



# CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

C-6

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

August 24, 2004

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**SUBJECT:** Second Amendment to Lease No. 23828 With Pacifica Downtown Plaza, L.P., for the Office Premises at 211 East Ocean Boulevard, Suite 500, to House the Department of Oil Properties (District 2)

## DISCUSSION

On November 15, 1994, the City Council approved a five-year lease (City Contract No. 23828) with WHC-One Investors, L.P., for office space in the Downtown Plaza Building at 211 East Ocean Boulevard, Suite 500, to house the City's Department of Oil Properties (Exhibit "A"). The Department of Oil Properties (DOP) administers all City oil operations, contracts, leases and agreements, and directs all subsidence control activities. Its funding is from oil revenues and does not impact the General Fund.

In 1999, the City Council approved the First Amendment to Lease No. 23828 (Exhibit "B") with WMP II Real Estate Limited Partnership, successor in interest to WHC-One Investors, L.P., for a term of five years.

The First Amendment to Lease No. 23828 expires on December 31, 2004. To accommodate DOP, a second extension has been negotiated for the 15,369 rentable square feet of office space that DOP occupies in the Downtown Plaza Building. DOP prefers to remain at its current location because of its close proximity to contractors and the Civic Center. Also, the conference room located within the suite is available for departmental and public meetings.

In 2002, the Downtown Plaza Building was sold to Pacifica Downtown Plaza, L.P., as successor in interest to WMP II Real Estate, L.P. The proposed Second Amendment to Lease No. 23828 with the new landlord contains the following major provisions:

- Use: General offices of the Department of Oil Properties.
- Length of Term: Five years, commencing on January 1, 2005 and terminating on December 31, 2009.

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- Option to Terminate: To accommodate the ongoing assessment of locating City-leased facilities into City Hall East, the City of Long Beach (as "Tenant") has negotiated a one-time right to terminate the Lease at the end of the 30<sup>th</sup> month of the new term. The Tenant shall reimburse Pacifica Downtown Plaza, L.P. (as "Landlord"), for the then unamortized tenant improvement costs and brokerage commission fees incurred by the Landlord, amortized at 8 percent per annum over a 60-month schedule over the extended term.
- Length/Number of Renewal Options: The Tenant shall have one (1) option to renew the Lease for a period of five years.
- Rent: The monthly base rent shall be as follows:

<u>Months</u>	<u>Full Service Gross Rate</u>	
01-12	\$1.65 per rentable square foot per month	\$25,359/month
13-24	\$1.68 per rentable square foot per month	\$25,820/month
25-36	\$1.71 per rentable square foot per month	\$26,281/month
37-48	\$1.74 per rentable square foot per month	\$26,742/month
49-60	\$1.77 per rentable square foot per month	\$27,203/month

The monthly base rent shall be abated for months 2, 3 and 4 of the initial Lease term. As such, there will be a cost savings of approximately \$76,077 in base rent payments (\$25,359 x 3 months) for calendar year 2005.

Taking into consideration the three months' free rent and the operating costs savings mentioned below, the effective base rent for the new 60-month term shall be \$1.62 per rentable square foot per month or \$24,898 per month. This rate is considered to be very competitive for downtown Long Beach office space.

- Operating Costs: The City shall continue to pay its pro rata share of increases in operating expenses and tax expenses above the base year. Effective July 1, 2004, the Tenant's base year shall be changed to calendar year 2005. As a result of the new effective date, the Tenant shall realize a cost savings of approximately \$15,000 in operating costs, also referred to as "additional rent," for calendar year 2004.
- Parking: The Landlord shall provide 38 assigned tandem spaces at \$50 per stall per month and 10 reserved spaces at \$80 per stall per month for months 1-30 of the new term. The total parking fee for months 1-30 shall be \$2,700 per month. Beginning the 31<sup>st</sup> month, the rates shall be adjusted to \$55 per assigned tandem stall per month and \$85 per reserved stall per month. The total parking fee for months 31-60 shall be \$2,940 per month.

- Utilities, Services and Taxes: The Landlord shall continue to furnish all utilities and services, and shall be responsible for paying real property taxes.
- Tenant Improvements: The Landlord, at Landlord's sole cost and expense, shall provide a "turn-key" improvement package based upon the Landlord/Tenant approved plans. The "turn-key" package shall include nonstructural improvements, e.g., painting, new carpet, etc.

With the exception of the above changes, all other terms, covenants and conditions in Lease No. 23828 shall remain in effect.

This letter was reviewed by Deputy City Attorney Charles Parkin on July 28, 2004 and Budget Management Officer David Wodynski on August 2, 2004.

#### TIMING CONSIDERATIONS

City Council action is requested on August 24, 2004, to complete this real estate transaction and to facilitate the tenant improvement project at 211 East Ocean Boulevard, Suite 500, in a timely manner.

#### FISCAL IMPACT

In Fiscal Year 2005, there will be a cost savings of approximately \$76,077 in base rent payments due to the free rent in months 2, 3 and 4 of the new extension term.

The annual rental and parking payments to be paid by DOP shall be as follows:

Lease Year	Annual Base Rent	Annual Parking Fee	Total
1 - January 2005	\$228,231	\$32,400	\$260,631
2 - January 2006	\$309,840	\$32,400	\$342,240
3 - January 2007	\$315,372	\$33,840	\$349,212
4 - January 2008	\$320,904	\$35,280	\$356,184
5 - January 2009	\$326,436	\$35,280	\$361,716

Sufficient funds are budgeted in the Tidelands Oil Revenue Fund (NX 420) in the Department of Oil Properties (OP) to support this activity.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute the Second Amendment to Lease No. 23828 with Pacifica Downtown Plaza, L.P., and any subsequent amendments, except those pertaining to rent, for the office premises at 211 East Ocean Boulevard, Suite 500, to house the Department of Oil Properties at the effective monthly rental rate of \$1.62 per rentable square foot for a term of five years with one option to renew for a period of five years with the approval of the City Council.

Respectfully submitted,



MELANIE S. FALLON  
DIRECTOR OF  
COMMUNITY DEVELOPMENT



CHRISTOPHER J. GARNER  
DIRECTOR OF  
LONG BEACH ENERGY AND  
OIL PROPERTIES

MSF:CJG:MDL:ggw  
Attachments: Exhibit "A"  
Exhibit "B"

APPROVED:



GERALD R. MILLER  
CITY MANAGER