

9) **Lease Agreement with Palms Park, LLC for an Approximately 3,000 Square Foot Office Building Located at 301 North Spring Street**

Approve and authorize the City Manager to finalize and execute a 2-year lease agreement with Palms Park, LLC for an approximately 3,000 square foot office building located at 301 North Spring Street to temporarily house the Planning Department, Building and Safety Department, and Economic Development Office during construction of a new City Hall Facility in such final form as approved by the City Attorney.



## REPORT TO CITY COUNCIL

**To:** Honorable Mayor and Members of the City Council

**From:** Jason Simpson, City Manager

**Prepared by:** Todd Parton, Assistant City Manager

**Date:** November 14, 2023

**Subject:** Lease Agreement with Palms Park, LLC for an Approximately 3,000 Square Foot Office Building Located at 301 North Spring Street

### **Recommendation**

Approve and authorize the City Manager to finalize and execute a 2-year lease agreement with Palms Park, LLC for an approximately 3,000 square foot office building located at 301 North Spring Street to temporarily house the Planning Department, Building and Safety Department, and Economic Development Office during construction of a new City Hall Facility in such final form as approved by the City Attorney.

### **Background**

Contracts have been awarded for the demolition of 102 to 114 South Main Street as part of the new City Hall construction project. Demolition is scheduled to begin in early December 2023. Demolition and construction activities will occur immediately adjacent to the northern wall of the existing City Hall building and will create noise, vibration, dust, odor, and other impacts that will significantly impact daily Planning, Building and Safety, and Economic Development Departmental operations, including the City reception desk. Traffic flow, parking capacity, and pedestrian circulation will also be reduced and/or interrupted, detrimentally impacting daily walk-in traffic. Since the Planning, Building and Safety, and Economic Development Departments generate the majority of daily walk-in traffic, these impacts will be significant.

### **Discussion**

The building, located at 301 North Spring Street, was recently vacated by SWAG. It is an office building of approximately 3,000 square feet and includes 11 office spaces of various sizes, a conference room, a main entryway, a break room, and 25 parking spaces. City staff have walked the building and confirmed that it is adequate to accommodate departmental needs. In addition to daily functions, it will also be adequate for development review committee meetings and other special meetings and conferences.

## Lease of 301 North Spring St.

Primary lease terms offered for the property include:

- Two-year term, beginning November 1, 2023 (extension available upon mutual consent);
- Monthly lease rate of \$4,000 (no escalator for the lease term);
- City to incur all utility and property maintenance costs; and
- City to provide insurance.

Attachment 1 includes an outline of the terms provided by Palms Park, LLC.

Moving the City's main walk-in area to 301 North Spring Street will require as much public notice as possible and coordination with the Engineering and Administrative operations remaining at City Hall. Should City Council authorize this lease, City staff will begin moving activities in late October and will complete them in a manner that does not interrupt City services. Furthermore, City staff will prepare public notice of the move and provide as much advance notice to the general public as possible. Departments will also coordinate operations to ensure that inconveniences to the general public are minimized.

### **Fiscal Impact**

Costs for the lease will be covered by the project funds already allocated in the FY2023-24 budget.

### **Attachments**

Attachment 1 - Outline of Lease Terms by Palms Park, LLC

## Letter of intent to lease property.

**Date:** 10-17-2023

**Property:** 301 N. Spring St., Lake Elsinore

**Owner:** Palms Park LLC. Managing member Scott Hadley

**Tenant:** City of Lake Elsinore

**Duration of lease:** 2-year lease beginning November 1<sup>st</sup>, 2023. (Extension periods available upon mutual consent between landlord and tenant)

**Lease amount:** Monthly lease rate of \$4,000/ month. Modified gross lease.

**Size of office space:** 3,000 sq ft +/- 25 parking spaces. City to lease entire property, (1 acre +/-)

**Tenant expenses:** All utilities and landscape costs. No landscape contracts currently exist. Tenant has liberty to do landscaping as they wish. Tenant insurance policy.

**Landlord cost:** Property taxes, Property insurance, Roof integrity, operational A/C, Parking lot asphalt and exterior building maintenance.