



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: SEPTEMBER 26, 2022

SUBJECT: LEASE AGREEMENT WITH HALO CONNECT, LLC OPERATING AS A T-MOBILE FRANCHISE – MISSION SQUARE OFFICE BUILDING, 3750 UNIVERSITY AVENUE, SUITE 110 – FIVE YEAR TERM WITH ONE OPTIONAL FIVE-YEAR EXTENSION, FOR \$209,947 IN REVENUE

ISSUE:

Consider recommending that the City Council approve a Lease Agreement with Halo Connect, LLC, operating as a T-Mobile franchise and the City of Riverside, for a five-year term with one optional five-year extension, for approximately 1,185 square feet of rentable space in the Mission Square Office Building located at 3750 University Avenue, Suite 110.

RECOMMENDATIONS:

That the Board of Public Utilities recommend that the City Council:

1. Approve a Lease Agreement with Halo Connect, LLC dba T-Mobile for a five-year term from June 12, 2022, through June 30, 2027, and with one optional five-year extension; and
2. Authorize the City Manager, or designee, to execute the Lease Agreement, including making minor and 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 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 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.

On June 13, 2017, the City Council approved a Commercial Multi-Tenant Lease-Triple Net at the Mission Square Office Building located at 3750 University Avenue, Suite 110 for a five-year term with an optional five-year extension, with Mike Kim, Laura Kim and Paramount Cellular World, LLC.

On August 8, 2017, the City Council approved a First Amendment to the Lease Agreement with Mike Kim, Laura Kim and Paramount Cellular World, LLC, for 1,185 square feet of rentable space in the Mission Square Building located at 3750 University Avenue, Suite 110 for an additional five-year term which expired on June 22, 2022. Mike Kim, Laura Kim and Paramount Cellular World sold the franchise to Halo Connect, LLC., therefore necessitating a new lease agreement with Halo Connect.

DISCUSSION:

Staff has reviewed the proposed Lease Agreement and recommends execution under the terms summarized below:

1. Term: June 12, 2022 to June 30, 2027.
2. Premises: Approximately 1,185 rentable square feet of space located at 3750 University Avenue, Suite 110.
3. Base Rent Schedule (Triple Net Lease):

Months	Monthly Base Rental Rate/Sq. Ft.	Monthly Base Rent	Annual Base Rent
1-12	\$2.75	\$3,259.00	\$39,108.00
13-24	\$2.83	\$3,357.00	\$40,284.00
25-36	\$2.92	\$3,457.00	\$41,484.00
37-48	\$3.01	\$3,561.00	\$42,732.00
49-60.5	\$3.10	\$3,668.00	\$46,339.07

4. Options to Renew: Tenant will have one option to extend the lease for an additional five-years at the prevailing market rent at the time of exercising the options to extend.
5. Broker: Pursuant to the existing Exclusive Authorization to Lease Agreement with NKF, City to pay NKF a leasing commission equal to 5.0% of the lease consideration in the amount of \$10,497.35 to be paid upon mutual execution of this Lease.
6. Parking: Tenant will have five unreserved parking spaces at current prevailing parking garage rates, currently unreserved rates are \$70.00 per stall.

The Acting Community & Economic Development Director concurs with the recommendations in this report.

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 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 renewal options. Additionally, the City is ensuring that business conducted by Halo Connect, LLC 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/retail space.
4. **Innovation** – The City recognizes the need for accessible retail stores for community stakeholders. The 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 lease revenue over the five-year term will generate an estimated \$209,947. 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 \$10,497.35 to NKF for this transaction.

Prepared by: Carlie Myers, Utilities Assistant General Manager/Customer and Business Services

Approved by: Todd M. Corbin, Utilities General Manager

Approved by: Kris Martinez, Assistant City Manager

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

Certifies availability

of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer

Attachments:

1. Tenant Executed Lease Agreement Halo Connect, LLC.
2. Presentation