



City of Arts & Innovation

Successor Agency to the Redevelopment Agency of the City of Riverside

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: APRIL 15, 2025

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 1
DEPARTMENT

SUBJECT: PROPERTY MANAGEMENT AGREEMENT WITH REALICORE REAL ESTATE GROUP OF SAN BERNARDINO, CALIFORNIA, FOR PROPERTY MANAGEMENT AND LEASING SERVICES OF THE GROUND FLOOR OF THE CALIFORNIA TOWER BUILDING AT 3737 MAIN STREET – TO BE STATE OF CALIFORNIA-OWNED PROPERTY

ISSUE:

Recommend that the Countywide Oversight Board approve a Property Management Agreement with Realicore Real Estate Group of San Bernardino, California (Realicore), for the property management and leasing services of the ground floor retail and office space (Ground Floor), located at 3737 Main Street, commonly known as the California Tower building (California Tower).

RECOMMENDATIONS:

That the Successor Agency:

1. Adopt the attached resolution (Attachment 1) authorizing the execution of the Property Management Agreement with Realicore in the amount of approximately \$257,173 from May 2025 through December 2029 for the property management and leasing services of the Ground Floor of the California Tower (Attachment 2);
2. Recommend the Countywide Oversight Board adopt a Board resolution authorizing the execution of the attached Property Management Agreement with Realicore for the Ground Floor of the California Tower, in accordance with the California Department of Finance approved Long-Range Property Management Plan, to be presented to the Countywide Oversight Board for final consideration and approval; and
3. Authorize the Executive Director, or designee, to execute the Property Management Agreement with Realicore, including making minor and non-substantive changes as necessary to implement the agreement.

BACKGROUND:

To stimulate economic development while addressing the high vacant rate in Downtown, the City Council and the former Redevelopment Agency (RDA) authorized the purchase of the vacant Security Pacific Bank Tower, identified as Assessor's Parcel Number 213-262-006 (Property). Shortly after the acquisition of the California Tower, the RDA renovated the Property and began leasing the office tower to the State of California and the Ground Floor to an eclectic mix of local retail/restaurant businesses and office users to re-energize the Main Street Pedestrian Mall.

Leases Between RDA and DGS:

In 1994, during the renovation of the Property, the RDA entered into a Lease Agreement with the California Department of General Services (DGS). The RDA leased to DGS the 11-story building with approximately 160,000-square-foot office tower and 22,400-square-foot Ground Floor for a term of 30 years (Lease Agreement). Concurrently, both entities also entered into a Leaseback Agreement in which the RDA leased back from DGS the Ground Floor for the same term of 30 years (Leaseback Agreement). Both leases expired on October 1, 2024.

The Lease and Leaseback Agreements key provisions include:

- Option to Purchase: the DGS may assume ownership of the California Tower for \$1 on October 1, 2024.
- Option to Extend: the RDA may extend the Leaseback Agreement for an additional ten years, until September 30, 2034, and is responsible for the operation, maintenance and repairs, leasing, and funding of tenant improvements associated with the Ground Floor.

Property Transfer Status:

On December 19, 2023, the City Council approved the transfer of the Property to DGS, the extension of the Leaseback Agreement for an additional ten years, and the annual Recognized Obligation Payment Schedule (ROPS) 24-25 authorizing funding in the amount of \$125,000 per year for professional services associated with the management of the Ground Floor, totaling \$1,250,000 for the next ten years. On January 18, 2024, the Countywide Oversight Board approved the same.

On August 24, 2024, DGS provided a notice of its intent to purchase the Property and is currently conducting its due diligence on the transfer as approved in the Successor Agency's Long-Range Property Management Plan. Implementation of the transfer is pending a Purchase and Sale Agreement (PSA) and First Amendment to the Leaseback Agreement (Amended Leaseback), which are being drafted by DGS for review by the Successor Agency. Once these agreements are finalized by both entities, staff will return to the City Council and Countywide Oversight Board for ratification prior to transferring the Property to DGS.

Existing Enforceable Obligations:

Pursuant to the Leaseback Agreement, the RDA is obligated to:

- Facilitate occupancy of the Ground Floor and use the area in a manner consistent with the terms of the Lease Agreement with DGS.

- Pay for all maintenance and repairs, tenant improvements, leasing of vacant spaces, and maintaining the overall attractiveness of the Ground Floor and outdoor food court area.

DISCUSSION:

The RDA originally contracted with Inland Pacific Advisors Inc. (IPA) as its agent on August 12, 1998, totaling over 25 years of consecutive property management and commercial leasing services for the California Tower.

In December 2008, when the last amended contract expired, the RDA entered into a new agreement with IPA to provide property management services, including repairs and maintenance, for the Ground Floor. The agreement also allowed IPA to perform commercial leasing services and construction management for all required tenant improvement projects for the Ground Floor.

Prior to the expiration of the agreement with IPA, staff issued two separate Requests for Proposals (RFP) for the California Tower in early 2017: one seeking property management services and one seeking commercial leasing services. Multiple proposals were received for the property management services RFP, and IPA was deemed the most responsive. Moreover, IPA provided the only proposal for the commercial leasing services RFP and was deemed responsive.

On December 19, 2017, the Successor Agency approved the current Property Management and Exclusive Authorization of Lease Agreements with IPA. These agreements expired on September 30, 2024. IPA contracts are currently on a month-to-month basis while Successor Agency staff conducts the City's procurement process for management of the Ground Floor during the extended Leaseback period.

New RFP for Property Management and Leasing Services:

The California Tower's prominent location along Main Street, easily walkable storefronts, and the variety of unique local dining and entertainment options it supports make the Ground Floor critical to the vibrant, destination-oriented atmosphere in Downtown. Retaining and attracting quality tenants for the Ground Floor requires a high level of superior, efficient property maintenance service, and an active management and responsive leasing program.

In collaboration with the City's Purchasing Department, RFP 2380 was released on July 2, 2024 for Commercial Property Management Services to identify the most qualified and experienced firm for maintaining vital services for the California Tower. Four proposals were received, which include Realicore, Ibex Realty, Inc., IPA, and Clear Blue Commercial. After extensive evaluation and review of these proposals, Purchasing recommended awarding an agreement to Realicore.

While the sample template of a Professional Consultant Services Agreement was utilized for RFP 2380, a Property Management Agreement (Attachment 1) would better serve the unique property management services required due to its comprehensiveness and is more closely aligned to the scope of services needed for the California Tower. In the best interest of the City of Riverside, the City Manager has approved a waiver of the formal procurement process (as set forth in Section 1109 of the City Charter) and authorized the Property

Management Agreement as a form of contractual obligation to thoroughly capture the full scope of service and the administration of the Ground Floor.

Per the Purchasing Resolution 24101, Article Seven, Section 702. Exceptions. “Competitive Procurement through the Informal Procurement and Formal Procurement process shall not be required in any of the following circumstances: (n) When the Awarding Entity waives bidding requirements under and according to the circumstances set forth in Section 1109 of the City Charter, or when it is determined by the Manager to be in the best interests of the City to do so”.

The Purchasing Manager concurs that the actions are in compliance with Purchasing Resolution No. 24101, Section 702(n).

Realicore Services:

As the property manager of the Ground Floor, this firm is responsible for providing the following services:

- Administration of all third-party leases, including tenant relation management and collection of rents.
- Management of all ongoing building operation and maintenance of sub-contracts, production of monthly operating reports, and coordination of building repairs and maintenance.
 - Realicore’s financial terms include a flat property management fee not to exceed \$4,400.00 per month. This fee will increase by two percent (2%) each year.
 - The Successor Agency is currently paying IPA \$5,226.96 per month for the property management of the Ground Floor. IPA’s proposal proposes a flat fee of \$5,000 per month with an increase of four percent (4%) annually.
- Advertising, marketing, and listing office or retail space in multiple listing services, physically showing the space to prospective tenants, and advising the Successor Agency on prospective tenants and lease terms.
 - Realicore’s lease commission is a flat fee not to exceed six percent (6%) on gross leases.
 - The Successor Agency is currently paying IPA up to seven percent (7%) on gross leases. IPA’s proposal proposes a range between three percent (3%) to seven percent (7%) depending on the term and type of leases.
- The term of service with Realicore is one (1) year with four (4) one-year options to extend upon mutual written consent from both parties, for a total of five (5) years.
- Should the agreement with Realicore get extended to its full-term of five (5)

years, the total impact to the ROPS is approximately \$257,173 from May 2025 through December 2029.

Realicore Qualification and Experience:

Realicore, headquartered in San Bernardino, specializes in property management, leasing, and operations with a strong focus on mixed-use and urbanized properties. Their executive team, led by CEO, David Friedman and CFO, Howard Friedman, combines expertise in commercial property management, finance, and marketing. The Realicore's team also includes experienced professionals who are contributing to a comprehensive approach to real estate services. Their dynamic team emphasizes community collaboration and placemaking, aiming to create vibrant spaces that attract both residents and businesses.

Realicore manages a diverse portfolio of properties across Downtown Riverside, San Bernardino, Redlands, Fontana, and Yucaipa, demonstrating versatility with mixed-use, retail, and governmental tenant properties. Their projects often involve transforming underutilized spaces, such as revitalizing Downtown San Bernardino's retail and office areas, implementing tailored services for government-leased properties, and enhancing tenant synergy. They have addressed unique challenges like homelessness, vandalism, and high traffic demands by partnering with local governments and communities to create safe, clean, and welcoming environments.

Realicore's commitment extends beyond property management to include community-centric initiatives and placemaking events. They actively coordinate with municipalities to improve urban environments and handle emergencies with efficiency. By introducing measures like public art installations, safety teams, and regional events, they aim to enhance public spaces and tenant experiences. Their proactive approach, highlighted by projects like developing a Property and Business Improvement District in San Bernardino, underscores their dedication to urban development and community well-being.

STRATEGIC PLAN ALIGNMENT:

This action contributes to Strategic Priority 3 — Economic Opportunity and Goal 3. 3 — Cultivate a business climate that welcomes innovation, entrepreneurship and investment.

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

1. **Community Trust** – The Leaseback Agreement with the DGS is an existing enforceable obligation of the Successor Agency. By using the approved procurement process to identify the best resources available demonstrates transparency with the City's internal practices.
2. **Equity** – Marketing the scope of services for the California Tower provide every vendors and suppliers registered with the City an opportunity to submit a competitive bid while delivering services compliant with the RFP.
3. **Fiscal Responsibility** – Using the RFP as a procurement process generates cost savings for the Successor Agency and taxing entities.

4. **Innovation** – The procurement process through the issuance of the RFP assists with identifying innovative organizations with extensive experience in property management to support and add value to the California Tower building.
5. **Sustainability & Resiliency** – Following the City’s robust procurement planning validates that Riverside is committed to sustainability and resilience.

FISCAL IMPACT:

The fiscal impact is \$257,173 over the term of the agreement from May 2025 through December 2029 and applies solely to the Successor Agency, a separate legal entity and fiduciary component unit of the City.

The property management fee is \$4,400 per month, with a two percent (2%) annual increase over the next five years, totaling approximately \$257,173. Annual payments will be made according to the approved Recognized Obligation Payment Schedule authorized by the California Department of Finance on April 12, 2024.

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Certified as to	
availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by:	Mike Futrell, City Manager
Approved as to form:	Jack Liu, Interim City Attorney

Attachments:

1. Resolution
2. Property Management Agreement