



# Administrative Report

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H.11., File # 21-2888

Meeting Date: 9/7/2021

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**To: MAYOR AND CITY COUNCIL**

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

## **TITLE**

ADOPT BY TITLE ONLY RESOLUTION NO. CC-2109-083, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, LEASING CERTAIN PROPERTY TO GUNGHO ONLINE ENTERTAINMENT AMERICA, INC.

APPROVE A LEASE WITH GUNGHO ONLINE ENTERTAINMENT AMERICA, INC. FOR THE PREMISES AT 127 W. TORRANCE BLVD. FOR A MONTHLY AMOUNT OF \$2,655.00 WITH AN ANNUAL 3% BASE RENT INCREASE FOR THE TERM OF SEPTEMBER 7, 2021 - SEPTEMBER 30, 2024

## **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 GungHo Online Entertainment America, Inc. ("GungHo Entertainment") is for the space at 127 W. Torrance Boulevard (the "Premises"), a total area of approximately 1,180 square feet.

The proposed lease is for a three-year term with the City retaining the option to terminate the lease with twelve (12) months prior written notice. Monthly rental revenue to the City's Harbor Uplands Fund will be \$2,655.00 or approximately \$2.25 per square foot with a 3% annual increase each 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 GungHo Entertainment is for the space at 127 W. Torrance Boulevard, which is approximately 1,180 square feet.

GungHo Online Entertainment America, Inc. is a subsidiary of the Japanese gaming company GungHo Online Entertainment, Inc. which is a video game developer and publisher. The firm

currently operates in El Segundo and would like to relocate to a smaller office at Pier Plaza.

The proposed lease carries a three-year term with a monthly rent of \$2,655.00, or approximately \$2.25 per square foot, which is consistent with other similar office leases in the harbor. The Lease contains a provision that escalates the rent at 3% per year for the duration of the lease. The proposed lease includes a standard tenant improvement allowance not to exceed \$3,540.00 for painting and carpet. The Landlord is responsible to deliver the premises in an "as-is" condition with the following in working condition: electrical outlets, lighting, windows, and building mechanical systems including plumbing, electrical and HVAC systems. The City retains the right to terminate the lease with a twelve-month written notice. The lease includes a corporate guaranty of three months security deposit.

### **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 \$2,655.00 for the first lease year with an annual increase of 3% to the base rent. Over the three-year term of the lease, revenue to the Uplands Fund will be \$98,476.07.00.

### **APPROVED BY:**

*Joe Hoefgen, City Manager*

### **ATTACHMENTS**

- Resolution No. CC-2109-083
- Lease Between the City of Redondo Beach and GungHo Online Entertainment America, Inc.