



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 13, 2017

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARD: 1

SUBJECT: COMMERCIAL MULTI-TENANT LEASE - TRIPLE NET MISSION SQUARE AGREEMENT WITH MIKE KIM, LAURA KIM AND PARAMOUNT CELLULAR WORLD, LLC, FOR A FIVE-YEAR TERM AT 3750 UNIVERSITY AVENUE, SUITE 110, IN THE AMOUNT OF \$169,505.77

ISSUE:

Approve a Commercial Multi-Tenant Lease – Triple Net Mission Square Agreement with Mike Kim, Laura Kim and Paramount Cellular World, LLC, of Cerritos, California, for a five-year term with an option for a five-year extension, for approximately 1,185 square feet of rentable space located at 3750 University Avenue, Suite 110.

RECOMMENDATIONS:

That the City Council:

1. Approve the Commercial Multi-Tenant Lease – Triple Net Mission Square Agreement with Mike Kim, Laura Kim and Paramount Cellular World, LLC, for a five-year term with an option for a five-year extension, for approximately 1,185 square feet of rentable space located at 3750 University Avenue, Suite 110; and
2. Authorize the City manager, or his designee, to execute the Commercial Multi-Tenant Lease – Triple Net Mission Square Agreement, and the optional five-year extension, with Mike Kim, Laura Kim and Paramount Cellular World, LLC, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

BOARD RECOMMENDATION:

This report is published on June 1, 2017, for the June 13, 2017, City Council meeting.

On June 12, 2017, the Board of Public Utilities is scheduled to hear this item to recommend that City Council approve the Commercial Multi-Tenant Lease – Triple Net Mission Square Agreement with Mike Kim, Laura Kim and Paramount Cellular World, LLC, for a five-year term with an option for a five-year extension, for approximately 1,185 square feet of rentable space located at 3750 University Avenue, Suite 110.

If the Board approves to forward this to City Council, we respectfully request the City Council consider the item at the June 13, 2017, City Council meeting.

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.

The space was formerly occupied by Best, Best and Krieger (BB&K) who vacated and surrendered possession of the Premises to RPU on May 12, 2017. The month-to-month lease tenancy with BB&K was effectively terminated on May 12, 2017.

DISCUSSION:

NGKF has been actively marketing the space and received a proposal from Mike Kim, Laura Kim and Paramount Cellular World, LLC, of Cerritos, California (Tenant) to operate a T-Mobile cellular store franchise. The City engaged its leasing broker, NGKF, who negotiated on behalf of both the City and the Tenant.

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

- 1) Term: Five-year lease to commence upon full Lease execution by both Tenant and Landlord after receiving City Council approval.
- 2) Premises: Approximately 1,185 rentable square feet of space located at 3750 University Avenue, Suite 110.
- 3) Base Rent (Triple Net):

Months	Monthly Base Rental Rate	Monthly Base Rent	Annual Base Rent
1 – 12	\$2.25	\$2,666.25	\$31,995.00
13 – 24	\$2.32	\$2,746.24	\$32,594.88
25 – 36	\$2.39	\$2,828.62	\$33,943.44
37 – 48	\$2.46	\$2,913.48	\$34,961.76
49 - 60	\$2.53	\$3,000.89	\$36,010.68

The Tenant will be responsible for payment of its proportionate share of all common area maintenance costs, insurance and taxes on a monthly basis for the duration of the Lease and in the five-year option to extend, if exercised by Tenant.

- 4) Security Deposit: Nine thousand dollars (\$9,000.00) upon Lease execution.
- 5) Option to Extend: The Tenant shall have one option to extend the Lease for an additional five-year term provided the Tenant is not in default of the Lease. The Base Rent for the extended term shall be at the then fair market rent for the Premises.
- 6) Guaranty of Lease: Exhibit "C" of the Commercial Lease Agreement provides an executed guaranty of lease from Paramount Car Wash, LLC.
- 7) Tenant Improvements: The Tenant accepts the Premises in an "as-is" condition. The Tenant will be responsible for installing any tenant improvements it deems necessary for Tenant's use at Tenant's sole cost and expense.
- 8) Possessory Interest Taxes: The Tenant will be responsible for payment of any possessory interest taxes assessed to Tenant for Tenant's use of the Premises.
- 9) Broker: Pursuant to the Exclusive Authorization to Lease Agreement with NGKF, City to pay NGKF a leasing commission equal to 5.0% of the lease consideration in the total amount of \$8,475.29.

FISCAL IMPACT:

The lease revenue over the five-year term will generate an estimated \$169,505.77. 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 \$8,475.29 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

Attachment: Commercial Multi-Tenant Lease – Triple Net Mission Square