



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: OCTOBER 11, 2022

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 1
DEPARTMENT

**SUBJECT: SECOND AMENDMENT TO STANDARD INDUSTRIAL/COMMERCIAL
SINGLE-TENANT LEASE BETWEEN THE CITY, AS LESSEE, AND THE
STEPHEN AND LISA CAMPBELL FAMILY TRUST, AS LESSOR, FOR THE
USE OF A STORAGE FACILITY LOCATED AT 4049 BURGESS WAY FOR A
FOUR-YEAR TERM IN THE AMOUNT OF \$158,303.64**

ISSUE:

Approve the Second Amendment to Standard Industrial/Commercial Single-Tenant Lease between the City as Lessee, and the Stephen and Lisa Campbell Family Trust, as Lessor, for the use of a storage facility located at 4049 Burgess Way for a four-year term in the amount of \$158,303.64.

RECOMMENDATIONS:

That the City Council:

1. Approve the Second Amendment to the Standard Industrial/Commercial Single-Tenant Lease between the City, as Lessee, and the Stephen and Lisa Campbell Family Trust, as Lessor, for use of a storage facility located at 4049 Burgess Way for a four-year term in the amount of \$158,303.64; and
2. Authorize the City Manager, or his designee, to execute the Second Amendment to Standard Industrial/Commercial Single-Tenant Lease with Stephen and Lisa Campbell Family Trust, including making minor and non-substantive changes, and to execute and sign all documents necessary to complete the transaction.

BACKGROUND:

On May 30, 2018, the City (Lessee), on behalf of the then named Riverside Metropolitan Museum (Museum), entered into a Commercial Single-Tenant Lease-Gross agreement with the Stephen and Lisa Campbell Family Trust (Lessor) for use of a 3,176-square-foot warehouse (including bonus mezzanine space) and administration facility located at 4049 Burgess Way in the city of Riverside. The term of the lease was for sixteen months commencing on June 15,

2018 and expiring on October 15, 2019. The initial total cost of the base rent for the initial lease was \$47,648.05.

On June 25, 2019, the Lessee entered into a First Amendment to Standard Industrial/Commercial Single-Tenant Lease with Lessor for the continued use of 4049 Burgess Way extending the original term for three additional years commencing on October 16, 2019, and ending October 15, 2022, for a total amount of \$106,221.24. This also included options to extend where Lessor would hereby grant to City two additional periods of one year each for a total of \$76,236.60, which the City has not exercised, but would be included in the Second Amendment as Year 1 and Year 2.

DISCUSSION:

The original objective of the Museum, now known as the Museum of Riverside, was to prepare for a Measure Z-funded renovation of the downtown museum site and additional time for storage space for items, furniture, and equipment needed during construction as well as providing office space for some of the Museum's displaced staff during the renovation.

However, due to COVID-19 impacts, the Museum was unable to complete the renovations as planned during the initial timeframe duration. To avoid the need to relocate the items, the Museum desires to continue the current lease for an additional four years.

The base rent is summarized below and reflects the following four years for the Second Amendment commencing October 16, 2022 through October 15, 2026:

Year 1	2022 - 2023	\$3,129.58 / mo.	3%	Original Option #1	\$0.99 PSF	\$37,554.96
Year 2	2023 - 2024	\$3,223.47 / mo.	3%	Original Option #2	\$1.01 PSF	\$38,681.64
Year 3	2024 - 2025	\$3,352.41 / mo.	4%	Fair Market Value	\$1.06 PSF	\$40,228.92
Year 4	2025 - 2026	\$3,486.51 / mo.	4%	Fair Market Value	\$1.10 PSF	\$41,838.12
					TOTAL	\$158,303.64

The base rent was increased annually for the first two years by three percent (3%), as negotiated in the First Amendment dated October 16, 2019. Because the First Amendment has the remaining two-year option terms, staff negotiated using Option Term 1 and 2 as the first two years of the Second Amendment. For the remaining additional two years, Staff has reviewed the proposed lease rates as provided by the Lessor and agree that they represent the current fair market rental value for smaller industrial properties of this size for Year 3 and Year 4, including a four percent (4%) annual increase, with rental cost equating to \$1.06 and \$1.10 per square foot, respectfully.

Base rent is payable on the first day of each month, commencing October 16, 2022. For each subsequent year, the annual increase shall be prorated for the month of October and the prorated rent, along with the November base rent payment, shall be payable on November 1st of each anniversary year of the Second Amendment.

The Museum will be responsible for payment of its proportionate share of repair and maintenance costs that include; utilities, including but not limited to water, gas, heat, light, power, telephone, trash disposal; and other utilities and service supplied to the property on a monthly basis for the duration of the Lease.

The table below conveys the total cost of the lease from June 15, 2018 through October 15, 2026.

Lease Type	Term	Amount
Original Lease	June 15, 2018 – October 15, 2019	\$47,648.05
Extension Term #1	October 16, 2019 – October 15, 2022	\$106,221.24
Extension Term #2	October 16, 2022 – October 15, 2026	\$158,303.64
Total Lease Cost	(June 15, 2018 – October 15, 2026)	\$312,172.93

The Museum Director concurs with this report.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 1 – Arts, Culture and Recreation** and **Goal 1.2:** Enhance equitable access to arts, culture and recreations service offerings and facilities.

The Amendment aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust:** Recommending that the City Council approve the Second Amendment confirms that the City intends to provide by means of its Museum, diverse community experiences and personal enrichment opportunities for the community and visitors.
2. **Equity:** Recommending City Council approve the Second Amendment demonstrates equitable access to arts, culture and presence within the cultural environment it serves.
3. **Fiscal Responsibility:** Recommending City Council approve the Second Amendment is fiscally responsible, for it eliminates the need to incur costs to move items to another warehouse and enter into a new lease at a new location at current market rates.
4. **Innovation:** Recommending City Council approve the Second Amendment demonstrates that the City is innovative and collaborative, working to offer new and exciting experiences and to protect the future of the Museum's image and successes.
5. **Sustainability & Resiliency:** Recommending City Council approve the Second Amendment will ensure the current and future access to arts and culture of the Museum. The Second Amendment constitutes the ongoing City commitment to establishing the city of Riverside as a premier destination for arts and innovation.

FISCAL IMPACT:

The total fiscal impact over the four-year renewal is \$158,303.64. Any additional costs for monthly utilities and repairs and maintenance will be paid by the Museum.

Sufficient funds are budgeted and available in the General Fund, Museum Facilities & Operations, Professional Services account number 5305000-421000 to cover the base rent

payments for the Fiscal Years 2022-24 biennial budget. Appropriations for future fiscal years will be included in the Department's Budget submissions for those fiscal years to be presented to the City Council for approval.

Prepared by: Chris Christopoulos, Acting Community & Economic Development Director

Certified as to availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer

Approved by: Rafael Guzman, Assistant City Manager

Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Second Amendment to Standard Industrial/Commercial Single-Tenant Lease
2. Presentation