



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: OCTOBER 3, 2023

FROM: PUBLIC UTILITIES DEPARTMENT WARD: 1

SUBJECT: SECOND AMENDMENT TO COMMERCIAL LEASE AGREEMENT WITH RUBEN BARRAGAN AND LUIS HERNANDEZ DOING BUSINESS AS FIRE UP GRILL – MISSION SQUARE OFFICE BUILDING, 3750 UNIVERSITY AVENUE, SUITE 190, 60-MONTH TERM FOR \$191,136 IN REVENUE

ISSUE:

Approve a Second Amendment to Commercial Lease Agreement to extend the lease for a 60-month term with Ruben Barragan and Luis Hernandez doing business as Fire Up Grill, of Riverside, California for approximately 1,000 square feet of rentable space in the Mission Square Office Building located at 3750 University Avenue, Suite 190 for \$191,136 in revenue.

RECOMMENDATIONS:

That the City Council:

1. Approve a Second Amendment to the Commercial Lease Agreement with Ruben Barragan and Luis Hernandez doing business as Fire Up Grill, of Riverside, California, to extend the lease for a 60-month term from September 1, 2023, through August 31, 2028; and
2. Authorize the City Manager, or designee, to execute the Second Amendment to the Commercial Lease Agreement, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

BOARD RECOMMENDATION:

On August 28, 2023, the Board of Public Utilities, with eight members present, voted unanimously to recommend that City Council approve a Second Amendment to Commercial Lease Agreement to extend the lease for a 60-month term between Ruben Barragan and Luis Hernandez doing business as Fire Up Grill, of Riverside, California from September 1, 2023 through August 31, 2028.

BACKGROUND:

On October 13, 2015, the City acquired the Mission Square 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 in downtown Riverside.

To help market, broker and negotiate lease spaces of the Property, the City Council, on January 26, 2016, approved an Exclusive Authorization of Lease Agreement with Newmark of Southern California, Inc. dba Newmark Knight Frank (NKF) for a five-year term to provide broker leasing services for the Property. On January 5, 2021, the City Council approved a First Amendment to California Exclusive Authorization of Lease Agreement with Newmark of Southern California, Inc., dba Newmark Knight Frank (NKF) which extended the Agreement through December 31, 2025. 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.

On August 8, 2017, the City Council approved a Commercial Lease Agreement with Ruben Barragan and Luis Hernandez doing business as Fire Up Grill for approximately 1,000 square feet of rentable office space located at 3750 University Avenue, Suite 570.

On September 11, 2018, the City Council approved the First Amendment to the Commercial Lease Agreement with Ruben Barragan and Luis Hernandez doing business as Fire Up Grill revising the Commencement date from January 10, 2018, to September 1, 2018.

DISCUSSION:

Fire Up Grill has been a tenant of the Mission Square Office Building since 2017.

The City engaged its leasing broker, NKF, who negotiated on behalf of the City.

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

1. Term: September 1, 2023, through August 31, 2028.
2. Premises: Approximately 1,000 rentable square feet of space located at 3750 University Avenue, Suite 190.
3. Base Rent Schedule (Triple Net Lease):

Period	Monthly Base Rent
September 1, 2023 – August 31, 2024	\$3,000
September 1, 2024 – August 31, 2025	\$3,090
September 1, 2025 – August 31, 2026	\$3,183
September 1, 2026 – August 31, 2027	\$3,278
September 1, 2027 – August 31, 2028	\$3,377

4. Security Deposit: Upon execution Lessee will deposit an additional security deposit of \$1,352 for a grand total of \$3,377.
5. Options to Renew: One five-year option to extend the Term for an additional 60 months.
6. Broker: Pursuant to the existing Exclusive Authorization to Lease Agreement with NKF, City to pay NKF a leasing commission equal to 2.5% of the lease consideration in the amount of \$4,778.40.
7. Other: All other terms of the original lease and First Amendment shall remain unmodified and in full force and effect.

The Community & Economic Development Director concurs with the recommendations in this report.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 3 – Economic Opportunity** and **Goal 3.3 – Cultivate** a business climate that welcomes innovation, entrepreneurship, and investment.

The item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The City conducted business with transparency and good faith. By bringing the Agreement before the Board of Public Utilities, the City is providing a space for open dialogue between the Board and community stakeholders regarding all lease terms.
2. **Equity** – The City acted with inclusion and is adhering to lease terms for renewal options with Fire Up Grill. Additionally, the City is ensuring that all businesses conducting business with the City of Riverside are provided equal access and benefits to services and resources.
3. **Fiscal Responsibility** – The City being a prudent steward of public funds, negotiated in good faith and the lease rates are consistent with the current fair market value for comparable commercial space.
4. **Innovation** – The City recognizes the need for accessible small businesses to community stakeholders. This City will continue to be cognizant of the community's changing needs and will continue to be adaptive to the future by engaging in collaborative partnerships.
5. **Sustainability & Resiliency** – Committed to the needs of community stakeholders, the City is devoted to identifying, attracting, and retaining businesses that assist the community to preserve, adapt, and grow during a diverse array of economic cycles.

FISCAL IMPACT:

The lease revenue over the 60-month term will generate approximately \$191,136. All revenue will be deposited into the Mission Square Building Property Management Trust Account in the

enterprise fund and used to pay operating expenses for the Property, including the lease commission of \$4,778.40 to NKF.

Prepared by: Todd M. Corbin, Utilities General Manager
Certifies availability
of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Second Amendment to Commercial Lease Agreement
2. Presentation