

MISSION SQUARE BUILDING



ANNUAL REPORT

FY 2021/2022







MISSION SQUARE BUILDING

On October 13, 2015, the City acquired the Mission Square Office Building at 3750 University Avenue (Property), which was funded by Riverside Public Utilities (RPU). As such, RPU is now the Landlord of the Property.

On January 26, 2016, the City Council approved an Exclusive Authorization of Lease Agreement with Newmark of Southern California, Inc. dba Newmark Grubb Knight Frank (NKF) to provide broker-leasing services for the Property. 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.



~127,533 sf
of Rentable Office
and Retail Space



Six-Story Building



471 Parking Stall
Garage



~2.5 Acres

BUILDING OPERATIONS UPDATE

MARKETING RECAP by John Daciolas, Broker, NKF.

For the fiscal year ending June 30, 2022, our vision for converting the ground floor office space to restaurant use continues to come into fruition as we executed a new lease agreement with Everytable, a grab and go food concept for the former Subway space which was shuttered as a result of the pandemic. Everytable is under construction with a scheduled opening date in late summer, 2022 and will join Slaters 50/50, Fire Up Grill and Donut Bar who opened for business in prior fiscal years and continue to be extremely well received by the community. We are in the early stages of negotiations with a potential tenant for our last remaining conversion space (Suite 120 – 1,383 RSF) for a contemporary coffee bar with artisan baked goods. The final remaining vacant space (Suite 230 - 2,534 RSF) located on the second floor is currently advertised for lease.

As for our existing tenants, we are close to finalizing negotiations with our largest non-city tenant, Varner & Brandt who occupies 13,936 RSF on the sixth floor which would allow them to expand into approximately 1,324 RSF space currently occupied by Morgan Stanley and, to extend the term of their lease until December 2027. We also have an agreed upon amendment with Morgan Stanley (signed by the tenant) for the “give-back” of space

to accommodate the Varner Brandt expansion, which includes an 18-month lease extension for Morgan Stanley's remaining space of 5,738 RSF through February 2027. We are waiting the finalization of the lease documents with the Varner Brandt before we can submit both documents for concurrent execution. We have also finalized lease extension negotiations with Wells Fargo who occupies 7,766 RSF on the ground floor to extend their lease through July 2027 and David Horton, Esquire who occupies 1,521 RSF on the fifth floor of the building. Both lease amendments have been executed by the respective tenants and are scheduled for Board approval on September 26th and City Council approval on October 18th of this year and our expected to be countersigned by the city shortly thereafter.

Mission Square, a premier downtown, Class A property continues to outperform the overall office market and is currently 95.9% leased. Once we secure a new tenant for the last remaining ground floor space and, after Suite 230 is rented, the property will be 100% leased. In comparison, the overall average vacancy rate for the Riverside market is currently at approximately 12.0% and for the downtown specific market at approximately 6.3%. Asking lease rates for Mission Square are currently \$2.75 per square foot on a full-service gross basis, which are outperforming the average Class A office rents for Riverside of \$2.62 per square foot as of the end of June 2022.

We are hopeful that the economy will continue to recover leaving Mission Square in a position to outperform the overall real estate market.

LEASING UPDATE



- **Suite 190 (1,000 sf) – Fire Up Grill:**
Lease commenced on September 1, 2018 for 5 years with (1) 5-year renewal option.
- **Suite 100 (1,200 sf) – Everytable:**
Lease commenced on July 1, 2022 for 5 years with (2) 5-year renewal options.
- **Suite 110 (1,185 sf) – T-Mobile:**
Lease commenced on June 14, 2017 for 5 years with (1) 5-year option to extend.
- **Suite 120 (1,383 sf):**
Lease interests are on-going with perspective tenants.
- **Suite 125 (5,982 sf) – Slater's 50/50:**
Lease commenced on July 2, 2018 for 10 years with (2) 5-year options to extend.
- **Suite 150 (7,766 sf) - Wells Fargo:**
Lease expires on July 31, 2027. Tenant has (2) 5-year options to extend.
- **Suite 175 (2,292 sf) – Donut Bar:**
Lease commenced on November 1, 2019 for 10 years with (2) 5-year options to extend.
- **Suite 225 (1,938 sf) – Fehr and Peers:**
Lease commenced on February 7, 2020 for 5 years with (1) 5-year option to extend.
- **Suites 200 (15,826 sf) – City Attorney's Office:**
This is an evergreen lease.
- **Suite 230 (2,534 sf) – Vacant**
- RPU occupies **62,916 sf**, encompassing the entire **third and fourth floors and Suite 500.**
- **Suite 550 (3,188 sf) – Greenberg & Greenburg:**
Lease commenced on September 23, 2019 for 10 years with (1) 5-year option to extend.
- **Suite 560 (1,521 sf) – David Horton:**
Lease commenced on October 7, 2019 for 3 years with (1) 3-year option to extend.
- **Suite 570 (4,488 sf) – Riverside Convention and Visitors Bureau:**
Lease extension commenced on February 16, 2018 for 5 years with (1) 5-year option to extend.
- **Suite 600 (8,922 sf) – Varner & Brandt:**
The lease expires on February 28, 2022 with (1) 5-year option to extend. Currently in lease negotiations to extend the Lease term.
- **Suite 610 (12,076 sf) – Morgan Stanley:**
The lease expires on August 31, 2025 with no further option to extend. Currently in lease negotiations to extend the Lease term.

TESLA

On September 26, 2017, the City Council approved a Supercharger Agreement with Tesla, Inc. for 24 parking spaces at Mission Square for 5 years, with (2) 5-year extensions. Downtown residents, business owners and office employees who are Tesla owners living or working in the downtown area can utilize this facility as a convenient location to charge their vehicles.



\$347,725

Revenue generated to RPU for electric usage during FY 2021/22

↑ **36%**

Increase in revenue compared to FY 20/21

CAPITAL PROJECTS



Removal and replacement of all major components and equipment to the **Heating, Ventilation and Air Conditioning (HVAC) system** (currently underway).



Construction for installation of **Electric Vehicle (EV) stations** on Level 1 of the parking garage



Improvements to the outdoor concourse area (Corner of Market St/ University Ave) to support **outdoor dining** for the ground floor tenants.

FINANCIALS

REVENUE



\$2,391,971.23

EXPENDITURES



\$1,714,173.95

CASH BALANCE



\$1,843,831.80



REVENUE

WITHIN 4%
of estimated budget



EXPENDITURES

19% LOWER
than estimated budget

Operating Metrics & KPIs

Measure	Actual	Target
Cash Balance	\$1,843,831.80	\$1,000,000
FY 2021/22 Net Income	\$732,504.33	\$214,441.03
Total Occupancy	95.9%	100%
Vacancy Rate	4.1%	0%
Average Office Rent Rate*	\$2.84	\$2.70
Average Retail Rental Rate**	\$2.74	\$2.50

***Average Office Rent Rate**
Total monthly rental income for office space divided by leased area (\$/square foot)

****Average Retail Rent Rate**
Total monthly rental income for retail space divided by leased area (\$/square foot)



BUILDING OPERATIONS YEAR IN REVIEW

JULY 2021 – JUNE 2022

July 2021

- Removal of vines, installing signs and DG behind the Suites 100,110,120 and 125.
- Certification of the Davit and Socket System
- Windows Seal and Concrete Caulking - Completion
- Inspection by Independent Roofing Consultant
- Treat and polished the lobby tile flooring
- RISE mural – unveiling of the mural on the parking structure
- Slater's 50/50 – brainstorming and troubleshooting the issue with Pollution Control Unit
- Installation of additional surveillance camera (License Plate Camera)

August 2021

- Annual Fire and Sprinkler testing
- Completed the elevator punch list items
- Added surveillance camera by the mural
- Installation of new plant material in front of the mural
- Replacement of cooling tower backflow device
- Repair of the leaking hot water coil on RPU 5th floor
- Installation of removable safety bollards at Market St. exit
- Clean and Sanitized VAV in City Attorney's Office

September 2021

- Clean and Sanitized VAV box in Varner & Brandt
- Hydro-jetting of the parking structure storm drain system
- Paint the YELLOW curb in front of the Donut Bar
- Tree trimming throughout the property
- Replaced the 3rd-floor stairwell door
- Replaced the back door of Suite #570
- 2nd floor janitorial closet was restored
- Installation of new anti-slip tapes on all parking garage stairwells

October 2021

- Repair of the water damages in RPU Suites
- New parking fee computer and printer in the parking booth
- Upgraded an office and conference room to DDC

- The start of the access control project for the elevator
- Start the power washing company to maintain the parking
- New furniture for the breakroom

November 2021

- Repair of the water damages in RPU Suites
- Windows and skylight film installation
- Raincross Logo installation
- Door removal and installed new wall
- Annual service and PM for generator
- Decorated lobbies for the Holidays

December 2021

- Camera lenses were cleaned
- Annual Preventive Maintenance of cooling tower on the roof
- Annual Preventive Maintenance of the boiler system
- Installation of new anti-slip tapes on all parking garage stairwells
- Organized the cage area and installed shelving
- Annual cleaning of the building exterior windows
- Installed new bollards with LED lights in garage

January 2022

- Switch back to Merv-8
- Upgrade to lighting in the front of the building (LED)
- Bid walk with Robert Wise for system upgrade
- Replacement of leaky fire pump main line
- Battery replacement on all plumbing fixtures
- New drinking water service was set-up
- Semi-annual sprinkler testing

February 2022

- Data cabling of Suite 230
- Installation of window film throughout Varner and Brandt office
- Varner and Brandt VAV box survey and calibration
- Cleaning and painting of ATM railing and roof for Wells Fargo

March 2022

- Installed new automatic control in Suite 570 conference room
- Fire Extinguishers Annual PM
- Updated the lobby directory
- Painting walls throughout the garage structure due to graffiti

April 2022

- Repair of the hot water boiler
- Installation of yellow bollard sleeves
- Restriping with yellow anti-slip
- Replacement of all the arm gates
- Cleaning and painting of the garage and loading dock posts and signage
- New tables were received for lobby
- Lobby window cleaning
- Installation of the electrical pathway for new cameras in parking garage

May 2022

- LED retrofit for 6th floor elevator landing
- LED retrofit for Wells Fargo ATM/Front of the building

- Completed the installation of the elevator access control
- Painting of all fire hose boxes in the garage
- LED retrofit for lobby
- Annual Preventive Maintenance and Vibration Analysis of the Vane Axial Fans
- Drywall repair and paint for basement
- Installed automatic flush on 5th and 6th handicap restrooms

June 2022

- Installation of new Pedimats at lobby entrance
- Repair of the security desk in lobby
- New pots and plants throughout the lobbies
- New plants throughout the property
- Installation of the new catwalk on roof
- Painting of the safety yellow line on roof
- Clean and paint the mechanical room
- Start programming the elevator access for all employee
- Changed a Varner & Brandt office from Pneumatic to DDC controller
- Construction support for Everytable

MAJOR ACCOMPLISHMENTS



RISE! Mural

Installed: July 21, 2021
Mission Square Parking Garage

UPCOMING ITEMS IN FY 2022/23



Everytable is scheduled to
OPEN FALL 2022





RiversideCA.gov