

March 15, 2011

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 the First Amendment to Lease No. 29422 with Danari Broadway, LLC, a Delaware limited liability company, for office space at 100 West Broadway, Suites 400 and 550, for the continued use and consolidation of the Department of Development Services, Neighborhood Services Bureau, for an approximate extended term of seventy-eight months, with one five-year option to renew. (District 2)

DISCUSSION

On September 20, 2005, the City Council authorized the execution of Lease No. 29422 (Lease) between Danari Broadway, LLC, a Delaware limited liability company (Lessor), and the City of Long Beach (Lessee), for approximately 12,669 rentable square feet (RSF) of office space at 100 West Broadway, Suite 400, to house the Neighborhood Services Bureau's Code Enforcement Division (CED). The Lease provided for an initial term of five years with an option to renew for an additional five-year period. The initial term will expire on April 30, 2011.

The CED plays 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.

On October 1, 2010, the Neighborhood Services Bureau (NSB), including CED, was transferred to the Department of Development Services (Department). In line with the overall efforts of the City, the Department has been exploring opportunities to reduce operating expenses, while maintaining effective service delivery.

In addition to the CED office location, NSB currently has administrative and program staff located at 444 West Ocean Boulevard. In order to provide one-stop convenient access to the public and take advantage of current competitive lease rates, the Department is proposing to consolidate the staff at 444 West Ocean Boulevard with

CED at 100 West Broadway. Current lease rates for the respective offices are \$2.02 RSF (444 West Ocean Boulevard) and \$1.75 RSF (100 West Broadway).

To facilitate this consolidation, a proposed First Amendment to Lease No. 29422, at 100 West Broadway, has been negotiated containing the following major terms and provisions:

- Lessor: Danari Broadway, LLC.
- Lessee: City of Long Beach.
- Premises: Approximately 23,518 RSF of office space located at 100 West Broadway, Suites 400 and 550. Said space includes approximately 12,669 RSF of existing space in Suite 400 and approximately 10,849 RSF of expansion space in Suite 550. A site map is attached.
- Length of Term: The term of the Lease shall be extended through October 31, 2017, providing for approximately seventy-eight (78) months for Suite 400 and approximately seventy-four (74) months for Suite 550.
- Early Termination: Lessee shall have the right to terminate the Lease at any time after the thirty-sixth (36th) month by providing six months written notice and paying the unamortized cost of the tenant improvement allowance, brokerage fees, moving/cablings/termination fee, and free rent.
- Rent: The initial monthly base rent shall be \$1.55 per RSF per month on a full service gross basis with \$0.05 annual increases. Upon execution of the agreement, the first full month's rent for Suite 400 is payable to the Lessor in the amount of \$19,637.

The effective monthly base rent for the term of the Lease is \$1.59 per RSF. This rate is substantially below the current monthly average of \$1.75 per RSF for office buildings with similar characteristics in the Downtown Long Beach office market and considerably lower than the current lease rates for the existing locations of both NSB and CED.

- Rent Concessions: Lessee shall be entitled to six (6) months of free rent for each suite, a savings of \$218,718.
- Tenant Improvement Allowance: Lessor shall provide Lessee with an allowance of \$190,000 (\$17.51 per RSF) for construction costs associated with the build-out of Suite 550. In addition, Lessor shall pay for all architectural and engineering fees, construction supervision, and permits necessary to complete the tenant improvements. Landlord shall also cover all costs associated with re-painting and shampooing the carpet in Suite 400.

- Moving, Cabling, and Termination Fee Allowance: Lessor shall provide Lessee with an allowance up to \$45,000 for the cost of terminating Lessee's lease at 444 West Ocean Boulevard, the associated move of staff, and the cabling needs of the Premises.
- Parking: Lessee shall have the use of eighty-four (84) parking spaces (up to six shall be reserved spaces) in the adjacent parking structure at prevailing market rates. The current rate is \$65.00 per unreserved space and \$110.00 per reserved space per month. Lessor shall provide Lessee with twelve (12) months of free unreserved parking for each suite, an estimated savings of \$65,520.
- Option to Renew: Lessee shall have one (1) five-year option to renew the term of the Lease at the predetermined rental rate of \$1.94 per RSF with three percent (3%) increases per year. The option can be exercised for either suite individually, or for the entire Premises. Concurrent with exercising the option, Lessor shall provide Lessee a refurbishment allowance of \$7.00 per RSF.

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

This letter was reviewed by Deputy City Attorney Richard F. Anthony on February 14, 2011 and Budget Management Officer Victoria Bell on February 28, 2011.

TIMING CONSIDERATIONS

City Council action is requested on March 15, 2011, in order to finalize and execute the First Amendment prior to the Lease expiration date of April 30, 2011, and to timely commence the build-out of Suite 550 for the relocation of staff from 444 West Ocean Boulevard.

FISCAL IMPACT

The FY 11 costs associated with the First Amendment are \$19,637. The base rent and parking costs are covered by the aforementioned rent concessions totaling \$113,785 which includes \$98,185 in free rent and \$15,600 in free parking. Sufficient funds to cover FY 11 expenses are currently appropriated in the General Fund in the Department of Development Services (DV).

Assuming the occupancy of Suite 550 commences on October 1, 2011, total FY 12 costs for both suites are estimated to be \$312,864, which includes \$297,264 in rental payments and \$15,600 in parking payments. This amount reflects a reduction of \$170,453, representing \$120,533 in remaining free rent, and \$49,920 in remaining free parking for FY 12. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

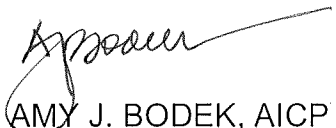
Approve recommendation.

Respectfully submitted,



MICHAEL P. CONWAY
DIRECTOR OF PUBLIC WORKS

Respectfully submitted,



AMY J. BODEK, AICP
DIRECTOR OF DEVELOPMENT
SERVICES

MPC:AJB:MTB:mtb
03.15.11 AM 100 W. Broadway v1

Attachment: Site Map

APPROVED:



PATRICK H. WEST
CITY MANAGER



100 West Broadway - Site Map



Disclaimer

DISCLAIMER OF DATA ACCURACY: The services provided on this web site are intended for informational purposes only and the GIS data used is compiled from various sources and is subject to constant change. While reasonable effort has been made to ensure the accuracy of the data, the information provided herein may be inaccurate or out of date.