



Legislation Text

File #: 17-1121, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute any and all documents necessary for the Second Amendment to Lease

No. 29422 with SRE-OW 100 Broadway Owner, LLC, a Delaware limited liability company, for office space at 100 West Broadway, Suites 400 and 550, for the continued use by the Department of Development Services, Neighborhood Services Bureau. (District 2)

On March 15, 2011, the City Council authorized the execution of the First Amendment to Lease No. 29422 (First Amendment) between Danari Broadway, LLC, predecessor-in-interest to Lessor, and the City of Long Beach (Lessee), for approximately 23,518 rentable square feet (RSF) of office space at 100 West Broadway, Suites 400 and 550 (Leased Premises). The purpose of the First Amendment was to extend the lease to continue housing the Neighborhood Services Bureau (NSB), which included the Code Enforcement Division (CED) as well as relocate other NSB administrative and program staff from another building to the adjacent 5th floor to provide one-stop convenient access to the public from a single location. The First Amendment provided for an extended term of approximately 78 months and recently expired on October 31, 2017, with the lease currently being on a month-to-month holdover tenancy.

The Leased Premises continue to house the administrative and program staff of the NSB and the staff of the CED, which both play a vital role in maintaining and improving the quality of life in the City's neighborhoods, commercial corridors and industrial areas. CED is responsible for the enforcement of the Long Beach Municipal Code as it relates to substandard buildings, property maintenance, inoperative vehicles, weed abatement, and land use violations. To this end, CED proactively conducts inspections on major corridors, in selected community code enforcement areas, and in residential buildings containing four or more units.

The NSB staff at the Leased Premises will be relocated to the new Long Beach Civic Center (Civic Center), which is currently under construction. The targeted occupancy for the Civic Center is planned during the third quarter of 2019. To allow for the continued occupancy of the Leased Premises until the new space at the Civic Center is ready for occupancy, a proposed Second Amendment to Lease No. 29422 has been negotiated containing the following major terms and provisions:

- Lessor: SRE-OW 100 Broadway Owner, LLC, a Delaware limited liability company.
- Lessee: City of Long Beach, a municipal corporation.

- Leased Premises: Approximately 24,344 RSF of office space located at 100 West Broadway, Suites 400 and 550. A site map is attached. There is an increase in approximately 826 RSF due to a re-measurement of the Leased Premises based on a revised load factor of 18 percent for the building.
- Lease Term: The Lease shall be extended through October 31, 2021.
- Early Termination: Lessee shall have the right to terminate the Lease effective any time between the last day of the 24th month and the last day of the 27th month by providing nine months advance written notice and paying the unamortized portion of the tenant improvement allowance and free rent at an interest rate of 8 percent on a straight-line basis.
- Rent: Effective and retroactive to November 1, 2017, the initial monthly base rent shall be \$2.45 per RSF or \$59,643 per month on a full service gross basis with 3 percent annual increases.

If the City were to terminate the Lease during the window described above in connection with the planned relocation to the Civic Center, the effective monthly Base Rent for the term of the Lease will be approximately \$2.10 per RSF. This rate is substantially below the current monthly average of \$2.25 per RSF for office buildings with similar characteristics in the Downtown Long Beach office market and considerably lower than the asking rent of the building ranging from \$2.65 to \$2.75 RSF.

- Rent Concessions: Lessee shall be entitled to four months of free rent for the entirety of the Leased Premises.
- Tenant Improvement Allowance: Lessor shall provide Lessee with an allowance of \$243,440 (\$10.00 per RSF) for tenant improvements to the Leased Premises. Lessee shall be entitled to credit up to 100 percent of any unused portion of the allowance towards the Base Rent during the first two years of the extended term of the Lease.
- Operating Expenses: Tenant shall pay its pro rata share of any increases in building operating expenses predicated upon a 2018 Base Year. There shall be no increases in real estate taxes for the first two years of the extended term of the Lease.

All remaining terms and provisions of Lease No. 29422 shall remain in full force and effect.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on November 7, 2017 and Budget Management Officer Rhutu Amin Gharib on November 27, 2017.

City Council action is requested on December 12, 2017, to finalize and execute the Second Amendment in a timely manner.

The Fiscal Year 2018 costs associated with the Second Amendment are approximately \$585,792 due to the negotiated abatements. Sufficient funds are currently appropriated in the General Fund (GF), Community Development Grants Fund (SR 150) and in the Development Services Fund (EF 337) in the Development Services Department (DV). There is no local job impact associated with this recommendation.

Approve recommendation.

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