



*City of Arts & Innovation*

# City Council Memorandum

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**TO: HONORABLE MAYOR AND CITY COUNCIL                      DATE: MARCH 26, 2019**

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

**SUBJECT: FIRST AMENDMENT TO GROUND LEASE AGREEMENT BY AND BETWEEN  
THE COUNTY OF RIVERSIDE AND THE CITY FOR REAL PROPERTY  
LOCATED AT 4049-4053 MAIN STREET, BEARING ASSESSOR PARCEL NO.'S  
215-092-010 AND 215-092-011, TO FACILITATE THE PROPOSED CHOW  
ALLEY DEVELOPMENT**

## **ISSUE:**

Approve a draft First Amendment to the Ground Lease Agreement by and between the County of Riverside and the City for real property located at 4049-4053 Main Street, bearing Assessor Parcel No.'s 215-092-010 and 215-092-011, to facilitate the proposed Chow Alley development.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve a draft First Amendment to the Ground Lease Agreement by and between the County of Riverside and the City for real property located at 4049-4053 Main Street, bearing Assessor Parcel No.'s 215-092-010 and 215-092-011, to facilitate the proposed Chow Alley development; and
2. Authorize the City Manager, or his designee, to execute the final First Amendment to the Ground Lease Agreement by and between the County of Riverside and the City, including making minor, non-substantive changes, based on County of Riverside changes, and to sign all documents and instruments necessary to complete the transaction.

## **BACKGROUND:**

On April 5, 2016, the City Council approved a Ground Lease Agreement for approximately 0.25 acres of land with the County of Riverside for real property located at 4049-4053 Main Street, bearing Assessor Parcel No.'s 215-092-010 and 215-092-011, to facilitate the proposed Chow Alley project. Shortly thereafter, on April 21, 2016, the County of Riverside and the City formally entered into the Ground Lease Agreement for the subject property.

## **DISCUSSION:**

One of Riverside's greatest assets, and one that continues to set the City apart from other municipalities in the region, is its downtown area. To ensure that the downtown area continues to be a focal point for the ever-changing community, visitors, and others, it is important to create new public spaces and activate the architectural assets and public spaces that comprise it.

With this in mind, a plan was previously conceived for the repurposing and activating of the environment surrounding Main Street between 10<sup>th</sup> and 11<sup>th</sup> Streets. Currently dubbed Chow Alley @ Courthouse Piazza, and likely to be renamed, the proposed public space development site is comprised of Main Street (between 10<sup>th</sup> and 11<sup>th</sup> Streets) as well as City and County of Riverside-owned properties, which includes Public Parking Lot No. 19 and a County parking lot (see map below).

In order to realize the noted goals for the project, a 33-year Ground Lease Agreement was required with the County of Riverside.



The terms of the Ground Lease Agreement included (but are not limited to):

- Within one hundred eighty (180) days from the commencement date of the Lease, the City shall provide the County with preliminary plans for all improvements proposed to be made and the City and County shall work together to develop a mutually agreeable design.
- City, or its sublessee, shall obtain all entitlements necessary for the development of the subject site within three years (April 2019) of the commencement date of the Lease Agreement.
- The development shall substantially commence operations of all businesses on the subject site no later than six years (April 2022) following the commencement date of the Lease Agreement.
- Failure of the City, or its sublessee, to obtain all development entitlements within three years of the commencement date of the Lease Agreement or to complete all improvements to substantially commence operations of all businesses on the subject site within six years of the

commencement date of the Lease Agreement shall give the County of Riverside the right to terminate the Lease Agreement immediately.

- Upon expiration of the Lease, all improvements on the County-owned portion of the subject site shall become the property of the County.
- The Lease term shall be for thirty (30) years with two five (5) year options to extend;
- Rent shall be one dollar (\$1.00) per year.
- The County shall have the right to terminate the Lease seven (7) years after Lease execution by providing one (1) year's written notice to the City.
- The City shall have the right to terminate the Lease for any reason by providing the County with one hundred eighty (180) days written notice.

In late 2016, staff began negotiating with Best Beverage Catering (BBC), of San Diego, to develop the Chow Alley project site. Over one year later, BBC informed staff that it was no longer interested in developing the subject site due to commitments to other development projects. Shortly thereafter, staff began negotiating with Arteco Partners of Pomona, the developer of downtown's Riverside Food Lab project, to build-out the site.

Although Arteco Partners signaled a strong interest in developing the site, they cautioned that they could not focus on the project until such time as the Riverside Food Lab project opened and was stabilized. The Riverside Food Lab, which opened in September of 2018, has quickly become one of the City's top destinations.

Arteco Partners continues to be interested in the subject site and lease negotiations are currently ongoing. The proposed 1<sup>st</sup> Amendment will allow the City additional time to continue negotiating with Arteco Partners and ensure that the subject site is developed in a thoughtful manner within a revised and achievable timeline.

As such, the terms of the original Ground Lease Agreement will remain the same, except for the following terms which have been changed as part of the proposed 1<sup>st</sup> Amendment to the Ground Lease:

- Within five years after the commencement date of the Lease Agreement (now April 2021), the City must provide the County of Riverside with preliminary plans for all improvements proposed on the subject site.
- The City, or its sublessee, shall obtain all entitlements necessary for the development of the subject site within six years (now April 2022) of the commencement date of the Lease Agreement.
- The development shall substantially commence operations of all businesses on the subject site not later than seven years (now April 2023) following the commencement date of the Lease Agreement.
- Failure of the City, or its sublessee, to obtain all development entitlements within six years of the commencement date of the Lease Agreement or to complete all improvements to substantially commence operations of all businesses on the subject site within seven years of the commencement date of the Lease Agreement shall give the County of Riverside the right to terminate the Lease Agreement immediately.

Lastly, should the City Council approve the proposed 1<sup>st</sup> Lease Amendment, the Board of Supervisors for the County of Riverside must also review and consent. Staff has been working diligently with its counterpart at the County in efforts to obtain mutual consent before the April 2019 deadline to obtain all entitlements for the development of Chow Alley (under the existing Lease Agreement).

**FISCAL IMPACT:**

There is no fiscal impact associated with the proposed 1<sup>st</sup> Lease Amendment. The City will continue to remit one dollar (\$1.00) per year to the County of Riverside as required by the Ground Lease Agreement.

Prepared by:	David Welch, Community & Economic Development Director
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. Guess, City Attorney

Attachment:	1 <sup>st</sup> Lease Amendment
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