



CITY OF LONG BEACH

R-13

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2525 GRAND AVENUE • LONG BEACH, CALIFORNIA 90815 • (562) 570-4000 • FAX: (562) 570-4049

March 9, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute any and all documents necessary for a Lease with AP-Atlantic LLC, for office space at 5166 Atlantic Avenue, for operation of the Department of Health and Human Services' Women, Infants and Children Nutrition Program, for a ten-year term at the initial monthly base rent of \$5,343. (District 8)

DISCUSSION

On September 22, 2009, the City Council authorized the City Manager to execute the First Amendment to Lease No. 28989 for office space at 13-17 East Market Street to continue housing the Department of Health and Human Services' (Health Department) North Long Beach Women, Infants and Children (WIC) Program. The First Amendment extended the original Lease term for 11 months to provide staff with additional time to negotiate a Lease extension and/or to explore an alternative program location in the surrounding area.

The WIC Program provides supplemental food, nutrition education, and health and social service referrals to women, infants and children who are at nutritional risk and who qualify under the federal guidelines. The office at 13 -17 East Market Street is one of five (5) WIC Program sites in Long Beach. The North Long Beach WIC site is the second largest location in the City, and serves approximately 7,500 participants and their families per month.

The facility at 13-17 Market Street can no longer satisfactorily accommodate WIC's expanding program requirements. Based on an extensive survey of the North Long Beach WIC service area that was conducted by the Community Development Property Services Bureau, a replacement office facility has been identified at 5166 Atlantic Avenue. The new site is conveniently located within WIC's demographic service area and is accessible via several major public transportation corridors.

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To facilitate the new office arrangements for the North Long Beach WIC Program, the Property Services Bureau has negotiated a new Lease for the office premises at 5166 Atlantic Avenue. The proposed Lease contains the following major terms and conditions:

- Landlord: AP-Atlantic LLC.
- Tenant: City of Long Beach.
- Leased Premises: The leased premises shall consist of approximately 4,079 Rentable Square Feet (RSF) of office space at 5166 Atlantic Avenue in the Atlantic Plaza Center.
- Length of Term: The term of the Lease shall be for 120 months. The target commencement date is April 1, 2010.
- Right to Terminate Early: If the Tenant loses funding for the WIC Program after the 6th year of the Lease term, then the Tenant shall have the right to terminate the Lease early. Tenant shall provide the Landlord with a minimum of 270 days prior written notice. Note that proceeding with a 10-year lease and potentially exercising the early termination clause is more cost effective than a potential 5-year lease, saving the WIC grant in excess of \$45,000 over the term.
- Option to Renew: Tenant shall have one option to renew the Lease for a period of 60 months.
- Use: The Leased Premises shall be used to house the North Long Beach WIC Program.
- Parking Arrangements: Tenant shall have exclusive use of the gated parking area behind the site for staff parking, which totals approximately 5,500 square feet (or space for approximately 12 parking stalls). Customer parking shall be located within the general Atlantic Plaza parking lot.
- Rent: The monthly base rent for the Leased Premises shall be as follows:

<u>Year</u>	<u>Monthly Rent</u>	<u>Annual</u>
Month 1	\$0	N/A
Months 2 –12	\$5,343 (\$1.31/RSF)	\$58,778
Months 13-24	\$5,466 (\$1.34/RSF)	\$65,590
Months 25-36	\$5,588 (\$1.37/RSF)	\$67,059
Months 37-48	\$5,711 (\$1.40/RSF)	\$68,527
Months 49-60	\$5,833 (\$1.43/RSF)	\$69,996
Months 61-72	\$5,955 (\$1.46/RSF)	\$71,464
Months 73-84	\$6,078 (\$1.49/RSF)	\$72,933
Months 85-96	\$6,200 (\$1.52/RSF)	\$74,401
Months 97-108	\$6,322 (\$1.55/RSF)	\$75,869
Months 109-120	\$6,445 (\$1.58/RSF)	\$77,338

The effective base rent for the 120-month term is \$1.43/RSF, which is considered to be a very competitive rental rate for the North Long Beach area.

- Rent Abatement: The rent shall be abated for the first month of the new term.
- Operating Expenses, Utilities and Property Taxes: Tenant shall be responsible for its pro rata share of Operating Expenses and Property Taxes, which are referred to as Common Area Maintenance (CAM) charges. The CAM charges are estimated to be \$0.34/RSF/Month (\$1,387/Month or \$16,644/Year) for the first year of the new term. CAM charges shall be calculated annually based on the Landlord's incurred maintenance costs. Over the past four years, the Atlantic Plaza Center tenants have experienced a total cost increase of \$0.01/RSF/Month in CAM charges. Tenant shall also be responsible for all incurred utility charges.
- Tenant Improvements: Based upon mutually approved space plans, the Landlord shall provide a "build to suit" office suite at its sole cost and expense.
- Signage: Tenant shall have access to a panel on the monument sign to be constructed at the northeast corner of Atlantic Avenue and 52nd Street. There shall be a one-time \$3,000 contribution from the Landlord to the Tenant for signage expense.

This letter was reviewed by Deputy City Attorney Linda Trang on February 8, 2010, and by Budget and Performance Management Bureau Manager David Wodynski on February 9, 2010.

TIMING CONSIDERATIONS

City Council action on this matter is requested on March 2, 2010, in order to allow sufficient time to execute the Lease and to complete preparations for the relocation of the North Long Beach WIC Program to 5166 Atlantic Avenue by April 1, 2010.

FISCAL IMPACT

The total Fiscal Year 2010 (FY 10) costs for the Lease are estimated to be \$33,652. Of this amount, the rental payment is estimated to be \$26,715 and the CAM charges are estimated to be \$6,937. The WIC Program is federally funded from the U.S. Department of Agriculture. USDA has provided continuous funding for this program to the Health Department for nearly 30 years. Although the current three-year WIC Grant agreement expires on September 30, 2011, the Health Department anticipates funding for this program for many years into the future, over which term we anticipate funds to be available to support this lease. WIC is an important feature of the federal government's promotion of health and nutrition, and it has been scientifically proven to be an effective method of promoting health for pregnant and parenting families with young children to ensure they reach their full developmental potential. A ten-year Lease significantly reduces the costs to this program (a savings of at minimum \$350,000 over the full term). Sufficient funds are currently appropriated in the Health Fund (SR 130) in

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the Department of Health and Human Services (HE). There will be no impact to the General Fund.

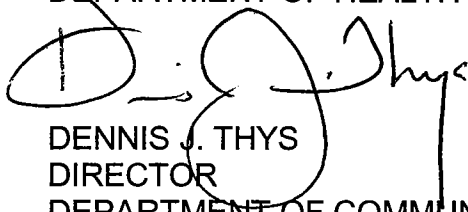
SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,




RONALD R. ARIAS
DIRECTOR
DEPARTMENT OF HEALTH AND HUMAN SERVICES



DENNIS J. THYS
DIRECTOR
DEPARTMENT OF COMMUNITY DEVELOPMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER