

## CITY OF LONG BEACH

DEPARTMENT OF ECONOMIC DEVELOPMENT

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December 5, 2017

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Adopt Specifications No. RFP CM16-098 for Launch, Do, Grow: Business Solutions for Long Beach, Scope C;

Authorize the City Manager, or designee, to execute any and all documents necessary for the Lease of City-owned property located at 309 Pine Avenue (Subject Property) to the Long Beach Community College District (LBCCD) and BlankSpaces, LLC (BlankSpaces), (jointly "Lessees"), for the maintenance, operation, and programming of a coworking space, Small Business Development Center (SBDC) consulting services, and an international business accelerator pilot program; and,

Increase appropriations in the General Fund (GF) in the Economic Development Department (ED) by \$250,000, offset by a release of funds received from the sale of former Redevelopment Agency-owned parcels for improvements at the Subject Property. (District 1)

DISCUSSION

On May 19, 2015, the City Council authorized the City Manager to receive grant funding from the Knight Foundation to identify innovative solutions to local government challenges. The Knight Foundation invests in civic innovators who help cities expand economic opportunity and create a culture of engagement. As part of this grant, the City engaged Citymart, a non-profit organization of New York, NY, to conduct an innovative open procurement challenge called "Launch, Do, Grow: Business Solutions for Long Beach," to leverage public-private partnerships across sectors, and to maximize City-owned assets that will increase the number of businesses that start and grow in the City.

The Request for Proposals (RFP) was released on July 18, 2016, and 5,768 potential firms specializing in professional services and economic development were notified of the RFP opportunity. Of those proposers, 99 downloaded the RFP via the City's electronic bid system. The RFP document was made available from the Purchasing Division, located on the seventh floor of City Hall, and the Division's website at: [www.longbeach.gov/purchasing](http://www.longbeach.gov/purchasing). An RFP announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 22 local, minority, and women-owned business groups. Fourteen proposals were received on August 18, 2016. Of those 14 proposers, three were Minority-owned Business Enterprises (MBEs), two were Women-owned Business Enterprises (WBEs), five were certified Small Business Enterprises (SBEs), and four were Long Beach businesses (Local).

The selection committee, comprised of City staff and representatives from the local business community, selected Long Beach Community College District, Office of College Advancement and Economic Development (LBCCD), and its partner, BlankSpaces, LLC (BlankSpaces), a private coworking office space operator, to reposition the City-owned property at 309 Pine Avenue as a dynamic coworking space for small businesses, an entrepreneur support center, and a pilot site for an innovative international business accelerator.

LBCCD and BlankSpaces were selected based on their demonstrated competence in developing business support programs, coworking spaces, deal-maker investment of similar or larger scale and scope, and their submitted project management documents.

LBCCD and BlankSpaces have over ten years of experience providing small business and entrepreneur education and support services. They were also considered the best respondent based on offering more detailed responses in the following categories: (1) coordinate Innovation Hubs and Space; (2) and attract and coordinate investment in local entrepreneurs. These factors made the most compelling case to select LBCCD and BlankSpaces to develop the City's premier navigational program for businesses. The panel is confident that LBCCD and BlankSpaces will provide excellent service to the City.

### **Local Business Outreach**

In an effort to align with the City's outreach goal, Long Beach businesses were encouraged to submit proposals for City contracts. The Purchasing Division also assists businesses with registering on the PlanetBids database to download the RFP specifications. Through outreach, 571 Long Beach vendors were notified to submit proposals, of which 19 downloaded and four submitted proposals. The Purchasing Division is committed to perform outreach to local businesses to expand the bidder pool.

### **Subject Property**

On May 17, 2010, the former Long Beach Redevelopment Agency (RDA) approved the lease of a vacant RDA-owned commercial property located at 309 Pine Avenue (Subject Property) (Exhibit A), a two-story, 4,788 square-foot building to LBCCD, to support the revitalization of commercial sites in the Downtown Project Area. The original lease was for a term of two years ending on June 30, 2012, at a rate of \$1 per year, with an option to extend by mutual agreement. Due to the dissolution of the RDA, the lease has remained in holdover status on a month-to-month basis. As part of the lease agreement, LBCCD was responsible for utilities and maintenance of the Subject Property.

In addition to leasing the Subject Property to LBCCD, the RDA, and subsequently the City, also entered into a service delivery partnership with LBCCD to provide Small Business Development Center (SBDC) business assistance, workshops, business matchmaking, procurement events, and access to capital programs at the Subject Property. The SBDC program is the most extensive economic development project of the Small Business Administration and eligible Community Development Block Grant (CDBG) funding from the City.

With the elimination of the RDA, the City was required to submit a Long Range Property Management Plan (LRPMP) to the State of California for the disposal of RDA-owned property. On March 10, 2015, the State of California Department of Finance approved the City's LRPMP

and approved the Revised Plan on June 24, 2015. As part of the Revised Plan, the Subject Property was categorized with a permissible use of "Government Use" allowing for the Subject Property to be retained by the City for public purpose, and is now a City-owned asset to be utilized for the public benefit.

Lease Agreement

City staff is requesting City Council approval to enter into a three-party agreement between the City of Long Beach, LBCCD, and BlankSpaces, LLC, for the operation, maintenance, and programming of the Subject Property for an initial period of ten years with two options to renew for a period of five years each. As LBCCD currently leases the Subject Property from the City for use as the SBDC, the proposal seeks to convert the current lease with LBCCD into a joint tenancy with LBCCD and BlankSpaces for the maintenance, programming, and operation of a coworking space, SBDC consulting services, and the international business accelerator pilot program.

As part of the agreement, BlankSpaces will design and develop the coworking space as well as manage day-to-day operations of the Subject Property, while LBCCD will design programs and support services for entrepreneurs. Additionally, LBCCD will provide ongoing resources and programs for entrepreneurs such as its International Business Accelerator, business advising services and workshops designed to support the City's new and existing entrepreneurs. The City has agreed to \$250,000, or \$53 per square-foot, for tenant improvements required by BlankSpaces and constructed by City contractors, to redesign the interior of the Subject Property for use as a coworking space and business accelerator. These costs will be offset by \$250,000 in proceeds from the sale of Successor Agency-owned properties in the Downtown Project Area

Based on an analysis of comparable office space in the Pine Avenue area, fair market value for the Subject Property is approximately \$9,400 per month, or \$2 per square foot for 4,700 rentable square feet. BlankSpaces will receive a monthly rent credit to offset its standard management fee of \$3,000 per month and costs associated with insurance, high speed internet and other utilities estimated at approximately \$1,600 per month, for a total monthly rent credit of \$4,600. BlankSpaces will pay monthly rent in the amount of \$4,800 to lease the Subject Property.

To allow BlankSpaces the necessary time to complete the interior redesign, the City will provide six months of abated rent from the date the Agreement is executed. After the six months, the City will receive rent in the amount of \$4,800 per month for a period of ten years. Proposed terms and conditions of the lease are as follows:

- Landlord: City of Long Beach, a municipal corporation.
- Lessees: Long Beach Community College District and BlankSpaces, a California limited liability company.
- Subject Property: 309 Pine Avenue.
- Use: The Subject Property shall be utilized for coworking space, programming and workshops.

- Term: The Lease shall be ten years commencing on the date the Agreement is executed.
- Rent: Rent will be \$2.00 per rentable square foot, or \$9,400 per month. Lessees will receive a monthly rent credit to offset its standard management fee of \$3,000 per month and costs associated with insurance, high speed internet, and other utilities estimated at approximately \$1,600 per month, for a total monthly rent credit of \$4,600. Lessees shall receive abated rent for the first six months while the Lessees prepare the property for tenancy. Lessees' first month of rent shall begin six months after the Agreement is executed.
- Renewals Lessees shall have the option of up to two renewals of five years each.
- Maintenance: Lessees shall be responsible for all routine maintenance of the Subject Property. Landlord shall be responsible for all major capital repairs to the building and its major components associated with normal use and occupancy of the Subject Property.
- Utilities: Lessees shall be responsible for all utilities serving the Subject Property, and are eligible to deduct these costs as a rent credit (see Rent terms).
- Insurance: Lessees shall maintain property, liability and other insurance at all times satisfactory to the Landlord, and are eligible to deduct these costs as a rent credit (see Rent terms).
- Relocation Benefits: Lessees waive any rights to future relocation benefits.
- Tenant Improvements: A budget of \$250,000 is being provided for tenant improvements required by BlankSpaces and constructed by City contractors, to redesign the interior of the Subject Property for use as a coworking space and business accelerator. The Lessees shall be responsible for all additional costs associated with tenant improvements (including all permitting fees required for its occupancy).

This matter was reviewed by Deputy City Attorney Richard F. Anthony on October 2, 2017 and by Budget Analysis Officer Julissa José-Murray on November 9, 2017.

TIMING CONSIDERATIONS

City Council action is requested on December 5, 2017, to ensure the operation of the Subject Property can begin in 2018.

FISCAL IMPACT

As part of the Lease Agreement, the City will expend up to \$250,000 to make the facility operational as a coworking space. Because the Subject Property is a former RDA property, the facility improvements will be funded from \$250,000 in Successor Agency property sale proceeds (Downtown Project Area funds) in the General Fund (GF).

The recommended one-time funding source for the \$250,000 for facility improvements will be derived from Downtown Project Area funds once they are received. Based on Successor Agency-approved land sales, there is sufficient proceeds anticipated to fund these facility improvements. However, if the proceeds are not received by the City in a timely basis, the City will do internal borrowing until the proceeds are received.

The annual base rent, less rental credit will be \$4,800/month or \$57,600 a year, and will accrue in the General Fund (GF) in the Economic Development Department (ED). Lessees will receive a rent abatement for the first six months of the contract to allow time for tenant improvements and payment will begin six months after the lease agreement is signed. Lease payments will begin six months after the execution of the Agreement and will be used to reimburse the Downtown Project Area funds, and thereafter be reinvested in projects that promote economic development.

An appropriation increase of \$250,000, for facility improvements at the 309 Pine location, is requested in the General Fund (GF) in the Economic Development Department (ED), offset by proceeds from the sale of former Successor Agency-owned parcels in the Downtown Project Area.. Approval of this recommendation will provide continued support to the local economy.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN KEISLER  
DIRECTOR OF  
ECONOMIC DEVELOPMENT

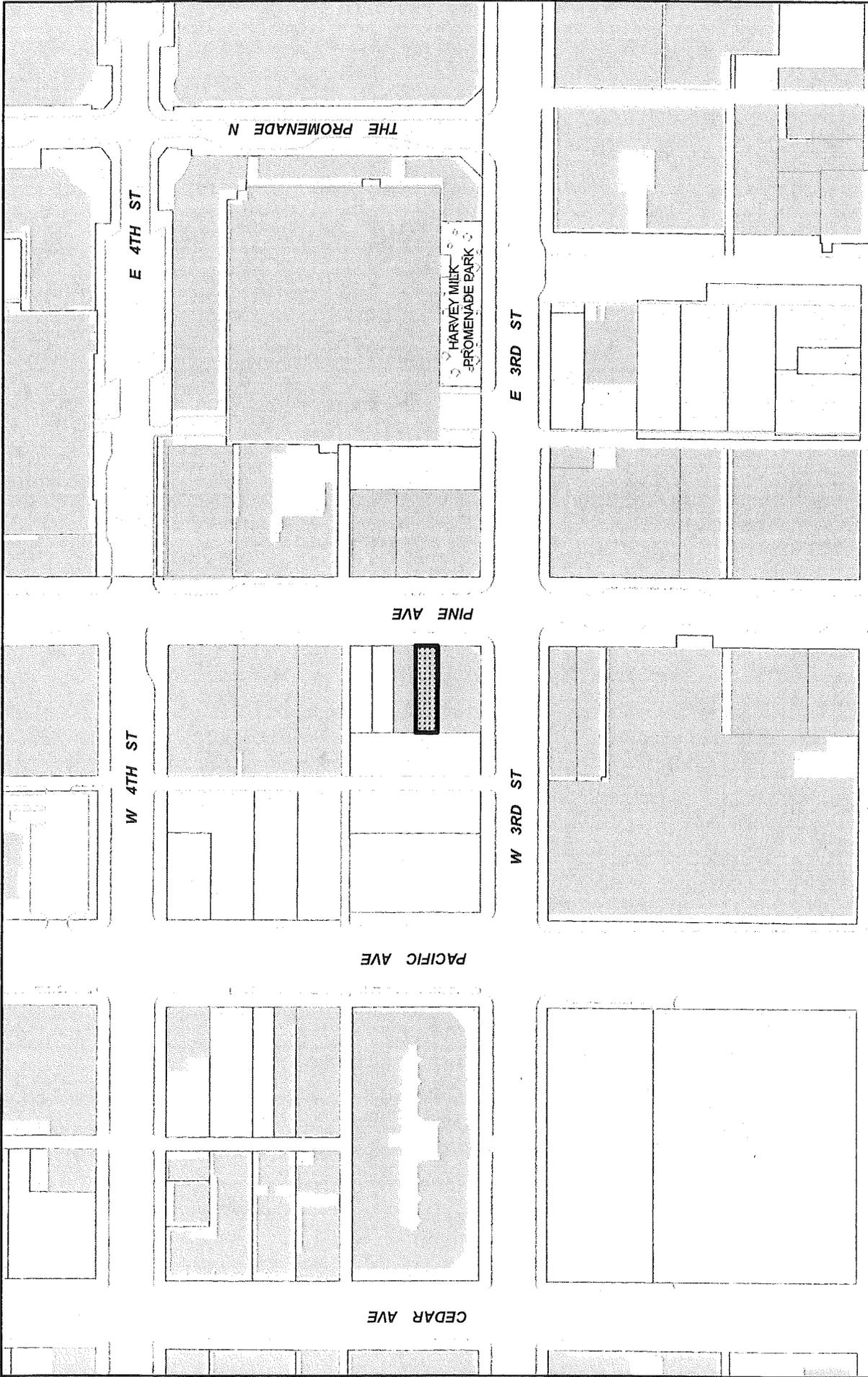


JOHN GROSS  
DIRECTOR OF  
FINANCIAL MANAGEMENT

Attachment: Exhibit A – Subject Property Map

APPROVED:

  
PATRICK H. WEST  
CITY MANAGER



**Subject Property:**  
 309 Pine Ave  
 AIN: 7280-016-906  
 Council District : 1

**Exhibit A**

