



Staff Report

DATE: February 10, 2025
TO: MAYOR AND CITY COUNCIL
FROM: MICHAEL BLAY, CITY MANAGER
PREPARED BY: ROBERT D. DALQUEST, DEVELOPMENT SERVICES DIRECTOR
MELECIO PICAZO, ECONOMIC DEVELOPMENT COORDINATOR
SUBJECT: CONSIDER APPROVAL OF A FIRST AMENDMENT TO THE LEASE AGREEMENT WITH TESLA INC. FOR CITY OWNED SITE LOCATED AT THE CORNER OF 15TH STREET AND 6TH AVENUE

RECOMMENDED ACTION:

It is recommended that the City Council do the following: 1) approve the First Amendment to the Lease Agreement between the City of Upland and Tesla Inc. for a 35,000 square foot area within a City-owned site that is 4.31 acres in size located at the northwest corner of 15th Street and 6th Avenue (APN: 1045-081-40 & 55); 2) authorize the City Manager to execute the First Amendment to the Lease; and 3) determine that the First Amendment to the Lease is exempt from the California Environmental Quality Act (CEQA) pursuant to Guidelines Section 15061(B)(3) and 15311; and direct staff to file a Notice of Exemption pursuant to the California Environmental Quality Act.

GOAL STATEMENT

The proposed action will support the City's goal to enhance local government funding and protect its assets.

BACKGROUND

Tesla Inc. (Tesla) operates an automotive dealership at 1018 E. 20th Street. Tesla approached staff in 2022 and indicated that they were looking for land off-site within the vicinity of their dealership to temporarily park and store new vehicles, while they completed an expansion of their vehicle display/storage area on the vacant 3.5-acre parcel to the west of their facility on 20th Street. The subject lease was intended to be a temporary storage facility while Tesla worked and completed the 3.5-acre expansion area for permanent vehicle storage to increase capacity.

On November 17, 2022, the City and Tesla Inc. entered into a Lease Agreement for parking new Tesla Vehicles on a 35,000 square foot City-owned reservoir site, located at the northwest corner of 15th Street and 6th Avenue. The reservoir site is 4.31 acres in size and contains a water tank on the western portion of the site and is vacant with no improvements on the balance of the property.

ISSUES AND ANALYSIS

Under the terms of the Lease Agreement, Tesla leased the City-owned reservoir site for \$9,000 a month to park up to approximately 100 new vehicles. The Lease Agreement term was good for one year, until December 31, 2023.

On September 13, 2023, Tesla delivered to the City a 30-day Notice to Terminate the Lease Agreement and to be effective October 13, 2023. However, Tesla remained on the site beyond the Lease termination date, on a month-to-month basis, as Tesla needed additional time until completion of the 3.5-acre expansion area located west of the Tesla dealership.

Prior to December 2024, Tesla has since vacated the City-owned property, however, back rent is due and Tesla is willing to pay that amount which is \$131,225.81. For this reason, the City and Tesla are now seeking to "retroactively" extend the term of the Lease Agreement from October 14, 2023 and to expire on December 31, 2024. Tesla will pay the back rent within 15 business days after the effective date of the First Amendment to the Lease Agreement. The City Attorney has reviewed the First Amendment to the Lease Agreement and is recommending approval as to the form and content.

ENVIRONMENTAL DETERMINATION

The First Amendment to the Lease is exempt from the California Environmental Quality Act (CEQA) pursuant to

State CEQA Guidelines Section 15061(b)(3), which states that CEQA does not apply where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. The project only concerns the temporary use of the site for parking/storage of up to 100 new Tesla vehicles on a lease area of 35,000 square feet within a vacant part of a 4.31-acre City reservoir site. The project also includes grading the lease area by the City and installation of a 6-inch gravel base. The First Amendment to the Lease is also exempt under Section 15311 of the CEQA Guidelines (Accessory Structures), which exempts the construction, or replacement, of minor structures accessory to (appurtenant to) existing commercial, industrial, or institutional facilities which includes a small parking lot.

Lastly, none of the exceptions provided in Section 15300.2 of the CEQA Guidelines to the Class 11 exemption apply, as the project would not impact an environmental resource of hazardous or critical concern. There are no cumulative impacts, as the temporary parking/storage of vehicles on the 4.31-acre reservoir site would not be developed in the same place over time. There are no unusual circumstances surrounding the project site and the project would not damage resources within a state scenic highway, is not located on a hazardous waste site, and would not impact the significance of a historical resource as the site is currently within an urbanized area on a City-owned property containing a water reservoir on a portion of the site.

FISCAL IMPACTS

Tesla will pay back rent to the City in the amount of \$131,225.81 within 15 business days after the effective date of the First Amendment to the Lease Agreement. This revenue will be deposited into the Water Fund.

ALTERNATIVES

Provide alternative direction to staff.

CEQA: Determine to be Exempt.