



Staff Report

File #: 21-0834

REQUEST FOR CITY COUNCIL ACTION

DATE: 09/15/2021

TO: Honorable Mayor and City Council Members

FROM: Community Services Department

SUBJECT:

Fifth Amendment to City of Corona Historic Civic Center lease agreement between the City of Corona and Inspire Life Skills Training, Inc.

EXECUTIVE SUMMARY:

Inspire Life Skills Training, Inc. currently leases tenant space at the City of Corona Historic Civic Center located at 815 W. Sixth Street. The lease will expire on September 30, 2021, and Inspire Life Skills Training, Inc. is requesting to enter into another lease agreement with the City of Corona to continue operating at the Historic Civic Center. The proposed fifth amendment to the lease agreement covers the lease Term and Base Rent.

RECOMMENDED ACTION:

That the City Council approve the Fifth Amendment to City of Corona Historic Civic Center lease agreement between the City of Corona and Inspire Life Skills Training, Inc.

BACKGROUND & HISTORY:

On September 17, 2014, Inspire Life Skills Training, Inc. (Inspire) and the City of Corona (City) entered into a lease agreement to occupy Suite 160. The suite space is approximately 573 square feet. On October 17, 2018, Inspire entered a lease amendment to include the Basement "B" storage area which is approximately 230 square feet. For the past seven years, Inspire has operated its non-profit functions at HCC. Inspire provides housing, programs, and services to young adults aged out of the foster care system.

ANALYSIS:

Inspire's lease will expire on September 30, 2021, and they wish to extend the agreement. The fifth amendment to the lease agreement covers the following terms and obligations.

Lease Term

Staff request authorization to extend the lease one (1) year through September 30, 2022, with a Renewal Term option of an additional two (2) years for a total of three (3) years, through September 30, 2024. The City Manager, or his designee, will be authorized to consider the extension, at their sole discretion, and execute the Renewal Term.

Base Rent and Common Area Maintenance Fee

Current Rent & Misc. Income	Proposed Rent @ HCC	Market Rate Rents
<u>Rent Income:</u> Suite 160, 573sf \$0.7725 per square foot (psf) = \$442.64 a month Basement "B", 230sf \$0.2060 psf = \$47.38 <u>Misc. Income:</u> Common Area Maintenance Fee (CAM) @ \$0.20 psf = \$116.31 per month Internet = \$38.00 per month <i>Total Income Collected per month is \$644.33</i>	Tenant will be charged rent based on current rent rate multiplied by the Sept CPI. [For reference purposes, only, July CPI rate is 6.5%] Assuming a 6.5% rent increase, Tenant will pay: <i>Suite 160, \$0.8227psf = \$471.41</i> <i>Basement "B", \$0.2194psf = \$50.46</i> Annual escalator based on the Consumer Price Index, but no lower than 2%. Common Area Maintenance Fee (CAM) @ \$0.2060 psf = \$118.04per month, plus annual 3% escalator	Comparable rent is \$1.67 psf gross lease = \$924.10 for similar size space. Report ran July 8, 2021 of office space between 1,500–3,000 square feet. Search narrowed to similar space within the Downtown. NOTE: A gross lease, tenant pays a set sum and landlord pays all real estate expenses. A triple net lease, tenants pay property taxes, insurance and maintenance costs, in addition to the base rent. A double net lease, tenants pay property taxes and insurance premiums, in addition to the base rent. Under net leases, base rent is lower.
NOTE: HCC has net leases. Tenants pay Base Rent, CAM, Possessory Interest, telephone, internet, and general liability insurance for their operation. Possessory Interest is a Riverside County tax levied on tenants occupying property tax exempt real estate. CAM fees offset costs associated with utilities, including but not limited to gas, electricity, water, heat, light, power, and trash collection, and associated connection charges.		

Tenant Reporting Issues

The Community Services Department is responsible for managing the lease agreements and maintenance of the property. To better assist tenants with a point of contact for service, a full list of City personnel along with a brief explanation of their duties is attached to the agreement. Additionally, a new tenant lease obligation under Section 3.14.5, Repairs and Maintenance Contact List, is included in the agreement. The table below is a copy of the current contact list, as may be amended as needed.

HCC REPAIRS AND MAINTENANCE CONTACT LIST		
Department/Staff Member	Duties	Telephone No.
Community Services Cynthia Lara	City Landlord Representative City/Tenant liaison for lease related matters.	951-739-4963
Community Services Kevin Stabile Brandon Viayra	Maintenance services for <u>interior and exterior</u> of building common areas & within suites.	951-736-2241 (M-Th 7a to 6p) 951-736-2334 (Friday and after hours contact PD non-emergency line – they will call stand-by to assist.)
Community Services Gabbi Coa	City Facility Reservations (i.e., HCC Auditorium, Community Room, outdoor spaces)	951-279-3782
Finance Department Roxann Sablan Vicky Pang	Lease Payments	951-736-2317
Information Technology Al Farland Paul de Jonckheere	Internet and Telephone	951- 279-3516 / 951- 279-3750
Police Department HOPE Team	Transients	951-736-2334 (PD non-emergency line)
UPDATED: 09-15-21		

FINANCIAL IMPACT:

The fifth amendment to the lease agreement is estimated to generate the following revenue to the General Fund.

Year	Base Rent	CAM
Year 1 October 1, 2021 to September 30, 2022 Assuming a 6.5% CPI escalator.	\$6262.44	\$1416.46
Year 2 October 1, 2022 to September 30, 2023 Based on a minimum 2% CPI escalator.	\$6387.69	\$1458.95
Year 3 October 1, 2023 to September 30, 2024 Based on a minimum 2% CPI escalator.	\$6515.44	\$1502.72

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Existing Facilities (§15301) - operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the CEQA determination. Therefore, no environmental analysis is required.

PREPARED BY: CYNTHIA LARA, ADMINISTRATIVE SERVICES MANAGER II

REVIEWED BY: ANNE K. TURNER, COMMUNITY SERVICES DIRECTOR

Attachments:

1. Exhibit 1 - Fifth Amendment to the Lease Agreement with Inspire Life Skills Training, Inc.