



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: JANUARY 13, 2020

ITEM NO: 6

SUBJECT: LEASE AGREEMENT WITH FEHR & PEERS, A CALIFORNIA CORPORATION FOR MISSION SQUARE OFFICE BUILDING, 3750 UNIVERSITY AVENUE, SUITE 225 FOR A FIVE-YEAR TERM GENERATING AN ETIMATED GROSS REVENUE IN THE AMOUNT OF \$231,307 WITH ONE OPTIONAL FIVE YEAR EXTENSION

ISSUE:

Recommend that the City Council approve a Lease Agreement with Fehr & Peers, a California corporation, for a five-year term, with one five-year option to extend, for approximately 1,938 square feet of rentable office space in the Mission Square Office Building located at 3750 University Avenue, Suite 225, to generate an estimated gross revenue in the amount of \$231,307.

RECOMMENDATIONS:

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

1. Approve the Lease Agreement with Fehr & Peers, a California corporation, for a five-year term, with one five-year option to extend, for approximately 1,938 square feet of rentable office space in the Mission Square Office Building located at 3750 University Avenue, Suite 225 to generate an estimated gross revenue in the amount of \$231,307; and
2. Authorize the City Manager, or designee, to execute the five-year Lease Agreement, including the optional five-year extension, if exercised, along with making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

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 125,020 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:

Gresham Savage previously occupied Suite 225 from 2002 to 2015. The space has been vacant since Gresham Savage moved out in 2015.

Through its leasing broker, NKF, the City negotiated a lease with Fehr & Peers, a California corporation.

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

1. Term: Five-year lease to commence upon City Council approval.
2. Premises: Approximately 1,938 rentable square feet of space located at 3750 University Avenue, Suite 225.
3. Base Rent (Full Service Gross Lease with 5% annual increases):

Period	Monthly Base Rent	Per Sq. Ft.
Year 1	\$3,488.40	\$1.80
Year 2	\$3,662.82	\$1.89
Year 3	\$3,845.96	\$1.98
Year 4	\$4,038.26	\$2.08
Year 5	\$4,240.17	\$2.19

4. Security Deposit: Tenant shall deposit with Landlord a Security Deposit in the amount of \$5,300.00.
5. Option to Extend: Landlord shall provide Tenant with one (1) 5-year option to extend the Term of the Lease provided Tenant notifies Landlord no earlier than twelve (12) months and no later than six (6) months prior to the expiration of the original Lease Term. The base rent in the option period will be at the prevailing fair market rental rate at the time of extension, subject to three percent (3%) annual increases thereafter.
6. Tenant Improvements: None. The Tenant will accept the premises in its “as-is” current condition.
7. Possessory Interest Taxes:
 - a. The City will be responsible for payment of any possessory interest taxes assessed to Fehr & Peers provided that the tenant is current in payment of its monthly rent obligations to the City; and
 - b. Fehr & Peers 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 to pay NKF a leasing commission equal to 6.5% of the lease consideration for years 1 through 5 which is estimated to be a total amount of \$15,034.98.

FISCAL IMPACT:

The lease revenue over the five-year term will generate an estimated gross revenue of \$231,307. 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 \$15,034.98 to NKF for this transaction.

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: Lease Agreement – City and Fehr & Peers, a California corporation