



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: FEBRUARY 28, 2017

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 1
DEPARTMENT

SUBJECT: COMMERCIAL LEASE AGREEMENT - MISSION SQUARE OFFICE BUILDING WITH VIVIAN YOUNGER, DBA YOUNGER & COMPANY, CPA'S, FOR A TWO-YEAR TERM AT 3750 UNIVERSITY AVENUE, SUITE 570, IN THE AMOUNT OF \$233,880; SUBLEASE AGREEMENT BETWEEN YOUNGER & COMPANY, CPA'S AND GARCIA & REED, LLP FOR A PORTION OF THE SPACE

ISSUE:

Approve a Commercial Lease Agreement – Mission Square Office Building with Vivian Younger dba Younger & Company, CPA's, of Riverside, California, for a two-year term with an option for a three year extension, for approximately 3,556 square feet of rentable space located at 3750 University Avenue, Suite 570, in the amount of \$233,880, and approve the Sublease Agreement between Younger & Company, CPA's and Garcia & Reed, LLP, for a portion of the space.

RECOMMENDATIONS:

That the City Council:

1. Approve the Commercial Lease Agreement – Mission Square Office Building with Vivian Younger dba Younger & Company, CPA's, for a two-year term with an option for a three year extension, for approximately 3,556 square feet of rentable space located at 3750 University Avenue, Suite 570 (Attachment 1);
2. Approve the Sublease Agreement between Younger & Company, CPA's and Garcia & Reed, LLP, for a portion of the space (Attachment 2); and
3. Authorize the City Manager, or his designee, to execute the Commercial Lease Agreement – Mission Square Office Building, and the optional three year extension, with Vivian Younger dba Younger & Company, CPA's, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

BOARD RECOMMENDATION:

On February 13, 2017, the Riverside Board of Public Utilities with 8 of 8 members present (one seat vacant), unanimously recommended that City Council approve the Commercial Lease Agreement – Mission Square Office Building, and the optional three year extension, with Vivian

Younger dba Younger & Company, CPA's for approximately 3,556 square feet of rentable space located at 3750 University Avenue, Suite 570 and also recommended that City Council approve the Sublease Agreement between Younger & Company, CPA's and Garcia & Reed, LLP, for a portion of the space.

BACKGROUND:

On October 13, 2015, the City acquired the Mission Square Office 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 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 Department and NGKF as the broker for the Property.

DISCUSSION:

Vivian Younger has been a sub-tenant of Best, Best and Krieger in the Property since 2010. This sub-lease agreement expired on December 31, 2016. Vivian Younger is currently on a month-to-month holdover basis with the City as Landlord.

The City engaged its leasing broker, Newmark Grubb Knight Frank (NGKF), who negotiated on behalf of both the City and Vivian Younger.

Staff has reviewed the proposed Lease Agreement and recommends renewal. The basic deal points of the proposed Lease are summarized below:

1. Term: Two-year lease to commence upon City Council approval.
2. Premises: Approximately 3,556 rentable square feet of space located at 3750 University Avenue, Suite 570.
3. Base Rent (Full Service Gross Lease):

Period	Monthly Base Rent	Per Sq. Ft.
3/1/2017 – 2/28/2018	\$9,601.00	\$2.70
3/1/2018 – 2/28/2019	\$9,889.00	\$2.78

4. Security Deposit: The existing security deposit of \$7,823.00 on-hand shall be increased by \$20,980.00 for a total security deposit in the amount of \$28,803.00 prior to full execution of the Lease by both parties.
5. Option to Extend: Vivian Younger shall have one option to extend the Lease for an additional three (3) years with three percent (3%) annual increases provided the tenant has not made any late rent payments or has not been in default of the initial two-year lease.

6. Sublease: Tenant shall have the right to sublease the Premises subject to Landlord's prior written consent. Tenant proposes to sublease an executive office and the shared common areas of the Premises to Garcia & Reed, LLP. Staff has reviewed the proposed sublease agreement and the financial condition of the proposed subtenant and recommends that City Council approve the proposed sublease agreement between Younger & Company, CPA's and Garcia & Reed, LLP.
7. Possessory Interest Taxes:
 - a. The City will be responsible for payment of any possessory interest taxes assessed to Vivian Younger provided that the tenant is current in payment of its monthly rent obligations to the City; and
 - b. Vivian Younger 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.
8. 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 \$5,847.00 upon full execution of this Lease Agreement.

FISCAL IMPACT:

The lease revenue over the two-year term will generate an estimated \$233,880. All revenue will be deposited into the Mission Square Building Property Management Trust Account managed by RPU and used to pay operating expenses for the Property, including the lease commission of \$5,847.00 to NGKF for this transaction. There is no fiscal impact with the sublease agreement between Younger & Company, CPA's and Garcia & Reed, LLP.

Prepared by:	Rafael Guzman, Community & Economic Development Director
Certified as to availability of funds:	Scott G. Miller, PhD, Chief Financial Officer/Treasurer
Approved by:	Al Zelinka, FAICP, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachments:

1. Lease Agreement – City and Vivian Younger
2. Sublease Agreement – Younger & Company, CPA's and Garcia & Reed, LLP
3. PUB, February 13, 2017, draft minutes