



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: OCTOBER 24, 2016

ITEM NO: 10

SUBJECT: APPROVAL OF SIXTH AMENDMENT TO LEASE AGREEMENT WELLS FARGO BANK, NATIONAL ASSOCIATION– MISSION SQUARE OFFICE BUILDING, 3750 UNIVERSITY AVENUE, SUITE 150 – FIVE YEAR TERM FOR \$1,310,000 IN REVENUE

ISSUE:

Approval of a Sixth Amendment to Lease Agreement for an additional five years between Wells Fargo Bank, National Association and the City of Riverside for approximately 7,766 square feet of rentable space in the Mission Square Office Building located at 3750 University Avenue, Suite 150.

RECOMMENDATIONS:

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

1. Approve the Sixth Amendment to the Lease Agreement with Wells Fargo Bank, National Association; and
2. Authorize the City Manager, or his designee, to execute the Sixth Lease Amendment, including making minor, 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 Office Complex 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 space in a six-story building, plus a basement level and a 489 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 Grubb Knight Frank ("NGKF") 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 and NGKF as the broker for the Property.

Wells Fargo Bank has been a tenant in the Property since 1987 when it was initially operating as First Interstate Bank, which was subsequently merged into Wells Fargo Bank. The existing lease with Wells Fargo expires on July 31, 2017. Under the terms of the lease agreement, Wells Fargo has five-year options to renew through 2032.

Wells Fargo retained Retail Insite Commercial Real Estate as its leasing broker to represent them in renewal of their lease agreement. The City is represented by NGKF who negotiated on our behalf.

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

- Term: August 1, 2017 through August 31, 2022.
- Premises: Approximately 7,766 rentable square feet of space located at 3750 University Avenue, Suite 150.
- Base Rent (Modified Gross Lease):
 - Months 1 through 30: \$21,045.57 per month
 - Months 31 through 60: \$22,624.30 per month
- Broker: Pursuant to the existing Exclusive Authorization to Lease Agreement with NKGF, City to pay NGKF a leasing commission equal to 2.5% of the lease consideration in the total amount of \$32,752.40 upon full execution of this Sixth Lease Amendment. Wells Fargo will be responsible for payment of any lease commissions to its broker.
- Possessory Interest Taxes:
 - The City will be responsible for payment of any possessory interest taxes assessed to Wells Fargo Bank provided that the tenant is current in payment of its monthly rent obligations to the City; and
 - Wells Fargo Bank must submit the request for payment within 30 days of the due date. Otherwise, the City will not be responsible for payment of any penalties or late collection charges imposed by the County Treasurer.
- Other: All other terms of the original lease and subsequent five amendments not inconsistent with this Sixth Lease Amendment will remain the same.

FISCAL IMPACT:

The lease revenue over the five-year term will generate an estimated \$1,310,000. 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 \$32,752.40 to NGKF for this transaction.

Prepared by: Kevin S. Milligan, Deputy General Manager
Approved by: Girish Balachandran, Utilities General Manager
Approved by: John A. Russo, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability
of funds: Laura Chavez-Nomura, Utilities Assistant General Manager/Finance

Attachment: Sixth Amendment to Lease Agreement