



City of Arts & Innovation

City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: FEBRUARY 28, 2017

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 1

DEPARTMENT

SUBJECT: AMENDED AND RESTATED LEASE BETWEEN THE COUNTY OF RIVERSIDE AND THE CITY TO CONTINUE LEASING 4102 ORANGE STREET, RIVERSIDE, FOR THE DOWNTOWN POLICE HEADQUARTERS FACILITY FOR A RENTAL AMOUNT OF \$1,460,000 OVER A PERIOD OF FIVE YEARS AND A MAXIMUM OF \$2,993,000 OVER A POTENTIAL TEN YEAR LEASE TERM

ISSUE:

Approve an Amended and Restated Lease with the County of Riverside for the City to continue leasing 4102 Orange Street, Riverside, for the downtown police headquarters facility for a rental amount of \$1,460,000 over a five year lease term and a maximum of \$2,993,000 over a potential ten year lease term.

RECOMMENDATIONS:

That the City Council:

1. Approve the Amended and Restated Lease (Attached) between the County of Riverside and the City to continue the lease of 4102 Orange Street for the downtown police headquarters facility for a total rental amount of \$1,460,000 over a five (5) year lease term and a maximum of \$2,993,000 over a potential ten (10) year lease term; and
2. Authorize the City Manager, or his designee, to execute the Amended and Restated Lease, and the optional five year extension, including making minor and non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

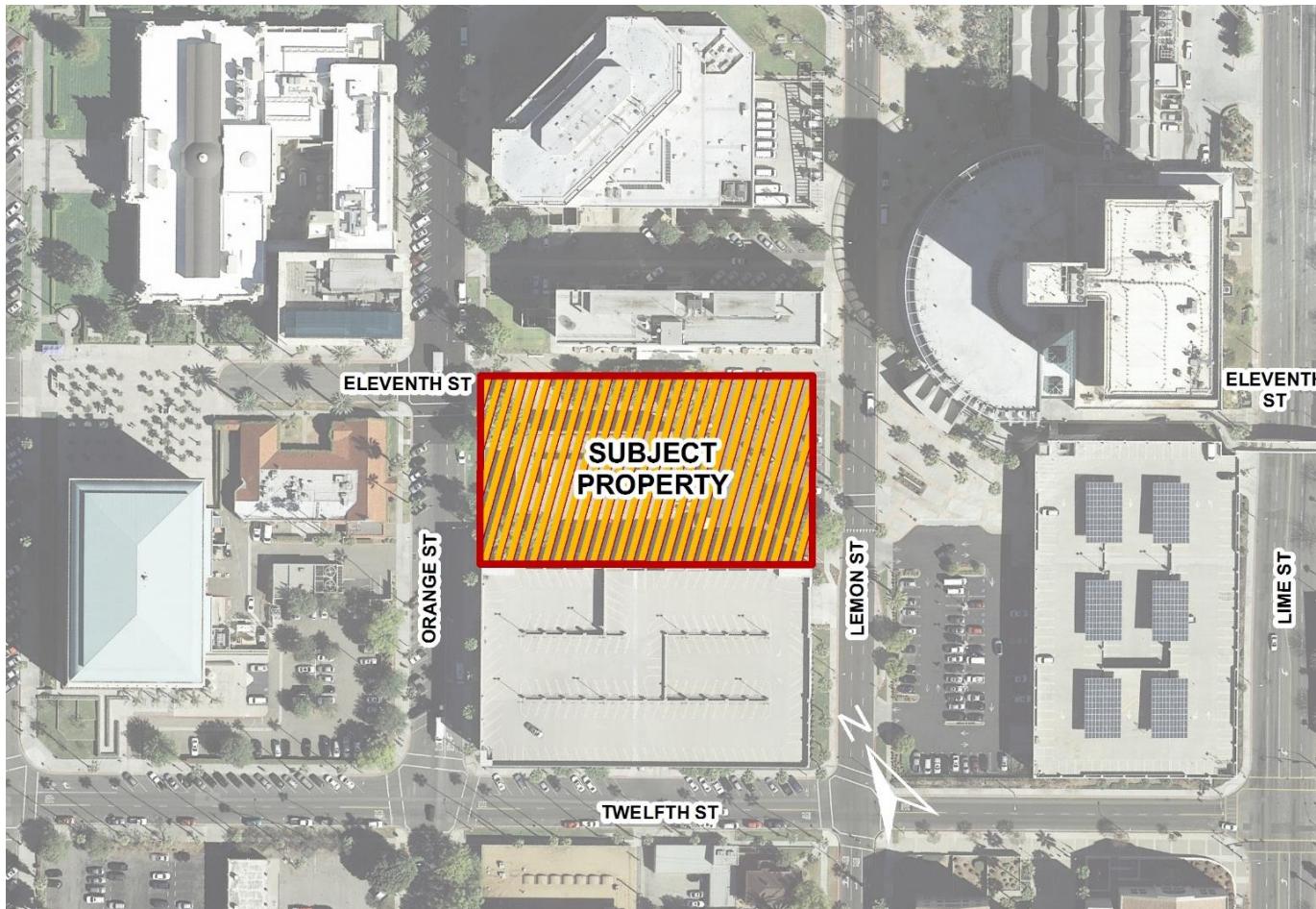
BACKGROUND:

The location at 4102 Orange Street (Property) consists of approximately 32,991 square feet of office space comprised of two-stories plus a basement level and approximately 57 surface parking stalls situated on approximately 1.21 acres of land. The Property was constructed around 1963 and is located in the Downtown Specific Plan – Justice Center District.

On June 14, 2007, the County of Riverside (County) and the City entered into a short term lease agreement for the City to lease the Property for the Riverside Police Department downtown headquarters from the County. The lease was for a maximum term of five (5) years with an annual

rent of \$1.00 and the Riverside Police Department was responsible for payment of all maintenance and repairs to the Property. During this short term lease period, the City would attempt to relocate the Riverside Police Department from this Property to a new location to serve as a permanent downtown police headquarters facility. Since no suitable facilities were identified during this period, the lease was amended on April 21, 2010 and the term was extended for an additional five years with a new expiration date of August 14, 2017.

The Property is shown below in the area highlighted in red and crosshatched in orange.



DISCUSSION:

City and County staff met to discuss the possible sale of the Property from the County to the City. The County is unwilling to sell the Property to the City since the County may need to utilize the Property for a future County facility. However, the County agreed to continue leasing the Property to the City via an Amended and Restated Lease for a term of five years with an option to extend for an additional five years, for a potential maximum lease term of ten years subject to current fair market value rent.

The County had the Property appraised by a third-party independent appraiser. Based on the appraised value of \$3,650,000, the annual fair market rent was calculated at 8% of this value which totals \$292,000. Staff have reviewed the appraisal and are in agreement that the annual rent amount of \$292,000 represents the current fair market rental value for the Property.

The rent shall be fixed at \$292,000 annually during the initial five year term of the Amended and Restated Lease and shall have a one-time increase of five percent (5%) for a fixed annual rent of \$306,600 for years six through ten if the option is exercised by the City. The Amended and Restated Lease requires the City to be responsible for payment of all maintenance and repair costs of the Property.

The City has the right to terminate the Amended and Restated Lease with 180 days written notice to the County. The County has the right to terminate the Amended and Restated Lease with a 365 day written notice to the City at any time during the five year option to renew period. The City shall continue to rent additional parking spaces at the twelfth street parking structure from the County for additional police department personnel on an as needed basis. The Amended and Restated Lease between the County and the City would commence on August 15, 2017, and expire on August 14, 2022 during the initial five-year term and would expire on August 14, 2027 if the optional five year extension was exercised by the City, to provide continuous use of the Property for the Riverside Police Department.

The Chief of Police concurs with the recommendations.

FISCAL IMPACT:

The cost to lease the Property is \$292,000 per year for a total amount of \$1,460,000 over the initial five years of the Amended and Restated Lease and up to a maximum of \$2,993,000 over ten years if the five-year extension option is exercised by the City. There are sufficient funds available in the Police Department Land and Building Rental Account Number 3105000-423200 for fiscal year 2018 and will be requested for approval in future budget cycles for this expense.

Prepared by: Rafael Guzman, Community & Economic Development Director

Certified as to

availability of funds: Scott G. Miller, PhD, Chief Financial Officer/City Treasurer

Approved by: Al Zelinka, FAICP, Assistant City Manager

Approved as to form: Gary G. Geuss, City Attorney

Attachment: Amended and Restated Lease