



Administrative Report

H.12., File # 21-2265

Meeting Date: 4/6/2021

To: MAYOR AND CITY COUNCIL

**From: STEPHEN PROUD, WATERFRONT & ECONOMIC DEVELOPMENT
DIRECTOR**

TITLE

ADOPT BY TITLE ONLY RESOLUTION NO. CC-2104-030, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, LEASING CERTAIN PROPERTY TO FIRSTSTEPS FOR KIDS, INC A CALIFORNIA CORPORATION

APPROVE A LEASE WITH FIRSTSTEPS FOR KIDS, INC. FOR THE PREMISES AT 109 W. TORRANCE BLVD., SUITES 101 AND 102 AND 105 W. TORRANCE BLVD., SUITE 200 FOR A MONTHLY AMOUNT OF \$10,542 FOR THE TERM APRIL 6, 2021 - JUNE 5, 2026

EXECUTIVE SUMMARY

In March 2012, the City purchased the Pier Plaza leasehold and began the process of direct leasing to various tenants. Pier Plaza is comprised of several buildings totaling approximately 75,000 square feet of office and retail uses. The proposed lease with FirstSteps for Kids, Inc is for the space at 109 W. Torrance Boulevard, Suites 101 and 102 and for the space at 105 W. Torrance Blvd, Suite 200. The combined area totals approximately 5,271 square feet.

The proposed lease is for 62 months with the City retaining the option to terminate the lease with a twelve (12) month prior written notice. Monthly rental revenue to the City's Harbor Uplands Fund will be \$10,542 or approximately \$2.00 per square foot with a 2% annual increase on the first and second anniversary and a 3% increase each subsequent year of the lease.

BACKGROUND

In March 2012, the City purchased the Pier Plaza leasehold and began the process of entering into direct leases with various tenants. The Pier Plaza leasehold is comprised of buildings 103 to 131 West Torrance Boulevard (on the top level of the Pier Parking Structure) and totals approximately 75,000 square feet of space. The property is prepared almost entirely for office uses; with the lone exception being a restaurant use of less than 4,000 square feet. The proposed lease with FirstSteps for Kids, Inc (the "Tenant") is for the space at 109 W. Torrance Boulevard, Suites 101 and 102 and for the space at 105 W. Torrance Blvd, Suite 200 (the "Premises"). The combined area totals approximately 5,271 square feet.

FirstSteps for Kids started in 2005 to serve young children with autism and related learning disabilities. They currently have five locations throughout California, including their home office in

Hermosa Beach. The space will largely consist of clinical and therapy rooms and office for the children enrolled in the program.

The proposed lease carries a sixty-two (62) month term with a monthly rent of \$10,542, or approximately \$2.00 per square foot, which is consistent with other similar retail leases in the waterfront and broader market. The Lease contains a provision that escalates the rent at 2% per year for the first two years and then escalates at 3% per year for the remaining term of the lease. The first two months of the lease are at no cost to the Tenant to allow for improvements to the Premises.

As the landlord, the City will make standard tenant improvements to the space comprised of painting and new carpeting for a not to exceed total of \$15,813.00 or \$3 per square foot. The tenant intends to spend a minimum of \$184,485 or approximately \$35 per square foot on additional improvements to the leasehold. The City retains the right to terminate the lease with a twelve-month written notice. If the City elects to exercise the terminate right, the City agrees to reimburse the Tenant via rent credits for the unamortized value of the Tenant improvements - up to a cap of \$184,485.

COORDINATION

The Waterfront and Economic Development Department collaborated with the City Attorney's Office on this report. The City Attorney's Office has approved the document as to form.

FISCAL IMPACT

Lease revenue from the property will accrue to the City's Harbor Uplands Fund. The proposed lease will result in a monthly rent of \$10,542 with an annual total of \$126,504. Over the five-year term of the lease, revenue to the Uplands Fund will be \$632,520.

APPROVED BY:

Joe Hoefgen, City Manager

ATTACHMENTS

Resolution No. CC-2104-030

Lease Between the City of Redondo Beach and FirstSteps for Kids, Inc.