



CITY OF LONG BEACH C-11

DEPARTMENT OF PUBLIC WORKS

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April 3, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute the Third Amendment to Lease No. 24851 (Lease) between Bojaro, LLC, a California limited liability company, and Gregory R. Gill and Tomilee Tilley Gill, trustees of the Gill Family Trust (collectively, Landlord) and the City of Long Beach (Tenant) for office space at 236 E. Third St., Suites 205 and 230, for the Video Communications Division of the Department of Technology Services. (District 2)

DISCUSSION

On October 22, 1996, the City Council authorized the execution of Lease No. 24851 for a five-year term at 236 E. Third St., Suites 205 and 230, for approximately 4,352 square feet of office space to house the Video Communications Division (VCD) of the Department of Technology Services. VCD operates and manages the City's cable channel, LBTv, producing nearly 300 hours of locally originated programming annually. Additionally, VCD relays City information, via cable television and the internet, to Long Beach residents, assists with cable-related consumer complaints, and provides other programming services, including internet content as requested. On October 16, 2001 and March 13, 2007, the City Council authorized the First and Second Amendments, respectively, to further extend the Lease term for an additional five years each. Lease No. 24851 terminated on February 28, 2012, and the City remains in possession of the premises on a holdover status, as allowed under the Lease.

VCD is currently located in a two-story building on Third Street, adjacent to the Promenade and across from CityPlace. The configuration of the leased space and its open ceilings provide a preferred layout for television studio production, given the need to use extensive equipment and lighting. The facility's location is within walking distance of City Hall and allows for convenient access by City-elected officials and staff responsible for hosting various programs produced there. Additionally, the leased premises are connected to Charter Communication's distribution center via fiber optic cable. This connection provides for stability and a quality signal for the distribution of LBTv throughout the community.

In anticipation of the termination of the Lease, a citywide search and review of other potentially suitable office properties was conducted. The search yielded four alternative sites for relocation within the Downtown area. Unfortunately, the alternative sites would

necessitate extensive tenant improvements for television studio production (thus requiring a longer lease term), lacked convenient accessibility for the frequent moving of equipment for off-site filming, and would not accommodate an early termination without incurring high financial penalties. As a result, staff pursued negotiations with the existing Landlord for a lease extension.

A proposed Third Amendment to Lease No. 24851 has been negotiated containing the following major terms and provisions:

- Landlord: Bojaro, LLC, a California limited liability company, and Gregory R. Gill and Tomilee Tilley Gill, trustees of the Gill Family Trust.
- Tenant: City of Long Beach.
- Leased Premises: 236 E. Third Street, Suites 205 and 230, consisting of approximately 4,352 rentable square feet (RSF) of office space.
- Term: The term of the Lease shall be extended for an additional five years and one day commencing February 29, 2012 and terminating on February 28, 2017.
- Rent: Effective March 1, 2012, the current monthly base rent of \$7,102 shall decrease to \$6,528 (\$1.50 per RSF). Thereafter, the monthly base rent shall increase annually by four cents (\$0.04) per RSF.
- Rent Abatement: Tenant shall receive free rent for months 13, 25, 37 and 49 of the extended term. In addition, the Tenant shall receive additional free rent in the amount of \$21,760 to be used in months 5, 6, 7 and 8. The full value of the rent abatement for the City is \$49,613.
- Tenant Improvement Allowance: Landlord shall provide a \$5 per RSF tenant improvement allowance to be used toward the costs of general construction, repainting/resurfacing of interior walls and floors, installing new voice/data cabling, or towards Base Rent until fully credited.
- Operating Expenses: The base year for operating expenses shall be adjusted to 2012. Thereafter, the Tenant shall pay its pro-rata share of any increase in building operating expenses predicated upon a 2012 base year. Over the preceding five-year period, monthly operating expenses totaled approximately \$10,500 or an average of \$175 per month.
- Right to Cancel: Tenant shall have the right to cancel the Lease at any time after August 31, 2013, by providing Landlord with 180-days prior written notification. Within 90-days thereafter, Tenant shall deliver to Landlord a cancellation fee comprised of the unamortized costs for the extended term of the Lease comprised of any Tenant Improvement Allowance used and the leasing commissions paid.

- Option to Renew: Tenant shall have one 5-year option to further renew the Lease. If exercised, a new fair market rental rate shall be negotiated subject to further City Council approval.

All other remaining terms and provisions of the Lease shall remain in full force and effect.

This matter was reviewed by Deputy City Attorney Gary J. Anderson on February 23, 2012 and Budget Management Officer Victoria Bell on March 9, 2012.

TIMING CONSIDERATIONS

City Council action is requested on April 3, 2012, in order to execute the Third Amendment and formalize the City's continued occupancy of the leased premises.

FISCAL IMPACT

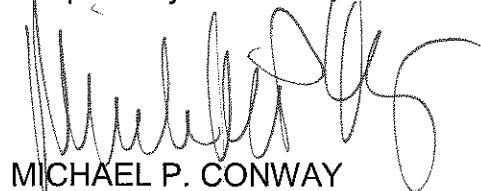
Annual base rent payments for Fiscal Year 2012 (FY12) shall be \$61,624, comprised of \$35,512 under the current Lease terms and \$26,112 under the Third Amendment terms. Annual operating expenses for FY12 are estimated to be approximately \$1,700 based on the current and amended Lease terms.

Sufficient funds to cover rental payments for FY 12 are currently appropriated in the General Services Fund (IS 385) in the Department of Technology Services (TS) to support this activity. Approval of the proposed Amendment anticipates a positive local job impact.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL P. CONWAY
DIRECTOR OF
PUBLIC WORKS



CURTIS TANI
DIRECTOR OF
TECHNOLOGY SERVICES

APPROVED:



PATRICK H. WEST
CITY MANAGER