



## Legislation Text

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**File #:** 10-0574, **Version:** 1

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Recommendation to authorize City Manager, or designee, to execute any and all documents necessary for the Third Amendment to Office Lease (Contract No. 23828) with Behringer Harvard Downtown Plaza LP, a Delaware limited partnership, successor in interest to Pacifica Downtown Plaza, L.P., for office space at 211 East Ocean Boulevard, Suite 500, for the continued occupancy by the Long Beach Gas and Oil Department's Oil Properties, for an additional 20 month term, at a monthly base rent of \$27,664. (District 2)

Since 1995, the City has leased office space at 211 East Ocean Boulevard, Suite 500, to house Oil Properties, formerly known as the Department of Oil Properties. In 2005, Oil Properties was combined with the Long Beach Gas and Oil Department (LBGO) in an effort to streamline business operations. Oil Properties administers all City oil operations, contracts, leases and agreements, and directs all subsidence control activities. Oil Properties' funding is from oil revenues.

On August 24, 2004, the City exercised its second option to extend Lease No. 23828 (Lease), which ended on December 31, 2009. Oil Properties remains on site under a month-to-month agreement.

In an effort to consolidate business operations and to implement cost savings for the City, LBGO intends to relocate Oil Properties to its headquarters at 2400 East Spring Street. Certain office modifications are required to house Oil Properties at this site that will be completed in Spring 2011. Until such time, Oil Properties will remain at its current location. To accommodate Oil Properties' relocation plans, the City has negotiated a modified third extension to Lease No. 23828.

In 2005, the Downtown Plaza Office Building at 211 East Ocean Boulevard was sold to Behringer Harvard Downtown Plaza LP, as successor in interest to Pacifica Downtown Plaza, L.P. The proposed Third Amendment to Office Lease No. 23828, with the new landlord, contains the following major provisions:

- Landlord: Behringer Harvard Downtown Plaza LP, a Delaware limited partnership, as successor in interest to Pacifica Downtown Plaza, L.P.
- Tenant: City of Long Beach.
- Premises: The leased premises shall consist of approximately 15,369 rentable square feet of office space at 211 East Ocean Boulevard, Suite 500.
- Length of Term: The term shall commence on January 1, 2010, and end on August 31, 2011 (20-month term).
- Option to Cancel: Tenant shall have the right to cancel the Lease on or after May 2, 2011, provided Tenant gives at least 90 days written notice to the Landlord. Tenant shall not be required to pay a

cancellation fee.

- Options to Renew: The Tenant shall have one option to renew for a period of one year at the pre-negotiated rental rate of \$1.85 per rentable square foot.
- Rent: The monthly base rent for the leased premises shall be \$27,664 (\$1.80 per rentable square foot/full service gross). This rate is considered to be very competitive for downtown Long Beach office space.
- Rent Credit: Landlord shall credit to Tenant any rent and/or operating costs paid above the new monthly rent of \$27,664 for the period of January 1, 2010, to the date the Third Amendment to Office Lease No. 23828 is executed. The estimated rent credit for a six-month period is \$5,450.
- Utilities and Janitorial Services: The Landlord shall continue to pay the costs associated with electricity, gas, water and janitorial services provided to the Premises.
- Operating Costs: The Tenant shall pay its pro rata share of increases in operating expenses, including tax expenses for the office building, above the "Base Year." The Base Year has been adjusted to calendar year 2010 and shall be retroactive to January 1, 2010.
- Parking: The Tenant shall have the right to lease up to 48 parking stalls. At present, the Tenant is leasing 10 reserved stalls at \$90/stall/month and 38 tandem stalls at \$55/stall/month for a total monthly cost of \$2,990.

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 Richard Anthony on April 26, 2010, and Budget Officer Victoria Bell on May 10, 2010.

### **..TIMING CONSIDERATIONS**

City Council action is requested on June 1, 2010, in order to finalize and execute the Third Amendment to Office Lease No. 23828 for Oil Properties' continued occupancy of the leased Premises.

Based on the Lease extension commencement date of January 1, 2010, the total Fiscal Year 2010 (FY 10) costs for the Third Amendment to Office Lease No. 23828 are estimated to be \$275,886. Of this amount, base rent payments are estimated to be \$248,976 and parking charges are estimated to be \$26,910. Sufficient funds are budgeted in the Tidelands Oil Revenue Fund (NX 420) in the Long Beach Gas and Oil Department (LBGO) to support this activity. There is no impact to the General Fund.

Approve recommendation.

DENNIS J. THYS  
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DEVELOPMENT

APPROVED:

CHRISTOPHER J. GARNER  
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PATRICK H. WEST  
CITY MANAGER