

**TO:** OVERSIGHT BOARD MEMBERS                      **DATE:** JUNE 13, 2018

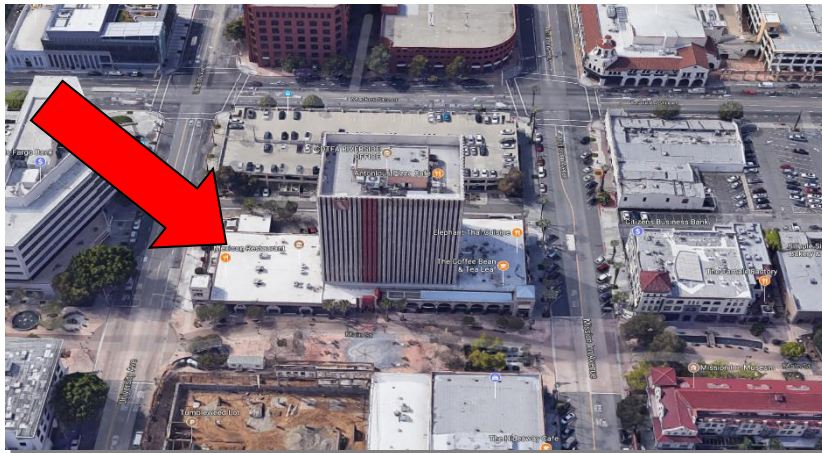
**FROM:** COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT                      **WARD:** 1

**SUBJECT:** LEASE AMENDMENT WITH LATIN CONCEPTS HOSPITALITY FOR 3737 MAIN STREET, SUITES 100 AND 101

Adopt a resolution authorizing the City of Riverside as Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) to prepare and execute a lease amendment with Latin Concepts Hospitality for 3737 Main Street, Suites 100 and 101.

1. Adopt a resolution authorizing the Successor Agency to enter into a lease amendment with Latin Concepts Hospitality of Riverside for 3737 Main Street, Suites 100 and 101; and
2. Authorize the City Manager, or his designee, acting on behalf of the Successor Agency to execute a lease amendment and all related documents, pursuant to the terms set forth herein.

On February 1, 2014, the Successor Agency entered into a 5-year lease agreement, which expires on January 31, 2019, with the McGuire Restaurant Group for 3737 Main Street, Suite 100 for the Mezcal Restaurant. On September 1, 2016, the Successor Agency approved the transfer of the lease from McGuire Restaurant Group to Latin Concepts Hospitality. Furthermore, on October 3, 2017, the existing lease with California Baptist University (CBU) for 3737 Main Street, Suite 101 expired and CBU has continued to stay in the space on a month-to-month basis. CBU has been served its 30-day notice and will vacate the premises by the end of June, 2018. In the unlikely event it is determined that CBU owes outstanding rent at the time of vacancy, it will be waived. Lastly, on April 6, 2018, staff received a Letter of Intent (LOI) from Latin Concepts Hospitality to amend its existing lease to expand the Mezcal Restaurant into Suite 101.



On April 24, 2018, the Successor Agency, in closed session, approved the proposed lease amendment and made a unanimous recommendation that the Oversight Board adopt a resolution approving the same.

### **DISCUSSION:**

Staff recommends that the Oversight Board approve a lease amendment for 3737 Main Street, Suites 100 and 101 based on the following terms:

Tenant:	Latin Concepts Hospitality
Premises:	3737 Main Street, Suites 100 and 101
Use:	Restaurant Expansion
Term:	10 years
Options to Extend:	2 five-year options to extend at Fair Market Value (FMV)
Base Rent:	Starting at \$11,828 (or \$1.55 per square foot) per month
Annual Rent Increases:	3% annually
Rent Credit:	\$15,000 (or \$1.97 per square foot)
TI Allowance:	\$81,750 (or \$10.74 per square foot)

On December 20, 2017, the Oversight Board approved a revised leasing program for the Successor Agency-owned California Tower building. The revised leasing program stipulates that, for retail tenants, rental rates shall be at a minimum rate of \$1.75 per square foot. Since the proposed lease amendment does not meet this threshold, staff is seeking the Oversight Board's approval.

As part of its current lease for Suite 100, Latin Concepts Hospitality is paying \$1.50 per square foot and has a fixed 5-year option to extend, which starts at \$1.55 per square foot. The above-noted base rent rate, of \$1.55 per square foot, represents a blended rate of Suites 100 and 101. Suite 101, independently, would have a rental rate of \$1.75 per square foot and would be leasing program compliant.

Additionally, over the past few years, staff has processed several lease agreements for the California Tower building. The vast majority of these leases adhere to the leasing program and are approved and executed administratively. However, from time-to-time, when a proposed lease does not meet the leasing program, its needs to be reviewed and approved by the Successor Agency,

Oversight Board and Department of Finance (DOF). Also, from time-to-time, staff has presented potential leases to the Oversight Board that do not adhere to the leasing program and staff did not include the proposed lease as an attachment to the staff report.

As example, on September 11, 2014 the Oversight Board adopted a resolution authorizing the Successor Agency to enter into a lease agreement with Arkside Marketing for 3737 Main Street, Suite 103-B (based on the presented lease terms and without the Lease Agreement as an attachment). While this method is not preferred, the June 2018 Oversight Board meeting is this Oversight Board's last meeting before the Countywide Oversight Board takes over. Staff anticipates a very long initial backlog for the Countywide Oversight Board and staff would prefer, given that CBU will soon be vacating the space, that the location be occupied by Latin Concepts Hospitality as soon as possible.

Lastly, approval of the proposed lease amendment will help preserve the Successor Agency's asset by increasing lease revenue, which is imperative to funding expenditures associated with the California Tower Building. In addition, the proposed Mezcal expansion will provide an economic benefit by bringing additional visitors to the downtown area, which will be beneficial to other area businesses.

Prepared by: Rafael Guzman, Community & Economic Development Director  
Approved as to form: Gary G. Geuss, Successor Agency General Counsel

Attachment: Resolution