Months 1-12	-	\$6,358.00 (approximately \$2.00 per square foot)
Months 13-24	-	\$6,612.32 (approximately \$2.08 per square foot)
Months 25-36	-	\$6,876.81 (approximately \$2.16 per square foot)
Months 37-48	-	\$7,151.89 (approximately \$2.25 per square foot)
Months 49-60	-	\$7,437.96 (approximately \$2.34 per square foot)

Due to the resurgence and redevelopment of the downtown Long Beach area, market leasing rates have increased significantly since 1998 when the current low terms for office space at 575-585 Pine Avenue were negotiated. As such, the above-listed rental rates are considered to be very competitive for ground floor office/retail space in this area, which currently average \$1.75 - \$2.25 per square foot.

As a rent concession, the Landlord shall abate fifty percent of the base rent for the second, third, fourth and fifth months of the initial Lease term.

- Utilities, Services and Taxes: The City shall 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 (Additional Charges). The Additional Charges shall not increase by more than five percent per year for the entire term of the Lease.
- Tenant Improvement Allowance: The Landlord shall provide a tenant improvement allowance of \$32,000 for remodeling the premises to accommodate the program operations of the

veterans' organizations. Improvements shall include the design and construction of office space, ADA compliant restrooms, and a training room. The training room shall also be available for City-sponsored events such as community meetings and election polling sites. The City shall be responsible for any additional improvement costs above the tenant improvement allowance. Due to the unimproved condition of the site, the estimated cost for the additional improvements is \$193,000. The total tenant improvement costs are estimated at \$225,000.

- Space Planning, Construction Administration, and Move Management Services: The City shall be responsible for providing space planning, construction administration and move management services (including moving crew, packing materials and equipment). The City has selected Heery International, Inc., to provide the above-mentioned services, which shall cost approximately \$19,000.
- Parking: Parking is available at the adjacent CityPlace parking structure. If requested by the Veterans' organizations, the City will pay for one parking space for each organization at the current market rate.
- Options to Renew: The City shall have three options to renew the Lease for a period of two years each.

The proposed Subleases with each of the veterans' organizations shall reflect the basic terms and conditions set forth in the master Lease, and shall contain the following major provisions:

- Premises: The subleased premises shall be composed of approximately 3,179 square feet of ground floor office/retail space for the veterans' organizations at 540 Pine Avenue (Building J-115).
- Use: General offices of the veterans' organizations listed in the recommendation above.
- Length of Term: The term of each Sublease shall be for five years.
- Rent, Utilities, Services and Taxes: As discussed above, it is the City's obligation to provide office space for the veterans' organizations. As consideration, the planned training room for the Premises shall be made available for City-sponsored events such as community meetings and election polling sites.

This letter was approved by Senior Deputy City Attorney Donna F. Gwin on October 11, 2006 and Budget Management Officer David Wodynski on October 13, 2006.

Timing of this item is critical due to the limited availability of suitable ground floor office space and the need to relocate the veterans' organizations quickly. City Council action is requested on October 24, 2006, in order to execute the agreements and to commence the tenant improvement project in a timely manner.

Assuming a March 1, 2006, commencement date for the new Lease, total FY 07 costs for the new Lease are estimated to be \$269,500. Of this amount, rent payments are estimated to be \$31,790,

and utilities, janitorial service and common area maintenance charges shall be \$25,710. Estimated one-time cost for space planning, construction administration and move management services shall be \$19,000 and the estimated one-time cost for the additional tenant improvement work shall be \$193,000.

Total costs for the existing Lease during FY 07 are \$28,600.

The current FY 07 budget for this activity is \$52,154. An appropriations increase of \$245,946 is requested in the Civic Center Fund (IS 380) in the Department of Community Development (CD) for a total FY 07 budget of \$298,100. Of this amount, one time costs are \$212,000, with the remaining \$86,100 attributed to ongoing Lease costs. There is no impact to the General Fund.

Approve recommendation.

PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:

GERALD R. MILLER
CITY MANAGER