



# RIVERSIDE PUBLIC UTILITIES

## Board Memorandum

**BOARD OF PUBLIC UTILITIES**

**DATE:** DECEMBER 9, 2019

**ITEM NO:** 8

**SUBJECT: FIRST AMENDMENT TO PROPERTY MANAGEMENT AGREEMENT WITH G&E REAL ESTATE MANAGEMENT SERVICES, INC., dba NEWMARK KNIGHT FRANK FOR MISSION SQUARE PROPERTY LOCATED AT 3750 UNIVERSITY AVENUE FOR AMENDED COMPENSATION AND PROPERTY MANAGEMENT FEE**

### **ISSUE:**

Recommend that the City Council approve a First Amendment to Property Management Agreement with G&E Real Estate Management Services, Inc., dba Newmark Knight Frank, for property management services, amending the compensation and property management fee to include additional compensation to Newmark Knight Frank not to exceed 5% of the total project cost for performing project management oversight services for the Mission Square Office Building located at 3750 University Avenue.

### **RECOMMENDATIONS:**

That the Board of Public Utilities recommend that the City Council:

1. Approve the First Amendment to the Property Management Agreement with G&E Real Estate Management Services, Inc., dba Newmark Knight Frank, for property management services, amending the compensation and property management fee to include additional compensation to Newmark Knight Frank not to exceed 5% of the total project cost for performing project management oversight services for the Mission Square Office Building located at 3750 University Avenue;
2. Authorize the City Manager, or designee, to execute the First Amendment to the Property Management Agreement, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction; and
3. Authorize the City Manager, or designee, to negotiate the project management fee for projects in excess of \$1,000,000 in an amount less than 3% of the total project cost pursuant to the terms and conditions outline in the First Amendment.

### **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 490-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 Knight Frank (NKF), to provide broker leasing services for the Property. RPU staff have 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:**

The original Property Management Agreement with NKF did not include a provision to pay for project management oversight. Now that a site assessment has been completed and capital projects have been further identified for construction, a First Amendment is necessary to assign a project management fee and to clarify repairs, maintenance, and construction along with monthly financial reports. A summary of the proposed changes is discussed below:

1. Section 9.1. Project Management Fee. The proposed fee to NKF is based on the following:
  - A. For projects less than \$500,000; the project management fee is equal to 5% of the total project cost; and for projects of \$500,000 or more; the project management fee is equal to:
    - a. 5% of the total project cost equal to or less than \$500,000 plus
    - b. 4% of the total project cost in excess of \$500,000 but less than \$750,000 plus
    - c. 3% of the total project cost in excess of \$750,000 but less than \$1,000,000 plus
    - d. For projects that are over \$1,000,000, the Owner and Property Manager shall agree to a price in advance and shall be subject to a not to exceed 3% fee.
    - e. All applicable fees related to the capital improvements projects must be approved by RPU prior to the commencement of work.
2. Section 2.7. Repairs, Maintenance and Construction. The Property Manager shall also be responsible for the management, oversight, coordination and point of contact for all tenant improvement projects, as well as for any and all building maintenance or construction projects initiated by Owner in accordance with Section 9.1.
3. Section 4.2. Financial Reports. On or before the 15<sup>th</sup> day after the end of each month, Property Manager shall also be responsible for the management, oversight, coordination and point of contact for all tenant improvement projects, as well as for any and all building maintenance or construction projects initiated by Owner in accordance with Section 9.1.

## **FISCAL IMPACT:**

There is no fiscal impact associated with this report. Funding for project management oversight fees comes from an account held in trust for the City by our property manager, NKF, and the capital improvement budget as approved by the Board of Public Utilities.

Prepared by: David Welch, Community & Economic Development Director  
Approved by: Todd M. Corbin Utilities General Manager  
Approved by: Al Zelinka, FAICP, City Manager  
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability  
of funds: Brian Seinturier, Utilities Fiscal Manager

Attachment: First Amendment to Property Management Agreement