



City Council Memorandum

City of Arts & Innovation

.....

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JANUARY 17, 2023

FROM: GENERAL SERVICES DEPARTMENT WARD: 6

**SUBJECT: APPROVAL OF CITY OF RIVERSIDE COMMERCIAL LEASE AGREEMENT
WITH CYNTHIA ANN BLEIER, DBA PICASSO'S COLOUR STUDIO LOCATED
AT 10560 MAGNOLIA AVENUE, SUITE "C"**

ISSUE:

Approve a City of Riverside Commercial Lease Agreement with Cynthia Ann Bleier, dba Picasso's Colour Studio, a tenant at the Magnolia Place Shopping Center located at 10560 Magnolia Avenue, Suite "C" through September 30, 2027, with three five-year options to extend.

RECOMMENDATION:

That the City Council:

1. Approve a new City of Riverside Commercial Lease Agreement with Cynthia Ann Bleier, dba Picasso's Colour Studio, of Riverside, CA, in the amount of \$2,710.36 per month with 2.5% increases annually for the balance of the lease agreement; and
2. Authorize the City Manager, or designee, to execute the City of Riverside Commercial Lease Agreement and optional three five-year options to extend including making any minor and non-substantive changes.

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.

On July 24, 2007, the City entered into a Lease Agreement with Picasso's Colour Studio for a period of five years, ending December 31, 2012. On August 8, 2011, a First Amendment to the Lease Agreement was approved, extending the lease term to July 31, 2016.

On January 17, 2017, the City entered into a new Lease Agreement with Picasso's Colour Studio, extending the term to December 31, 2021. When the lease term ended, Picasso's Colour Studio declined to enter into a new Lease Agreement and 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 parameters in order to streamline negotiations and the leasing process. Lease agreements outside of the Leasing Program parameters require City Council approval.

DISCUSSION:

Picasso’s Colour Studio (Tenant) currently leases 1,875 square feet of space at the Magnolia Shopping Center. In March 2020, Tenant’s business was severely impacted by COVID-19 related shutdowns of hair salons and barbershops. As a result, Tenant fell behind on the monthly rent. As COVID-19 restrictions were lifted, Tenant’s business resumed and Tenant began making monthly rent payments of \$2,659.04, resulting in an unpaid rent balance of approximately \$15,078.90.

In order to retain this tenant and established hair salon business for the Magnolia Place Shopping Center, and to address the unpaid rent balance, the City negotiated terms for a Commercial Lease Agreement.

New Picasso’s Colour Studio Commercial Lease Agreement Key Terms

The key terms of the Commercial Lease Agreement are as follows:

Term	October 1, 2022 – September 30, 2027
Options	Three 5-year Options to Extend
Monthly Rent	\$2,710.36
Annual Increases	2.5%
Repayment of Prior Rent Owed	\$251.32 monthly for a period of five 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 Commercial Lease Agreement with Picasso’s Colour Studio and the 60 month rent repayment terms and schedule.

STRATEGIC PLAN ALIGNMENT:

This proposed Commercial Lease Agreement supports Strategic Priority No. 3 *Economic Opportunity*, and Goal No. 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 Commercial Lease Agreement is agendized for City Council consideration, ensuring public transparency.
2. **Equity** – Retaining an established hair salon business at the Magnolia Place Shopping Center benefits the entire community.

3. **Fiscal Responsibility** – This Commercial Lease Agreement will continue to generate fair market value rent revenue while also addressing the unpaid rent balance.
4. **Innovation** – This 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 Commercial Lease Agreement retains a valued tenant who has made considerable investments in the leased space while demonstrating the City’s resiliency in weathering the economic impacts brought about from the pandemic.

FISCAL IMPACT:

The total estimated fiscal impact of this action is \$171,834.14 over the five-year term of the lease and approximately \$15,078.90 in repayment of prior rent owed. The rent income from this property will be deposited into the General Fund, Use of Money and 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: Commercial Lease Agreement