



City of Arts & Innovation

Development Committee

TO: DEVELOPMENT COMMITTEE MEMBERS DATE: JANUARY 17, 2019

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 1
DEPARTMENT

**SUBJECT: CONSIDERATION OF TWO UNSOLICITED LEASE PROPOSALS FOR THE
SHOWCASE AT THE FOX ENTERTAINMENT PLAZA**

ISSUE:

Review and consider two unsolicited lease proposals for the Showcase at the Fox Entertainment Plaza.

RECOMMENDATIONS:

That the Development Committee:

1. Review and consider an unsolicited lease proposal from Riverside Food Hall, LP to convert the Showcase at the Fox Entertainment Plaza from museum exhibition space to an arcade and gaming entertainment venue;
2. Review and consider an unsolicited lease proposal from the Old Riverside Foundation to utilize the Showcase at the Fox Entertainment Plaza for the exhibition of historic chairs; and
3. Direct staff to negotiate a Lease Agreement with Riverside Food Hall, LP for the Showcase at the Fox Entertainment Plaza to convert the Showcase from museum-related exhibition space to an arcade and gaming entertainment venue for City Council's final consideration.

BACKGROUND:

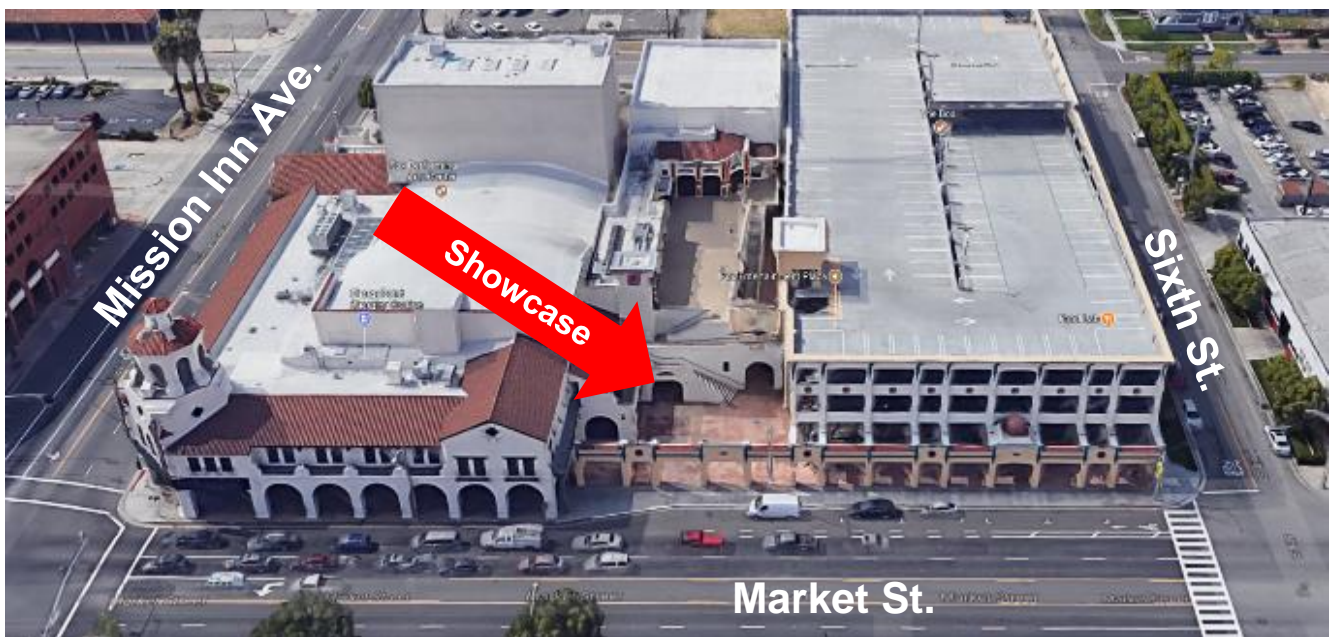
Completed in 2013, at a cost of \$14.4 million, the Fox Entertainment Plaza ("FEP") includes approximately 14,000 square feet of restaurant space, a 4,000 square foot black box theater ("The Box"), a 400-stall parking garage, and approximately 9,000 square feet of museum/exhibit and trade show exhibit space ("Showcase"). The FEP was constructed with the vision of expanding the creative economy, revitalizing downtown, and promoting Riverside as a destination.

On October 4, 2016, the City Council approved a 55-year lease agreement with Riverside Food Hall, LP for the vacant FEP restaurant space, located at 3605 Market Street, for the

development of a communal food hall featuring local, artisanal eateries and bars, known as the Riverside Food Lab. The Riverside Food Lab opened in August of 2018 and has quickly become one of downtown's most popular attractions.

The Showcase, originally intended to be used as museum exhibit space, has, since 2016, hosted approximately 55 events, all of which have been non-exhibit related functions (with Live Nation being the most frequent user), and has generated very minimal revenue. The Showcase is currently operated, managed, and maintained by the City's Arts and Cultural Affairs staff and the space typically goes "dark" during November and December as staff is managing all aspects of Festival of Lights.

On June 21, 2018, staff presented to the Development Committee various development options for the Showcase at the Fox Entertainment Plaza and asked the Development Committee to provide feedback and direction to staff. Following discussion, a motion was made for staff to reach out to the community and discuss future uses for the Box and the Showcase.



DISCUSSION:

Following the Development Committee meeting on June 21, 2018, staff discussed a myriad of potential uses for the Showcase with the local business community and downtown stakeholders. As the Fox Performing Arts Center, the Riverside Food Lab and The Box are all entertainment venues, the general consensus was that utilizing the Showcase as an entertainment/commercial venue could be a natural fit.

Staff recently received an unsolicited lease proposal from Riverside Food Hall, LP (which owns and operates the adjacent Riverside Food Lab) to convert the Showcase into an arcade and gaming entertainment venue, commonly known as "Barcade's". Barcade's typically offer customers craft beer from local and regional breweries, classic coin-operated video games from the 1980's and 1990's, pinball machines, a full bar, virtual reality games and a menu of classic pub food. Notable Southern California Barcade establishments include, but are not limited to: Coin Haus (San Diego), Mission Control (Santa Ana), EightyTwo (Los Angeles),

Button Mash (Los Angeles) and Punch Bowl Social (Rancho Cucamonga). A Barcade would require a minor Conditional Use Permit (CUP) for the on-site sale of alcohol.

Riverside Food Hall, LP has generically proposed a sixty (60) month lease with monthly base rent ranging from \$2,500 - \$6,500 per month and a separate monthly percentage rent payment. Riverside Food Hall, LP will take the space “as-is” with no tenant improvement allowance and is comfortable incorporating an “early termination clause” into the lease – should the City need to retake the Showcase for any reason. Moreover, Riverside Food Hall, LP will also pay, separate from the base and percentage rent, their pro-rata share of utilities consumed and possessory interest taxes. Lastly, as the Showcase was not constructed to accommodate the noise levels that a Barcade will generate. Riverside Food Hall, LP would be responsible for incorporating noise cancelling technology to not interfere with events taking place at the adjacent Fox Performing Arts Theater and The Box.

Staff also recently received an unsolicited lease proposal from the Old Riverside Foundation (ORF) to utilize the Showcase for an exhibition of historic chairs. ORF generically proposed to lease the Showcase for 9-12 months, with the option to go month-to-month thereafter. After all expenses have been paid, for the term of the exhibition, ORF is willing to contribute a percentage of their profits to the City. City staff is concurrently working with ORF to identify alternative locations for the exhibit. ORF will also pay their pro-rata share of all utilities consumed.

With the aforementioned in mind, staff recommends that the Development Committee direct staff to negotiate a Lease Agreement with Riverside Food Hall, LP for the Showcase at the Fox Entertainment Plaza to convert the Showcase from museum-related exhibition space to an arcade and gaming entertainment venue for City Council’s final consideration.

FISCAL IMPACT:

As previously noted, the Showcase at the Fox Entertainment Plaza currently generates very little revenue for the General Fund. Should a lease agreement with Riverside Food Hall, LP be approved by City Council, the General Fund can expect a sizeable increase in revenue due to monthly base and percentage rent over the course of the lease.

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Certified as to availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer

Approved by: Rafael Guzman, Assistant City Manager

Approved as to form: Gary G. Geuss, City Attorney

Attachment: Presentation