



*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: FIFTH AMENDMENT TO LEASE AGREEMENT WITH RAINCROSS  
HOSPITALITY CORPORATION DBA RIVERSIDE CONVENTION & VISITORS  
BUREAU – MISSION SQUARE OFFICE BUILDING, 3750 UNIVERSITY AVENUE,  
SUITE 175 – THREE YEAR TERM FOR \$209,249 IN REVENUE

## **ISSUE:**

Approve a Fifth Amendment to Lease Agreement for an additional three years with Raincross Hospitality Corporation dba Riverside Convention & Visitors Bureau, of Riverside, California for approximately 2,292 square feet of rentable space in the Mission Square Office Building located at 3750 University Avenue, Suite 175.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the Fifth Amendment to the Lease Agreement with Raincross Hospitality Corporation dba Riverside Convention & Visitors Bureau (Attachment 1); and
2. Authorize the City Manager, or his designee, to execute the Fifth Lease Amendment, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

## **BOARD RECOMMENDATION:**

On January 23, 2017, the Board of Public Utilities with 8 of 8 members present, voted with 6 ayes and 2 abstentions to recommend that City Council approve the Fifth Amendment to the Lease Agreement with Raincross Hospitality Corporation for 2,292 square feet of rentable space in the Mission Square Office Building located at 3750 University Avenue, Suite 175.

The report presented to the Board of Public Utilities on January 23, 2017, incorrectly stated the three year revenue amount as \$227,662. This amount failed to include the calculation of the Fifth Amendment to the Lease Agreement term that provides Raincross Hospitality Corporation with the first three months of rent free in lieu of the City providing a tenant improvement allowance. The three year term for revenue is \$209,249.

## **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 490 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:**

Raincross Hospitality Corporation has been a tenant in the Property since 2001 when it was initially operating as Entrepreneurial Hospitality Corporation, which was subsequently merged into Raincross Hospitality Corporation (RHC). The existing lease with RHC expires on February 28, 2017.

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

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

1. Term: March 1, 2017 through February 28, 2020.
2. Premises: Approximately 2,292 rentable square feet of space located at 3750 University Avenue, Suite 175.
3. Base Rent (Full Service Gross Lease):

Period	Monthly Base Rent	Per Sq. Ft.
3/1/2017 – 2/28/2018	\$6,137.98	\$2.68
3/1/2018 – 2/28/2019	\$6,322.12	\$2.76
3/1/2019 – 2/28/2020	\$6,511.78	\$2.84

RHC shall receive the first three months of rent free in lieu of the City providing a tenant improvement allowance to RHC.

4. Option to Extend: RHC shall have one three (3) year option to extend the Lease at prevailing market rent to be negotiated between City and RHC at the time of exercising the option to extend.
5. 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 \$5,691 upon full execution of this Fifth Lease Amendment.

6. Possessory Interest Taxes:

- a. The City will be responsible for payment of any possessory interest taxes assessed to RHC provided that the tenant is current in payment of its monthly rent obligations to the City; and
- b. RHC 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.

7. Other: All other terms of the original lease and subsequent four amendments not inconsistent with this Fifth Lease Amendment will remain the same.

**FISCAL IMPACT:**

The lease revenue over the five-year term will generate an estimated \$209,249. 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 \$5,691.56 to NGKF for this transaction.

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. Fifth Amendment to Lease Agreement
2. PUB, January 23, 2017, draft minutes