

CITY OF LONG BEACH **R-33**

DEPARTMENT OF PUBLIC WORKS

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July 24, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute all documents necessary for the First Amendment to Lease No. 29995 between CityPlace Long Beach, LLC; CityPlace Long Beach TIC 1, LLC; CityPlace Long Beach TIC 2, LLC, all Delaware limited liability companies, as tenants in common (Landlord), and the City of Long Beach (Tenant) for the relocation of City-leased office space to 295 East Third Street, Suite No. A-100, for the offices of certain veterans' organizations; and

Authorize the City Manager to execute all documents necessary to amend Sublease No. 30276 with the Arthur L. Peterson Post No. 27, Inc., The American Legion, Department of California; Sublease No. 30277 with Long Beach Chapter No. 17, Disabled American Veterans, Inc.; and Sublease No. 30278 with the Fleet Reserve Association, Branch 43, (collectively, Subtenants), for the sublease of City-leased office space at 295 East Third Street, Suite No. A-100. (District 1)

DISCUSSION

By an agreement dated January 16, 1936 (Agreement), the City of Long Beach and the County of Los Angeles joined together to construct the Veterans' Memorial Building (Original Building) at the northwest corner of Broadway and Pacific Avenue for the exclusive use and benefit of the Subtenants. The City contributed the land and the County contributed the funding for construction of the Original Building. The Agreement required that the City be given exclusive jurisdiction over the management, operation, control, maintenance, upkeep, and repair of the Original Building. In 1952, the State Attorney General opined that the Agreement created an easement benefiting the Subtenants, thereby obligating the City to maintain a facility for the Subtenants until they formally abandon said easement.

On October 28, 1975, the City Council approved an Agreement for Exchange of Real Property with the State of California (Exchange), whereby the State conveyed a parcel of land at 332 West Broadway to the City for the construction of the four-story Broadway Parking Garage. In exchange, the City conveyed the land and the Original Building at 245 West Broadway to the State for the construction of the Veterans' Memorial State Office Building (State Office Building). Due to the City's obligation under the Exchange to demolish the Original Building, the easement required the City to continue providing alternative office space for the Subtenants.

HONORABLE MAYOR AND CITY COUNCIL

July 24, 2012

Page 2

The Subtenants were relocated to the State Office Building and remained housed there until 1998, when the State announced its plans to dispose of the property and required all tenants to vacate the building. Pursuant to that decision, the City Council approved a lease for office space at 575-585 Pine Avenue and the Subtenants remained at this location until 2007.

On October 24, 2006, the City Council authorized the execution of Lease No. 29995 with Landlord for office space at 540 Pine Avenue, Suite J-115 (Existing Premises) to house the Subtenants for a five-year term. Concurrently, the City Council authorized the execution of subleases between the City of Long Beach (Sublandlord) and the Subtenants for the entire space for the term of the Lease.

In anticipation of the expiration of the current term of the Lease on June 30, 2012, both parties commenced negotiations for an extension of the Lease for the Existing Premises. During this process, the Landlord notified the City that it needed to exercise its right under the terms of the Lease to relocate the Subtenants to another suite to accommodate a larger tenant transaction. In order to continue to meet the City's obligation to provide a facility for the Subtenants, staff recommends a First Amendment to Lease containing the following major terms and conditions:

- Landlord: CityPlace Long Beach, LLC; CityPlace Long Beach TIC 1, LLC; CityPlace Long Beach TIC 2, LLC, all Delaware limited liability companies, as tenants in common.
- Tenant: City of Long Beach.
- Premises: Approximately 3,903 square feet of ground floor office/retail space at 295 East Third Street, Suite No. A-100.
- Use: General offices for the Subtenants.
- Term: The term of the Lease shall be extended through June 30, 2017.
- Early Termination: The City shall have the right to terminate the Lease at any time after the twelfth (12th) month of the extended term by providing 180 days prior written notification and paying the unamortized balance of the tenant improvements funded by Landlord.
- Rent: The monthly base rent shall be \$6,358 (\$2.00 per square foot) and shall increase annually by 3 percent. This initial rental rate represents a 17 percent reduction in the current monthly base rent paid by Tenant under the existing terms.
- Utilities, Services, and Taxes: The City shall continue to be responsible for its pro-rata share of the property operation costs including common area maintenance charges, real estate taxes, utilities, and other property related expenses.

- Tenant Improvements: The Premises shall be delivered to Tenant in move-in ready condition. Any additional improvements necessary for Tenant's specific use shall be funded by Landlord, amortized over the term of the Lease, and paid by Tenant as additional rent.

The Subleases with each of the Subtenants shall be amended to contain the following major terms and conditions:

- Sublandlord: City of Long Beach.
- Subtenants: Arthur L. Peterson Post No. 27, Inc., The American Legion, Department of California; Long Beach Chapter No. 17, Disabled American Veterans, Inc.; and Fleet Reserve Association, Branch 43.
- Premises: The subleased premises shall include approximately 3,903 square feet of ground floor office/retail space for the veterans' organizations at 295 East Third Street, Suite No. A-100.
- Use: General offices of the Subtenants.
- Term: The term of each Sublease shall be extended through June 30, 2017.
- Early Termination: Sublandlord shall have the right to terminate each Sublease at any time after the twelfth (12th) month of the extended term by providing 180 days prior written notification.
- Rent, Utilities, Services, and Taxes: As discussed above, it is the City's obligation to provide office space for the Subtenants. As consideration, the existing training room at the Premises shall continue to be made available for City-sponsored events such as community meetings and election polling sites.

All remaining terms and provisions of Lease No. 29995, as well as Sublease No. 30276, Sublease No. 30277, and Sublease No. 30278, shall remain in full force and effect.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on July 3, 2012 and Budget Management Officer Victoria Bell on July 6, 2012.

TIMING CONSIDERATIONS

City Council action is requested on July 24, 2012, in order to finalize and execute the First Amendment to Lease No. 29995 and commence the timely relocation of the veterans' organizations to the new premises, which is anticipated to occur by August 1, 2012.

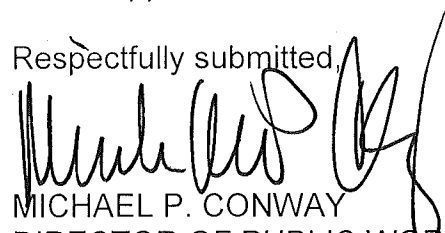
FISCAL IMPACT

Total annual rental costs for FY 12 associated with the Lease as a result of the modifications of the First Amendment are approximately \$118,116. Of this amount, base rent payments are estimated to be \$87,096 and utilities, services, and taxes are estimated to be \$31,020. Sufficient funding is appropriated in the Civic Center Fund (IS 380) in the Department of Public Works (PW). There is no known local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL P. CONWAY
DIRECTOR OF PUBLIC WORKS

MPC:JLR:MTB:mtb
07.24.12 295 E. 3rd Street (VETS)

APPROVED:



PATRICK H. WEST
CITY MANAGER