



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: JUNE 18, 2019**  
**FROM: COMMUNITY & ECONOMIC DEVELOPMENT** **WARD: 1**  
**DEPARTMENT**

**SUBJECT: THIRD AMENDMENT TO GROUND LEASE AGREEMENT AND THIRD AMENDMENT TO WATER SALE AGREEMENT WITH THE AMERICAN YOUTH SOCCER ORGANIZATION – REGION 47 FOR USE OF THE AB BROWN COMPLEX THROUGH JUNE 30, 2020, ANNUAL REVENUE AMOUNT OF \$12,000 PLUS IN KIND SERVICES IN THE FORM OF MAINTENANCE FOR THE CONTINUED DELIVERY OF NON-POTABLE WATER FOR IRRIGATION TO THE FIELDS**

## **ISSUE:**

Approve a Third Amendment to Ground Lease Agreement and Third Amendment to Water Sale Agreement with American Youth Soccer Organization – Region 47 for the use of the AB Brown Soccer Complex through June 30, 2020.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the Third Amendment to the Ground Lease Agreement with the American Youth Soccer Organization – Region 47, extending the existing lease agreement term through June 30, 2020, at the AB Brown Soccer Complex in the amount of \$12,000 annually;
2. Approve the Third Amendment to the Water Sales Agreement with the American Youth Soccer Organization – Region 47, extending the existing agreement term through June 30, 2020, at the AB Brown Soccer Complex; and
3. Authorize the City Manager, or his designee, to execute the Third Amendment to Ground Lease Agreement and Third Amendment to Water Sales Agreement with the American Youth Soccer Organization – Region 47 for use of the AB Brown Soccer Complex, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction, and to execute amendments for the optional one-year extensions.

## **BACKGROUND:**

### **Purchase and Development of the Site:**

On July 24, 1930, the City Council approved the purchase of the property from John T. and Amelia A. Garner for \$10.00. (The present day Reid Park, AB Brown Soccer Complex, and the former Riverside Golf Course are all contained within this property.) The Grant Deed was recorded on July 25, 1930 (Deed No. 986). Riverside Public Utilities (RPU) assumed control of this property to secure local water rights and to enable the development of future water resources.

The AB Brown Soccer Complex (AB Brown) is a single parcel within the former Garner property containing approximately 56 acres. On December 3, 1982, the City entered into a Lease Agreement with Riverside Sports Organization Inc., to develop and operate a youth football and soccer complex to facilitate the promotion and teaching of these sports to children. On August 24, 1992, Riverside Sports Organization Inc. entered into a Lease Assignment Agreement with American Youth Soccer Organization (AYSO), assigning and transferring all of the rights, titles, interests and obligations in the original Lease Agreement to AYSO. The site is currently improved with parking lots, bathrooms, miscellaneous storage, lighting, underground utilities, fencing, landscaping, and water stations. These improvements were made by the City's Parks, Recreation and Community Services Department (PRCSD) and AYSO with AYSO assuming responsibility to provide all maintenance of the facilities, including watering, mowing, weed control, graffiti abatement and security.

On June 20, 1995, the City entered into a Non-exclusive License Agreement with AYSO for the use of AB Brown.

On June 30, 2010, the City entered into an agreement with AYSO for the sale of non-potable water from Riverside to AYSO, on a wholesale basis, to be used solely for irrigation of landscaping at AB Brown. Later that year, the City entered into a First Amendment to a Non-exclusive License Agreement with AYSO for the use of AB Brown.

On May 1, 2015, the Public Utilities Board (Board) recommended that the City enter into a one-year Lease Agreement and Water Sales Agreement commencing on July 1, 2015 with AYSO for the use of the Property for the playing and teaching of soccer for youth soccer programs and soccer tournaments. The City Council approved both agreements on May 19, 2015.

On June 6, 2016, the Board recommended that the City enter into a First Amendment to Ground Lease and a First Amendment to Water Sales Agreement with AYSO for a term of two-years which expired on June 30, 2018. These amendments were approved by City Council on June 7, 2016.

On June 25, 2018, the Board recommended that the City enter into a Second Amendment to the Ground Lease and a Second Amendment to the Water Sales Agreement for a term of one-year, set to expire on June 30, 2019, plus two (2) optional one-year extension periods with AYSO with certain conditions including 120 days' notice prior to termination and by providing an annual financial accounting of non-AYSO revenue and uses for the Property. These agreements were approved by City Council on July 10, 2018. If all extension periods were exercised, the Agreements would expire on June 30, 2021.

On June 10, 2019, the Board will receive information and updates from staff regarding the Third Amendment to Ground Lease and the Water Sale Agreement with the American Youth Soccer Organization- Region 47.

Additional Transactions:

On December 17, 2010, the Board recommended the transfer of the Property from Water to Electric for the fair market value amount of \$11,600,000 based upon an appraisal, for the following reasons:

1. RPU – Water, did not anticipate future development on the site; and
2. RPU – Electric Utility had very limited real property holdings and the property transfer would better balance the Utilities' respective short-term and long term investment and reserve assets. In addition this allowed the Electric Fund to capitalize on future appreciation of real estate values, while increasing the financial liquidity of the Water Fund.

**DISCUSSION:**

Lease Extension:

AYSO has requested to exercise their option to extend the term of the Ground Lease and Water Sale Agreement for the continued use of the AB Brown Soccer Complex. The new proposed lease extension is for a one-year period extending the current lease and agreement to June 30, 2020. Per the agreement, this extension is granted as long as AYSO performs as required by the agreement:

1. Sends a written request to the City at least one hundred twenty (120) days prior to the expiration of the then- current term of the Lease;
2. Provides an accounting of all other use of the Property by non-AYSO entities during the preceding year of the Lease; and
3. Provides an accounting of all funds collected by AYSO from non-AYSO entities.

AYSO has complied with these requirements by providing the necessary information to staff.

The Lease contains the following provisions for termination:

1. If AYSO defaults on the Lease for any reason other than rent and the City provides AYSO with 30 days to cure, and if the corrections are not completed, the Lease automatically terminates;
2. If AYSO abandons the Lease for two months, the Lease automatically terminates; and
3. The City may terminate the Lease during either of the optional 180 day extension periods by providing 180 days notice to AYSO prior to the expiration of either of the extended terms. The City could terminate the last option year which expires on June 30, 2021 by providing notice to AYSO on or before January 1, 2020 if the City desired to terminate the last option period. In this instance, the Lease would be terminated effective June 30, 2020.

Staff does not recommend that the City Council terminate the agreement at this time for the following reasons:

1. Northside Specific Plan (Northside Plan) - The City is actively working on the Northside Specific Plan and is in the process of preparing an Environmental Impact Report (EIR). If the area around the complex remains zoned for industrial uses, AB Brown will likely remain at its current location. Otherwise, if the area around AB Brown is expected to become residential, the complex will likely be relocated. It is unreasonable to expect

another organization to develop and/or maintain the property before this issue is resolved.

2. Avoided Costs - As stated above, AYSO maintains AB Brown at no cost to the City. If PRCSD were to assume the operations and maintenance of AB Brown, it anticipates that it would do so at a significant loss – estimated at \$700,000 based on an initial start-up cost of approximately \$200,000 and annually thereafter of over \$500,000. Likewise, if the land were to become vacant, RPU would likely spend approximately \$25,000 to \$75,000 for weed control purposes.
3. Scheduling Committee - AYSO met with the Scheduling Committee at least 3 times from July 2018- March 2019 to review additional uses of the Property.
4. Financials - As of December 31, 2018, AYSO's balance was \$51,829.38 of which, \$24,450.00 was collected from non-AYSO user groups for rental of the soccer fields.

Below is a reference to AYSO's lease requirements pursuant to the Second Amendment Section 3(f), Section 3(g) and Section 28:

Under the terms of the proposed Third Ground Lease Amendment, AYSO shall continue to pay an annual lease fee of \$12,000 to the City, to keep the premises in a neat and clean condition free of all weeds, trash and refuse, and to keep any walls, fences, gates, signs and any other improvements adjacent to the premises free from graffiti. As has been the case since inception of this use, RPU continues to reserve its water rights, including the installation of pipelines, wells, etc., over all of the leased property without further consent by AYSO. Staff believes the ground lease payment and in-kind services for maintenance are adequate and appropriate compensation for the proposed use. The proposed Third Amendment to Water Sales Agreement allows for the continued delivery of non-potable water for irrigation to the fields through a service and meter connected to the well system's collection of pipelines. Staff has reviewed the on-going water use at the property and determined that adequate water supply exists to continue the non-potable sale. The terms of the original Ground Lease and Water Sale Agreement will remain the same, except for the extended term.

AYSO's obligation to maintain the facility is a significant value as it offsets the costs RPU would otherwise incur absent a lease agreement.

RPU and PRCSD staff believe that the maintenance and program activity provided by AYSO generates significant value compared to the maintenance and programming cost RPU and the PRCSD would incur absent of the Lease Agreement.

The Riverside Public Utilities General Manager and the Parks, Recreation and Community Services Director concur with the recommendations in this staff report.

### **FISCAL IMPACT:**

Total revenue from the ground lease is \$12,000 annually. All lease revenue will be deposited into the Riverside Public Utilities Electric Fund Other Property Rental Account No. 0000510-373120. Water service revenue based on prior usage is estimated at \$30,000 annually and will be collected as part of the normal billing process for Riverside Public Utility water customers.

Prepared by: David Welch, Community & Economic Development Director  
Certified as to  
availability of funds: Edward Enriquez, Chief Financial Officer / City Treasurer  
Approved by: Al Zelinka, FAICP, City Manager  
Approved as to form: Gary G. Guess, City Attorney

Attachments:

1. Third Amendment to Ground Lease
2. Third Amendment to Water Sales Agreement