



# FOURTH AMENDMENT TO LEASE AGREEMENT– VARNER & BRANDT, LLP

Public Utilities Department

City Council  
September 5, 2023

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## BACKGROUND

1. On October 13, 2015, the City acquired the Mission Square Building at 3750 University Avenue, which was funded by RPU.
2. 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.
3. On January 24, 2017, a Third Amendment to the Lease Agreement with Varner and Brandt, LLP was approved by the City Council with an effective date of February 15, 2017.



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## PROPOSED 72-MONTH LEASE TERM

1. Term: March 1, 2022 through December 31, 2028. For the period of March 1, 2022 through December 31, 2022, Lessee has continued to pay rent after the expiration date of their lease agreement.
  
2. Commencement Date: January 1, 2023.
  
3. Options to Extend: Lessee will have two (2) options to extend the New Lease Term for the entire Premises for a period of five (5) years each at the expiration of the New Term.



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## PROPOSED 72-MONTH LEASE TERM

4. Base Rent Schedule:

Period	Monthly Base Rent
January 1, 2023 – Expansion Rent Commencement Date or December 31, 2023, whichever is earlier	\$37,627.20
<i>If Expansion Commencement Date occurs in the Calendar Year 2023, then Expansion Rent Commencement Date – December 31, 2023</i>	\$41,202.00
<i>If Expansion Commencement Date occurs in Calendar Year 2024, then January 1, 2024 – Expansion Commencement Date</i>	\$38,756.02
<i>If Expansion Commencement Date occurs in the Calendar Year 2024, then Expansion Commencement Date – December 31, 2024</i>	\$42,438.00
January 1, 2025 – December 31, 2025	\$43,711.00
January 1, 2026 – December 31, 2026	\$45,022.00
January 1, 2027 – December 31, 2027	\$46,373.00
January 1, 2028 (expiring on December 31, 2028)	\$47,764.00



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5. Concession: Lessor grants Lessee a total of seven and one quarter (7.25) months of free rent.
6. Parking: Lessee will be allowed up to sixty-three (63) total parking spaces in the parking structure attached to the Project.
7. Tenant Improvements: Lessor shall perform all work necessary to provide and grant expansion of the Current Premises into the Expansion Premises to-suit per a mutually acceptable floorplan using Class A finishes including:
  - Constructing a new demising wall and opening certain additional space in Current Premises.
  - Connect all services but not limited to HVAC, power and other utilities between Current Premises and Expansion Premises.
  - Improvements shall include new flooring and renovating the breakrooms throughout Current Premises.
  - Lessor will incur the costs of a space planner to design the space, prepare construction drawings, and obtain all required permits from the City of Riverside, as outlined in Section 2 of the Amendment.
- Not to exceed \$1,500,000 paid by Lessor.



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## PROPOSED 72-MONTH LEASE TERM

8. Base Year: The Base Year will be reset to calendar year 2023.
9. Signage: Lessor will seek to obtain a release of signage rights that were previously granted to Morgan Stanley. Should Lessor obtain those rights, Lessee will be responsible for all costs associated with any new signage to the Building.
10. Right of First Refusal: Lessee has been granted the Right of First Refusal on any office space that becomes available on the 6th floor. This is not a one-time offer; it will be extended to Lessee any time a space becomes available on the 6th floor for the duration of the term.



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## PROPOSED 72-MONTH LEASE TERM

- 11. Broker: Pursuant to the existing Exclusive Authorization to Lease Agreement with NKF, City to pay Lee & Associates (Tenant's broker) a fee equal to 4% of the lease consideration for years 1 through 5 and 2% of the lease consideration for year 6 in the amount of \$102,592 and NKF (landlord's broker) a leasing commission equal to 2.5% of the lease consideration for years 1 through 5 and 1.25% of the lease consideration for year 6 in the amount of \$64,120 for a total commission of \$166,712.
- 12. Other: All other terms of the Lease between the parties which are not inconsistent with the terms of the First, Second, and Third Amendment, shall remain in full force and effect as if fully set forth herein.



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## STRATEGIC PLAN ALIGNMENT

### Strategic Priority 3 – Economic Opportunity

**Goal 3.3 – Cultivate a business climate that welcomes innovation, entrepreneurship, and investment.**

### Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



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## RECOMMENDATIONS

That the City Council:

1. Approve the Fourth Amendment to the Lease Agreement with Varner & Brandt, LLP and;
2. Authorize the City Manager, or designee, to execute the Fourth Amendment to the Lease Agreement, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.



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