

C-4

June 15, 2021

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute any and all necessary documents for the Fourth Amendment to Lease No. 24687 with Upland Corporate Park West, LLC, for office space at 1043 Elm Avenue, Suite 401, for the continued operation of the Department of Health and Human Services' Women, Infants and Children Nutrition Program, for an additional ten years, through December 31, 2031. (District 6)

DISCUSSION

On July 2, 1996, the City Council authorized the execution of Lease No. 24687 (Lease) with Upland Corporate Park West, LLC (Lessor), a Washington limited liability company at 1043 Elm Avenue, Suite 401 (Leased Premises), in the St. Mary Medical Center complex (St. Mary WIC Office) for the establishment of the Department of Health and Human Services' (Health Department) Women, Infants, and Children Nutrition Program (WIC Program). The WIC Program is a federally-funded supplemental nutrition program that provides monthly food electronic benefits, nutrition education, breastfeeding promotion and support, and referrals to health and social services for low-income, pregnant and postpartum women, infants, and children under five years of age. The St. Mary WIC Office is the largest of the City's five WIC Program sites and serves approximately 5,000 families per month in the Central Long Beach area. The facility is conveniently located within WIC Program's demographic service area and is accessible via several major public transportation corridors.

On May 3, 2016, the City Council authorized the execution of the Third Amendment to the Lease, which extended the term for five years through December 31, 2021. Although the Lease provides for a consecutive five-year renewal option, the Health Department has requested a longer ten-year extension to take advantage of more favorable lease rates and tenant improvement allowance. Therefore, a Fourth Amendment to the Lease is required to memorialize the extension of the Lease and tenant improvements.

The Economic Development Department has negotiated a Fourth Amendment to the Lease, which contains the following major terms and conditions:

- Lessor: Upland Corporate Park West, LLC.
- Tenant: City of Long Beach, a municipal corporation.

- Leased Premises: Approximately 5,169 rentable square feet (RSF) of commercial office space at 1043 Elm Avenue, Suite 401, in the St. Mary Medical Center Complex.
- Amended Term: Lease will be extended for ten years, through December 31, 2031.
- Amended Rent: The Monthly Base Rent for the Leased Premises will be as follows:

Rental Period	Monthly Rent Rate Per Rentable Square Foot	Minimum Monthly Rent	Annual
January 1, 2022 to December 31, 2022	\$2.50	12,923	155,070
January 1, 2023 to December 31, 2023	\$2.58	13,336	160,032
January 1, 2024 to December 31, 2024	\$2.65	13,698	164,374
January 1, 2025 to December 31, 2025	\$2.73	14,111	169,336
January 1, 2026 to December 31, 2026	\$2.81	14,525	174,299
January 1, 2027 to December 31, 2027	\$2.90	14,990	179,881
January 1, 2028 to December 31, 2028	\$2.99	15,455	185,464
January 1, 2029 to December 31, 2029	\$3.08	15,921	191,046
January 1, 2030 to December 31, 2030	\$3.17	16,386	196,629
January 1, 2031 to December 31, 2031	\$3.26	16,851	202,211

The Lessor has proposed an initial Monthly Base Rent of \$2.50 per RSF, which equates to a 1 percent decrease of the current Monthly Base Rent. The proposed Monthly Base Rent for the ten-year extension term is within the range of competitive rental rates for the Central Long Beach area.

- Operating Expenses, Utilities and Property Taxes: Tenant will continue to be responsible for its pro rata share of Operating Expenses and Property Taxes, which are referred to as Common Area Maintenance (CAM) charges, in addition to the Monthly Base Rent. However, Lessor will pay all CAM charges from January 1, 2022 through December 31, 2022.
- Tenant Improvement Allowance: Lessor will provide the Tenant with a one-time allowance of up to \$96,665 or \$18.70/RSF (Tenant Improvements), which will be used to make work-in-place improvements and repairs to the Leased Premises. In addition, as Tenant Improvements will be made on a work-in-place basis, while Tenant is occupying the Leased Premises, Lessor will provide the Tenant with an additional allowance of up to \$16,820 (Furniture Moving Allowance) for the removal, storage, and reinstallation of furniture in connection to the Tenant Improvements.
- Right to Terminate Early: If the Tenant loses funding for the WIC Program, then the Tenant will have the right to terminate the Lease early. Tenant will provide the Lessor with a minimum of 270 days prior written notice.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on May 20, 2021 and by Budget Management Officer Rhutu Amin Gharib on May 27, 2021.

TIMING CONSIDERATIONS

City Council action is requested on June 15, 2021, to execute the Fourth Amendment to the Lease.

FISCAL IMPACT

The requested amendment will extend the term of the St. Mary WIC Office Lease for an additional 10 years from the end of the current term ending December 2021, through December 31, 2031. The requested Lease amendment will have no additional impact on FY 21. Starting on January 1, 2022, the annual rent will be \$155,070, which represents a decrease of about 1 percent from the current rate and will increase annually. The City of Long Beach WIC Program is federally grant funded by the U.S. Department of Agriculture (USDA), pursuant to three-year WIC Program Grant Agreements, the current of which expires on September 30, 2022. Sufficient funds for this Lease are currently budgeted in the Health Fund Group in the Health and Human Services Department. The USDA has provided continuous funding for this premier Public Health Program to the Health Department for 45 years. Although the current three-year WIC Program Grant Agreement expires on September 30, 2022, the Health Department anticipates funding for this program for many years into the future, over which allocated funds are anticipated to continue to support this Lease. In the case grant funding is not available to support the location through the full term of the Lease, the City has the option to terminate the lease with a 270-day notice. The termination payment will not exceed \$167,000 at any given time throughout the term of the Lease and will reduce with every month into the term. If needed, funding to cover the termination payment will be accounted for within the WIC Program grant funding. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION

Approve recommendation.

Respectfully submitted,



JOHN KEISLER
DIRECTOR OF
ECONOMIC DEVELOPMENT



KELLY COLOPY
DIRECTOR OF
HEALTH AND HUMAN SERVICES

APPROVED:



THOMAS B. MODICA
CITY MANAGER