



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MARCH 14, 2023

FROM: PUBLIC UTILITIES DEPARTMENT WARD: 1

SUBJECT: THIRD AMENDMENT TO THE PROPERTY MANAGEMENT AGREEMENT WITH G&E REAL ESTATE MANAGEMENT SERVICES, INC. DOING BUSINESS AS NEWMARK, INCREASING THE PROPERTY MANAGER SALARY ALLOCATION TO NOT EXCEED \$5,000 PER MONTH FOR THE PROPERTY MANAGEMENT AGREEMENT FOR THE MISSION SQUARE OFFICE BUILDING LOCATED AT 3750 UNIVERSITY AVENUE

ISSUE:

Approve a Third Amendment to the Property Management Agreement with G&E Real Estate Management Services, Inc., doing business as Newmark, increasing the property manager salary allocation to not exceed \$5,000 per month for the Property Management Agreement for the Mission Square Office Building located at 3750 University Avenue.

RECOMMENDATIONS:

That the City Council:

1. Approve a Third Amendment to the Property Management Agreement with G&E Real Estate Management Services, Inc., doing business as Newmark, increasing the property manager salary allocation not-to-exceed \$5,000 per month for Property Management Agreement for the Mission Square Office Building located at 3750 University Avenue; and
2. Authorize the City Manager, or designee, to execute the Third Amendment to the Property Management Agreement, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

BOARD RECOMMENDATION:

On February 27, 2023, the Board of Public Utilities with all members present, unanimously voted to recommend that the City Council approve a Third Amendment to the Property Management Agreement with G&E Real Estate Management Services, Inc., doing business as Newmark, increasing the property manager salary allocation to not exceed \$5,000 per month for the Property Management Agreement for the Mission Square Office Building located at 3750 University Avenue.

BACKGROUND:

On October 13, 2015, the City acquired the Mission Square Building at 3750 University Avenue (Property), which was funded by Riverside Public Utilities (RPU). As such, RPU is now 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) for a five-year term 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 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.

On January 26, 2016, the City Council approved a Property Management Agreement (Agreement) with NKF to provide property management services for the Property which expires on February 8, 2026. The Agreement provides the ability to extend for one additional five-year term until February 8, 2026.

On January 7, 2020, the City Council approved a First Amendment to the Property Management Agreement with NKF to amend the compensation and property management fee to include additional compensation to NKF not to exceed 5% of the total project cost for performing project management oversight services and to negotiate the project management fee for projects in excess of \$1,000,000 in an amount less than 3% of the total project cost for the Mission Square Office Building located at 3750 University Avenue.

On February 2, 2021, the City Council approved a Second Amendment to extend the Property Management Agreement with G&E Real Estate Management Services, Inc., doing business as Newmark Knight Frank to exercise the option to renew for a term of five (5) year for the Mission Square Office Building located at 3750 University Avenue.

DISCUSSION:

The original Property Management Agreement with NKF included a salary allocation for the property manager in the amount of \$4,013 per month. There was no provision to increase the salary allocation. Due to the economic climate and rising labor costs, it is recommended that the property manager salary allocation be increased to an amount not to exceed \$5,000 per month.

A summary of the proposed changes is discussed below:

Section 7.1. Payment of Account and Section 9: Compensation/Property Management Fee. The proposed fee to NKF is based on the following:

1. Amended to increase the on-site property manager salary allocation to not exceed five-thousand dollars (\$5,000.00) per month.

2. Other: All other terms and provisions of the Agreement, the First Amendment, Second Amendment and Third Amendment will remain in full force and effect.

The Community & Economic Development Department Director concurs with the recommendations.

STRATEGIC PLAN ALIGNMENT:

This item contributes **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 business with transparency and good faith. By bringing the Amendment before the Board of Public Utilities, the City is providing a space for open dialogue between the Board and community stakeholders regarding all the Property Management Agreement and Amendments.
2. **Equity** – The City acted with inclusion and is adhering to terms of the Property Management Services Agreement. Additionally, the City is ensuring that business conducted NKF provides equal access and benefits to the Mission Square Office Building Tenants and Staff.
3. **Fiscal Responsibility** – The City acts as a prudent steward of public funds, negotiating in good faith and the property management fee and salary allocation are consistent with the current fair market rate.
4. **Innovation** – The City recognizes the need for accessible businesses to community stakeholders. 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, attracting, and retaining businesses that assist the community to preserve, adapt, and grow during a diverse array of economic cycles.

FISCAL IMPACT:

The total fiscal impact of this action for the increase to the Mission Square Property Management agreement for the manager salary is \$987 per month or \$11,844 per year. The property manager salary allocation is fully funded by revenues generated by tenant leases.

Prepared by:	Todd M. Corbin, Utilities General Manager
Certifies availability of funds:	Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer
Approved by:	Kris Martinez, Assistant City Manager

Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Third Amendment to Property Management Agreement – G&E Real Estate Management Services, Inc., dba Newmark
2. Presentation