



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JULY 20, 2021

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 1
DEPARTMENT

SUBJECT: LEASE AGREEMENT WITH MARKET STREET PROPERTIES I, LLC FOR A ONE-YEAR TERM, FOR APPROXIMATELY 86 PARKING SPACES LOCATED AT 4150 MARKET STREET KNOWN AS PARKING LOT 38 AND IDENTIFIED AS ASSESSOR'S PARCEL NUMBER 215-252-018, WITH A TOTAL LEASE VALUE OF \$81,870

ISSUE:

Approve a lease Agreement with Market Street Properties I, LLC for a one-year term, for approximately 86 parking space located at 4150 Market Street, known as Parking Lot 38 and identified as Assessor's Parcel Number 215-252-018, with a total lease value of \$81,870.

RECOMMENDATIONS:

That the City Council:

1. Approve a Lease Agreement with Market Street Properties I, LLC (Attachment 1), for a one-year term for approximately 86 parking spaces located at 4150 Market Street, known as Parking Lot 38 and identified as Assessor's Parcel Number 215-252-018 (Property), with a total lease value of \$81,870; and
2. Authorize the City Manager, or his designee, to execute the Lease Agreement, along with making minor and non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

BACKGROUND:

On December 20, 1994, the City Council approved a Memorandum of Agreement (MOA – Attachment 2) with the former City of Riverside Redevelopment Agency (RDA) and the County of Riverside (County) to assist with facilitating the construction of a new County Family Law Court building in downtown. To further assist with promoting the development of the Family Law Court, the former RDA entered into a Ground Lease and Option to Purchase Agreement (Ground Lease - Attachment 3) with Market Street Properties I, LLC, the owner of the Property (Lot 38 – as shown on the map below), to provide parking for the facility.

The Ground Lease with Market Street Properties I, LLC had an 8-year term, from March 16, 1996, to March 15, 2004. Upon the Ground Lease's expiration, both parties agreed to extend

the term by 17 years as allowed by Section 2.2 of the initial agreement, with a new expiration date of March 15, 2021. Section 21 of the lease agreement contained an option to purchase the Property. However, with the dissolution of all redevelopment agencies in the State, the City of Riverside Successor Agency was unable to purchase the Property. Since there was no holdover provision in this lease, the agreement is now terminated. The Parking Authority has been maintaining and operating the Property as Lot 38.

In addition to the MOA, in 1996 and 1997, the former RDA also entered into separate agreements with the County and the Riverside County Bar Association (RCBA) to facilitate parking for those parties (Attachments 4 and 5). Specifically, the former RDA is contractually obligated to provide 36 parking stalls to the County for 30 years from the Certificate of Occupancy for completion of construction (exact date is unknown, but estimated to be sometime between 2027-2029) and 15 parking spaces to the RCBA in perpetuity (indefinitely), including a requirement that the RCBA parking spaces are to be relocated if the Lot 38 lease was ever not renewed. To continue to meet these obligations, and to ensure continued access to parking in Lot 38, in the short term, staff has negotiated a new one-year lease with Market Street Properties I, LLC.

On March 16, 2021, staff presented to the City Council, in closed session, the subject property owners' five-year lease proposal starting at \$6,815 per month with a 2% annual escalation and three one-year options to extend. The proposed term would cover the 30-year parking obligation to the Family Law Court. The City Council directed staff instead to negotiate a one-year lease term with an option to purchase the Property. The property owner agreed to a one-year lease but was unwilling to provide the City with an option to purchase the Property.

On April 20, 2021, staff presented to the City Council, in closed session, a one-year lease proposal with Market Street Properties I, LLC for 4150 Market Street with monthly rent of \$6,815 retroactive to March 15, 2021, including a month-to-month holdover clause upon expiration of the lease on March 15, 2022. The City Council consented and directed staff to enter into a new lease agreement under these terms.



DISCUSSION:

Per the City Council directive, staff has worked with Market Street Properties I, LLC to create a

new one-year lease agreement. Market Street Properties I, LLC has agreed to accept a 22.8% reduction from the previous rent amount of approximately \$8,500 per month plus payment of annual property taxes; however, they are not agreeable to granting the City an option to buy, but encourages the City to submit an offer to purchase for their consideration. Since the Successor Agency to the RDA is not able to enter into new leases, the City will be entering into the one-year lease with Market Street Properties I, LLC.

The basic deal points of the proposed lease are summarized as follows:

- Term: 1-year lease to retroactively commence on March 16, 2021.
- Base Rent: \$6,815 per month (or \$81,870 for the term of the lease).
- Extensions: The lease agreement includes a month-to-month holdover clause (if needed) with a two percent annual rent escalation.
- Other Costs: The City will be responsible for the operation and maintenance of the subject property (anticipated to be \$3,000 for the term of the lease).

Although City Council has already approved the basic lease terms in closed session, for transparency, staff recommends the City Council approve the new Lease Agreement with Market Street Properties I, LLC, for a one-year term, for approximately 86 parking spaces located at 4150 Market Street, with a total lease value of \$81,870.

The Public Works Director concurs with the recommendations in this report.

FISCAL IMPACT:

The fiscal impact of this recommendation is \$81,780. There are sufficient funds in Public Parking Fund, Land and Building Rental Account No. 4150000-423200 to cover the monthly rent of \$6,815 per month (or \$81,780 for the entire term of the lease). Additional funds for operations and maintenance in the amount of \$3,000 are available in Public Parking Fund, Maintenance & Repair of Buildings/Improvements Account No. 4150000-424130.

- 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: Kristi J. Smith, Interim City Attorney

Attachments:

1. Lease Agreement
2. Memorandum of Agreement
3. Ground Lease Agreement and Option to Purchase with Market Street Properties, I, LLC
4. Owner Participation Agreement with the County of Riverside
5. Family Law Court/RCBA Parking Agreement