

City of Sacramento

Legislation Text

File #: 2020-00302, **Version:** 1

Title:

Lease Agreement: City Hall Garage, 1000 I Street, Data Center [Continued from 03/24/2020]

File ID: 2020-00302

Location: City Hall Garage, 1000 I Street, Data Center, District 4

Recommendation:

Pass a Motion: 1) determining that, pursuant to City Code Section 3.68.110(D), the leasing of a data center at 1000 I Street without bidding is in the best interest of the City; 2) authorizing the City Manager or the City Manager's designee to execute a lease agreement with Sacramento-Valley Limited Partnership, a California limited partnership, dba Verizon Wireless, for an initial lease term of five years, with four five-year options to extend; and 3) authorizing the City Manager or the City Manager's designee to execute minor lease amendments pursuant to City Code Section 3.68.120.

Contact: Steve Ward, Real Property Agent, (916) 808-1081; Richard Sanders, Facilities & Real Property Superintendent, (916) 808-7034, Department of Public Works

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Lease Agreement

Description/Analysis

Issue Detail: Sacramento-Valley Limited Partnership, a California limited partnership, dba Verizon Wireless (Verizon) submitted a written offer to lease 5,489 square feet of vacant space (Premises) on the ground floor of the City-owned City Hall Parking Garage (City Hall Garage), located at 1000 I Street. The City desires to lease the Premises to Verizon on the terms and conditions specified in the lease agreement attached hereto for an initial term of five years, with four additional five-year options to extend.

Policy Considerations: City Code Section 3.68.110(D) allows the City to lease City property without

bidding when a firm and complete written offer for lease has been submitted with rent at or above fair market rate for comparable, similarly situated properties (as determined by the real property supervisor) and the City Council finds that leasing the property without bidding is in the best interest of the City. Verizon submitted a written offer for lease and the City's real property supervisor determined the offered rent was at or above fair market rate for comparable, similarly situated property. Leasing to Verizon is in the best interest of the City because such lease will assist with the development of the City's 5G services and infrastructure, as described in further detail below.

The recommendations in this report are consistent with the adopted 2013 Economic Development Strategy goal to invest in building Sacramento and the objective to "encourage strategic investments and initiatives that lead to economic development, job growth and enhance the quality of life in Sacramento."

Economic Impacts: None

Environmental Considerations: The leasing of space in the ordinary course of City operations is a continuing administrative activity and is not considered a project under the California Environmental Quality Act (CEQA) Guidelines section 15378(b)(2). Additionally, any improvements to the Premises would be exempt from CEQA pursuant to CEQA Guidelines section 15301 as minor alterations of an existing public structure involving negligible or no expansion of the existing use.

Sustainability: Not applicable

Commission/Committee Action: None

Rationale for Recommendation: Sacramento has worked to position itself as a testing ground for new technology, helping to foster innovations that improve the quality of life in Sacramento and strengthen the local economy. The City entered into a public-private partnership with Verizon in June 2017 (City Agreement No. 2017-0699). Part of that agreement included the City allowing Verizon to install small antennae, also known as small cells or "nodes," on approximately 300 utility poles across all eight Council districts. Small cells work collectively to create radio access networks (RAN) and transmit data via electromagnetic radio waves (also known as radio frequency energy).

The lease space located at 1000 I Street was previously occupied by the City's Information Technology Department as a server room and Verizon will use it to house equipment that will be providing front haul fiber communication to Verizon 4G and 5G small cell nodes surrounding the hub or Centralized Radio Access Network (C-RAN). This installation will greatly enhance the performance and efficiencies of the Verizon network and allow for future network expansions. The space will house various telecommunications equipment such as routers, diverse fiber paths, battery backup UPS systems, and CRAC cooling systems.

A lease with Verizon at City Hall Garage supports the goals of the City’s Economic Development Strategy. It is in the best interest of the City to lease space within City Hall Garage to Verizon, which will serve as Verizon’s downtown Sacramento C-RAN.

Financial Considerations: The monthly rent for the 5,489 square foot Premises will be \$1.00 per square foot for the initial lease term, with approximately 10% increases at each five-year extension. Verizon will also pay an additional monthly fee to cover the common area maintenance charges. The current data center improvements located within the Premises are outdated and in need of replacement. Verizon will be self-performing and self-funding the necessary tenant improvements within the Premises to meet its requirements. Therefore, the City will not have to pay any upfront tenant improvement costs.

City is responsible for payment of a brokerage commission to Verizon’s broker, Epic Wireless Group, LLC, for services provided in connection with the lease, in an amount equal to 5% of the Base Rent for the initial term of the lease, which is equal to \$16,467.

The total lease revenue during the initial 5-year term will be \$395,208, and if Verizon exercises all four extension terms, the total lease revenue received by the City, including the initial term, will be \$2,404,182, as outlined below:

City Hall Garage Data Center				
Term	Base Rental Per Sq. Ft.	Monthly Base Rent Charge	Monthly Common Area Maintenance Fee	Total Monthly Charge
Initial Term (Years 1-5)	\$1.00	\$5,489.00	\$1,097.80	\$6,586.80
First Extension (Years 6-10)	\$1.10	\$6,037.90	\$1,207.58	\$7,245.48

Second Extension (Years 11-15)	\$1.21	\$6,641.69	\$1,317.36	\$7,959.05
Third Extension (Years 16-20)	\$1.33	\$7,300.37	\$1,427.14	\$8,727.51
Fourth Extension (Years 21-25)	\$1.46	\$8,013.94	\$1,536.92	\$9,550.86

All lease revenue will be deposited in the Parking Fund (Fund 6004).

Local Business Enterprise (LBE): Not applicable