



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 25, 2024

FROM: PUBLIC UTILITIES DEPARTMENT WARD: 1

SUBJECT: LEASE AGREEMENT WITH RIVERSIDE GATEWAY TO COLLEGE EARLY COLLEGE HIGH SCHOOL – MISSION SQUARE OFFICE BUILDING, 3750 UNIVERSITY AVENUE, SUITE 560 – 63-MONTH TERM FOR \$291,248 IN REVENUE

ISSUE:

Approve a Lease Agreement for a 63-month term with Riverside Gateway to College Early College High School, of Riverside, California for approximately 1,521 square feet of rentable space in the Mission Square Office Building located at 3750 University Avenue, Suite 560 for \$291,248 in revenue.

RECOMMENDATIONS:

That the City Council:

1. Approve a Lease Agreement for a 63-month term with Riverside Gateway to College Early College High School, of Riverside, California from July 1, 2024 through September 30, 2029; and
2. Authorize the City Manager, or designee, to execute the Lease Agreement, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

BOARD RECOMMENDATION:

On June 10, 2024, the Board of Public Utilities voted unanimously with Members Avery, Polichetti and Montgomery absent to recommend the City Council approve Lease Agreement for a 63-month term with Riverside Gateway to College Early College High School, of Riverside, California for approximately 1,521 square feet of rentable space in the Mission Square Office Building located at 3750 University Avenue, Suite 560 for \$291,248 in revenue.

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). 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 in downtown Riverside.

To help market, broker and negotiate lease spaces of the Property, the City Council, on January 26, 2016, 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 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.

Suite 560 was vacated as of April 1, 2024.

DISCUSSION:

Staff has reviewed the proposed Lease Agreement with Riverside Gateway to College Early College High School and recommends the terms summarized below:

1. Term: July 1, 2024 through September 30, 2029.
2. Premises: Approximately 1,521 rentable square feet of space located at 3750 University Avenue, Suite 560.
3. Proposed Base Rent Schedule (Full Service Gross Lease):

Months	Monthly Base Rental Rate/Sq. Ft.	Monthly Base Rent	Annual Base Rent
07/1/2024 - 06/30/2025	\$2.85	\$4,334.85	\$52,018.20
07/1/2025 - 06/30/2026	\$2.93	\$4,464.90	\$53,578.80
07/1/2026 – 06/30/2027	\$3.02	\$4,598.84	\$55,186.08
07/1/2027 – 06/30/2028	\$3.11	\$4,736.81	\$56,841.72
07/1/2028 – 06/30/2029	\$3.21	\$4,878.91	\$58,546.92
07/1/2029 – 09/30/2029	\$3.30	\$5,025.28	\$15,075.84

4. Common Area Maintenance Fees: Tenant will pay a 1.22% share of the building’s operating expenses as additional rent.
5. Rent Abatement: Provided the Tenant is not in default at the time Rent Commencement, the Tenant will receive abated rent for a total of three (3) months, to be credited in months two (2) through four (4) following the Commencement Date.
6. Rent Commencement Date: The later of substantial completion of the Tenant Improvements or July 1, 2024.

7. Security Deposit: Tenant will prepay the first month's rent and provide a security deposit in the amount equal to last month's rent in the amount of \$5,025.
8. Tenant Improvements: Replace flooring in office and open areas, color to be chosen by Tenant, paint throughout, Tenant can select up to two (2) colors, remove the two (2) built in workstations/pony walls in reception area, repair damaged cabinetry in break room and install electrical (whips) to accommodate Tenant's supplied workstations.
9. Options to Renew: None.
10. Parking: Tenant will be entitled to use up to six (6) reserved/unreserved parking spaces. The current parking rates are \$135.00 for reserved spaces and \$70.00 for unreserved spaces.
11. Broker: Pursuant to the existing Exclusive Authorization to Lease Agreement with NKF, City to pay Lee & Associates (Tenant's Broker) a leasing commission equal to 4% for months 1-60 and 2% for months 61-63 totaling \$10,828 and shall pay NKF a leasing commission equal to 2.5% for months 1-60 and 1.25% for months 61-63 totaling \$6,768. The total commission paid amount is \$17,596.

STRATEGIC PLAN ALIGNMENT:

This item contributes to the Envision Riverside 2025 City Council 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 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 acted with inclusion and is adhering to lease terms for the Mission Square Office Building. Additionally, the City is ensuring that business conducted by Riverside Gateway to College Early College High School provides equal access and benefits that all members of the community can utilize.
3. **Fiscal Responsibility** – The City being a prudent steward of public funds, negotiated 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 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 the 63-month term lease will generate an estimated revenue of \$291,248. All revenue will be deposited into the Mission Square Building Property Management Trust Account controlled by RPU and used to pay operating expenses for the Property, including the lease commission of \$10,828 to Lee & Associates and \$6,768 to NKF.

Prepared by: Carlie Myers, Utilities Assistant General Manager/Finance and Administration
Approved by: David A. Garcia, Interim Utilities General Manager
Certified as to availability of funds: Kristie Thomas, Assistant Chief Financial Officer/Finance Director
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Lease Agreement with Riverside Gateway to College Early College High School
2. Presentation