

FY 2022/2023
ANNUAL REPORT



MISSION SQUARE BUILDING







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On October 13, 2015, the City acquired the Mission Square Office 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 471-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 Grubb Knight Frank (NKF) to provide broker-leasing services for the Property. 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.



~127,533 sf
of Rentable Office
and Retail Space



Six-Story Building



471 Parking Stall
Garage



~2.5 Acres

BUILDING OPERATIONS UPDATE

Mission Square Marketing Recap – 2022/2023

For the fiscal year ending June 30, 2023, construction was completed for our newest tenant Everytable, a grab and go food concept which opened for business on October 1, 2022. Everytable replaced the former Subway restaurant, which was shuttered as a result of the COVID-19 pandemic.

The City continues to retain and expand space for our existing tenants. We finalized negotiations with our largest tenant, Varner & Brandt, who occupies 13,936 RSF on the sixth floor. Varner Brandt executed their lease amendment allowing them to expand into approximately 1,324 RSF space currently occupied by Morgan Stanley and, to extend the term of their lease until December 2027. Morgan Stanley also executed their side of the deal for the "give-back" of space to accommodate the Varner Brandt expansion, which also includes an 18-month lease extension for Morgan Stanley's remaining space of 5,738 RSF through February 2027. The City has executed a Lease Amendment with Raincross Hospitality Corporation in Suite

570 (4,446 RSF) and have extended their lease through June 30, 2028. In addition, we extended the Slaters 50/50 lease in Suite 125 (5,982 RSF) and added an additional five years to the lease term through December 2035. In June 2023, Slaters 50/50 disenfranchised themselves from Slaters and relaunched as River Ranch BBQ & Bar. Lastly, although we renewed the T-Mobile lease in Suite 110 (1,185 SF through June 2027) T-Mobile subsequently defaulted on their lease.

The City currently has three vacant spaces that we continue to aggressively market. Suite 110 (1,185 RSF) former T-Mobile space, Suite 120 (1,383 vacant shell space) and Suite 230 (2,534 RSF).

Mission Square, a premier downtown, Class A property continues to outperform the overall office market and is currently 95.9% leased. Once we secure new tenants for the remaining ground floor spaces, the property will be 100% leased. In comparison, the overall average vacancy rate for the Riverside market is currently at approximately 9.7% and for the downtown specific market at approximately 6.1%. Asking lease rates for Mission Square are currently \$2.75 per square foot on a full-service gross basis, which outperforms the average Class A office rents for Riverside of \$2.57 per square foot as of the end of June 2023.

LEASING UPDATE

 **95.9%**
CURRENT OCCUPANCY RATE

- **Suite 100 (1,200 sf) – Everytable:**
Lease commenced on July 1, 2022 for 5 years with two five year renewal options.
- **Suite 110 (1,185 sf) – Vacant**
- **Suite 120 (1,383 sf) –** Lease interests are on-going with perspective tenants.
- **Suite 125 (5,982 sf) – River Ranch BBQ and Bar:**
Lease commenced on January 1, 2021 for a 15 year lease with two five year options to extend.
- **Suite 150 (7,766 sf) - Wells Fargo:**
Lease expires on July 31, 2027. Tenant has two five-year options to extend.
- **Suite 175 (2,292 sf) – Urban Drripp:**
Lease commenced on November 1, 2019 for 10 years with two five -year options to extend.
- **Suite 190 (1,000 sf) – Fire Up Grill:**
Lease commenced on September 1, 2018 for 5 years with one five-year renewal option. Fire Up Grill's extension was approved on October 3, 2023.
- **Suites 200 (15,826 sf) – City Attorney's Office:**
This is an evergreen lease.
- **Suite 225 (1,938 sf) – Fehr and Peers:**
Lease commenced on February 7, 2020 for 5 years with one five-year option to extend.
- **Suite 230 (2,534 sf) – Vacant**
- **Suite 300 (20,972 sf) – Riverside Public Utilities**
- **Suite 400 (20,972 sf) – Riverside Public Utilities**
- **Suite 500 (11,840 sf) – Riverside Public Utilities**
- **Suite 550 (3,188 sf) – Greenberg & Greenburg:**
Lease commenced on September 23, 2019 for 10 years with one five year option to extend.
- **Suite 560 (1,521 sf) – David Horton:**
Lease commenced on October 7, 2019 for 3 years with one three-year option to extend. David Horton exercised the option to extend the lease until 2025.
- **Suite 570 (4,488 sf) – Riverside Convention and Visitors Bureau:**
New Lease Term was approved from March 1, 2023 to June 30, 2028.
- **Suite 600 (7,062 sf) – Morgan Stanley:**
Lease Amendment approved with a new term to extend the lease from September 1, 2025 to February 28, 2027.
- **Suite 610 (13,986 sf) – Varner & Brandt:**
Lease Amendment was approved with a new term from January 1, 2022 to December 31, 2028.

TESLA

On September 26, 2017, the City Council approved a Supercharger Agreement with Tesla, Inc. for 24 parking spaces at Mission Square for five years, with two 5-year extensions. Downtown residents, business owners and office employees who are Tesla owners living or working in the downtown area can utilize this facility as a convenient location to charge their vehicles.



\$268,967

Revenue generated to RPU for electric usage during FY 2022/23

↓ 29% Decrease in revenue compared to FY 21/22*

Tesla is fully responsible for the EV charging stations. The stations were not operational for approximately three months.

FINANCIALS

REVENUE



\$2,491,559.33

EXPENDITURES



\$1,790,110.65

CASH BALANCE



\$2,603,309.21



REVENUE **WITHIN 3%** of estimated budget



EXPENDITURES **15% LOWER** than estimated budget

Operating Metrics & Key Performance Indicator

Established in 2016 by Utilities Deputy General Manager

Measure	Actual	Target
Cash Balance	\$2,603,309.21	\$1,000,000
FY 2022/23 Net Income (Does not include non-operating expense)	\$809,748.79	\$319,003.88
Total Occupancy	95.9%	100%
Vacancy Rate	4.1%	0%
Average Office Rent Rate*	\$2.97	\$2.70
Average Retail Rental Rate**	\$2.75	\$2.50

***Average Office Rent Rate**
Total monthly rental income for office space divided by leased area (\$/square foot)

****Average Retail Rent Rate**
Total monthly rental income for retail space divided by leased area (\$/square foot)



July 2022

- Painting of yellow caution/warning lane on the roof
- Everytable construction support
- Annual fire alarm testing
- Replacement of two (2) roof cat-walks
- Replacement of the parking structure entrance gate
- Infrared testing
- Basement pump room painting
- Annual fire suppression
- Replacement of lobby entry pedimats
- Activation of the new security system in the elevators
- Installation of new cameras along Main Street

August 2022

- HVAC (Heating, Ventilation and Air Conditioning) – Installation of new independent VAV (Variable Air Volume) box for Suite 610
- Performed vibration analysis for air-handling fans
- Installation of non-skid non-slip tape on the parking structure stairwells
- Installation of new wire mesh covering for the parking structure storage under the stairs
- AT&T Roof Project Construction began

September 2022

- Annual fire pump testing
- New lobby furniture
- Programming of the new access card reader for the elevators
- Annual back-flow testing
- Annual emergency generator preventative maintenance
- Construction of speed bumps throughout parking structure
- Installation of new beacon lights in the parking structures' elevator landings
- Stand pipe inspection
- HVAC – replacement of the compressor one discharge valve
- Exterior tile repairs along Main Street

October 2022

- Quarterly preventative maintenance of sprinkler system
- Morgan Stanley exterior signage pre-planning
- Replacement of various missing signage throughout parking structure
- Broken curb repair in the parking structure

November 2022

- Everytable Grand Opening
- Lobby roll-up fire door repair
- Painting of all the curbs in the parking structure
- HVAC – repair of several VAV boxes in Suite 200

December 2022

- HVAC – annual preventative maintenance
- 6th floor – LED retrofit
- Installation of the new parking structure elevator timer
- Tree trimming at corner of University Avenue and Main Street
- HVAC – repair of VAV box in Suite 225

January 2023

- Lobby directory upgrade
- Painting the yellow curb in the parking structure (west side by ground floor Tesla Charger)
- Additional LED lighting by the 3rd-level elevator landing in parking structure
- New pedestrian beacon light at the 2nd-level parking structure elevator landing
- Installation of the new “Loading Dock” monument signage
- ADA access ramp to loading dock
- Painted the elevator landing/parking entrance to the building

BUILDING OPERATION YEAR IN REVIEW

JULY 2022 – JUNE 2023

February 2023

- HVAC – replacement of Boiler 1 burner and heat exchanger
- Parking garage – installation of the electrical pathway for new cameras
- Repair of Tesla chargers due to vandalism
- LED upgrade – elevator landing of parking garage Level-1
- HVAC- multiple VAV controller replacement on 3rd floor
- HVAC – cooling tower Belimo Actuator replacement
- Tree removal inside the Fire Up Grill patio
- Fire Up Grill - Construction of patio awning

March 2023

- New MISSION SQUARE sign installation in the parking garage entrance
- Construction of new mailboxes in Lobby
- Wall wrapping garage half-wall entrance to the building
- Davit repairs and inspection
- Annual fire extinguishers inspection

April 2023

- Emergency generator annual preventative maintenance
- Old mail room construction
- Roof door repair
- Basement and storage organizing
- T-Mobile closure and sign removal
- Door lock programming for Suite 225

May 2023

- Property tour with managers
- Installation of roof barriers – AT&T
- HVAC-quarterly preventative maintenance

June 2023

- Replacement of water heater in Suite 600
- HVAC - Compressor #2 replacement

UPCOMING ITEMS IN FY 2023/24

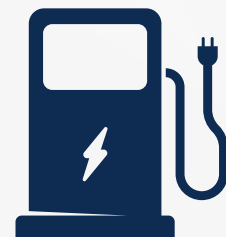
Currently Underway



Removal and replacement of all major components and equipment to the **Heating, Ventilation and Air Conditioning** (HVAC) system

Roof Replacement

Full System Single Ply Roof Re-Cover



Installation of **Electric Vehicle (EV)** charging stations on Level 1 of the parking garage



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