



Legislation Text

File #: 19-1100, **Version:** 1

Recommendation to authorize the City Manager, or designee, to execute all documents necessary between Omninet Freeway, L.P., and the Housing Authority of the City of Long Beach, to lease the property at 1500 Hughes Way, Suite 100, for a period of ten years, and increasing by 3 percent annually, with the option to extend for one five-year period.

(Citywide)

Since February 2000, the Housing Authority of the City of Long Beach (Housing Authority) has leased the building and appurtenant parking located at 521 E. 4th Street for its operations. The current lease term ends on March 31, 2020. Staff has determined that additional space is required and evaluated options to relocate the office space and services. Office space at 1500 Hughes Way, Suite 100 (Premises), has been identified as the most suitable option to relocate Housing Authority operations.

Relocation to the Premises would provide the use of approximately 19,120 rentable square feet (RSF) of office space for operations at a lease rate of \$2.20 per RSF per month. Rent will increase by 3 percent annually. The property owner, Omninet Freeway, L.P. (Landlord), will provide the City (Tenant) with a Tenant Improvement (TI) Allowance of \$60 per RSF leased and will build out the space to meet the Tenant's needs. The Landlord will also provide an additional allowance of \$40 per RSF if needed to complete improvements. If the additional allowance is utilized, Tenant will reimburse Landlord as additional rent amortized over the term of the lease at an interest rate of 7.5 percent per year. The Landlord will also provide the Tenant with the right to use four unreserved parking permits per each 1,000 rentable square feet leased, free of charge, as well as access to electric vehicle charging stations.

The proposed Lease has been negotiated containing the following major terms and provisions:

- Landlord: Omninet Freeway, L.P., a Delaware limited liability partnership.
- Tenant: Housing Authority of the City of Long Beach, a municipal corporation.
- Leased Premises: Approximately 19,120 of RSF of office space at 1500 Hughes Way, Suite 100 in Pod A.
- Term: Ten-year term.
- Option: One, five-year option to renew the lease at the prevailing fair market rent. For the Option Term, the Base Year will be adjusted to the calendar year the Option Term commences.

- Base Rent: The base rent will be \$2.20 per RSF on a full service gross lease. Base rent will increase by 3 percent annually on the anniversary date of the Lease. Landlord is offering 7 months of abated rent in months 2 through 8.
- Operating Costs: Tenant will pay its pro-rata share of actual increases, if any, in operating expenses and property taxes over the calendar year 2020. In no event shall the increase in controllable operating expenses exceed 5 percent annually.
- Additional Expenses: Landlord will provide Tenant with a TI Allowance of \$60 per RSF leased. Tenant will reimburse the Landlord for Additional Allowances as additional rent amortized over the term of the Lease at an interest rate of 7.5 percent per year.
- Parking: Landlord will provide Tenant with the right to use four unreserved parking permits per each 1,000 RSF leased, free of charge. Landlord will also provide access to electric vehicle charging stations.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on September 24 2019 and by Revenue Management Officer Geraldine Alejo on September 26, 2019.

Housing Authority Commission action is requested on November 12, 2019, to execute the Lease in a timely manner.

The total annual rent is \$504,768 and includes operating costs. The rent will increase by 3 percent annually over the ten-year term. Funding to cover these expenses is currently budgeted in the Housing Authority Grants Fund Group in the Health and Human Services Department. This recommendation will result in no impact to staff hours beyond normally budgeted scope of duties and is in line with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

KELLY COLOPY
DIRECTOR

JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

APPROVED:

THOMAS B. MODICA
ACTING CITY MANAGER