



STAFF REPORT

September 25, 2023
File Number 0600-10; A-3477

SUBJECT

480 N. SPRUCE LEASE AGREEMENT WITH BIG AND BOLD WHOLESALE

DEPARTMENT

City Manager; Economic Development

RECOMMENDATION

Request the City Council adopt Resolution No. 2023-130, authorizing the Mayor to execute, on behalf of the City of Escondido as Successor Agency to the Redevelopment Agency of the City of Escondido ("Successor Agency"), a Lease Agreement with Big and Bold Wholesale, for the use of the Successor Agency owned property located at 480 Spruce Street, for wholesale of kitchen remodeling material and the storage of material inside the building and outdoors, and the Broker's Commission Agreement for the services provided by Kidder Mathews representing the Successor Agency and Venture Pacific Commercial Services representing the Lessee.

Staff Recommendation: Approval (City Manager Department: Jennifer Schoeneck, Director of Economic Development)

Presenter: Jennifer Schoeneck, Director of Economic Development

FISCAL ANALYSIS

The Successor Agency will receive revenue in the amount of \$50,575.35 per month in year 1 of the lease which increases by four percent each year commencing October 1, 2023 and ending August 31, 2028. \$10,000 will be deducted from the first month lease for the tenant to repair broken bathroom toilets/drains. The total revenue received for the duration of this lease is \$3,218,022.90 (Attachment "2"). In addition to base rent, the tenant shall be responsible for the property insurance and property maintenance with the exception of the roof which currently has a leak that will be repaired by the Successor Agency.

The Successor Agency will compensate the Lessee's broker, Venture Pacific Commercial Services, with a leasing commission of 3%, and the Lessor's broker, Kidder Mathews, will receive 2%. This totals a commission of 5% of the overall lease consideration. Half of this commission, amounting to \$80,450.57, will be paid upon execution, with the remaining half paid upon Lessee occupancy, making the total commission for this lease \$160,901.15 (Attachment "3"). The Guarantee of Lease (Attachment "1") unconditionally guarantees all obligations and liabilities of Big and Bold Wholesale, under the Lease, including rent payments and performance of lease terms, will be signed by HD Wholesale. The lease revenue will go to the Successor Agency fund 791 and the broker payments will also be paid from the



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fund. The tenant will also be a point of sale location and is expected to generate sales tax revenue for the City's general fund.

PREVIOUS ACTION

None.

BACKGROUND

The City of Escondido is the Successor Agency to the Redevelopment Agency of the City of Escondido ("Successor Agency") for the property located at 480 N. Spruce Street. The industrial property is approximately 48,167 square feet situated on 3.79 acres. The proposed lease with Big and Bold Wholesale will allow for the Lessee's use of the industrial building and property, defined in the attached agreement as "Premises."

Big and Bold Wholesale is a kitchen remodeling material company and will also use the Premises as storage of material inside the industrial building and outdoors, subject to the allowed use of the City's zoning code. The initial term of the agreement is for 59 months.

RESOLUTIONS

- a. Resolution No. 2023-130
- b. Resolution No. 2023-130 Exhibit "A" – Lease Agreement
- c. Resolution No. 2023-130 Exhibit "B" - Commission Agreement

ATTACHMENTS

- a. Attachment "1" - Guaranty of Lease
- b. Attachment "2" - Lease Rent Calculations Spreadsheet
- c. Attachment "3" - Broker Commission Calculations Spreadsheet