



## Legislation Text

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**File #:** 06-0317, **Version:** 1

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Recommendation to authorize City Manager to execute the Fourth Amendment to Lease No. 26751 by and between 110 Pine, LLC, an Arizona limited liability company, and the City of Long Beach for office space at 110 Pine Avenue, Suites 820, 1100 and 1200. (District 2)

On February 8, 2000, the City Council approved Lease No. 26751 between 110 Pine, LLC (as Landlord), and the City of Long Beach (as Tenant) for office space at 110 Pine Avenue, Suite 1200 (Premises), for the Department of Community Development (Department). The leased Premises constituted approximately 80 percent of Suite 1200. On May 21, 2002, the City Council approved the First Amendment allowing for the expansion of the leased Premises to include Suite 1100. On May 20, 2003, the City Council approved the Second Amendment allowing for the additional expansion of the leased Premises to include the remaining portion of Suite 1200. On May 17, 2005, the City Council approved the Third Amendment allowing for further expansion of the leased Premises to include Suite 820.

The combined leased Premises total approximately 20,466 rentable square feet (RSF) and house the Department's Housing Services Bureau (Suite 1200), Economic Development Bureau (Suite 1100), and a portion of the Redevelopment Bureau (Suite 820). In addition, approximately 1,777 RSF in Suite 1200 is currently subleased on a month-to-month basis to the Long Beach Historical Society as approved by City Council on March 22, 2005.

Lease No. 26751 will terminate on September 30, 2006. There is currently no available space in other City-owned or City-leased facilities to absorb the Department's operations located at 110 Pine Avenue. Additionally, the sale of a number of office buildings in Downtown Long Beach (Downtown) has led to an increase in rental rates for the area. In an effort to minimize a potentially substantial increase in rent and avoid the costs of moving and relocation, lease terms have been negotiated with the Landlord to remain in the leased Premises.

The proposed Fourth Amendment to Lease No. 26751 contains the following major provisions:

Lease Term: The term of the Lease shall be extended an additional five years and shall terminate on September 30, 2011 ;

Option Term: There shall be no additional options to renew the term of the Lease;

Minimum Monthly Rent: Rent for the first month of the extended five-year term shall be free of charge. The minimum monthly rent shall be as follows:

Year 1, Month 1	Free of Charge	
Year 1, Months 2-12	\$1.40 per RSF	\$28,652 per month;
Year 2	\$1.44 per RSF	\$29,471 per month;

Year 3	\$1.48 per RSF	\$30,290 per month;
Year 4	\$1.52 per RSF	\$31,108 per month;
Year 5	\$1.57 per RSF	\$32,132 per month.

The current minimum monthly rent is \$1.41 per RSF. Thus, rent will decrease during the first year of the extended term. Additionally, the Fourth Amendment provides for an average minimum monthly rental rate of \$1.46 per RSF over the five-year term. This rate is well below the current starting market rate of \$1.55 - \$2.00 per RSF for similar type buildings in the Downtown;

Tenant Improvement Allowance: The Landlord shall provide the Tenant with a Tenant Improvement Allowance of \$8 per RSF or \$163,728 for use during the extended term of the Lease. Tenant may use up to \$3 per RSF or \$61,398 towards installing new voice and data cabling, modular furniture systems or towards rent at the end of the extended term of the Lease;

Parking: Tenant's parking costs shall be fixed at the published rate as of September 30, 2006 for the first year of the extended term. Thereafter, the parking charge shall be at the prevailing monthly rate;

Tenant's Right to Terminate: Tenant shall be granted a one-time right to terminate all or a portion of the leased Premises as of October 1, 2009, by providing Landlord with 180-days prior written notice. If exercised, Tenant shall deliver to Landlord a termination fee comprised of the unamortized costs of the Tenant Improvement Allowance actually paid, commissions and the free month's rent prorated on a per RSF basis for all or a portion of the leased Premises terminated;

Landlord's Right to Terminate: Landlord shall be granted a one-time right to terminate the Lease as of October 1, 2009, by providing Tenant with 365-days prior written notice. If exercised, Tenant's rent for the months of July-September 2009 totaling \$90,870 shall be free of charge;

With the exception of the above changes, all other terms, covenants and conditions in Lease No. 26751 shall remain in effect.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on March 23, 2006 and Budget Management Officer David Wodynski on April 6, 2006.

Due to the rising rental rates in the Downtown and the favorable terms of the proposed agreement, City Council action is requested on April 18, 2006, in order to execute and secure the terms of the Fourth Amendment.

Funds to cover the annual rental costs of \$315,172 for the first year will be appropriated in the FY 07 budget in the Redevelopment Fund (RD) and the Special Revenue Fund (SR) in the Department of Community Development. There is no impact to the General Fund.

Approve recommendation.

PATRICK H. WEST  
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:

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GERALD R. MILLER  
CITY MANAGER