City of Arts & Innovation

Successor Agency to the Redevelopment Agency of the City of Riverside

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: FEBRUARY 7, 2023**

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT **WARD: 1**

SUBJECT: FIRST AMENDMENT TO THE PROPERTY MANAGEMENT AGREEMENT AND THE EXCLUSIVE AUTHORIZATION OF LEASE AGREEMENT WITH INLAND PACIFIC ADVISORS, INC. FOR AN ADDITIONAL ONE-YEAR AND NINE-MONTH TERM THROUGH SEPTEMBER 30, 2024

ISSUE:

Approve the First Amendment to the Property Management Agreement and the Exclusive Authorization of Lease Agreement with Inland Pacific Advisors Inc. for the property management of the Successor Agency-owned California Tower commercial building located at 3737 Main Street.

RECOMMENDATIONS:

That the Successor Agency:

1. Approve the First Amendment for the Property Management Agreement and the Exclusive Authorization of Lease Agreement with Inland Pacific Advisors, Inc. for an additional one-year and nine-month term through September 30, 2024; and

2. Authorize the City Manager, or designee, to execute the First Amendment for the Property Management Agreement and the Exclusive Authorization of Lease Agreement with Inland Pacific Advisors, Inc., including making minor and non-substantive changes as necessary.

BACKGROUND:

In early 1994 the City Council and the Redevelopment Agency Board authorized the purchase of the vacant former Security Pacific Bank Tower located at 3737 Main Street (Property-California Tower) within what was the Merged Downtown/Airport Industrial-Hunter Park/Northside Redevelopment Project Area. At that time, the former Redevelopment Agency Board also approved a leasing program exclusively for the ground floor of the Property as a catalyst for economic revitalization. The goal was to stimulate economic development by encouraging an eclectic mix of tenants to improve and activate the California Tower Building and address the high vacancy rate present prior to the Redevelopment Agency's purchase.

On April 26, 1994, the former Redevelopment Agency entered into a lease agreement with the State of California Department of General Services (DGS). The former Redevelopment Agency agreed to lease to DGS the 160,000 square foot office tower with 22,400 square feet of ground floor retail and office space (Ground Floor) for the term of thirty years (Lease Agreement). Furthermore, the former Redevelopment Agency and DGS also entered into a Leaseback Agreement in which the former Redevelopment Agency is exclusively responsible for the operation, ordinary and extraordinary maintenance and repairs, leasing and funding of tenant improvements associated with the Ground Floor. The term of the Leaseback Agreement runs concurrently with the Lease Agreement and may expire on October 1, 2024, pursuant to the decision by DGS to exercise its option to purchase the Property and the Successor Agency's decision to exercise its option to extend the Leaseback Agreement. Staff has managed communication with DGS over the term of the agreement and on October 13, 2022, followed up with DGS to discuss options for moving forward as the expiration date approaches.

In December 2008, the former Redevelopment Agency entered into an agreement with Inland Pacific Advisors Inc. (IPA Inc.) to provide comprehensive property management services, including repairs and maintenance, for the property. The agreement further allowed IPA to perform commercial leasing services and construction management for all required tenant improvement projects for the Property. In December 2010, the agreement was amended to allow it to revert to month-to-month after its expiration.

In early 2017, Community & Economic Development staff issued two separate Requests for Proposals (RFPs) for the California Tower: one seeking property management services and one seeking commercial leasing services. Multiple proposals were received for the property management services RFP and IPA was deemed the most responsive. IPA provided the only proposal for the commercial leasing services RFP and was deemed responsive. On December 19, 2017, the Successor Agency approved the current Property Management and Exclusive Authorization of Lease Agreements with IPA Inc. Both agreements were executed on January 8, 2018.

DISCUSSION:

The Property's prominent location along Main Street, easily walkable storefronts, and the variety of unique local dining and entertainment options it supports, makes it critical to the vibrant, destination-oriented atmosphere in Downtown Riverside. Retaining and attracting quality tenants for the Property requires a high level of continuous, efficient property maintenance service and an active leasing program.

The purpose of this request is to correct an oversite within the December 19, 2017, staff report that could interrupt these vital services. Although both agreements were approved in their entirety, the report inadvertently omitted language requesting the authorization of the Executive Director, or designee, to execute first amendments to extend both the Property Management Agreement and the Authorization of Lease Agreement as provided for in both documents.

Under the Exclusive Authorization of Lease Agreement executed on January 8, 2018, IPA Inc. is responsible for advertising, marketing, and listing office or retail space in multiple listing services, physically showing the space to prospective tenants, and advising the Successor Agency on prospective tenants and lease terms. The Lease Commission schedule generally provides for payment of a leasing commission to IPA Inc. ranging from a high of 7% to a low at 3% of the total lease consideration. The term of service is five (5) years with the option to extend if requested in writing signed by both owner and broker, pursuant to page 1 paragraph 1 of the approved agreement.

Under the Property Management Agreement executed on January 8, 2018, IPA Inc. is responsible for administration of all third-party leases, including tenant relation management and collection of rents, administration of all ongoing building operation and maintenance of sub-contracts, production of monthly operating reports, and coordination of building repairs. Financial terms include a flat property management fee of $4,250.00 per month, which increases by 3% per year. The term of service is five (5) years with option to extend upon mutual written consent of both parties, for an additional period(s) not to exceed five (5) years pursuant to page 1, section 1.1 of the approved agreement.

IPA Inc. has longstanding institutional knowledge and experience managing the Cal Tower Property and there is an important benefit to maintaining the established relationships with existing tenants for the remainder of the Successor Agency's Leaseback Agreement with the DGS. Any interruption in services would be of significant concern to key tenants that contribute to Downtown's vitality such as Stone Church Brewing and Bistro, Route 30 Brewing, and Mezcal Cantina y Cocina. Therefore, staff requests the Successor Agency Board correct the past oversight in the report language, confirm approval of the current Property Management Agreement in its entirety, and authorize the City Manager, or designee, to execute the first amendments to the Property Management Agreement dated January 8, 2018, with IPA Inc., through September 30, 2024.

STRATEGIC PLAN ALIGNMENT:

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

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

1. **Community Trust** – Bringing this reporting error to a public meeting to request clarification and correction is a transparent action that builds community trust.

2. **Equity** – Retaining IPA Inc. and maintaining a seamless process for tenants will benefit the entire community, including small business owners and residents that desire a clean, safe, and thriving Downtown experience.

3. **Fiscal Responsibility** – Exercising an option to extend the lease saves staff time, and reduces budgetary uncertainty and unknown additional expenses that could result from the need to procure new janitorial and maintenance service contracts during an inflationary economy to meet the Successor Agencies' obligations.

4. **Innovation** – The decision utilizes existing resources to their greatest advantage to support economic development in Downtown Riverside.

5. **Sustainability & Resiliency** – Continuing with the existing provider reduces the chance of service interruptions for affected local businesses and patrons to support economic resiliency and recovery.

FISCAL IMPACT:

All costs associated with the First Amendment to the Property Management Agreement and

Authorization of a Lease Agreement through September 30, 2024, is approximately $106,893.63 and shall be expended from the Department of Finance annually approved recognized obligation payment schedule by Community & Economic Development Department staff.

Prepared by:	Jennifer A. Lilley, Community & Economic Development Director
Certified as to availability of funds:	Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer
Approved by:	Rafael Guzman, Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney

Attachments:
1. 2018 IPA Property Management Agreement
2. 2018 IPA Property Leasing Agreement
3. First Amendment to the IPA Property Management Agreement
4. First Amendment to the IPA Property Leasing Agreement
5. Presentation