



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: SEPTEMBER 17, 2019

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

SUBJECT: THIRD AMENDMENT TO COMMERCIAL LEASE WITH THE UNIVERSITY ENTERPRISES CORPORATION AT CALIFORNIA STATE UNIVERSITY SAN BERNARDINO FOR ITSELF AND ON BEHALF OF THE INLAND EMPIRE SMALL BUSINESS DEVELOPMENT CENTER, ONE YEAR EXTENSION THROUGH JUNE 30, 2020 – 3780 MARKET STREET, FOR APPROXIMATELY 2,325 SQUARE FEET OF RENTABLE SPACE

ISSUE:

Approve the Third Amendment to Commercial Lease with the University Enterprises Corporation at California State University San Bernardino for itself and on behalf of the Inland Empire Small Business Development Center, for a one-year option to extend the lease for approximately 2,325 square feet of rentable space located at 3780 Market Street.

RECOMMENDATIONS:

That the City Council:

1. Approve the Third Amendment to Commercial Lease with University Enterprises Corporation at California State University San Bernardino for itself and on behalf of the Inland Empire Small Business Development Center, to extend the lease from July 1, 2019 through June 30, 2020 for approximately 2,325 square feet of rentable space located at 3780 Market Street;
2. Authorize the City Manager, or his designee, to execute the Third Amendment to Commercial Lease – with University Enterprises Corporation at CSUSB for itself and on behalf of the Inland Empire Small Business Development Center, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

BACKGROUND:

The Inland Empire Small Business Development Center (IESBDC) has served the City of Riverside and surrounding communities for over 15 years, providing the business community with affordable access to quality consulting, insightful training and key resources that allow local small businesses and entrepreneurs to achieve their goals. The IESBDC is principally funded through

a grant from the U.S. Small Business Administration (SBA). As a condition of funding SBA, IESBDC is required to raise 54% of its grant from local private and public entities.

On November 27, 2012, the City Council approved a five-year funding commitment (Fiscal year 2012/13- Fiscal Year 2017/18) to the IESBDC which included \$20,000 in grant funding and a lease funding grant to maintain their presence in Riverside. As part of the lease grant funding, the City agreed to provide approximately 2,325 square feet of rentable space at 3750 Market Street for a period of five years and six months at a minimal cost. The “Rent Paid by City” amount was to be transferred directly from the Office of Economic Development budget to the Parking Fund.

In an effort to assist the IESBDC with meeting their 54% required local match of its grant, the City revised the Agreement to pay IESBDC the “Rent Paid by City” directly, which they would in turn used to pay the rent on the office space located at 3780 Market Street.

On January 22, 2013, the City and University Enterprises Corporation at California State University San Bernardino (CSUSB) entered into a Commercial Lease Agreement for certain space within the building located at 3780 Market Street, for a five year term with two one-year options to extend.

In October 2013, City Council approved the 1st Amendment to Commercial Lease Agreement with University Enterprises Corporation at CSUSB for the IESBDC, which clarified the Lease commencement date (June 30, 2013), base rent and provided for 3% annual increases.

In September 2018, City Council approved a 2nd Amendment to Commercial Lease Agreement with University Enterprises Corporation at CSUSB for the IESBDC which extended the term for one year from July 1, 2018 through June 30, 2019, and clarified the base rent.

On September 25, 2018, City Council approved a grant funding agreement with University Enterprises Corporation at CSUSB on behalf of IESBDC in the amount of \$100,000 for fiscal years 2018-19 & 2019-20. The grant funding agreement expires on June 30, 2020.

DISCUSSION:

Staff has reviewed the proposed Third Amendment to Commercial Lease Agreement and recommends approval. The basic deal points of the proposed Third Amendment are summarized below:

- 1) **Base Rent (Full Service Gross Lease):** For months 1 through 12 of the Lease term, the monthly base rent will be increased by 3% percent from last years’ monthly base rent as follows:

Months	Monthly Base Rental Rate	Monthly Base Rent	Annual Base Rent
1-12	\$1.16	\$2,697.00	\$32,364.00

- 2) **Other:** All other terms of the Lease between the parties which are not inconsistent with the terms of this Third Amendment, shall remain in full force and effect as if fully set forth herein.

FISCAL IMPACT:

The 3% rental increase included in the lease extension will result in an increase of less than \$1,000 in annual revenues to the Public Parking Fund.

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: Third Amendment to Lease Agreement – City and University Enterprises Corporation at CSUSB