



Legislation Text

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AGENDA REPORT REQUEST FOR CITY COUNCIL ACTION

DATE: 07/01/2020

TO: Honorable Mayor and City Council Members

FROM: Community Development Department

SUBJECT:

City Council consideration to extend emergency rent relief for up to five months for the Stephan Center located at 815 W Sixth Street, Corona, Suite 130 in the Historic Civic Center due to a financial hardship resulting from COVID-19.

RECOMMENDED ACTION:

That the City Council:

- a. Approve the Stephan Center request to defer rent payments for a period of five months through August 30, 2020.
- b. Approve a Lease Agreement Term extension through March 31, 2022 to extend the deferred rent payment period.
- c. Authorize the City Manager, or the Community Development Director to process and execute a lease amendment and take actions required in furtherance of this action.

ANALYSIS:

On April 1, 2020, the City Council approved an emergency rent relief for tenants of City owned facilities that are impacted by COVID-19. The City Manager was authorized to defer monthly rental payments during the State of Emergency issued by Executive Order N-33-20, or for a period of three months, whichever is shorter, and take necessary action to collect payments. Following the City Council's decision, the Historic Civic Center tenants were notified of the temporary emergency rent relief. On April 16, 2020, the Stephan Center requested that their rent be deferred for a period of five months starting on April 1, 2020 and ending on August 30, 2020. This request exceeded the rent relief approved by the City Council by an additional two months. The Stephan Center was contacted by City staff in June and was provided a rent payment schedule and commencement date. The

Stephan Center has applied for financial assistance through other sources and a response is pending. The request before the City Council is to approve the deferral of rent an additional two months until August 30, 2020.

Extended Rent Relief.

Pursuant to the lease agreement, tenants of the Civic Center pay base rent and Common Area Maintenance Fees (CAM). As of April 1, 2020, the base rent was increased according to the Consumer Price Index and the CAM increased 3%. The Stephan Center's base rent is \$406.98 per month and the CAM is \$114.19 per month. The total rent deferral for the five months is \$2,605.85.

Payment Option.

The following payment options are available under the rent relief program offered to tenants occupying City facilities.

1. Adjust the amount of the base rent for the remaining term of the lease. The total amount of rent to be deferred or reduced would be spread out and added to the monthly rate for the months remaining on the lease. This option may be viable for tenants with a long-term lease.
 - Under this option a lease amendment would be required to adjust the monthly base rent.
2. Adjust base rent and extend the term of the lease. Extend the term of the lease equal to the amount to be deferred or reduced and spread out the amount owed and add to the monthly rent. This option may be needed for tenants that currently have a shorter term on their lease.
 - Under this option a lease amendment would be required to extend the term of the lease and adjust the monthly base rent.
3. Payment Plan. At the request of the tenant, create a payment plan that would allow the rent to be deferred or reduced to be paid back in installments according to their individual financial need. However, the amount of rent deferred or reduced must be paid in full on or before the date of their last rent payment under their lease.
 - Under this option a lease amendment would be required to add a payment plan.

The Stephen Center entered into a lease agreement with the City on April 1, 2019. The lease term under the agreement may be extended annually for up to four additional years. The Stephan Center is currently in its second year, which is April 1, 2020 through March 31, 2021. Although the Stephan Center may extend the lease through 2024, lease extensions are only granted annually which reduces the payment schedule to the current year term.

Therefore, to reduce the financial burden caused by COVID-19, staff is recommending that the rent be deferred through August 30, 2020 and that the lease term be extended through March 31, 2022. The extended lease term will provide the Stephan Center additional time to pay the deferred rent to the City.

COMMITTEE ACTION:

Not applicable.

STRATEGIC PLAN:

Not applicable.

FISCAL IMPACT:

The financial impact to the General Fund is \$2,605.85. The impact is short-term as the rent will be paid back over time and on or before March 31, 2022.

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 rule 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. This action would simply authorize modifications to the terms of payment for certain leases affecting City-owned property, and there is no possibility that taking this action will have a significant effect on the environment. Therefore, no environmental analysis is required.

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