



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: DECEMBER 6, 2022

FROM: GENERAL SERVICES DEPARTMENT WARD: 6

SUBJECT: APPROVAL OF COMMERCIAL LEASE AGREEMENT WITH CLUBHOUSE ASSOCIATES, DBA EVENTS SPORTS GRILL AT 10560 MAGNOLIA AVENUE - SUITE A

ISSUE:

Approve a new commercial lease agreement with Clubhouse Associates, dba Events Sports Grill, a tenant at the Magnolia Place Shopping Center located at 10560 Magnolia Avenue, Suite "A" through September 30, 2027, with three 5-year options to extend.

RECOMMENDATION:

That the City Council:

1. Approve a new commercial lease agreement with Clubhouse Associates, dba Events Sports Grill, of Riverside, CA, in the amount of \$7,156.04 per month with 1.5% increases annually for the balance of the lease agreement; and
2. Authorize the City Manager, or designee, to execute the commercial lease agreement and any other related documents.

BACKGROUND:

In 2003, the Magnolia Place Shopping Center was purchased by the City of Riverside (City) in order to establish the Magnolia Police Station on a portion of the property. At that time, Clubhouse Associates, dba Events Sports Grill (Tenant) was an existing tenant and the City took over the lease.

On June 1, 2004, the City Council approved a first amendment to the lease with Events Sports Grill, extending the lease term through May 31, 2016, with one 5-year option to renew. The option to renew was not exercised and Events Sports Grill became a month-to-month tenant.

On September 6, 2011, the City Council approved a Leasing Program for City-owned property located at Magnolia Place – 10530, 10540 and 10560 Magnolia Avenue. The program established Leasing Program parameters in order to streamline negotiations and the leasing

process. Lease agreements outside of the Leasing Program parameters require City Council approval.

DISCUSSION:

Events Sports Grill currently leases 5,250 square feet of space at Magnolia Shopping Center. In March 2020, Events Sports Grill's business was severely impacted by COVID-19 related business closures and restrictions on indoor eating establishments. As a result, Tenant fell behind on the monthly rent. As COVID-19 restrictions were lifted, Tenant's operations resumed and in May 2021, Tenant began making monthly rent payments of \$8,907.12, resulting in an unpaid rent balance of approximately \$69,597.67.

In order to retain this tenant and established business for the Magnolia Place Shopping Center, and to address the unpaid rent balance, the City negotiated terms for a new commercial lease agreement.

New Events Sports Grill Commercial Lease Agreement Key Terms

The key terms of the new commercial lease agreement are as follows:

Term	October 1, 2022 – September 30, 2027
Options	Three 5-year Options to Extend
Monthly Rent	\$7,156.04, plus \$591.12 Common Area Maintenance
Annual Increases	1.5%
Repayment of Prior Rent Owed	\$1,159.96 monthly for a period of 5 years or until the balance of Prior Rent is satisfied. The outstanding balance of Prior Rent shall become immediately payable and due upon the expiration or early termination of this Agreement, or the bankruptcy or insolvency of Tenant.

Staff recommends acceptance of the proposed terms and conditions for a new commercial lease agreement with Events Sports Grill and the 60 month rent repayment terms and schedule.

STRATEGIC PLAN ALIGNMENT:

This proposed commercial lease agreement supports Strategic Priority Economic Opportunity: Champion a thriving, enduring economy that provides opportunity to all, and Goal 3.3 Cultivate a business climate that welcomes innovation, entrepreneurship and investment.

This item aligns with *EACH of the five Cross-Cutting Threads* as follows:

1. **Community Trust** – This new commercial lease agreement is agendized for City Council consideration, ensuring public transparency.
2. **Equity** – Retaining an established sports grill business at the Magnolia Place Shopping Center benefits the entire community.
3. **Fiscal Responsibility** – This new commercial lease agreement will continue to generate fair market value rent revenue while also addressing the unpaid rent balance and

generating common area maintenance fees.

4. **Innovation** – This new commercial lease agreement demonstrates the City's business-friendly approach to retaining a valued tenant recovering from pandemic-related business closures.
5. **Sustainability & Resiliency** – This new commercial lease agreement retains a valued tenant who has made considerable investments in the leased space, including a new bar, eating area, and pool room, while demonstrating the City's resiliency in weathering the economic impacts brought about from the pandemic.

FISCAL IMPACT:

The total fiscal impact of this agreement over the five-year term is \$547,502.90. The new lease agreement with Events Sports Grill will generate approximately \$442,437.94 in rent revenue over the five years term, as well as approximately \$35,467.20 in common area maintenance fees and approximately \$69,597.76 in repayment of prior rent owed. The rent income from this property will be deposited into General Fund, Use of Money & Property, Land & Building Rental revenue account 7222000-373100.

Prepared by:	Carl Carey, General Services Director
Certified as to availability of funds:	Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/Treasurer
Approved by:	Kris Martinez, Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney
Attachments:	Agreement