



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: OCTOBER 1, 2019**

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

**SUBJECT: LEASE AGREEMENT WITH DAVID D.L. HORTON, ESQ. AND ASSOCIATES, A PROFESSIONAL CORPORATION – MISSION SQUARE OFFICE BUILDING, 3750 UNIVERSITY AVENUE, SUITE 560 FOR A THREE-YEAR TERM WITH AN OPTION TO EXTEND FOR ONE ADDITIONAL THREE-YEAR TERM**

## **ISSUE:**

Approve a Lease Agreement with David D.L. Horton, Esq. and Associates, a professional corporation from Riverside, California, for approximately 1,521 square feet of rentable office space in the Mission Square Office Building located at 3750 University Avenue, Suite 560, for a three-year term with an option to extend for one additional three-year period.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the Lease Agreement with David D.L. Horton, Esq. and Associates, a professional corporation of Riverside, California, for approximately 1,521 square feet of rentable office space in the Mission Square Office Building located at 3750 University Avenue, Suite 560 for a three-year term with an option to extend for one additional three-year period; and
2. Authorize the City Manager, or his designee, to execute the Lease Agreement, including the optional three-year extension, if exercised, along with making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

## **BOARD RECOMMENDATION**

On September 9, 2019, the Riverside Public Utilities Board unanimously voted to recommend that City Council approve the Lease Agreement with David D.L. Horton, Esq. and Associates, a professional corporation from Riverside, California for approximately 1,521 square feet of rentable office space in the Mission Square Office Building located at 3750 University Avenue, Suite 560 for a three-year term generating revenue in the amount of \$149,500 with an option to extend for one additional three-year period.

## **BACKGROUND:**

On October 13, 2015, the City acquired the Mission Square Office Building at 3750 University Avenue (Property), which was funded by Riverside Public Utilities (RPU). As such, RPU is now the landlord of the Property. The Property consists of approximately 127,533 square feet of rentable office and retail space in a six-story building, plus a basement level and a 489 parking stall garage situated on approximately 2.5 acres of land.

On January 26, 2016, the City Council approved an Exclusive Authorization of Lease Agreement with Newmark of Southern California, Inc. dba Newmark Grubb Knight Frank, currently known as Newmark Knight Frank (NKF), to provide broker leasing services for the Property. RPU staff has been coordinating the leasing process for the Property with the Real Property Services Division of the Community & Economic Development Department and NKF as the broker for the Property.

## **DISCUSSION:**

Haight Brown & Bonesteel, LLP previously occupied Suite 560 and was a sub-tenant of Best, Best & Krieger, LLP from 2009 to 2017. The space has been vacant since Haight Brown & Bonesteel, LLP moved out in 2017.

Through its leasing broker, NKF, the City negotiated a lease with David D.L. Horton, Esq. and Associates, a professional corporation (Tenant).

Staff has reviewed and recommends the proposed Lease Agreement. The basic deal points of the proposed Lease are summarized below:

1. Term: Three-year lease to commence upon City Council approval.
2. Premises: Approximately 1,521 rentable square feet of space located at 3750 University Avenue, Suite 560.
3. Base Rent (Full Service Gross Lease):

Period	Monthly Base Rent	Per Sq. Ft.
Year 1	\$4,030.65	\$2.65
Year 2	\$4,151.57	\$2.72
Year 3	\$4,276.12	\$2.81

4. Security Deposit: Tenant shall deposit with The City a security deposit in the amount of \$5,345.15.
5. Option to Extend: The City shall provide Tenant with one 3-year option to extend the Term of the Lease provided Tenant notifies the City no earlier than 12 months and no later than six months prior to the expiration of the original Lease Term.
6. Tenant Improvements: The City agrees, at its sole cost and expense, to make the following improvements to the premises: (a) install a demising wall to separate the

Premises from Suite 550; (b) relocate door for entry into neighboring tenant's space and close off opening; (c) replace any damaged or missing ceiling tiles to match existing; (d) re-stain two existing wood accents on existing built-in work stations and on planter areas; (e) replace flooring in kitchen with new luxury vinyl tile; (f) remove existing kitchen cabinets and sink and replace and install new upper and lower cabinets and sink; and (g) repaint premises throughout.

7. Possessory Interest Taxes:

- a. The City will be responsible for payment of any possessory interest taxes assessed to Tenant provided that the tenant is current in payment of its monthly rent obligations to the City; and
- b. Tenant must submit the request for payment within 30 days of the due date. Otherwise, the City will not be responsible for payment of any penalties or late collection charges imposed by the County Treasurer.

8. Broker: Pursuant to the existing Exclusive Authorization to Lease Agreement with NKF, City will pay NKF a leasing commission equal to 5% of the lease consideration for years 1 through 3 estimated to be a total amount of \$7,475.00.

**FISCAL IMPACT:**

The lease revenue over the three-year term will generate an estimated gross revenue of \$149,500. All revenue will be deposited into the Mission Square Building Property Management Trust Account managed by RPU and used to pay operating expenses for the Property, including the lease commission of \$7,475.00 to NKF for this transaction and the Landlord's Tenant Improvement Cost discussed in Item 6 above, estimated not to exceed \$50,000. Sufficient funds are available in Public Utilities Professional Services Account 6000030-421000 for the Tenant Improvement costs.

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. Lease Agreement
2. RPU Board Meeting Minutes – September 9, 2019