



Agenda Report

Fullerton City Council

MEETING DATE: JUNE 17, 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

SUMMARY

Bushala Brothers, Inc, the tenant at 120 - 140 East Santa Fe Avenue within the Fullerton Transportation Center requested a lease amendment. The amendment exercises two existing ten-year lease extensions through 2047 and grants the tenant the option to extend the lease further through 2060, with the possibility of an additional term.

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

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

This amendment is intended to move forward with the ability to add a restaurant or similar amenity at the train depot. One key element of the amendment is that it has a provision to have that project in place within five years of less.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statements:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

FISCAL IMPACT

The tenant currently pays \$0.29/SF/month or \$3.48/SF/year (~\$22,000/year) for 6,248 SF (Areas 2-5,7,9). If Council accepts tenant's request, the City would receive an additional \$2/SF/month or approx. \$45,000/year for the new areas proposed. The lease amendment is structured as a triple-net agreement, placing responsibility for Tenant Improvements, maintenance, insurance, and utilities to the tenant. The City has agreed to allow rent credits of up to 75% of eligible hard and soft costs for tenant-funded improvements.

DISCUSSION

In 1992, the former Redevelopment Agency (RDA) and tenant, Bushala Brothers, Inc., entered a 35-year lease with two 10-year options, totaling 55 years or 2047, for portions of the Fullerton Transportation Center (FTC), also known as the Train Depot. The city, as the fee title owner of the FTC, serves as the landlord in this agreement. 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, portion of the loading dock outside the roofline of the train station. Area 8 is newly introduced under this amendment, subject to City approval.

The proposed Second Amendment to the lease expands the premises to include Areas 6, 8, and 9 for restaurant and outdoor dining uses, as shown in Exhibit A. Area 9 is already 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 also provides that all areas will transition to fair market value (FMV) rent in 2047 through an appraisal process. Beginning in 2047, base rent will increase by 10% each year, applied monthly for four years. In 2051, rent will shift to FMV based on an appraisal. The tenant is required to complete agreed upon improvements within five years of the amendment's effective date. Up to five one-year extensions may be granted by the City Manager if the tenant demonstrates good cause and progress.

The tenant proposes a base rent of \$2.00 per square foot per month (\$24 per square foot annually) for Areas 6 and 8, beginning 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. Area 6 may follow Area 8's rent structure, pending final City review and permitting.

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

Attachments:

- Attachment 1 – Draft Lease Agreement
- Attachment 2 – Exhibit A

cc: City Manager Eric J. Levitt