



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: SEPTEMBER 26, 2022

SUBJECT: FIRST AMENDMENT TO LEASE AGREEMENT WITH DAVID L. HORTON, ESQ. AND ASSOCIATES – MISSION SQUARE OFFICE BUILDING, 3750 UNIVERSITY AVENUE, SUITE 560 – THREE-YEAR TERM FOR \$163,346.40 IN REVENUE

ISSUE:

Consider recommending that the City Council approve a First Amendment to Lease Agreement to extend the lease for an additional three-year term between David L. Horton, Esq. and Associates and the City of Riverside for approximately 1,521 square feet of rentable space in the Mission Square Office Building located at 3750 University Avenue, Suite 560.

RECOMMENDATIONS:

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

1. Approve a First Amendment to the Lease Agreement with David L. Horton, Esq. and Associates to extend the Lease Agreement for an additional three-year term from October 1, 2022 to September 30, 2025; and
2. Authorize the City Manager, or designee, to execute the First Amendment, 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 October 1, 2019, the City Council approved a Lease Agreement with David L. Horton Esq. and Associates, for 1,561 square feet of rentable space in the Mission Square Building located at 3750 University Avenue, Suite 560 with an additional three-year term which expires on September 30, 2022.

DISCUSSION:

David L. Horton has been a tenant in the Property since 2019 and the existing Lease Agreement expires on September 30, 2022. Under the terms of the lease agreement, David L. Horton has one remaining three-year option to renew through September 30, 2025.

Staff has reviewed the proposed First Amendment to Lease Agreement and recommends renewal under the terms summarized below:

1. Term: October 1, 2022 through September 30, 2025.
2. Premises: Approximately 1,521 rentable square feet of space located at 3750 University Avenue, Suite 560.
3. Base Rent Schedule (Modified Gross Lease):

Months	Monthly Base Rental Rate/Sq. Ft.	Monthly Base Rent	Annual Base Rent
10/1/2022 – 9/30/2023	\$2.90	\$4,404.00	\$52,848.00
10/1/2023 – 9/30/2024	\$2.98	\$4,536.00	\$54,432.00
10/1/2024 – 9/30/2025	\$3.07	\$4,672.20	\$56,066.40

4. Tenant Improvements: None.
5. Options to Renew: None.
6. Broker: Pursuant to the existing Exclusive Authorization to Lease Agreement with NKF, City to pay NKF a leasing commission equal to 2.5% of the lease consideration in the amount of \$4,083.66.
7. Other: All other terms of the original lease shall remain unmodified and in full force.

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 David L. Horton 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 space.
4. **Innovation** – The City recognizes the need for accessible small businesses to 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 three-year term will generate an estimated \$163,346.40. 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 \$4,083.66 to NKF.

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. First Amendment to Lease Agreement – David L. Horton Esq. and Associates
2. Presentation