



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MAY 23, 2023

FROM: PUBLIC UTILITIES DEPARTMENT WARD: 1

**SUBJECT: SEVENTH AMENDMENT TO LEASE AGREEMENT WITH RAINCROSS
HOSPITALITY CORPORATION DOING BUSINESS AS RIVERSIDE
CONVENTION AND VISITORS BUREAU – MISSION SQUARE OFFICE
BUILDING, 3750 UNIVERSITY AVENUE, SUITE 570 – 64-MONTH TERM
THROUGH JUNE 30, 2028 FOR \$906,860 IN REVENUE**

ISSUE:

Approve a Seventh Amendment to Lease Agreement with Raincross Hospitality Corporation doing business as Riverside Convention & Visitors Bureau, of Riverside, California, to extend the lease for an additional 64-month term through June 30, 2028, for approximately 4,466 square feet of rentable space in the Mission Square Office Building located at 3750 University Avenue, Suite 570 for \$906,860 in revenue, including storage rent.

RECOMMENDATIONS:

That the City Council:

1. Approve a Seventh Amendment to the Lease Agreement with Raincross Hospitality Corporation doing business as Riverside Convention & Visitors Bureau, of Riverside, California, to extend the lease for an additional 64-month term from March 1, 2023 through June 30, 2028; and
2. Authorize the City Manager, or designee, to execute the Seventh Amendment to the Lease Agreement, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

BOARD RECOMMENDATION:

On February 27, 2023 the Board of Public Utilities with all members present, unanimously voted to recommend that City Council approve a Seventh Amendment to the Lease Agreement with Raincross Hospitality Corporation doing business as Riverside Convention & Visitors Bureau, of Riverside, California, to extend the lease for an additional 64-month term from March 1, 2023 through June 30, 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.

On January 26, 2016, the City Council 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 February 12, 2018, the City Council approved the Sixth Amendment to Lease Agreement with Raincross Hospitality Corporation doing business as Raincross Convention & Visitors Bureau for a five-year term with one five-year option to extend, for approximately, 4,488 square feet of rentable office space located at 3750 University Avenue, Suite 570.

DISCUSSION:

Raincross Hospitality Corporation has been a tenant in the Property since 2001 when it was initially operating as Entrepreneurial Hospitality Corporation, which was subsequently merged into Raincross Hospitality Corporation (RHC).

The City engaged its leasing broker, Newmark Knight Frank (NKF), who negotiated on behalf of the City.

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

1. Term: March 1, 2023 through June 30, 2028.
2. Premises: Approximately 4,466 rentable square feet of space located at 3750 University Avenue, Suite 570.
3. Base Rent Schedule (Modified Gross Lease):

Period	Monthly Base Rent
March 1, 2023 – February 29, 2024	\$13,175
March 1, 2024 – February 28, 2025	\$13,570
March 1, 2025 – February 28, 2026	\$13,977
March 1, 2026 – February 28, 2027	\$14,397
March 1, 2027 – February 29, 2028	\$14,829
March 1, 2028 – June 30, 2028	\$15,273

4. Tenant Improvements: None.
5. Base Year: Will be amendment to Calendar Year 2023.
6. Options to Renew: None.
7. Parking: Lessee will be entitled to a total up to 18 parking space to be either reserved or unreserved.
8. 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 \$22,671.50.
9. Storage: Tenant will pay \$100 per month for storage space of approximately 71 square feet.
10. Other: All other terms of the original lease shall remain unmodified and in full force.

The Community & Economic Development Department Director concurs with the recommended actions.

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. Additionally, the City is ensuring that business conducted by Raincross Hospitality Corporation provides equal access and benefits that all members of the community can utilize.
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 total fiscal impact of this action is \$906,806. The lease revenue over the 64-month term will generate approximately \$906,860, including storage rent. All revenue will be deposited into the Mission Square Building Property Management Trust Account controlled by RPU and used to pay operating expenses for the Property, including the lease commission of \$22,671.50 to NKF.

Prepared by:	Todd M. Corbin, Utilities General Manager
Certifies availability of funds:	Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer
Approved by:	Rafael Guzman, Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney

Attachments:

1. Seventh Amendment to Lease Agreement – Raincross Hospitality Corporation doing business as Riverside Convention & Visitors Bureau
2. Presentation