

C-10

August 16, 2022

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute any and all documents necessary to include additional provisions in a new Sublease to Master Lease No. 9351 between Million Air North, Inc., a California corporation, and the City of Long Beach, for office space at 4401 Donald Douglas Drive, Suites 100 and 220; and,

Increase appropriations in the Airport Fund in the Airport Department (AP) by \$283,807. (District 5)

DISCUSSION

On April 19, 2022, City Council authorized both the execution of a First Amendment to Sublease No. 34607 for the continued use of office space in Suites 150 and 250, and a new sublease for additional office space in Suites 100 and 220 (New Sublease) with Million Air North, Inc. (MANI), for the subleased premises in the building located at 4401 Donald Douglas Drive at the Long Beach Airport (Airport). The New Sublease will provide office space for staff from several Airport divisions who need to be relocated from the historic terminal building, including the relocation of the Airport's Dispatch and Badging Offices (Airport Offices) to a ground floor location that is more accessible and conducive to meet the current security and operational requirements of the Airport.

The respective subleases authorized by the City Council provided for a combined tenant improvement allowance in the amount of \$394,540. One of the outstanding items at the time of the previous City Council action was the anticipated tenant improvement costs. The Airport has completed the design for the Airport Offices, which require enhanced tenant improvements to support specialized equipment and security requirements. In addition, construction and material costs have risen substantially due to supply chain issues and demands associated with the pandemic.

MANI has completed the bidding of the project to three general contractors and the lowest bidder has been identified. The total cost of the tenant improvements for the Airport Offices is estimated to be \$641,329, which exceeds the previous City Council approved tenant improvement allowance by \$246,789.

The New Sublease has not been executed subject to City Council approval for reimbursement to the landlord by the Airport for tenant improvement costs in excess of the landlord's tenant improvement allowance. The New Sublease shall include the following additional provision:

- Excess Tenant Improvement Costs: The City shall be responsible for reimbursement to the landlord for costs associated with the tenant improvement project in excess of the tenant improvement allowance.

This matter was reviewed by Principal Deputy City Attorney Richard F. Anthony on July 20, 2022 and by Budget Analysis Officer Greg Sorensen on July 27, 2022.

TIMING CONSIDERATIONS

City Council action is requested on August 16, 2022, to execute the documents in a timely manner and commence construction of the necessary improvements to the subleased premises.

FISCAL IMPACT

The total cost for tenant improvements at the New Sublease is estimated at \$678,347, inclusive of a 15 percent contingency in the event of unforeseen circumstances during construction. MANI shall be responsible for payment of total costs. The Airport shall be responsible for reimbursement to MANI for the amount in excess of \$394,540. An appropriation increase in the amount of \$283,807 is requested in the Airport Fund Group in the Airport Department, offset by Airport funds available. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is a positive local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CYNTHIA GUIDRY
DIRECTOR, LONG BEACH AIRPORT

APPROVED:



THOMAS B. MODICA
CITY MANAGER