



CITY OF LONG BEACH

DEPARTMENT OF ECONOMIC AND PROPERTY DEVELOPMENT

333 West Ocean Boulevard 3rd Floor • Long Beach, CA 90802 • (562) 570-6099 • Fax (562) 570-6380

November 22, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute any and all documents necessary for a lease between Pacific Place Office, LLC (Landlord), and the City of Long Beach (Tenant) for office space at 222 West 6th Street, Suite 410, San Pedro, California, and any and all documents necessary for subleases by and between the City of Long Beach (Sublandlord) and various agencies and organizations (Subtenants) on an as-needed basis throughout the term of the lease, for the relocation and continued operations of the Harbor WorkSource Center by the Workforce Development Bureau in the Department of Economic and Property Development. (Citywide)

DISCUSSION

Since 2007, the City of Long Beach (City), in partnership with various public and private organizations has assisted approximately 2,000 job seekers per month with free job training and employment placement services at the Harbor WorkSource Center (HWSC) located at 1851 North Gaffey Street in San Pedro. Throughout this time, the City has been under contract with the City of Los Angeles Economic and Workforce Development Department to serve as the operator for the one-stop resource center for the San Pedro/Harbor Area. All services are provided under the guidance of the Workforce Investment Board, also known as the Pacific Gateway Workforce Investment Network (PGWIN), which administers the communities' collective annual federal Workforce Innovation and Opportunity Act (WIOA) funds as well as other employment and training funds.

In order to facilitate the operation of a comprehensive one-stop center, the City subleases space at the HWSC to organizations that provide programs in tandem with those of the PGWIN and enhance the overall delivery of services to the community. As grant funding becomes available, the City subleases space to additional partner organizations at the HWSC. In some prior cases, services to the community were initially delayed due to the need to obtain City Council approval for each individual sublease. On March 18, 2008, the City Council authorized the City Manager to execute any and all subleases on an as-needed basis, thus facilitating the subleasing with partners to provide services to the community.

In September 2013, the Employment Development Department (EDD), a required partner under WIOA, terminated its sublease at the HWSC due to the location not meeting current ADA requirements. As a result, the City and EDD commenced a search for an alternative facility. A search and review of other potentially suitable office properties in the San

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Pedro/Harbor Area was conducted, which yielded eight potential viable alternatives. It was determined that 222 West 6th Street provided the best location and terms. A proposed Lease has been negotiated containing the following major terms and conditions:

- Landlord: Pacific Place Office, LLC, a Delaware limited liability company.
- Tenant: City of Long Beach, a municipal corporation.
- Leased Premises: Approximately 8,020 rentable square feet (RSF) of office space located at 222 West 6th Street, Suite 410, San Pedro, California.
- Lease Term: The target Commencement Date of the Lease shall be April 1, 2017, for a term of 65 months.
- Early Termination: Tenant shall have the ongoing right to terminate the Lease any time after the 24th month of the lease term effective 90 days after written notification to Landlord providing reasonable evidence of non-funding to operate the Center. A termination penalty shall be assessed equal to the unamortized costs of the Tenant improvements, brokerage commissions, free rent, and moving allowance with interest at an annual rate of 4 percent.
- Rent: The initial monthly base rent shall be \$2.10 per RSF or \$16,842 per month on a full-service gross basis with 3 percent annual increases. The effective monthly base rent for the term of the Lease is \$2.00 per RSF when factoring in the rent concessions and moving allowance.
- Parking: The Lease provides for a guaranteed parking ratio of three and one-half (3.5) per 1,000 RSF leased or 28 parking spaces at the initial rate of \$50 per space per month. Landlord shall waive all parking charges for said spaces during the first 12 months of the Lease and waive all visitor parking charges for the first 24 months of the Lease.
- Rent Concessions: The monthly base rent for months two through six of the Lease term shall be abated for a savings of \$84,210.
- Tenant Improvements: Landlord shall provide, at its sole cost, a turn-key tenant improvement package including all architectural design services for a build out of the Leased Premises based upon a mutually approved space plan.
- Moving Allowance: Landlord shall provide a moving allowance of \$5.00 per RSF or \$40,100 for relocation and cabling expenses.
- Operating Expenses: Tenant shall pay its pro rata share of any increases in building operating and tax expenses predicated upon a 2017 Base Year.

- Subleasing Rights: Tenant shall have the right to sublease all or any portion of the Leased Premises to any governmental entity or agency in partnership with the PGWIN without Landlord's consent.
- Option to Renew: Tenant shall have one three-year option to renew the Lease pursuant to the negotiation of the new fair market rental rate and subject to City Council approval.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on October 24, 2016 and by Budget Analysis Officer Julissa Josè-Murray on October 31, 2016.

TIMING CONSIDERATIONS

City Council action is requested on November 22, 2016 in order to finalize and execute the Lease in a timely manner to facilitate the build-out and relocation to the Leased Premises.

FISCAL IMPACT

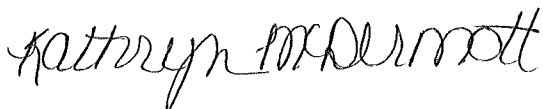
The annual base rent for the first year of the Lease, not including the rent concessions, shall be \$202,104 and shall increase 3 percent annually. As part of its operation, the City subleases office space to other organizations that operate in conjunction with the PGWIN, which serves to offset the annual rental obligation incurred by the City.

The Lease payments are funded by the WIOA and are currently appropriated in the Community Development Grants Fund (SR 150) in the Economic and Property Development Department (EP). Approval of this recommendation will provide continued support to the local economy.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



KATHRYN MCDERMOTT
INTERIM DIRECTOR OF
ECONOMIC AND PROPERTY DEVELOPMENT

KM:MTB

APPROVED:



PATRICK H. WEST
CITY MANAGER