



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: OCTOBER 12, 2021**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT      WARDS: ALL  
DEPARTMENT**

**SUBJECT: LEASE AGREEMENT WITH WATTEV SB1, INC., FOR THE CITY-OWNED PROPERTY LOCATED AT 1388 SOUTH E. STREET, SAN BERNARDINO, CALIFORNIA, TO FACILITATE THE DEVELOPMENT OF A FACILITY FOR THE LEASING AND RENTING OF ELECTRICAL TRACTOR RIGS TO INCLUDE AN ELECTRICAL CHARGING FACILITY, REST AREA, CONVENIENCE STORE, OFFICE, AND STORAGE AREA FOR AN INITIAL 15 YEAR TERM, WITH APPROXIMATELY \$2,370,000 IN PROJECTED REVENUE DURING THE INITIAL LEASE TERM**

## **ISSUE:**

Approve a Lease Agreement with WattEV SB1, Inc., for an initial 15-year term plus three optional five-year extensions, for the City-owned property located at 1388 South E. Street, San Bernardino, California, to facilitate the development of a facility for the leasing and renting of electrical tractor rigs to include an electrical charging facility, rest area, convenience store, office, and storage area, with approximately \$2,370,000 in projected revenue during the initial lease term.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the Lease Agreement with WattEV SB 1, Inc. (Attachment 1) for an initial 15-year term plus three optional five-year extensions for the City-owned property located at 1388 South E. Street, San Bernardino, California, to facilitate the development of a facility for the leasing and renting of electrical tractor rigs to include an electrical charging facility, rest area, convenience store, office, and storage area, with approximately \$2,370,000 in projected revenue during the initial lease term; and
2. Authorize the City Manager, or his designee, to approve the Lease Agreement with WattEV SB 1 and execute all necessary documents, including making minor and non-substantive changes, and to execute the three optional five-year extensions if necessary.

## **BOARD RECOMMENDATIONS:**

On September 13, 2021, the Board of Public Utilities, with a vote of 7 ayes and 1 no, moved to approve recommending that the City Council approve the Lease Agreement with WattEV SB 1,

Inc. for an initial 15-year term plus three optional five-year extensions for the City-owned property located at 1388 South E Street, San Bernardino, California, to facilitate the development of a facility for the leasing and renting of electrical tractor rigs to include an electrical charging facility, rest area, convenience store, office, and storage area, with approximately \$2,370,000 in projected revenue during the initial lease term.

### **BACKGROUND:**

Riverside Public Utilities (RPU) controls the vacant land located at 1388 South E Street, San Bernardino, adjacent to the 215 Freeway south of Orange Show Road (“Property”). The Property is shown in the aerial site map below outlined in red. For approximately 37 years, the Property was leased from RPU as an auto dealership, first to Holiday Oldsmobile and later to Center Chevrolet, which was terminated in 2008 under its own terms. Upon Center Chevrolet’s vacancy, the existing buildings, which required repair, became a magnet for graffiti, vagrancy, and vandalism. To mitigate these issues, RPU had the buildings demolished in 2010, and the Property has remained vacant ever since.

On February 19, 2016, the Board of Public Utilities reviewed and recommended the approval of a lease with DriveTime Car Sales Company, LLC (DriveTime), which was subsequently approved by City Council on March 22, 2016. The lease provided a 150-day period for due diligence and development entitlement permitting with the option for commencement after the city of San Bernardino issued the required construction permits. DriveTime was unable to obtain their project permits within the specified timeframe and the lease terminated on August 12, 2016.

In 2019, the lease negotiations resumed with DriveTime and on May 13, 2019, the Board of Public Utilities reviewed and recommended the approval of a new lease with DriveTime, which was subsequently approved by City Council on June 4, 2019. Once again, during the due diligence period, DriveTime withdrew from the project due to their underestimation of the cost associated with the construction of their proposed project.



## **DISCUSSION:**

In April of 2021, WattEV SB1, Inc., (of El Segundo) expressed interest in negotiating the terms and conditions of a lease for the Property. WattEV SB1, Inc., (“WattEV SB1, Inc.”), is a medium and heavy-duty electric vehicle (MHDEV) truck stop developer and is seeking to enter into a Lease Agreement with the City for use of the Property. WattEV SB1, Inc., proposes to use the Property for constructing and operating a facility for the leasing and/or renting and operating of a fleet of electrical tractor rigs, and all related and ancillary services including an electrical charging facility, rest area, convenience store, office, and storage area.

If approved, this location will become the second truck stop for WattEV SB1, Inc.; the first location will be located in Bakersfield. WattEV SB1, Inc., estimates that it will spend approximately \$3,500,000 to develop the Property into its intended use. All proposed site improvements must be first approved by the City as Landlord and will be constructed in compliance with all applicable laws, codes, and development entitlements required by the City of San Bernardino as the lead oversight agency. The City of Riverside will retain the site improvements upon the termination of the lease.

Staff has worked diligently to prepare a mutually beneficial lease agreement, which is summarized as follows:

Landlord:	City of Riverside (controlled by RPU)
Tenant:	WattEV SB1, Inc.
Use:	Construction and operation of a facility for the leasing and/or renting and operating of a fleet of electrical tractor rigs and all related and ancillary services, including an electrical charging facility, rest area, convenience store, office, and storage area.
Entitlements:	Tenant shall have six months from the “Effective Date” of the Lease to obtain its development entitlements from the City of San Bernardino. If the Tenant is unable to obtain its entitlements during this timeframe, the Tenant may terminate the Lease or request a three-month extension.
Initial Term:	Fifteen years.
Options to Extend:	Tenant shall have three (3) five-year options to extend the term of the Lease.
Base Rent*:	Months 1-12: \$10,000 per month Months 13-120: \$12,500 per month Months 121-180: \$15,000 per month Months 181-240: \$17,500 per month (1st Option Period – if exercised) Months 241-300: \$20,125 per month (2nd Option Period – if exercised) Months 301-360: \$23,143 per month (3rd Option Period – if exercised)

\*Base rent shall commence on the “Rent Effective Date” which shall be 12 months after the date of issuance of a building permit or 15 months after the “Effective Date” of the Lease, whichever

is earlier.

\*Base Rent revenue during the initial Lease Term, excluding the Option Periods to extend, is anticipated to be \$2,370,000.

Staff recommends that the City Council approve an initial fifteen-year Lease Agreement for the City-owned property located at 1388 South E Street, San Bernardino, California, with WattEV SB 1, Inc., to facilitate the development of a facility for the leasing and renting of electrical tractor rigs to include an electrical charging facility, rest area, convenience store, office, and storage area.

Moreover, staff believes the maintenance and revenue provided by WattEV SB1, Inc., generates significant value compared to the maintenance cost RPU would incur absent of the proposed lease agreement.

### **STRATEGIC PLAN ALIGNMENT:**

The proposed Lease Agreement with Watt-EV SB1, Inc., aligns with **Strategic Priority 5. - High Performing Government and Strategic Priority 6. - Infrastructure, Mobility & Connectivity** and contributes to the achievement of the following Goals:

#### *High Performing Government:*

**Goal 5.4.** Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

#### *Infrastructure, Mobility & Connectivity:*

**Goal 6.2.** Maintain, protect, and improve assets and infrastructure within the City's built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity.

The proposed Lease Agreement with Watt-EV SB1, Inc., also aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The Lease Agreement confirms that the City is a good steward of real property assets for the benefits of RPU's ratepayers.
2. **Equity** – The Lease Agreement demonstrates that Riverside is equitable in distribution of services, which ensures that every member of the community has equal access to share the benefits of community progress.
3. **Fiscal Responsibility** – The Lease Agreement demonstrates that Riverside is a prudent steward of public funds and ensures responsible management of the City's financial and property resources.
4. **Innovation** – The Lease Agreement demonstrates that Riverside is innovative by partnering with Watt-EV SB 1, Inc. to offer charging stations for medium and heavy-duty electric vehicles, which will reduce the carbon footprint in a neighboring city and

demonstrates that Riverside is on the forefront of innovative strategies for clean businesses.

5. **Sustainability & Resiliency** – The Lease Agreement will ensure present and future reliability, resiliency, and sustainability for this City-owned property. Moreover, the Lease Agreement, as previously noted, also demonstrates the City's commitment to reducing the carbon footprint in a neighboring city.

**FISCAL IMPACT:**

The fiscal impact of this recommendation is \$2,370,000, during the initial fifteen (15) year term. All lease revenue will be deposited into Water Fund, Land and Building Rental Revenue Account No. 0000520-373100.

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:	Phaedra A. Norton, City Attorney

Attachment: Lease Agreement