

June 17, 2025

Honorable Mayor and City Council
City of Long Beach
California

RECOMMENDATION:

Recommendation to authorize the City Manager, or designee, to execute all documents necessary for a new Lease with Educate: Advancing Early Childhood Education, Parenting, and Literacy, Inc., doing business as Un Mundo De Amigos (Tenant) for the establishment of an early childhood education center in a portion of the City-owned Health and Human Services Department's West Health facility at 2125 Santa Fe Avenue (Premises); and,

Authorize the City Manager, or designee, to execute all documents necessary for a new Joint Use Agreement with the Tenant for the non-exclusive use and designation of two parking spaces as "parent drop-off spaces" in the Admiral Kidd Park Parking Lot adjacent to the Premises, coterminous to the Lease. (District 7)

DISCUSSION

On April 1, 2025, as part of the Fiscal Year (FY) 2025 first departmental and fund budget appropriation adjustments, City Council approved \$186,676 of one-time funds for renovations of the Health and Human Services Department (DHHS) West Health Facility, located at 2125 Santa Fe Avenue (West Health Facility), offset by unspent funds transferred from the recently concluded Long Beach Recovery Act. Specifically, DHHS was tasked with creating 28 Early Childcare Education (ECE) slots at the West Health Facility to address a need for ECE in West Long Beach, which is considered a "childcare desert." The West Health Facility is an 11,970-square-foot, two-story facility with a vacant first-floor unit comprised of 2,494 square feet of interior space and 2,800 square feet of outdoor playground/ancillary space, for a total of 5,294 square feet (Premises)(Attachment). The Long Beach Unified School District's (LBUSD) Head Start Program formerly occupied the premises. However, the Premises has been vacant since 2015.

Proposed Lease / Tenant Improvements / Offsite Improvements

In 2023, City of Long Beach (City) staff from DHHS, Economic Development Department (ED), and the Public Works Department (PW) commenced negotiations with Educate: Advancing Early Childhood Education, Parenting, and Literacy, Inc. doing business as Un Mundo De Amigos Preschool (Tenant) for a new Lease and improvements to the interior and exterior of the Premises (Tenant Improvements). In 2024, the City and Tenant finalized and executed a Letter of Intent for a Lease of the Premises, which included a commitment from the Tenant to pay for all proposed Tenant Improvements to the Premises, and a commitment from the City to earmark appropriated funds to pay for all soft costs for the planning thereof. Kardent, Inc. (Kardent), the

City's on-call architectural firm, was engaged to prepare a space plan, as well as design and construction drawings for the Tenant Improvements while the parties negotiated the terms of a possible Lease. To date, the City has used approximately \$240,000 of the one-time renovation funds for soft costs in connection with the project. Estimates for the Tenant Improvements are not yet finalized but expected to be approximately \$1.5 million.

During project planning, a Building Code change introduced new fire life safety upgrade requirements for the facility. These updates necessitate the installation of fire sprinklers and an underground fire line from the street water main (Offsite Improvements) on City-owned property and right-of-way, resulting in a funding gap. The Offsite Improvements are estimated at \$465,764, with an additional \$69,865 contingency, totaling \$535,629. Further, costs including architectural administration fees, construction management oversight, labor compliance monitoring, and utility fees add approximately \$124,371, bringing the total funding gap to \$660,000.

To address this gap, PW has earmarked up to \$600,000 in Measure A funds and DHHS has allocated up to \$60,000 from the original one-time appropriation bringing the total City commitment not to exceed \$660,000. This amount does not include the expenditures for soft costs that have already been borne by the City. The City will reimburse the Tenant for the Offsite Improvements up to the cost of the improvements, plus contingency, for a total of \$535,629. The remaining commitment amount of \$124,371 shall be held back by the City to cover usual and customary costs related to the Offsite Improvements to the Premises and right-of-way. If Offsite Improvement costs exceed \$660,000, then the overage would be borne by the Tenant. The Tenant has secured or is in the process of securing third-party funding for the remaining Tenant Improvements to the Premises, as plans have been completed, the Tenant is finalizing contractor selection, and regulatory permits are being processed.

Staff and Tenant have negotiated a Lease for the Premises to include the following major provisions:

- Landlord:** City of Long Beach, a municipal corporation.
- Tenant:** Educate: Advancing Early Childhood Education, Parenting, and Literacy, Inc. doing business as Un Mundo De Amigos Preschool.
- Premises:** The Premises is approximately 5,294 rentable square feet (RSF), which includes 2,494 RSF of interior space on the West Health Facility's first floor and 2,800 RSF of outdoor playground/ancillary space to Lessee.
- Use:** The Premises shall be used exclusively by Tenant for the operation of an early childhood education center (ECE Center) and ancillary services for a maximum of thirty-seven (37) students from the surrounding area, aged eighteen (18) months to five (5) years old.

<u>Term:</u>	The Term shall be ten (10) years, commencing upon the Lessor's issuance of a certificate of occupancy, acting in its capacity as local regulatory agency. The parties shall execute an Amendment to memorialize the commencement of the Term.
<u>Renewal Options:</u>	Tenant shall have two (2) five (5)-year Renewal Options to extend the Lease for a total Lease Term of twenty (20) years.
<u>Early Termination Option:</u>	In the event Tenant loses its funding or is otherwise unable to satisfy the requirements of the Lease, then Tenant shall have the option to terminate this Lease by providing the City with a minimum of thirty (30) days prior written notice.
<u>Base Rent:</u>	Fair Market Rent for the Leased Premises has been determined to be \$2,635 per month or approximately \$0.50 per RSF. Base Rent shall be equal to the Fair Market Rent for the first Lease year after the commencement of the Term.
<u>Rent Escalator:</u>	Base Rent shall be subject to a ten percent (10%) increase every five (5) years, with the first Rent Adjustment occurring five (5) years from the Commencement of the Term.
<u>Community Benefit Rent Offset:</u>	Tenant may offset up to one hundred percent (100%) of Base Rent by the value of subsidized or discounted childcare provided at the Premises. Annually, the Tenant shall submit a Community Benefit Report to the Landlord, detailing the itemized valuation of Community Benefits rendered at the Premises. This report will serve as the basis for reconciling the Base Rent.
<u>CIP and TI Rent Offsets:</u>	The Tenant may offset Base Rent on a cumulative basis, for the amount of unreimbursed costs incurred for Capital Improvements and Tenant Improvements made to the Premises. This offset balance shall carry forward year-to-year until fully exhausted.
<u>Offsite Improvements:</u>	Due to a recent Building Code change, certain fire life safety upgrades are required to ensure the Premises can accommodate the Tenant's proposed use. The Offsite Improvements will include the installation of fire sprinklers within the West Health Facility and the construction of an underground fire line connecting to the street water main. The Tenant shall engage a qualified contractor to

complete these improvements, subject to review and oversight by the City, acting in its capacity as the property owner.

Tenant Improvements:

The Tenant shall have the right to make Tenant Improvements to the Premises, as required to bring the Premises up to code and comply with Tenant's presumptive licensure. The Tenant shall engage a qualified contractor to complete these improvements, subject to review and oversight by the City, acting in its capacity as the property owner. Tenant Improvements shall be at the Tenant's sole expense, the City shall contribute offset funds in the form of a reimbursement and/or Landlord hold back to Tenant of up to \$660,000 to ease the cost burden on the Lessee, as outlined in the following bullet.

City Contribution:

A total of \$660,000 has been earmarked by the City to cover the costs for Offsite Improvements to the Premises and Right of Way. Landlord shall reimburse the Tenant up to \$539,629 for direct construction costs related to the Offsite Improvements, including fire life safety upgrades to the West Health Facility, and the installation of an underground fire line from the street water main. The City shall contribute a further \$124,371 in the form of a holdback to cover certain City costs related to the Offsite improvements. Any costs in excess of \$660,000 will be borne by the Tenant.

TI Soft Costs:

Landlord shall provide a space plan and pay for all soft costs in connection with the Tenant Improvements at no cost to Tenant, including but not limited to as-builts, Field Surveys, Construction Drawings, Plan Checks, Engineering Consultation, and Construction Administration at the Landlord's discretion.

Custodial and Maintenance:

Tenant shall provide custodial and maintain the interior of the Premises to the satisfaction of and at no cost to Landlord, including but not limited to normal wear-and-tear resulting from Tenant's use of the Premises. All maintenance, including but not limited to groundskeeping, tree trimming, building /restroom/ facility repairs, and HVAC maintenance, shall be provided by Landlord, at its sole discretion, at no cost to Tenant.

Utilities:

As compensation for electrical, water, sewer, and gas services to the Premises during the first thirteen (13) months of the Initial Term, the Tenant shall pay the

Landlord a flat-rate monthly fee of \$500. At the end of the twelfth (12th) month, a Base Utilities Rate shall be established by calculating the average monthly utility costs for the West Facility Center over the preceding twelve (12) months. Beginning in the fourteenth (14th) month of the Initial Term and continuing monthly thereafter, the Tenant shall pay the Landlord a utility payment equal to 21 percent of the Base Utilities Rate, representing its pro-rata share of utility costs for the West Facility Center. At the start of each renewal term, the Base Utilities Rate shall be recalculated using the prior 12-month average of monthly utility costs for the West Facility Center, and the Tenant's utility payment shall adjust accordingly.

Proposed Joint Use Agreement

On November 27, 2023, the City Planning Commission approved Conditional Use Permit No. CUP23-015 (CUP) for the operation of West Health ECE by the Tenant. Conditions were issued governing the use of the Premises. One of the conditions was an operational requirement to designate of at least two (2) parking spots in the adjacent shared Admiral Kidd Parking Lot as Parent Loading Zones. To that end, the action will authorize the execution of a new Joint Use Agreement (JUA) and any related documents for the Tenant's non-exclusive use and designation of the spaces in the Admiral Kidd Parking Lot, which shall run co-terminus to the Lease, and be administered by the Parks, Recreation and Marine Department (PRM).

Approval of these Recommendations furthers both the City's 2030 Strategic Vision theme of Education specifically through Goal 1.1 All Children Have Access to Early Childhood Education and the Grow Long Beach Blueprint focus area of Talent Recruitment and Retention by increasing the number of residents accessing childcare.

This matter was reviewed by Deputy City Attorney Adam Jacobs and by Budget Management Officer Nader Kaamouh on June 2, 2025.

TIMING CONSIDERATIONS

City Council action to authorize a new Lease is requested on June 17, 2025, to allow the Tenant to facilitate Capital and Tenant Improvements to the Premises, and secure third-party funding for the project.

LEVINE ACT

This item is subject to the Levine Act. The Mayor, Councilmembers, and Commissioners who have received a contribution of more than \$500 within 12 months prior from a party, participant, or their representatives involved in this proceeding may do either of the following: (1) disclose the contribution on the record and recuse themselves from this proceeding; OR (2) return the portion of the contribution that exceeds \$500 within 30 days from the time the elected official knew or should have known about the contribution and participate in the proceeding.

All parties, participants, and their representatives must disclose on the record of this proceeding any contribution of more than \$500 made to the Mayor or any Councilmembers within 12 months prior to the date of the proceeding. The Mayor, Councilmembers, and Commissioners are prohibited from accepting, soliciting, or directing a contribution of more than \$500 from a party, participant, or their representatives, during a proceeding and for 12 months following the date a final decision is rendered.

FISCAL IMPACT

The total estimated cost of the Tenant Improvements is \$1.5 million, of which \$660,000 is the City's portion to cover the costs for Offsite Improvements to the Premises and Right of Way. The City's portion is supported by \$600,000 Measure A bond program funds, which is currently appropriated in the Capital Projects Fund Group in the Public Works Department and \$60,000 of unspent funds transferred from the recently concluded Long Beach Recovery Act, which is appropriated in the General Fund Group in the Health and Human Services Department. Any Tenant Improvements costs in excess of \$660,000 will be borne by the Tenant.

The tenant may offset up to one hundred percent (100%) of Base Rent by the value of subsidized or discounted childcare provided at the Premises. Any rent not offset, and \$500 for utilities provided to the Premises will be deposited to the Health Operating Fund Group in the Health and Human Services Department. 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 the recommendation.

Respectfully submitted,



Bo Martinez
Economic Development



Alison King
Health and Human Services



Eric Lopez
Public Works



Brent Dennis
Parks, Recreation
and Marine

APPROVED:



THOMAS B. MODICA
CITY MANAGER