



# RIVERSIDE PUBLIC UTILITIES

## Board Memorandum

**BOARD OF PUBLIC UTILITIES**

**DATE:** JULY 24, 2017

**ITEM NO:** 5

**SUBJECT:** **COMMERCIAL MULTI-TENANT LEASE – TRIPLE NET MISSION SQUARE AGREEMENT WITH RUBEN BARRAGAN AND LUIS HERNANDEZ DOING BUSINESS AS FIRE UP GRILL, FOR A FIVE-YEAR TERM AT 3750 UNIVERSITY AVENUE, SUITE M, IN THE AMOUNT OF \$136,976.64**

**ISSUE:**

Recommend that the City Council approve a Commercial Multi-Tenant Lease – Triple Net Mission Square Agreement with Ruben Barragan and Luis Hernandez, doing business as Fire Up Grill, of Riverside, California, for a five-year term with an option for one five-year extension, for approximately 1,000 square feet of rentable space located at 3750 University Avenue, Suite M, in the amount of \$136,976.64.

**RECOMMENDATIONS:**

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

1. Approve the Commercial Multi-Tenant Lease – Triple Net Mission Square Agreement with Ruben Barragan and Luis Hernandez, doing business as Fire Up Grill, for a five-year term with an option for one five-year extension, for approximately 1,000 square feet of rentable space located at 3750 University Avenue, Suite M; 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 Ruben Barragan and Luis Hernandez, doing business as Fire Up Grill, 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 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 Laurent Baillon and Gabriella Rodriguez, doing business as L' Bistro, who defaulted on the lease which expires on July 31, 2019 by abandoning the space around

December 31, 2016 and failing to pay delinquent rent owed to the City. City staff are in active negotiations with L 'Bistro to collect delinquent rent and other miscellaneous charges owed to the City. L' Bistro agreed to voluntarily give the City possession of the space to allow the City to market the space in efforts to reduce L 'Bistro's outstanding rent amount by leasing the space to a new tenant.

## **DISCUSSION:**

NGKF has been actively marketing the space and received a proposal from Ruben Barragan and Luis Hernandez doing business as Fire Up Grill for the purpose of operating a restaurant that will serve fresh grilled Mexican cuisine. Ruben Barragan currently operates four existing Mr. Taco Fresh Mexican Grill locations, three of which are located in the City of Riverside and one is located in the City of Jurupa Valley. The City engaged its leasing broker, NGKF, who negotiated on behalf of both the City and the Tenant.

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

- 1) Term: Five-year lease to commence no later than five months upon full Lease execution by both Tenant and Landlord after receiving City Council approval.
- 2) Early Termination: Tenant shall have the right to terminate this Lease within five months after full Lease execution if Tenant is unable to obtain the permits and approvals that are reasonably necessary to build and operate the Premises as a full service restaurant. In such event, City shall refund Tenant's pre-paid first month rent and security deposit.
- 3) Premises: Approximately 1,000 rentable square feet of space located at 3750 University Avenue, Suite M.
- 4) Base Rent (Triple Net):

Months	Monthly Base Rental Rate	Monthly Base Rent	Annual Base Rent
1 – 12	\$2.15	\$2,150.00	\$25,800.00
13 – 24	\$2.21	\$2,214.50	\$26,574.00
25 – 36	\$2.28	\$2,280.94	\$27,371.52
37 – 48	\$2.35	\$2,349.96	\$28,192.68
49 - 60	\$2.42	\$2,419.87	\$29,038.44

The Tenant will be responsible for payment of its proportionate share of all common area maintenance costs, property 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.

- 5) 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.
- 6) Security Deposit: Two thousand four hundred twenty five dollars (\$2,425.00) upon Lease execution.
- 7) 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.
- 8) Guaranty of Lease: None. The lease is effectively guaranteed by both Ruben Barragan and Luis Hernandez by signing as individuals. As such, no Guaranty of Lease addendum is required.

- 9) Tenant Improvements: Tenant accepts the Premises in an “as-is” condition. Upon the City’s receipt of adequate documentation of Tenant’s expenses for the construction of its tenant improvements, the City will provide a tenant improvement allowance of \$30,000.00 to Tenant to be used for installing fixtures and improvements that become attached and part of the Premises. Any tenant improvement amount above \$30,000 shall be at Tenant’s sole cost and expense.
- 10) 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 \$6,848.83.

**FISCAL IMPACT:**

The lease revenue over the five-year term will generate an estimated \$136,976.64. 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 \$30,000 tenant improvement allowance and the lease commission of \$6,848.83 to NGKF for this transaction.

Prepared by: Kevin S. Milligan, Utilities 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 M. Chavez-Nomura, Utilities Assistant General Manager/Finance

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