

HOUSING AUTHORITY
of the City of Long Beach

521 E. 4TH STREET • LONG BEACH, CALIFORNIA 90802 • (562) 570-6985 • FAX: (562) 499-1052

January 20, 2015

HONORABLE HOUSING AUTHORITY COMMISSION
City of Long Beach
California

RECOMMENDATION:

Authorize the execution of all documents necessary for the Second Amendment to Lease No. 26422 between Abbass and Shoreh Tousi, as individuals, and the Housing Authority of the City of Long Beach for office space at 521 East Fourth Street, for continued occupancy by the Housing Authority. (Citywide)

DISCUSSION

In 1999, the Housing Authority Commission authorized the execution of Lease No. 26422 (Lease) between SCAN Health Plan (Original Lessor) and the Housing Authority of the City of Long Beach (Lessee) for approximately 13,662 rentable square feet of office space at 521 East Fourth Street, for occupancy by the Housing Authority, for a term of ten years. In addition, the Lease provided use of an approximate 7,500 square foot parking lot located at 421 East Fourth Street to provide parking for Housing Authority visitors and staff.

In 2009, a First Amendment was executed with Quality Risk Management, Inc., and G.E. von Bolschwing Intervivos Trust (Previous Lessor) to extend the term of the Lease through March 31, 2015. In 2011, the Previous Lessor sold the property to Abbass and Shoreh Tousi (Lessor) and the Lease with Lessee was assumed as part of the purchase transaction.

In anticipation of the termination of the Lease, a survey of other potentially suitable office space throughout the City was conducted. The survey yielded 26 properties; however, none of the alternative sites adequately met 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). As a result, City staff pursued final negotiations with the Lessor for a lease extension at a competitive lease rate.

A proposed Second Amendment to Lease No. 26422 has been negotiated containing the following major terms and provisions:

- Lessor: Abbass and Shoreh Tousi, as individuals.
- Lessee: Housing Authority of the City of Long Beach.

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- Leased Premises: The Leased Premises consist of approximately 13,662 rentable square feet of office space at 521 East Fourth Street and use of an approximate 7,500 square foot surface parking lot located at 421 East Fourth Street.
- Term: The term of the Lease shall be extended through March 31, 2020.
- Options to Terminate: Lessee shall have the right to terminate the Lease in the event that it loses its rights under a separate offsite parking lot lease near the Premises and cannot find suitable replacement parking. In addition, Lessee shall have the right to terminate the Lease after the thirty-sixth (36th) month of the extended term if the City of Long Beach approves the construction of a new Civic Center and the relocation of the Housing Authority to the new facility.
- Rent: The monthly base rent for the Leased Premises is currently \$15,704 and shall increase as follows:
Months 1-30: \$16,882 per month (\$1.24 per rentable square foot)
Months 31-60: \$18,148 per month (\$1.33 per rentable square foot)

The effective base rent for the new 60-month term shall be \$1.28 per rentable square foot per month.

- Tenant Improvements: Lessor shall provide a \$5.10 per SF or \$69,650 tenant improvement allowance for modifications to the Leased Premises. In addition, Lessor shall provide up to \$60,000 to be used at Lessee's election, as an additional allowance towards completion of the tenant improvements. Any portion utilized from the additional allowance would be amortized over the extended term at six percent (6%) interest and paid monthly by Lessee to Lessor as additional rent.
- Operating Expenses: The Lessee shall continue to pay for its own electricity, gas, water, janitorial and refuse services. Lessor shall continue to pay all real estate taxes.
- Option to Renew: Lessee shall have one 5-year option to further renew the Lease by providing no less than six months prior written notice. The monthly base rent for the option period shall be as follows:
Months 1-30: \$19,418 per month (\$1.42 per rentable square foot)
Months 31-60: \$20,778 per month (\$1.52 per rentable square foot)

All other remaining terms and provisions of Lease No. 26422 shall remain in full force and effect.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on December 17, 2014 and Budget Management Officer Victoria Bell on December 26, 2014.

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TIMING CONSIDERATIONS

Housing Authority Commission action is requested on January 20, 2015 to execute the Second Amendment in a timely manner to formalize the continued occupancy of the leased premises.

FISCAL IMPACT

The total annual base rent under the Lease shall be \$202,584 until October 1, 2017, at which time it will increase to \$217,776. Sufficient funds to cover rental payments are currently appropriated in the Housing Authority Fund (SR 151) in the Health Department (HE). Approval of this recommendation will provide continued support to the local economy.

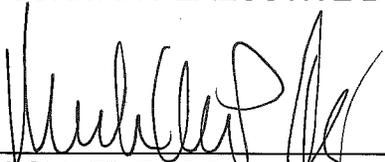
SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



KELLY COLOPY
ASSISTANT EXECUTIVE DIRECTOR



MICHAEL P. CONWAY
DIRECTOR OF ECONOMIC
AND PROPERTY DEVELOPMENT

APPROVED:



PATRICK H. WEST
EXECUTIVE DIRECTOR