



*City of Arts & Innovation*

# City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MAY 23, 2017

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARD: 1

SUBJECT: FIRST AMENDMENT TO THE COMMERCIAL LEASE AGREEMENT BY AND BETWEEN THE CITY OF RIVERSIDE AND RIVERSIDE FOOD HALL, LP TRIPLE NET LEASE (NNN) FOR 3605 MARKET STREET LOCATED AT THE VACANT FOX ENTERTAINMENT PLAZA RESTAURANT SPACE – ANTICIPATED ADDITIONAL REVENUE OF \$218,310 OVER THE LIFE OF THE LEASE AGREEMENT

## **ISSUE:**

Approve the First Amendment to Commercial Lease Agreement By and Between the City of Riverside and Riverside Food Hall, LP Triple Net Lease (NNN) for 3605 Market Street, for the vacant Fox Entertainment Plaza Restaurant space.

## **RECOMMENDATION:**

That the City Council:

1. Approve the First Amendment to Commercial Lease Agreement By and Between the City of Riverside and Riverside Food Hall, LP Triple Net Lease (NNN) for 3605 Market Street, for the vacant Fox Entertainment Plaza Restaurant space; and
2. Authorize the City Manager, or his designee, to execute the First Amendment to Commercial Lease Agreement By and Between the City of Riverside and Riverside Food Hall, LP Triple Net Lease (NNN) for 3605 Market Street, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

## **BACKGROUND:**

On October 4, 2016, following discussion, the City Council approved a 55-year Lease Agreement with Riverside Food Hall, LP for an estimated minimum lease revenue of \$4,204,800 for the vacant Fox Entertainment Plaza restaurant space located at 3605 Market Street (Premises), to facilitate development of a food and beverage market.

## **DISCUSSION:**

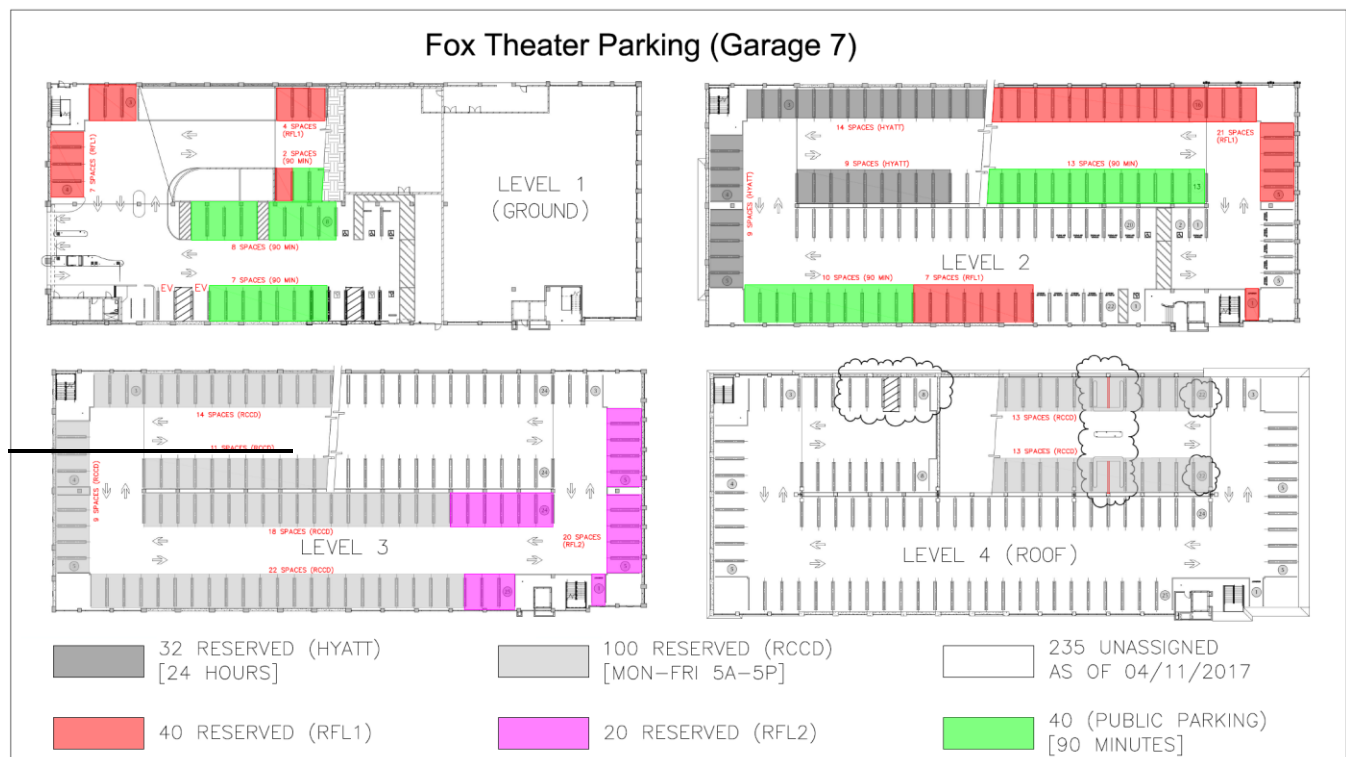
Since execution of the Lease Agreement, and upon further discussions with Riverside Food Hall, LP (Lessee), it has been collectively determined that the interior square footage of the restaurant space must be expanded by an additional 1,000 square feet in order to accommodate three (of the 14) tenants within the food and beverage market. As such, the Premises shall be amended as follows:

**Premises:** 13,000 square feet of interior restaurant space (previously 12,000 square feet of interior space). Additionally, the Premises include 2,546 square feet of interior storage and 325 square feet of additional storage space. The new cumulative total for the Premises is 15,871 square feet.

All construction costs related to the expansion of the Premises shall be the sole financial responsibility of the Lessee. Moreover, the expansion will result in the loss of two (2) handicapped stalls in the Fox Entertainment Plaza Garage (FEP Garage), which shall be relocated by the Lessee at the Lessee's cost.

At the start of construction (estimated to be mid June, 2017), Lessee shall compensate the City an additional amount of \$270 per month for the loss of the noted handicapped stalls. Beginning in the 49<sup>th</sup> month of the Lease, this amount shall be increased to \$340 per month, for the remainder of the Lease term, to account for the noted 1,000 square foot expansion and for the continued loss of the handicapped stalls.

Additionally, the Lease Agreement is further amended to finalize the location for the designated parking spaces within the FEP Garage as demonstrated below in the orange, purple and green shaded areas:



Related to parking within the FEP Garage, the Lease Agreement stipulates that the Lessee shall have:

1. 40 parking spaces for the non-exclusive use of Lessee that will be time restricted to 90 minutes; and
2. Up to 60 parking spaces for the exclusive use of the Lessee at a rate of \$60 per month for the initial 60 months of the Lease Agreement. After 5 years from opening of business, the exclusive parking rate shall be paid at the current prevailing City rate for unreserved parking spaces.

In conclusion, staff recommends that the City Council approve the First Amendment to the Lease Agreement with Riverside FoodHall, LP for the vacant Fox Entertainment Plaza Restaurant space located at 3605 Market Street.

The Public Works Director concurs with the recommendations.

**FISCAL IMPACT:**

All additional revenue resulting from this First Amendment, anticipated to be \$218,310 over the life of the Lease Agreement, shall be deposited into Garage 7 Lease Account No. 0000570-373130.

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

**Attachments:**

1. Site Map
2. First Amendment to Commercial Lease Agreement