



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: SEPTEMBER 1, 2020

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 1
DEPARTMENT

SUBJECT: FOURTH AMENDMENT TO COMMERCIAL LEASE AGREEMENT WITH UNIVERSITY ENTERPRISES CORPORATION AT CALIFORNIA STATE UNIVERSITY SAN BERNARDINO ON BEHALF OF THE INLAND EMPIRE SMALL BUSINESS DEVELOPMENT CENTER, FOR THE USE OF APPROXIMATELY 2,325 SQUARE FEET OF RENTABLE SPACE LOCATED AT 3780 MARKET STREET FOR A TWO YEAR TERM WITH TWO ONE-YEAR OPTIONS TO EXTEND – GARAGE 3

ISSUE:

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

RECOMMENDATIONS:

That the City Council:

1. Approve the Fourth 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, 2020 through June 30, 2022; and
2. Authorize the City Manager, or his designee, to execute the Fourth Amendment to Commercial Lease Agreement including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction, including the two one-year options to extend the lease term if exercised.

BACKGROUND:

The Inland Empire Small Business Development Center (IESBDC) at California State University San Bernardino has served the City of Riverside and surrounding communities for over 15 years. IESBDC provides 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. IESBDC is principally funded through a grant from the United States Small Business Administration (SBA). As a condition of funding SBA loans, the IESBDC is required to raise 54% of its grants from local private and public entities.

On November 27, 2012, the City Council approved a five-year funding commitment (fiscal year 2012/2013 through fiscal year 2017/2018) 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 of Riverside (City) agreed to provide approximately 2,325 square feet of rentable office space at 3750 Market Street for a period of five years and six months. The "Rent Paid by City" was to be transferred directly from the City's Office of Economic Development budget to the Parking Fund.

On January 22, 2013, the City and the IESBDC entered into a Commercial Lease Agreement for certain space within building located at 3780 Market Street, for a five (5) year term with two (2) one-year options to extend.

On October 8, 2013, City Council approved a First Amendment to Commercial Lease Agreement with University Enterprises Corporation at CSUSB for the IESBDC which clarified the Lease commencement date to June 30, 2013, the base rent, and provided for 3% annual rent increases.

On September 4, 2018, City Council approved a Second 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 to June 30, 2019, and clarified the base rent amount owed to the City.

On September 25, 2018, City Council approved a funding agreement with University Enterprises Corporation at CSUSB on behalf of the IESBDC in the total amount of \$100,000 for fiscal years 2018/2019 and 2019/2020 which did not include a provision for the City to subsidize a portion of the lease rent. The grant funding agreement expired on June 30, 2020.

On September 17, 2019, City Council approved a Third Amendment to Commercial Lease Agreement with University Enterprises Corporation at CSUSB for the IESBDC which extended the term for one year from July 1, 2019 to June 30, 2020.

On August 18, 2020, the City Council approved a two-year funding agreement with University Enterprises Corporation at CSUSB on behalf of the IESBDC in the total amount of \$100,000 for fiscal years 2020/2021 and 2021/2022. The last City funding agreement with the IESBDC expired June 30, 2020.

DISCUSSION:

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

- 1) Term: The lease term is extended for two (2) years, commencing on July 1, 2020, and terminating on June 30, 2022. The term may be extended by mutual written agreement of the Parties for two (2) additional one (1) year options to extend through June 30, 2024.
- 2) Base Rent (Full Service Gross Lease): The monthly base rent will be increased by 3%

percent annually from last years' monthly base rent, including the two one-year options to extend, if exercised, in accordance with the schedule below:

Term	Monthly Base Rental Rate	Monthly Base Rent	Annual Base Rent
7/1/20 – 6/30/21	\$1.19	\$2,766.55	\$33,201.00
7/1/21 – 6/30/22	\$1.23	\$2,859.75	\$34,317.00
7/1/22 – 6/30/23	\$1.27	\$2,952.75	\$35,433.00
7/1/23 - 6/30/24	\$1.31	\$3,045.75	\$36,549.00

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

FISCAL IMPACT:

The fiscal impact of the agreement for the initial 2-year term is \$67,518.00. Funds will be deposited into the Parking Fund Garage 3 Office Lease account number 0000570-322260.

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

Attachment: Fourth Amendment to Commercial Lease Agreement