

South Bay Cities Council of Governments

April 13, 2015

TO: Steering Committee
FROM: Jacki Bacharach, Executive Director
SUBJECT: Sublease Renewal

BACKGROUND & DESCRIPTION OF NEED

The SBCCOG/SBESC moved to the current location in the Maritz Building on February 16, 2012 with a lease term that expires on May 19, 2015. On February 22, 2013 the SBCCOG and Maritz amended the sublease to include additional storage space. On June 26, 2014 SBCCOG Board of Directors submitted a letter of intent to renew the Sublease.

Maritz has given SBCCOG two options for renewal. Option 1 is for an additional 24 month term with 3% annual increase and no Tenant Improvements or Rent Abatement. Option 2 (Extended Term Option) is for an additional 58 month term with the annual escalation rate locked at 2.5% and up to \$23,151.66 in Tenant Improvements and/or Rent Abatement.

The SBCCOG staff has reviewed the current market prices and has determined that the Maritz rate is slightly below market value for similar space. In addition, the 58 month term would be the best value for the SBCCOG as even if the market value over the final three years of the lease decreased, it is unlikely that the decrease would be greater than the \$23,151.66 gained with the extended term savings.

At this time SBCCOG desires to extend the term of the Sublease through November 30, 2019 which includes up to \$23,151.66 in Tenant Improvements and/or Rent Abatement. A copy of the Second Amendment to Office Sublease is attached. This agreement has been approved as to its form by SBCCOG legal counsel.

RECOMMENDATION:

Recommend that the Board approve the Second Amendment to the lease agreement with Maritz Holdings, Inc., effective May 19, 2015 and ending November 30, 2019 including up to \$23,151.66 in Tenant Improvements and/or Rent Abatement.

Attachment: SECOND AMENDMENT TO OFFICE SUBLEASE

Prepared by Suzanne Charles

SECOND AMENDMENT TO OFFICE SUBLEASE

THIS SECOND AMENDMENT TO OFFICE SUBLEASE (this “Second Amendment”) is made and entered into as of the 23rd day of April, 2015, by and between **MARITZ HOLDINGS INC.**, a Missouri corporation, with a principal place of business at 1375 North Highway Drive, Fenton, Missouri 63099 (the “**Sublandlord**”), and **SOUTH BAY CITIES COUNCIL OF GOVERNMENTS**, a California Joint Powers Authority, with a principal place of business at 20285 South Western Avenue, Suite 100, Torrance, California 90501 (the “**Subtenant**”), each referred to as a “Party” and together as “the Parties”.

WITNESSETH:

WHEREAS, Mar Canyon Torrance LLC, a California limited liability company having an address of 2050 West 190th Street, Suite 108, Torrance, California 90504 (the “**Master Landlord**”), and Sublandlord, as tenant, entered into a lease dated as of March 12, 1999 as amended by that certain First Amendment to Lease dated as of February 27, 2007, that certain Second Amendment to Lease dated as of June 29, 2007, that certain Third Amendment to Lease dated as of October 6, 2008, that certain Fourth Amendment to Lease dated as of September 16, 2011 (the “**Master Lease**”), for the premises (the “**Premises**”) in the building located at 20285 South Western Avenue, Torrance, California 90501 (the “**Building**”), such Premises being more particularly described in the Master Lease; and

WHEREAS, Sublandlord and Subtenant entered into a certain Office Sublease, dated as of January 18, 2012 as amended by that certain First Amendment to Office Sublease dated February 22, 2013 (the “**Sublease**”) for certain Premises in the building located at 20285 S. Western Ave., Torrance, California 90501 (the “**Building**”), as more particularly described as Suite 100 (areas A, B, C and D), consisting of approximately 5,817 rentable square feet of space on the first floor of the Building (the “**Sublease Premises**”), for a lease term expiring on May 19, 2015 (the “**Sublease Expiration Date**”); and

WHEREAS, Sublandlord and Subtenant desire to extend the term of the Sublease and amend the Sublease to provide for the rent to be paid for the extended term and to amend certain other terms and conditions of the Sublease and evidence their agreements and other matters by means of this Second Amendment in the manner hereinafter set forth.

NOW THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant, for themselves, their successors and assigns, hereby agree as follows:

1. Defined Terms.

Capitalized terms used but not otherwise defined herein shall have the same meanings ascribed to them in the Sublease.

2. Term. The term of the Sublease shall be extended (the “**Renewal Term**”) from the Expiration Date (May 19, 2015) (the “**Renewal Term Commencement Date**”) and shall end on the last day of the 58th month (November 30, 2019) (the “**Renewal Term Expiration Date**”) unless sooner terminated in accordance with the terms of the Sublease.

3. Base Rent.

Subtenant covenants and agrees to pay to Sublandlord, without any notice, monthly rent per the rental schedule provided below during the Renewal Term (the “Renewal Term Base Rent”). At the option of Subtenant, (i) Subtenant’s obligation to pay the Monthly Rental Term Base Rent shall be abated for the first two (2) months of the Renewal Term, or (ii) within 6 months of the Renewal Term Commencement Date Sublandlord shall apply any portion of the not to exceed sum of twenty three thousand one hundred fifty one dollars and 66/100 (\$23,151.66) (the “Renewal Term Tenant Improvement Allowance”) to Tenant Improvements upon receipt of Subtenant’s written request, and any unused balance of the Renewal Term Tenant Improvement Allowance shall be applied as a rent credit in the seventh (7th) month of the Renewal Term. Sublandlord, upon receipt of Subtenant’s written request, shall apply any unused balance of the Renewal Term Tenant Improvement Allowance as a rent credit prior to the seventh (7th) month. Sublandlord shall automatically abate two (2) months of rent effective the seventh (7th) month of the Renewal Term if the Subtenant has not presented the Sublandlord with a written option selection (i or ii above).

Period	Rate Per Square Foot Per Annum	Monthly Installment	Base Rent
05/20/2015 – 07/20/2015	\$23.88	\$11,575.83	\$23,151.66 (partial year)
07/20/2015 – 07/31/2015	\$23.88	\$4,479.85	Prorated @38.7% (7/20-7/31)
08/01/2015 – 04/30/2016	\$23.88	\$11,575.83	\$115,758.30 (partial year)
05/01/2016 – 04/30/2017	\$24.48	\$11,866.68	\$142,400.16
05/01/2017 – 04/30/2018	\$25.09	\$12,162.38	\$145,948.53
05/01/2018 – 04/30/2019	\$25.72	\$12,467.77	\$149,613.24
05/01/2019 – 11/30/2019	\$26.36	\$12,778.01	\$89,446.07 (partial year)

4. Additional Rent.

For purposes of the Renewal Term, “Subtenant’s Proportional Share” is defined as seven and 31/100 percent (7.31%) (representing a fraction, of which the total rentable square footage of the Sublease Premises [5,817 rsf] is divided by the total rentable square footage of the Premises [79,500 rsf]). Effective May 20, 2015, the Base Year for Operating Expenses (as defined in Section 3.2(i) of the Master Lease) shall be adjusted to Base Year 2015. Effective May 1, 2017, the Base Year for Operating Expenses (as defined in Section 3.2(i) of the Master Lease) shall be adjusted to Base Year 2017.

5. Workletter; Condition of the Premises.

Sublandlord shall construct or cause the construction of Tenant Improvements in the Premises only in accordance with and subject to the terms and conditions of the Master Lease and Sublease. Within 6 months of the Renewal Term Commencement Date Subtenant shall provide Sublandlord a written scope of work (the “**Workletter**”). Any and all such changes, improvements or work defined in the Workletter shall be performed in accordance with the terms of the Master Lease and Sublease. Notwithstanding the following the Sublandlord agrees to include non-standard Tenant Improvements within the defined scope of work not to exceed the sum of five thousand dollars (\$5,000.00) (i.e. furniture, audio visual equipment, cabling, signage and installation of each). The remainder of the Renewal Term Tenant Improvement Allowance must be improvements to the building approved and accepted by the Master Landlord (i.e. carpeting, lighting upgrades, and painting).

6. Condition of the Premises.

Subtenant agrees to accept the Premises “as-is” in the condition existing as of the date this Second Amendment is executed by or on behalf of Subtenant and acknowledges that the Subleased Premises, at such time, is in good order and satisfactory condition. Subtenant acknowledges that neither Sublandlord nor any agent of Sublandlord has made any representation or warranty with respect to the condition of the Premises or the suitability thereof for the conduct of Subtenant’s business, nor has Sublandlord agreed to undertake any modification, alteration or improvement to the Subleased Premises. Any and all such changes, improvements or work shall be performed in accordance with the terms of the Master Lease and Sublease.

7. Security Deposit.

Subtenant shall continue to maintain the Security Deposit as required by the Sublease.

8. Entire Agreement.

This Second Amendment sets forth the entire agreement with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. In the case of any inconsistency between the provisions of this Second Amendment and the Sublease, the provisions of this Second Amendment shall control to the extent necessary to resolve any inconsistency.

9. Brokers.

Subtenant represents and warrants to Sublandlord that Subtenant has dealt with no broker or agent in connection with the consummation of this Second Amendment, and in the event of any brokerage claims against Sublandlord predicated upon prior dealings with Subtenant, Subtenant agrees to indemnify, defend, protect and hold harmless Sublandlord from and against any such claim, including without limitation attorneys’ fees and costs. Sublandlord represents and warrants to Subtenant that Sublandlord has dealt with no broker in connection with the consummation of this Second Amendment, and in the event of any brokerage claims against Subtenant predicated upon prior dealings with Sublandlord, Sublandlord agrees to indemnify, defend, protect and hold harmless Subtenant from and against any such claim, including without limitation attorneys’ fees and costs.

10. Full Execution.

This Second Amendment shall not be binding until executed and delivered by both parties.

11. Counterparts.

This Second Amendment may be executed in any number of counterparts, any one of which shall be an original, but all of which together shall be one and the same instrument.

12. Modifications.

Except as modified by this Second Amendment, all terms and conditions contained in the Sublease shall continue to apply with full force and effect.

[Signatures Follow on Next Page]

IN WITNESS WHEREOF, Sublandlord and Subtenant do hereby execute this Second Amendment to Office Sublease as of the date and year first above written.

SUBLANDLORD:

Maritz Holdings Inc., a Missouri corporation

By: _____

Name: Mark Alspaw

Title: Vice President Corporate Real Estate & Property Services

SUBTENANT:

South Bay Cities Council of Governments, a California Joint Powers Authority

By: _____

Name: _____

Title: _____