



*City of Arts & Innovation*

# Successor Agency to the Redevelopment Agency of the City of Riverside

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**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: November 27, 2018**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT      WARD: 1  
DEPARTMENT**

**SUBJECT: ADOPTION OF A RESOLUTION AUTHORIZING THE SUCCESSOR AGENCY TO EXERCISE ITS OPTION TO EXTEND THE LEASEBACK AGREEMENT BETWEEN THE STATE OF CALIFORNIA – DEPARTMENT OF GENERAL SERVICES AND THE SUCCESSOR AGENCY FOR THE CALIFORNIA TOWER BUILDING - GROUND FLOOR RETAIL, LOCATED AT 3737 MAIN STREET, FOR AN ADDITIONAL TEN YEARS TO COMMENCE ON OCTOBER 1, 2024 AND CONCLUDE ON SEPTEMBER 30, 2034**

**ISSUE:**

Adoption of a resolution authorizing the Successor Agency to exercise its option to extend the Leaseback Agreement between the State of California – Department of General Services (DGS) and the Successor Agency for the California Tower Building - Ground Floor Retail, located at 3737 Main Street, for an additional ten years to commence on October 1, 2024 and conclude on September 30, 2034.

**RECOMMENDATION:**

That the Successor Agency:

1. Adopt a resolution (Attachment 1) authorizing the Successor Agency to exercise its option to extend the Leaseback Agreement between the State of California –DGS and the Successor Agency for the California Tower Building - Ground Floor Retail, located at 3737 Main Street, for an additional ten years to commence on October 1, 2024 and conclude on September 30, 2034;
2. Recommend that the Countywide Oversight Board adopt a separate resolution and authorize the execution of the Successor Agency’s option to extend the Leaseback Agreement from October 1, 2024 through September 30, 2034;
3. Authorize staff to prepare a Fifth Amendment to the Leaseback Agreement, between the Successor Agency and DGS, to memorialize the Successor Agency’s extension from October 1, 2024 through September 30, 2034; and

4. Authorize the City Manager or his designee, to execute the Fifth Amendment to the Leaseback Agreement including making any minor non-substantive changes and to sign all documents necessary to complete the transaction.

### **BACKGROUND/LEGISLATIVE HISTORY:**

In order to stimulate economic development within the Merged Downtown/Airport Industrial – Hunter Park/Northside Redevelopment Project Area in early 1994, the City Council and the former Redevelopment Agency authorized the purchase of the former vacant Security Pacific Bank Tower located at 3737 Main Street (Property – California Tower). Shortly after acquisition of the Property, the former Redevelopment Agency began renovation and leasing of the Property to retail and office users in an effort to re-energize the Main Street pedestrian mall.

On April 26, 1994, the former Redevelopment Agency entered into a lease agreement with the State of California – Department of General Services (DGS). The Redevelopment Agency agreed to lease to DGS the 160,000 square foot office tower with 22,400 square feet of ground floor retail and office space (Ground Floor) for the term of thirty years (Lease Agreement). Furthermore, the former Redevelopment Agency and DGS also entered into a Leaseback Agreement in which the former Redevelopment Agency is exclusively responsible for the operation, ordinary and extraordinary maintenance and repairs, leasing and funding of tenant improvements associated with the Ground Floor. The term of the Leaseback Agreement runs concurrently with the Lease Agreement.

Pursuant to Section 2 (B) of the Leaseback Agreement, the former Redevelopment Agency agreed to leaseback from DGS the Ground Floor of the Property until October 1, 2024. Pursuant to Section 2 (ii) of the Leaseback Agreement, the former Redevelopment Agency agreed not to abandon or vacate the Leaseback Area and shall use the Leaseback Area in a manner consistent with the terms of the Leaseback Agreement. Pursuant to Section 4 of the Leaseback Agreement, the former Redevelopment Agency also agreed to pay for all maintenance and repairs, tenant improvements, leasing of vacant spaces and maintaining the overall attractiveness of the Ground Floor and food court area.

Moreover, pursuant to Section 17 of the Leaseback Agreement, the Successor Agency also has the right to extend the Leaseback Agreement for an additional ten years, which would cause the Leaseback Agreement to expire on September 30, 2034. The Successor Agency previously included in its Department of Finance (DOF)-approved Long Range Property Management Plan, its intention to exercise this option to extend the Leaseback Agreement until October 1, 2034.

### **DISCUSSION:**

The downtown area has, of recent, undergone a major transformation with new projects and investment as part of the Riverside Renaissance initiative, the \$1.57 billion program to improve infrastructure and quality of life in Riverside. The effort represented a significant investment in the quality and pride of the City and has ensured that Riverside is a city of choice for generations to come, as well as a catalyst for private investment. As a result of the initiative, Riverside has become a more attractive location for new job, retail, and entertainment opportunities, all of which enhance the wealth of the community and ensure Riverside's position as the economic, governmental and cultural capital of Southern California's Inland Empire region.

Downtown Riverside has also benefited from approximately \$1 billion in public and private investment with the completion of the 132,000-square-foot Citrus Tower office building; Riverside

Community Hospital Expansion; Riverside Community College (RCC) Coil School for the Arts, Culinary Academy and District Office, Raincross Promenade apartments; new downtown Fire Station No. 1; 29,000-square-foot Riverside Convention Center expansion, 125-room Hyatt Hotel; Fox Performing Arts Theater renovation; Fox Entertainment Plaza and downtown Parking Garage No. 7; Interstate 215 Freeway widening, Metropolitan Museum renovation; and Riverside Municipal Auditorium renovation.

Moreover, hundreds of urban housing units are coming to the downtown core to support local businesses and add to the economic vibrancy. The Imperial Hardware Lofts project, which held its grand opening on August 16, 2018, includes 91 apartments and approximately 8,000 square feet of ground floor retail—to be anchored by the Salted Pig Restaurant. This project, coupled with at least five other planned downtown residential developments over the next five years, will result in a more successful city with a vibrant downtown where people want to live, work and play.

The aforementioned projects created the need for a comprehensive evaluation of downtown’s current strengths and opportunities for continued growth, as well as the development of a strategy to ensure the continued success of this key area of the City. As such, the City previously engaged Jones Lang La Salle to facilitate the development of a Retail Entertainment Strategy for downtown. The City has undertaken many of the suggestions contained in the strategy, which includes, but is not limited to, encouraging the expansion of eating, drinking and entertainment establishments (including the recent opening of the Riverside Food Lab project and the future Chow Alley project); increasing linkages within and to the downtown; increasing events/programming to activate the street scene; integrating multi-family housing into the downtown land use mix; streamlining and making user-friendly the process for opening a business downtown; and developing a plan to bring more rooftops to the downtown area.

Several of downtown’s existing eating establishments are located within the Ground Floor of the California Tower building. These existing restaurants include Mezcal Cantina y Cocina, Antonious Pizza Cafe, Pacific Stiks, Coffee Bean and Tea Leaf, Elephant Thai and Mission Martini. These respective eating establishments have, over the years, become integral parts of the thriving economic fabric of downtown. Additionally, staff is also finalizing a lease with Fierro Foods for the vacant space located at 3737 Main Street, Suite 102. It is the intent of Fierro Foods to install an all-day breakfast concept in the space.

Several of these establishments have requested amendments and lease extensions that would push their respective leases past October 1, 2024. Staff cannot approve these requests until the extension to the Leaseback Agreement is approved by the Successor Agency Board, Countywide Oversight Board and Department of Finance.

**FISCAL IMPACT:**

There is no fiscal impact associated with this action, as the Leaseback Agreement does not include compensation.

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

Attachment: Resolution