



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: FEBRUARY 4, 2020

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: ALL
DEPARTMENT

SUBJECT: LICENSE AGREEMENT WITH CITICASTERS CO. FOR THE USE OF TEN
ACRES OF PELLISSIER RANCH FOR A TERM OF FIVE YEARS FOR A TOTAL
REVENUE OF \$170,016

ISSUE:

Approve the five-year License Agreement with Citicasters Co. for the use of ten acres of Pellissier Ranch for a total revenue of \$170,016.

RECOMMENDATIONS:

That the City Council:

1. Approve the License Agreement with Citicasters Co. for the use of ten acres of Pellissier Ranch for a term of five years for a total revenue of \$170,016; and
2. Authorize the City Manager, or his designee, to execute the agreement, including making minor non-substantive changes, and to sign all documents necessary to complete the transaction.

BOARD RECOMMENDATION:

On January 13, 2020, the Board of Public Utilities with all members present unanimously recommended that the City Council approve the five-year License Agreement with Citicasters Co. for the use of ten acres of Pellissier Ranch for a total revenue of \$170,016.

BACKGROUND:

On December 1, 1994, the City of Riverside (City) entered into a twenty-year lease with Hispanic Radio Broadcasters, owner of Radio Station KDIF, for the construction and operation of a radio broadcasting tower/facility on ten acres of land within Pellissier Ranch. Hispanic Radio Broadcasters sold the radio station to Jacor Communications, Inc./Citicasters Co. On August 11, 1998, the City approved an assignment of the lease with Hispanic Radio Broadcasters to

Citicasters Co. with all terms remaining the same.

On July 8, 2014, the City approved a First Amendment to the Lease with Citicasters Co. to extend the lease an additional five years which expired on November 30, 2019. The First Amendment also included a rent increase to \$1,335 per month, plus an annual Consumer Price Index (CPI) escalator, and updated the insurance requirements to meet City standards.

On April 10, 2017, the Board of Public Utilities approved the establishment of a set and uniform rental fee for the issuance of Canal License Agreements. An independent appraisal of the canal parcels determined the fair market value for canal parcels adjacent to single family residential zoned parcels and for other zoned areas with an annual rate of return of 7.50 percent. Based on the appraised values multiplied by the annual rate of return, it was determined that \$0.15 per square foot for residential areas and \$0.60 per square foot annually for all other zoned areas are reasonable rental rates. All license agreements should have a minimum five-year term with a two percent annual rental increase and a minimum \$300 annual fee (as determined by zoning and size of the parcel). The City Council approved the item on May 9, 2017.

DISCUSSION:

In June 2019, Real Property Services staff began negotiations with Citicasters Co. for a new license agreement. With the approval of the Northside Inter-jurisdictional Specific Plan pending that may affect the future development of Pellissier Ranch, a long-term agreement for this continued use at the site is not desirable.

Since the subject site is not a Canal parcel, the calculation to establish a standard rate for Canal parcels is not a viable method to calculate a new rental rate for Citicasters Co. However, the values supplied by the appraisal report were used as a base for the proposed license agreement. The subject parcel is zoned Industrial. The radio tower encumbers approximately 10 acres of the site. Staff negotiated a new five-year License Agreement with Citicasters Co. that provides for two percent (2%) annual increases. Citicasters Co. is aware that the proposed License Agreement will not be renewed at the end of the five-year term. The License Agreement also includes a one-year termination notice in the event the City needs possession of the site prior to the expiration of the License Agreement

The current agreement with Citicasters Co. expired on November 30, 2019. On October 17, 2019, per the terms of the agreement, the City consented to a month-to-month tenancy at \$1,912.17 per month. Upon approval of the new License Agreement, the annual rent for Citicasters Co. will increase to \$32,670; which is \$2,722.50 per month. Below is a table showing the calculation over the five-year term:

Year	Annual Base Rent	Plus 2% Increase	Annual Total
1	\$32,670.00		\$32,670.00
2	\$32,670.00	\$653.40	\$33,323.40
3	\$33,323.40	\$666.47	\$33,989.87
4	\$33,989.87	\$679.80	\$34,669.67
5	\$34,669.67	\$693.39	\$35,363.06
		Total	\$170,016

FISCAL IMPACT:

The license revenue over the five-year term will generate an estimated revenue of \$170,016. All revenue will be deposited into the Public Utilities' Land and Building Rental account number 0000520-373100.

Prepared by: David Welch, Community & Economic Development Director
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Gary G. Guess, City Attorney

Attachment:

1. License Agreement
2. RPU Board Minutes – January 13, 2020