



HOUSING AUTHORITY
of the City of Long Beach

Community Development
521 East Fourth Street
Long Beach, CA 90802
Tel 562.570.6985
Fax 562.570.8700

December 15, 2009

AGENDA ITEM 4

HONORABLE HOUSING AUTHORITY
City of Long Beach
California

RECOMMENDATION:

Request for authorization to execute the First Amendment to Lease No. 26422 with Quality Risk Management, Inc., and G.E. von Bolschwing, as Trustee of the G.E. von Bolschwing Intervivos Trust (collectively, Lessor), for office space located at 521 East Fourth Street, for the continued occupancy by the Housing Authority, for an additional five-year term, at an initial monthly base rent of \$14,815. (District 1)

DISCUSSION

On August 10, 1999, the Housing Authority Commission authorized the execution of Lease No. 26422 between SCAN Health Plan, predecessor in interest to Lessor, and the Housing Authority of the City of Long Beach (Lessee) for approximately 13,662 rentable square feet of office space located at 521 East Fourth Street (Premises), for occupancy by the Housing Authority, for a term of ten years.

In anticipation of Lease No. 26422 terminating on March 31, 2010, a survey of all other potentially suitable office space throughout the City was conducted. The survey yielded 26 properties; however, none of the alternative sites met all of the lease criteria (i.e., adequate square footage, proximity to public transportation, sufficient parking, competitive rental rates, and/or were cost prohibitive when calculating the relocation and tenant improvement costs).

The Housing Authority prefers to remain at 521 East Fourth Street, which has been a suitable location for the past ten years. To provide for the continued occupancy of the Premises by Housing Authority, a new Lease extension has been negotiated. The proposed First Amendment to Lease No. 26422 contains the following major terms and provisions:

- Lessor: Quality Risk Management, Inc., a California corporation, and G.E. von Bolschwing, as Trustee of the G.E. von Bolschwing Intervivos Trust.

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- Lessee: The Housing Authority of the City of Long Beach.
- Premises: The leased premises shall consist of approximately 13,662 rentable square feet located at 521 East Fourth Street.
- Length of Term: The term of the Lease shall be extended for an additional five-year period, commencing on April 1, 2010 and terminating on March 31, 2015.
- Rent: The monthly base rent for the entire leased premises (13,662 rentable square feet) shall be as follows:

Months 1-30: \$14,815 per month (\$1.08 per rentable square foot)

Months 31-60: \$15,704 per month (\$1.15 per rentable square foot)

The effective base rent for the new 60-month term shall be \$1.12 per rentable square foot per month. This modified gross rental rate is considered very competitive for office lease rates in the East Village area of Long Beach.

The base rent for the first 30-month period of the extended term shall continue at the current rate of \$14,815 per month and shall increase by six percent (6%) to \$15,704 per month as indicated in the above rent schedule. This modified gross rental rate is considered very competitive for office lease rates in the East Village area of Long Beach.

- Utilities, Services and Taxes: The Lessee shall continue to pay for its own electricity, gas, water, janitorial, and refuse services. In turn, the Lessor shall continue to pay all real estate taxes.
- Tenant Allowance: Lessor shall provide a tenant allowance equal to \$50,000 to be used at Lessee's discretion for interior improvements to the Premises, data and telephone cabling upgrades or as a credit towards the base rent.
- Lessor's Work: Lessor, at its sole cost and expense, shall complete a series of improvements to the building including the installation of an ADA compliant door, interior painting, electrical service upgrades, and the replacement of some flooring. Said work shall be based upon the agreed upon scope of work and has been estimated at approximately \$95,000. The Lessor shall also pay for all space planning services in connection with the above-described work, estimated at approximately \$7,400.

All other terms, covenants and conditions of the current Lease shall remain in effect.

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This letter was reviewed by Deputy City Attorney Linda Trang on November 10, 2009 and Budget and Performance Management Bureau Manager David Wodynski on November 25, 2009.

TIMING CONSIDERATIONS

Housing Authority Commission action is requested on December 15, 2009 to allow for the timely execution of the First Amendment to Lease No. 26422 and to facilitate the improvement work at 521 East Fourth Street.

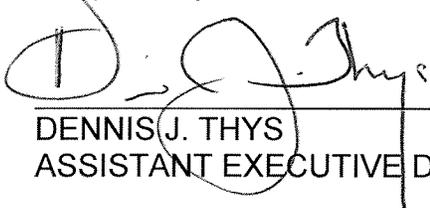
FISCAL IMPACT

The total Fiscal Year 2010 (FY 10) costs for the First Amendment to Lease No. 26422 are estimated to be \$177,780. (Estimated cost for term of the lease is \$915,570.) Sufficient funds to cover rental payments are currently appropriated in the Housing Authority Fund (SR 151) in the Department of Community Development (CD). There is no impact to the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DENNIS J. THYS
ASSISTANT EXECUTIVE DIRECTOR

APPROVED:



PATRICK H. WEST
EXECUTIVE DIRECTOR

Attachments

1 **FIRST AMENDMENT TO LEASE**

2 This First Amendment to Lease ("Amendment") is made and entered, in
3 duplicate, pursuant to a minute order adopted by the Board of Commissioners of the
4 Housing Authority of the City of Long Beach at its meeting held on _____, 2009,
5 by and between THE HOUSING AUTHORITY OF THE CITY OF LONG BEACH, a public
6 agency ("Lessee") and QUALITY RISK MANAGEMENT, INC., a California corporation,
7 and G.E. VON BOLSCHWING, as Trustee of the G.E. VON BOLSCHWING
8 INTERVIVOS TRUST u/t/d _____ (collectively, "Lessor"), as successors-by-
9 assignment to SCAN Health Plan, a California nonprofit corporation ("Original Lessor").

10 WHEREAS, Original Lessor and Lessee previously entered into a Lease
11 dated August 10, 1999 ("Lease") known as City Contract No. 26422; and

12 WHEREAS, Lessor and Lessee now desire to amend certain provisions of
13 the Lease;

14 NOW, THEREFORE, Lessor and Lessee mutually agree as follows:

15 1. This Amendment shall be effective as of the date on which this
16 Amendment is executed by both parties (the "Effective Date"), and all capitalized terms
17 used herein without definition shall have the meanings given them in the Lease.

18 2. The term of the Lease is hereby extended from April 1, 2010 to
19 March 31, 2015 (the "Extension Term") on the terms and conditions stated herein, and
20 expressly not pursuant to Section 39.4 of the Addendum to Lease ("Extension Option").
21 The Extension Option is null and void and Lessee shall have no further option to extend
22 the term of the Lease.

23 3. Commencing on April 1, 2010 and continuing through September 30,
24 2012, monthly Base Rent payable under Section 1.6 of the Lease shall be Fourteen
25 Thousand Eight Hundred Fifteen Dollars (\$14,815). Commencing on October 1, 2012,
26 and continuing through the end of the Extension Term, monthly Base Rent payable under
27 Section 1.6 of the Lease shall be Fifteen Thousand Seven Hundred Four Dollars
28 (\$15,704).

1 4. Lessor shall provide to Lessee a Tenant Allowance equal to Fifty
2 Thousand Dollars (\$50,000) (the "Tenant Allowance") to be used at Lessee's discretion
3 for non-structural interior improvements to the Premises, data/telephone cabling
4 upgrades or as a credit towards Base Rent. If Lessee elects to use a portion of the
5 Tenant Allowance for remodeling work, Lessee shall seek and receive at least three (3)
6 bids from licensed contractors, notify Lessor in advance of commencement of any
7 remodeling work, and shall submit invoices for such work to Lessor for payment after
8 completion of such work. Any unused portion of the Tenant Allowance shall remain
9 available for future remodeling or may be applied by Lessee towards Base Rent
10 commencing with the thirteenth (13th) month of the Extension Term, and continuing for
11 each twelve (12) month period thereafter, provided, however, that total Tenant Allowance
12 rent credits shall not exceed Fifteen Thousand Dollars (\$15,000) in any given twelve (12)
13 month period, and provided further that Lessee provides Lessor with at least thirty (30)
14 days advance notice of Lessee's intention to apply all or a portion of the Tenant
15 Allowance as a credit against Base Rent in a given twelve (12) month period. Lessor
16 shall have the right to pay the entire remaining balance to Lessee on forty-five (45) days
17 advance notice to Lessee. Upon receipt of notice Lessee may designate the application
18 of the remaining amount, including application towards Base Rent due within forty-five
19 (45) days of notice. Any unused balance shall be paid by Lessor to Lessee at the end of
20 the forty-five (45) day period in immediately available funds.

21 5. Lessor shall, at Lessor's sole cost and expense, complete the
22 improvements ("Lessor's Work") described in those certain plans and specifications dated
23 December 22, 2008 ("Lessor Work Plans") prepared by Heery International ("Heery") and
24 all documents related thereto approved by Lessor, excepting exterior Building painting.
25 Lessee and Lessor shall jointly seek and receive at least three (3) bids from licensed
26 general contractors mutually approved by Lessor and Lessee. Lessor shall select the
27 contractor from the list of contractors approved by Lessee and Lessor. Lessor shall be
28 responsible for payment of all costs and expenses necessary to complete the Lessor's

1 Work in a timely manner, including fees payable to Heery in connection with the Lessor
2 Work Plans.

3 6. If applicable or otherwise required to satisfy current building code
4 requirements, Lessor shall, at Lessor's sole cost and expense and subject to the
5 conditions of this Section, complete improvements to the Building related to (i) hazardous
6 material removal, (ii) seismic bracing and retrofit, (iii) general building systems, including
7 fire alarms, emergency lighting, HVAC, electrical and plumbing, and (iv) ADA compliance,
8 including paths of travel and restrooms (collectively, "Lessor's Additional Work"). Lessee
9 shall prepare, or cause to be prepared, a scope of work detailing Lessor's Additional
10 Work as proposed by Lessee and shall deliver such scope of work to Lessor on or after
11 March 31, 2010. Within thirty (30) days of Lessor's receipt of such scope of work, Lessor
12 shall, by written notice to Lessee, (i) accept such proposed scope of work, or (ii) propose
13 a modified scope of work for the Lessor's Additional Work. If Lessor accepts Lessee's
14 proposed scope of work or if Lessee accepts Lessor's modified scope of work, Lessor
15 shall promptly proceed with such work and cause it to be completed in a timely fashion in
16 accordance with the approved scope of work. If Lessee does not accept Lessor's
17 proposed modified scope of work, then within thirty (30) days Lessor shall either (i)
18 accept Lessee's original proposed scope of work, or (ii) send notice to Lessee that
19 Lessor does not intend to complete any of the Lessor's Additional Work. If Lessee
20 receives written notice that Lessor does not intend to complete Lessor's Additional Work
21 ("Lessor Refusal Notice"), then Lessee shall have the right to terminate the Lease by
22 written notice to Lessor ("Additional Work Termination Notice") within one hundred twenty
23 (120) days after receiving Lessor's Refusal Notice. If Lessee terminates the Lease, then
24 (i) the termination shall be effective on the date which is one hundred eighty (180) days
25 after the date of the Additional Work Termination Notice, and (ii) within ninety (90) days
26 following the date of the Additional Work Termination Notice, Lessee shall pay to Lessor
27 an amount equal to Lessor's unamortized costs as of the effective date of termination,
28 actually expended or incurred by Lessor in connection with (x) brokers' commissions

1 regarding this Amendment, (y) the Tenant Allowance, and (z) Lessor's Work. The
2 amortization period shall be sixty (60) months on a straight-line basis.

3 7. Lessor shall work to determine appropriate methods to enhance the
4 exterior appearance of the Building ("Lessor's Exterior Work"), and at Lessor's discretion,
5 Lessor shall, at its sole cost and expense, complete the Lessor's Exterior Work.

6 8. All Lessor's Work undertaken by Lessor or Lessee in connection with
7 the Lease or this Amendment shall be performed in compliance with California Labor
8 Code Section 1720 regarding the payment of prevailing wages.

9 9. The parties acknowledge that Lessee conducts operations at the
10 Premises pursuant to an Administrative Use Permit (the "AUP"), the continuing
11 effectiveness of which is contingent on Lessee maintaining a minimum number of off-
12 street parking spaces. Lessee currently satisfies its parking requirement under the AUP
13 by leasing parking in a lot located at 434 E. 4th Street (the "Parking Lot"). Should Lessee
14 lose its right to use the Parking Lot for any reason, Lessee shall provide written notice of
15 such fact to Lessor within ten (10) days (the "Parking Lot Termination Notice"), and
16 Lessor and Lessee shall use their best efforts to locate replacement parking which would
17 satisfy the requirements of the AUP. If after one hundred twenty (120) days of Lessor's
18 receipt of the Parking Lot Termination Notice no suitable replacement parking has been
19 secured, then Lessee may terminate the Lease by delivering written notice to Lessor
20 ("Parking Lot Termination Notice"). If Lessee terminates the Lease, then (i) the
21 termination shall be effective the date which is ninety (90) days after the date of the
22 Parking Lot Termination Notice, and (ii) within ninety (90) days following the date of the
23 Parking Lot Termination Notice, Lessee shall pay to Lessor an amount equal to Lessor's
24 unamortized costs as of the effective date of termination, actually expended or incurred
25 by Lessor in connection with (x) brokers' commissions regarding this Amendment, (y) the
26 Tenant Allowance, and (z) Lessor's Work. The amortization period shall be sixty (60)
27 months on a straight-line basis.

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1 10. Lessor agrees, subject to applicable laws, rules and regulations, that
2 no person shall be subject to discrimination in the performance of this Agreement on the
3 basis of race, color, religion, national origin, gender, sexual orientation, gender identity,
4 AIDS, HIV status, age, disability, handicap, or veteran status. Lessor shall take
5 affirmative action to ensure that applicants are employed and that employees are treated
6 during employment without regard to any of these bases, including but not limited to
7 employment, upgrading, demotion, transfer, recruitment, recruitment advertising, layoff,
8 termination, rates of pay or other forms of compensation, and selection for training,
9 including apprenticeship.

10 11. Cushman and Wakefield of California, Inc. ("Broker"), only
11 represents Lessee in the transaction evidenced by this Amendment. Lessor shall pay
12 Broker a commission of four percent (4%) of the total value of the Lease during the five-
13 year Extension Term ("Commission"). The Commission shall be payable fifty percent
14 (50%) upon full execution of this Amendment and fifty percent (50%) upon April 1, 2010.

15 12. All terms, covenants, and conditions of the Lease and amendments
16 thereto, except as amended herein, shall remain unchanged and in full force and effect.

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OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

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IN WITNESS WHEREOF, the parties hereto have executed this
Amendment.

"Lessee"

HOUSING AUTHORITY OF THE CITY OF LONG
BEACH, a public agency

By: _____
Name: _____
Title: _____

"Lessor"

QUALITY RISK MANAGEMENT, INC.,
a California corporation

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

G.E. VON BOLSCHWING, as Trustee of the
G.E. VON BOLSCHWING INTERVIVOS
TRUST u/t/d _____

Approved as to form this _____ day of _____, 2009.

ROBERT E. SHANNON, City Attorney

By: _____
Deputy

99-06360