



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 7, 2022

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 1
DEPARTMENT

SUBJECT: COMMERCIAL LEASE AGREEMENT WITH EVERYTABLE, PBC – MISSION SQUARE OFFICE BUILDING – 3750 UNIVERSITY AVENUE, SUITE 100 – FIVE-YEAR TERM WITH TWO FIVE YEAR OPTIONS TO EXTEND – FOR \$224,808 IN REVENUE

ISSUE:

Approve a Commercial Lease Agreement with Everytable, PBC for the Mission Square Office Building at 3750 University Avenue, Suite 100, for a five-year term, with two five-year options to extend for \$224,808 in revenue.

RECOMMENDATIONS:

That the City Council:

1. Approve a Commercial Lease Agreement with Everytable, PBC for the Mission Square Office Building at 3750 University Avenue, Suite 100, for a five-year term, with two options for five-year extensions, for approximately \$224,808 in revenue; and
2. Authorize the City Manager, or designee, to execute the Commercial Lease Agreement, and the two optional five-year extensions, with Everytable, PBC, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

BOARD OF PUBLIC UTILITIES RECOMMENDATIONS:

On April 25, 2022, the Board of Public Utilities reviewed the proposed Lease Agreement with Everytable, PBC and unanimously recommended that the City Council: 1) approve a Commercial Lease Agreement with Everytable, PBC for the Mission Square Office Building at 3750 University Avenue, Suite 100, for a five-year term with two options for five-year extensions, for approximately \$224,808 in revenue; and 2) Authorize the City Manager, or designee, to execute the Commercial Lease Agreement and the two optional five-year extensions, with Everytable, PBC, including making minor non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

BACKGROUND:

On October 13, 2015, the City acquired the Mission Square Office Building at 3750 University Avenue (Property), which was funded by Riverside Public Utilities (RPU). As such, RPU is the landlord of the Property. The Property consists of approximately 127,533 square feet of rentable office and retail space in a six-story building, plus a basement level, and a 490-parking stall garage situated on approximately 2.5 acres of land.

On January 26, 2016, the City Council approved an Exclusive Authorization of Lease Agreement with Newmark of Southern California, Inc. dba Newmark Knight Frank (NKF) to provide broker leasing services for the Property. On January 5, 2021, the City Council approved a First Amendment to California Exclusive Authorization of Lease Agreement with Newmark of Southern California, Inc., dba Newmark Knight Frank (NKF) which extended the Agreement through December 31, 2025. RPU staff has been coordinating the leasing process for the Property with the Real Property Services Division of the Community & Economic Development Department and NKF as the broker for the Property.

DISCUSSION:

Suite 100, which is currently 1,200 square feet, was formerly occupied by Subway who vacated the space in September 2020. NKF recently received a proposal to open an Everytable restaurant. The City engaged its leasing broker, NKF, who negotiated on behalf of the City with Everytable.

Staff has reviewed the proposed Commercial Multi-Tenant Lease-Triple Net Agreement and recommends approval. The basic deal points of the proposed Lease are summarized as follows:

- 1) Landlord: City of Riverside
- 2) Tenant: Everytable, PBC
- 3) Permitted Use: Quick-service foot retailer/restaurant serving grab-n-go cold and re-heatable, pre-made meals.
- 4) Term/Extensions: Five-year lease with two (2) five (5) year options to extend.
- 5) Premises: Approximately 1,200 rentable square feet of space located at 3750 University Avenue, Suite 100.
- 6) Parking: Tenant shall be entitled to a total of one to five (1-5) reserved and/or unreserved parking spaces at current prevailing parking rates. Tenant shall be responsible for payment of all parking fees to the operator of the parking garage.
- 7) Base Rent (Triple Net):

Months:	Mo. Base Rent:	Annual Base Rent
1-12	\$3,600	\$43,200
13-24	\$3,672	\$44,064
25-36	\$3,745	\$44,940
37-48	\$3,820	\$45,840
49-60	\$3,897	\$46,764
	Total:	\$224,808

- 8) Possessory Interest Taxes: The Tenant will be responsible for payment of any possessory interest taxes assessed to Tenant for Tenant's use of the Premises.
- 9) Security Deposit: Tenant shall pay Landlord a security deposit equal to the last month's rent and NNN charges.
- 10) Tenant Improvement Allowance: Landlord shall provide Tenant with a \$25 per square foot tenant improvement allowance (or \$30,000), plus the mutually agreed upon cost of \$114,000 for Tenant to perform the Landlord's work.
- 11) Broker Commissions: Pursuant to the Exclusive Authorization to Lease Agreement with NKF, the City shall pay NKF a leasing commission equal to 6.5% of the lease consideration for the initial five-year term, estimated to be \$14,613, to be shared with the Tenant's broker, Progressive Real Estate Partners.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 3 – Economic Opportunity** and **Goal 3.3 – Cultivate a business climate that welcomes innovation, entrepreneurship, and investment.**

The item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The City conducted this transaction with transparency and in good faith. By bringing the Agreement before the Board of Public Utilities, the City is providing a space for open dialogue between the Board and community stakeholders regarding all lease terms.
2. **Equity** – The City conducted this transaction to ensure that all members of the community can access fresh and nutritious food at affordable prices.
3. **Fiscal Responsibility** – The City being a prudent steward of public funds, negotiated this transaction in good faith and the lease rates are consistent with the current fair market value for comparable commercial space.
4. **Innovation** – The City recognizes the need for access to fresh and nutritious foods at affordable prices. This City will continue to be cognizant of the community's changing needs and will continue to be adaptive to the future by engaging in collaborative partnerships.
5. **Sustainability & Resiliency** – Committed to the needs of community stakeholders, the City is devoted to identifying and attracting businesses that assist the community to preserve, adapt, and grow during a diverse array of economic cycles.

FISCAL IMPACT:

The total fiscal impact for this action over the initial five-year term is anticipated to be \$224,808. All revenue will be deposited into the Mission Square Building Property Management Trust Account managed by RPU and used to pay operating expenses (including the Tenant Improvement Allowance and Broker Commission) for the Property.

Prepared by: Chris Christopoulos, Acting Community & Economic Development Director

Certified as to
availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial
Officer/Treasurer
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachment: Lease Agreement