



CITY OF MENIFEE

SUBJECT: Menifee Police Department Substation Lease Amendment

MEETING DATE: November 2, 2022

TO: Mayor and City Council

PREPARED BY: Gina Gonzalez, Economic Development Director

REVIEWED BY: Ed Varso, Police Chief

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Approve the amendment to the Menifee Police Department Substation Lease Agreement between Verduzco Family Investment Group, LLC, and the City of Menifee for a total of 60-months (five years); and
2. Authorize the City Manager to execute all required leases and documents for the Police Substation Lease Agreement renewal.

DISCUSSION

On May 17, 2017, the City Council approved an initial 60-month (five year) lease agreement to create and operate the City's first Police Department Substation at Cherry Hills Plaza in Sun City, Menifee. Since its operation, the department has run patrol and specialized law enforcement services, as well as the volunteer program out of the substation. In July 2020, services were transferred from Riverside County Sheriff Department to the Menifee Police Department, which now operates the substation in Sun City.

There are many public benefits of a storefront substation. It can assist with a low cost, and effective deterrent to crime through community policing, which ultimately fosters positive relationships between the Police Department, the City and citizens more directly. Additionally, a substation can assist with community education needs, empower citizens and families in the city, while also improving trust, reducing officer reporting times and officer response times. Increasing police visibility and providing officers the opportunity to meet and collaborate with community members, can help reduce Menifee crime rates, and the perceptions of crime through positive interactions with Menifee citizens (*Public Agency Training Council 2015 Publication*).

The existing lease for the 1,299 square foot (sq. ft.) storefront police substation is scheduled to expire December 2022. The current lease rate is \$1.04/ sq. ft. plus a triple-net (NNN) cost of .52/sq. ft. With the lease set to expire, the current agreement allows for a 5-year renewal but at market rate for the retail storefront. Staff pulled comps for like and similar retail space as well as office space and found that market rate for the retail space ranged from \$1.10/sq. ft. to \$2.50/ sq. ft. plus the cost of NNN, with office space ranging from \$1.75/sq. ft. to \$2.25/sq. ft.

A triple net lease (triple-net or NNN) is a lease agreement on a property whereby the tenant or lessee promises to pay all the expenses of the property, including real estate taxes, building insurance, and maintenance.

Staff has negotiated with the new property owner, Verduzco Family Investment Group, LLC, which acquired the property from the previous owners, Donald and Mary Lou Hobbs. The new owner offered, through negotiations, to keep the rent as-is, with a 1% annual increase as a way to maintain that the substation at its current location, and in Sun City as a partner, rather than charging market rates as allowed by agreement.

The new agreement terms are:

- January 1, 2023 through December 31, 2023; \$1,352 plus NNN
- January 1, 2024 through December 31, 2024; \$1,366 plus NNN
- January 1, 2025 through December 31, 2025; \$1,379 plus NNN
- January 1, 2026 through December 31, 2026; \$1,393 plus NNN
- January 1, 2027 through December 31, 2027; \$1,407 plus NNN

Based on the above, there is a 1% increase annually, plus the cost of maintenance, property taxes etc., as include in the NNN (triple net).

STRATEGIC PLAN OBJECTIVE

Safe and Attractive Community

The Menifee substation in Sun City current assists the community and the police department with a low-cost, effective antidote to crime by keeping officers in neighborhoods to continue to assist in making Menifee a safe and attractive community for both residents, visitors, and businesses. Additionally, substations assist police departments with engagement in the community in a non-enforcement method; thereby being an effective community policing measure where the community sees the substation as a community resource.

FISCAL IMPACT

The current fiscal impact for this item for the course of the agreement, 5-year lease, is:

	1299 sq ft	Base Rent	NNN (est)	TOTAL
Year 1	\$ 1.04	\$ 1,352.00	\$ 678.00	\$ 24,360.00
Year 2	\$ 1.05	\$ 1,366.00	\$ 678.00	\$ 24,528.00
Year 3	\$ 1.06	\$ 1,379.00	\$ 678.00	\$ 24,684.00
Year 4	\$ 1.07	\$ 1,393.00	\$ 678.00	\$ 24,852.00
Year 5	\$ 1.08	\$ 1,407.00	\$ 678.00	\$ 25,020.00

This item is currently budgeted within Fiscal Year 2022/2023 in account # 100-4911-52509 and would be budgeted each fiscal year in future budget recommendations within the Menifee Police Department Budget.

ATTACHMENTS

1. Lease Agreement (Original)
2. Amendment to Lease Agreement