



Legislation Text

File #: 05-2707, **Version:** 1

Recommendation to authorize City Manager to execute Third 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 approximately 6,905 rentable square feet of office space at 110 Pine Avenue, Suite 1200, to house the Department of Community Development ("Department"), Housing Services Bureau. The initial 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 further expansion of the leased premises to include the remaining portion of Suite 1200 (see Exhibit "A"). The combined premises total approximately 17,523 rentable square feet. Currently, the Department's Economic Development Bureau is housed in Suite 1100, the Housing Services Bureau is housed in Suite 1200 and the Long Beach Historical Society subleases approximately 1,777 rentable square feet in Suite 1200. The Long Beach Historical Society's Sublease was approved by City Council on March 22, 2005.

Earlier this year, the City Council approved the sale of bonds in the amount of \$188,345,243 for the Redevelopment Agency of the City of Long Beach. The bond proceeds will be used to finance market rate housing, neighborhood retail, open space and parks, City facilities and infrastructure projects. The Department's Redevelopment Bureau anticipates adding a minimum of four staff members to expedite the completion of the abovementioned projects. As such, additional office space is required to adequately support expanded Department operations.

To accommodate the Department, an amendment to the Lease has been negotiated for approximately 2,943 rentable square feet of additional office space in Suite 820. The amendment also provides for the continued occupancy of Suites 1100 and 1200 by exercising the first of three options to extend the term of the Lease to September 30, 2006.

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

Premises: The entire leased premises shall be comprised of approximately 20,466 rentable square feet of office space at 110 Pine Avenue (Suite 820 contains approximately 2,943 rentable square feet, Suite 1100 contains approximately 8,841 rentable square feet and Suite 1200 contains approximately 8,682 rentable square feet).

Length of Term: The term for Suite 820 shall commence upon completion of the tenant improvements to the mutual satisfaction of both Landlord and Tenant.

The first option period for Suites 1100 and 1200 shall commence on October 1, 2005. The termination date for the entire leased premises shall be September 30, 2006.

Rent: The monthly base rent for Suite 820 shall be \$4,149.63 (\$1.41 per square foot per month) from the commencement date to September 30, 2005. The monthly base rent for Suites 1100 and 1200 shall continue to be \$23,831.28 (\$1.36 per square foot per month) for the remainder of the current Lease term. Beginning on October 1, 2005, the monthly base rent for the entire leased premises shall be \$28,857.06 (\$1.41 per square foot per month) for the first option term. This is considered very competitive for office lease rates in the downtown Long Beach area.

Parking: The Landlord shall provide five additional unreserved parking stalls at the current prevailing market rate of \$60.00 per stall per month for a total of 49 parking stalls. The stalls shall be used at the Tenant's discretion and the Tenant shall pay only for the stalls that are used.

Tenant Improvements: The Landlord, at Landlord's sole cost and expense, shall provide a "turn-key" improvement package for Suite 820 based upon plans that have been mutually approved by both Landlord and Tenant. The tenant improvements shall include patching and repairing all walls, painting, and cleaning the carpet and linoleum throughout the suite.

For Suites 1100 and 1200, the Landlord shall provide a "turn-key" improvement package not to exceed \$17,523.00 (\$1.00 per square foot) based upon plans that have been mutually approved by both Landlord and Tenant. The Tenant may apply any unused portion of the tenant improvement allowance toward the monthly base rent during the final calendar month of the first option period.

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 April 20, 2005 and Budget Management Officer David Wodynski on May 6, 2005.

City Council action is requested on May 17, 2005, in order to meet the June 1, 2005 target commencement date.

The proposed Third Amendment to Lease No. 26751 has two impacts: 1) the additional base rent for Suite 820 of \$4,149.63 per month, and 2) a one-year extension (10/01/05 to 09/30/06) of the existing lease for Suites 1100 and 1200 at a cost of \$24,707.43 per month. This one-year extension represents an increase of \$876.15 per month over the current monthly rent of \$23,831.28. Sufficient funds for the incremental rental cost associated with Suite 820 is currently budgeted in the Redevelopment Funds (RD) in the Department of Community Development. The \$10,513.80 annual impact of the one-year lease extension for Suites 1100 and 1200 will be reflected in the FY06 Budget - \$5,256.90 in the Community Development Grants Fund (SR 150), \$2,628.45 in the Housing Development Fund (SR 135), and \$2,628.45 in the Business Assistance Fund (SR 149) in the Department of Community Development.

Approve recommendation.

CRAIG BECK
ACTING DIRECTOR OF COMMUNITY DEVELOPMENT
GERALD R. MILLER
CITY MANAGER