



CITY OF LONG BEACH

R-15

DEPARTMENT OF ECONOMIC AND PROPERTY DEVELOPMENT

333 West Ocean Boulevard 3rd Floor • Long Beach, CA 90802 • (562) 570-6099 • Fax (562) 570-6380

December 15, 2015

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute any and all documents necessary for a lease by and between the City of Long Beach (Tenant) and 4811 Airport Plaza, LLC, a Delaware limited liability company (Landlord), for office space at 4811 Airport Plaza Drive, Suites 110, 120 and 210, and any and all documents necessary for subleases by and between the City of Long Beach (Sublandlord) and various agencies and organizations (Subtenants) on an as-needed basis as necessary throughout the term of the lease, for the relocation and continued operations of the Career Transition Center by the Workforce Development Bureau in the Department of Economic and Property Development. (District 5)

DISCUSSION

Since October 1997, the City of Long Beach (City) in partnership with various public and private organizations, has assisted approximately 3,500 job seekers monthly with free job training and employment placement services at the Career Transition Center (CTC). The CTC is located in a three-story, 35,701 square foot (SF) City-leased facility at 3447 Atlantic Avenue and is operated under the guidance and direction of the Workforce Investment Board. The CTC has received national recognition for its success in the Long Beach and Signal Hill communities. The City is also under contract with the City of Los Angeles, to provide similar services to the communities of San Pedro, Wilmington, and Harbor City/Harbor Gateway. The Workforce Investment Board, also known as the Pacific Gateway Workforce Investment Network (PGWIN), administers the communities' collective annual federal Workforce Investment Act (WIA) funds, as well as other employment and training funds.

In order to facilitate the operation of a comprehensive one-stop resource center, the City currently subleases space at the CTC to organizations such as the State Employment Development Department (EDD), California State University Long Beach, Fosters Assessment and Ability First (collectively, Partners) to enhance delivery of service to the community. As grant funding becomes available, the City subleases available space to additional Partners as part of the operations of the CTC. Thus, subleasing activities at the CTC are ongoing and ever-changing. In many cases, services to the community were delayed due to the need to obtain City Council approval for each individual sublease. On April 24, 2007, the City Council authorized the City Manager to execute any and all subleases on an as-needed basis, thus facilitating the subleasing with Partners to provide services for the community.

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On December 4, 2012, the City Council authorized an amendment to further extend the term of the current lease for the CTC through January 31, 2018. The amendment further provided the City with a right to terminate the lease between the 36th and 42nd months of the extended terms to address matters such as funding reductions, fluctuations in future space needs or requirements for relocation. In 2013, EDD began its sublease renewal process with the City, which required a customary seismic assessment of the CTC facility. The State reviewed its prior approvals and determined a need for a more extensive seismic review of the facility. Following said review, it was determined that due to the age and type of construction of the facility, it would not be able to meet State seismic requirements. As a result, the City and EDD commenced a search for an alternative facility.

A City-wide search and review of other potentially suitable office properties was conducted. The search yielded two potential viable alternatives for relocation both within the Long Beach Airport area. As a result of negotiations with both parties, it was determined that 4811 Airport Plaza Drive would be the preferred alternative. The building, located in the Long Beach Airport Business Park on Spring Street between Lakewood Boulevard and Clark Avenue, is situated along a major bus route with convenient access to the 405 Freeway and provides ample parking for both staff and customers. Although the available space is smaller than the current location, changes in technology and operations since 1997 will allow PGWIN and its Partners to operate more efficiently within a smaller footprint resulting in annual rental costs savings of approximately \$300,000.

A proposed Lease has been negotiated containing the following major terms and conditions:

- Landlord: 4811 Airport Plaza, LLC, a Delaware limited liability company.
- Tenant: City of Long Beach, a municipal corporation.
- Leased Premises: Approximately 23,312 rentable square feet (RSF) of office space located at 4811 Airport Plaza Drive, Suites 110, 120, and 210.
- Lease Term: The target Commencement Date of the Lease shall be July 1, 2016 for a term of sixty (60) months.
- Early Termination: Tenant shall have the ongoing right to terminate the Lease at any time after the 36th month of the Lease Term by providing six-months prior written notice to the Landlord. A termination penalty shall be assessed equal to the unamortized cost of the tenant improvement allowance, additional allowance and the brokerage commissions.
- Rent: The initial monthly base rent shall be \$2.00 per RSF or \$46,624 per month on a full-service gross basis with three percent (3%) annual increases. The effective monthly base rent for the term of the Lease is \$1.97 per RSF when factoring in the rent concessions and the moving allowance. This rate is substantially below the current monthly average of \$2.37 per RSF for other buildings within the Long Beach Airport office market.
- Parking: The lease provides for a guaranteed parking ratio of four (4) per 1,000 RSF leased or 93 parking spaces.

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- Rent Concessions: The monthly base rent for months two (2), thirteen (13) and thirty-seven (37) of the Lease Term shall be fully abated for a savings of \$145,594.
- Tenant Improvements: Landlord shall provide a \$30.00 per RSF or \$699,360 tenant improvement allowance for construction costs associated with the build out of the Leased Premises. In addition, Landlord shall provide an additional allowance of up to \$25.00 per RSF to be used at Tenant's option, which shall be amortized over the term of the Lease at seven percent (7%) interest per year.
- Moving Allowance: Landlord shall provide a moving allowance of \$3.00 per RSF or \$69,936 for relocation costs including the costs of terminating the City's lease at the existing facility.
- Operating Expenses: Tenant shall pay its pro rata share of any increases in building operating and tax expenses, predicated upon a 2016 base year.
- Subleasing Rights: Subject to Landlord consent to not be unreasonably withheld, Tenant shall have the right to assign or sublease all or any portion of the Leased Premises during the initial lease term and option term to any subtenant of type and quality of comparable buildings.
- Option to Renew: Tenant shall have one 5-year option to renew the lease pursuant to the negotiation of the new fair market rental rate and subject to City Council approval.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on November 24, 2015 and Budget Management Officer Victoria Bell on November 25, 2015.

TIMING CONSIDERATIONS

City Council action is requested on December 15, 2015 in order to finalize and execute the lease in a timely manner to facilitate the build-out and relocation to the Leased Premises.

FISCAL IMPACT

Effective July 1, 2016, the annual rent for the first year of the Lease, not including the rent concessions, shall be \$599,488 and shall increase three percent (3%) annually. As part of its operation, the City subleases office space to other organizations that operate in partnership with the Career Transition Center, which serves to offset the annual rental obligation incurred by the City.

The Lease payments are funded by the Workforce Investment Act (WIA), and appropriated in the Community Development Grants Fund (SR 150) in the Department of Economic and Property Development (EP). Approval of this recommendation will allow for continuous employment preparation, placement, and retention services to several thousand residents.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL P. CONWAY
DIRECTOR OF ECONOMIC
AND PROPERTY DEVELOPMENT

MPC:JLR:MTB

APPROVED:



PATRICK H. WEST
CITY MANAGER