



City of Rialto

Legislation Text

File #: 22-711, **Version:** 1

For City Council Meeting [August 9, 2022]

TO: Honorable Mayor and City Council

APPROVAL: Marcus Fuller, City Manager

FROM: Kathy Brann, Economic Development Manger

Request City Council to: (1) Approve Amendment #6 to Cooperative Agreement 93-049 between the San Bernardino County Transportation Authority and the City of Rialto; and (2) Authorize the City Manager to Execute All Documents.

BACKGROUND:

Cooperative Agreement 93-049 between the San Bernardino County Transportation Authority (SBCTA) and the City of Rialto has been amended several times since the original agreement was approved in February 1993. The Agreement addresses joint management responsibilities by SBCTA and the City related to the John Longville Metrolink Train Station. Most of the prior amendments related to provisions associated with the joint project to expand the Metrolink train station and parking lots.

The most recent Amendment #5 was approved by the City on July 25, 2017, and related to the City's prior approval of a lease agreement ("Lease") between the City and Terrence Harper to lease the John Longville Depot in the Metrolink Station for a new food service establishment (the "Forum Blues Café"). Amendment #5 defined roles and responsibilities for the administration of leases with third parties located on the non-operating railroad portion of the Metrolink train station (inside the depot).

Amendment #5 included the following provisions:

- The City administers and manages any leases for the non-operating portion of the Rialto Metrolink Station, including negotiating terms, managing tenants, enforcing lease terms, and collecting rent.
- The City shall consult SBCTA on proposed tenants and shall receive quarterly status updates on the existing leases.
- SBCTA and the City shall share lease revenues, with the City retaining 2.5% of all gross lease revenues to cover property management fees with the remainder divided equally between SBCTA and the City.

Under the provisions of Amendment #5, the City has split gross lease revenues with SBCTA after deducting the allowable 2.5% property management fee.

The following Table summarizes the sharing of gross lease revenues under the current Cooperative Agreement:

	Year-1	Year-2	Year-3
Revenues			
Lease	\$1	\$4,632	\$4,632
Utility Charge		\$1,200	\$1,200
Total	\$1	\$5,832	\$5,832
Expenses			
2.5% Property Management Fee	\$(0.025)	\$(145.80)	\$(145.80)
Other			
Net Revenue	\$(0.975)	\$5,686.20	\$5,686.20
<i>Gross Lease Revenue Distribution per Cooperative Agreement</i>			
City	\$0.4875	\$2,843.10	\$2,843.10
SBCTA	\$0.4875	\$2,843.10	\$2,843.10
Total	\$0.975	\$5,686.20	\$5,686.20

ANALYSIS/DISCUSSION:

SBCTA discovered that at many of the cities, the station sites had not been explicitly insured for property loss. Pursuant to Sections 5.06 and 5.07 of the Cooperative Agreement, the City bears the responsibility to provide and fund maintenance and security for the Rialto Metrolink station. The City has insured the John Longville Depot pursuant to its obligations under the Agreement, and has had 8 claims filed over the last 20 years that included attempted break-in of vehicles, car vandalism, and slip/fall related incidents.

SBCTA's evaluation of the risks at the station sites found that how each city addressed risk varied widely and often omitted coverage for the station itself, and SBCTA staff recommended that SBCTA itself ensure the core train station assets (platforms and canopies and, where applicable, grade separated pedestrian crossing structures) were adequately insured to add a level of consistency across the stations.

The SBCTA Board of Directors directed SBCTA staff to add the core train station assets to SBCTA's property insurance for Fiscal Year 2022 and to coordinate with those cities having Cooperative Agreements with SBCTA for train stations to equally share the cost of SBCTA's insurance.

Under the terms of Amendment #6, SBCTA will furnish insurance for the core train station assets (in the case of the John Longville Depot, the insurance will cover only the train station platform and canopies), and SBCTA will invoice the City 50% of the insurance premium, due the following fiscal year. In our case, the annual insurance premium is \$5,423.58 with the City's share of \$2,711.79 for Fiscal Year 2022 due July 2023. Each city is only paying half of what it costs to obtain the insurance

for the core station assets located at that city's station site. No city is subsidizing the cost of insurance for any other city, however SBCTA is subsidizing the cost of insurance for each of the cities. Since 2002 there have been eight claims filed with the City insurance company, however, no settlement payments, and one claim was forwarded SBCTA, Metrolink indemnified the City and their carrier funded the settlement.

Amendment #6 also revises terms and conditions relating to the City's management of third-party leases - to the benefit of the City. Specifically, SBCTA has proposed the following:

- Increase the City's allowable property management fee from 2.5% to 3%
- Allow the City to deduct all its operational and maintenance (O&M) expenses from gross lease revenues
- Provide for sharing of net lease revenues with SBCTA after deducting the City's O&M expenses

The City's various O&M expenses associated with the John Longville Depot far exceed the nominal lease revenues received. Specifically, the City incurs the following average annual costs:

- \$630 Intrusion alarm monitoring
- \$24,865 Janitorial and platform pressure washing services
- \$2,500 Landscape and grounds maintenance
- \$110,000 Security guard services

Total O&M expenses of nearly \$140,000

Revenues	xx
Lease ^{xx}	\$4,632 ^{xx}
Utility Charge ^{xx}	\$1,200 ^{xx}
Total	\$5,832^{xx}
xx	xx
Expenses	xx
3% Property Management Fee ^{xx}	(\$175) ^{xx}
All O&M Expenses ^{xx}	\$(140,000) ^{xx}
Net Revenue ^{xx}	\$(140,175)^{xx}
Lease Revenue Distribution ^{xx}	xx
xx	xx
City ^{xx}	\$5,832 ^{xx}
SBCTA ^{xx}	\$0 ^{xx}
Total ^{xx}	\$5,832^{xx}

Amendment #6 will eliminate sharing of net lease revenue with SBCTA given the City's expenses exceed the lease revenue received.

SBCTA is also eliminating its responsibility to administer any leases associated with the station and delegating to the City authority to act as landlord, including negotiation and administration of any leases. The changed agreement terms are beneficial to the City. In addition, SBCTA has removed Article V, Section 5.11 "Administration of Leases" section and has replaced it with a new section that

allows the City to act as the landlord on behalf of SBCTA and the City.

A copy of Amendment #6 is included as **Attachment 1**.

ENVIRONMENTAL IMPACT:

Pursuant to Section 15378 of the California Environmental Quality Act, a 'Project' means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. The proposed action will not have any impact upon the environment. The California Environmental Quality Act does not define the proposed action as a project. The proposed action is an organizational or administrative activity of a governmental that will not result in direct or indirect physical changes in the environment.

GENERAL PLAN CONSISTENCY:

The City of Rialto has identified several goals and objectives within the City's recently adopted General Plan through which the City looks to improve the community.

Goal 3-1: Strengthen and diversify the economic base and employment opportunities and maintain a positive business climate.

Goal 3-3: Attract, expand, and retain commercial and industrial businesses to reduce blighted conditions and encourage job growth.

LEGAL REVIEW:

The City Attorney has approved the agreement and the staff report.

FINANCIAL IMPACT:

Approval of Amendment #6 will result in the City receiving all of the Gross rent collected from the tenant at the Station, which is currently \$4,632 and \$1,200 toward utilities.

RECOMMENDATION:

Staff recommends that the City Council:

- (1) Approve Amendment #6 to Cooperative Agreement 93-049 between the San Bernardino County Transportation Authority and the City of Rialto; and
- (2) Authorize the City Manager to Execute All Documents