



Agenda Report

Fullerton City Council

MEETING DATE: JULY 15, 2025

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: SUNAYANA THOMAS, DIRECTOR OF COMMUNITY AND ECONOMIC DEVELOPMENT

PREPARED BY: SUNAYANA THOMAS, DIRECTOR OF COMMUNITY AND ECONOMIC DEVELOPMENT

SUBJECT: PROPOSED LEASE AMENDMENT FOR CITY OWNED REAL PROPERTY LOCATED AT 120-140 EAST SANTA FE AVENUE – FULLERTON TRANSPORTATION CENTER
(Continued from June 17, 2025 Meeting)

SUMMARY

Bushala Brothers, Inc, the tenant at 120-140 East Santa Fe Avenue, requested amending the lease executed in 1990 and amended in 1992 to exercise two ten-year lease extensions through 2047 and grant the option to extend the lease through 2060, with the possibility of an additional term subject to City Council approval as well as expand the leased area and responsibilities.

PROPOSED MOTION

Approve Lease Amendment No. 2 between the City of Fullerton and Bushala Brothers, Inc. and authorize City Manager to execute all necessary documents.

ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Deny the lease agreement and pursue alternate options
- Other options brought by City Council.

STAFF RECOMMENDATION

Approve the Proposed Motion.

CITY MANAGER REMARKS

The City Manager recommends approval of the lease. This lease will provide the opportunity to have a restaurant in this location which would be a benefit in my opinion to Fullerton.

The lease as proposed provides the opportunity to begin to increase the current leased to market rate in 2047 when the lease would be extended. It also has a rent of \$2 per square foot for the additional space which provides the opportunity for the restaurant.

Finally, there is a performance benchmark in the lease to incentivize achieving the goal of adding the restaurant.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statements:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

FISCAL IMPACT

The tenant pays \$0.29 per square foot per month or \$3.48 per square foot per month (approximately \$22,000 per year) for 6,248 square feet (Areas 2 through 5 and 7). The City would receive *\$2 per square foot per month or approximately \$45,000 per year for the new area proposed (Area 8), if City Council accepts the tenant request.* In addition, the current leased area would begin to increase to market rate over a four-year period with 10% increases per year beginning 2047 when the original lease terms expire. The lease amendment has a triple-net agreement structure, shifting responsibility for tenant improvements, maintenance, insurance and utilities to the tenant. The City agreed to allow rent credits up to 75% of eligible hard and soft costs for tenant-funded improvements, not to exceed \$190,400. Staff does not expect significant General Fund impact and stays consistent with the existing lease terms.

DISCUSSION

The former Redevelopment Agency and tenant, Bushala Brothers, Inc., entered a lease for portions of the Fullerton Transportation Center (FTC), also known as the Train Depot, in 1990. The parties amended the lease in July 1992 for a 35-year term with two ten-year extensions, totaling 55 years through 2047. The City, as the fee title owner of the FTC, serves as landlord in this agreement, following the Fullerton Redevelopment Agency dissolution. The original leased premises include Areas 2, 3, 4 and 5 totaling approximately 6,248 square feet, with the tenant having the option to occupy Area 6, a portion of the loading dock outside the roofline of the train station. Area 8, a portion of the covered dock, is newly introduced under this amendment, subject to City approval. Area 9 is an outdoor seating area located near the train passenger loading area, open and available to the public.

The proposed Second Amendment to the lease expands the premises to include the new Area 8 for restaurant and outdoor dining uses and the tenant exercising the option which would likely occur even without expansion on Areas 6 and 9 as shown in Exhibit A. Area

9 is occupied under a no-cost encroachment permit. The amendment updates authorized uses to include food service, entertainment and alcohol sales and outlines base rent terms and performance milestones. The lease provides that the areas in the 1992 lease will transition toward a fair market value (FMV) rent in 2047. Base rent will increase by 10% each year, applied monthly for four years beginning in 2047. Rent will shift to full FMV based on an appraisal in 2051. The agreement outlines the process for obtaining the appraisal in detail.

The proposed \$2.00 per square foot per month (\$24 per square foot annually) for Area 8 base rent begins 180 days after issuance of a Certificate of Occupancy (CofO) or Temporary Certificate of Occupancy (TCO), whichever occurs first. Existing areas (2 through 5) will remain at current rates with annual CPI adjustments capped at 4%. Tenant is eligible for up to 75% rent credits for verified hard and soft costs related to tenant improvements, fire safety systems and access upgrades not to exceed \$190,400. Area 6 may follow the Area 8 rent structure, pending final City review and permitting. The tenant must complete required improvements within five years of the amendment effective date. The City Manager may grant up to five one-year extensions if the tenant demonstrates good cause and progress.

The amendment also authorizes subleasing or assignment to Four Corners Project, Inc., SF Pomona, LLC and to principals George or Tony Bushala, subject to City Manager and City Attorney review and approval.

Attachments:

- Attachment 1 – PowerPoint Presentation
- Attachment 2 – Draft Lease Agreement
- Attachment 3 – Draft Lease Agreement Redline
- Attachment 4 – Exhibit A

cc: City Manager Eric J. Levitt