

City of Sacramento

Legislation Text

File #: 2018-01660, **Version:** 1

Title:

Lease Agreement: Memorial Garage - 1430 H Street

File ID: 2018-01660

Location: 1430 H Street, District 4

Recommendation:

Pass a Motion: 1) determining that pursuant to City Code Section 3.68.110(D) the leasing of 1430 H 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 GoodSide Coffee, LLC for an initial lease term of five years, with two 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; Matt Eierman, Parking Services Manager, Department of Public Works

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Lease Agreement

Description/Analysis

Issue Detail: GoodSide Coffee, LLC (GoodSide Coffee) submitted an offer to lease a vacant City property located at 1430 H Street for operation of a coffee shop. The space measures approximately 1,550 square feet on the ground floor of the Memorial Garage. The tenant space was vacated by Starbucks on July 31, 2014. GoodSide Coffee's offer for rent accords with the fair market rate of \$2.096 per square foot (which includes common area fees) for comparable, similarly situated properties. GoodSide Coffee's lease would be for an initial term of five (5) years and two additional five-year options to extend. City and GoodSide Coffee will both perform certain initial improvements,

as specified in the lease, before GoodSide Coffee's business begins operations.

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 and the City Council finds that leasing the property without bidding is in the best interest of the City.

The recommendations in this report are consistent with the City's strategic plan and goal of the City Council to expand economic development throughout the City.

Economic Impacts: None.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action in this report is exempt from the California Environment Equality Act (CEQA) under CEQA Guidelines Section 15301 because the proposed action involves leasing of an existing public structure or facility involving negligible or no expansion of use.

Sustainability: Not applicable.

Commission/Committee Action: None.

Rationale for Recommendation: GoodSide Coffee's proposal to lease the property on the corner of 15th Street and H Street would be for a café emphasizing specialty espresso beverages. The managing member of GoodSide Coffee has been the owner/operator of the Mighty Coffee Food Truck in the Sacramento Area since early 2016 and desires to establish a brick and mortar retail facility. A lease with GoodSide Coffee at 1430 H Street supports the goals of the City's Economic Development Strategy.

Financial Considerations: The tenant space at 1430 H Street measures approximately 1,550 square feet. Based on the fair market rate of \$2.096 per square foot for similar properties (which includes common area operating fees), GoodSide Coffee's monthly rent payments for the first five-year term will average \$3,249. The total lease revenue for the initial five-year term will be \$194,928, which is at or above the fair market rate for comparable, similarly situated property, as determined by the real property supervisor. The total rent for the first five years of the lease breaks down as follows:

MONTHS	RENT PER SQ. FT (ROUNDED)	BASE RENT / MONTH	OPERATING FEES / MONTH	TOTAL MONTHLY RENT
--------	------------------------------	----------------------	---------------------------	-----------------------

01-12	\$1.55	\$2,402.50	\$310.00	\$2,712.50
13-24	\$1.72	\$2,666.00	\$310.00	\$2,976.00
25-36	\$1.90	\$2,945.00	\$310.00	\$3,255.00
37-48	\$2.07	\$3,208.50	\$310.00	\$3,518.50
49-60	\$2.24	\$3,472.00	\$310.00	\$3,782.00

There will be two five-year options to extend the lease. Each option will be at fair market rental. City will also pay a brokerage commission in the amount of \$8,816.40 to GoodSide Coffee's broker, Turton Commercial Real Estate, which is equal to five percent of the total base rent for the first sixty (60) months of the lease. Sufficient funding for the commission payment exists within the Parking Services Division's Fiscal Year (FY) 2018-19 operating budget (Parking Fund, Fund 6004).

The City will deliver the space with freshly painted ceiling, HVAC ducts/grates, and metal conduit in Tenant's color of choice. The estimated cost to complete these improvements is \$7,000. Sufficient funding for these improvements exists within the Parking Services Division's Fiscal Year (FY) 2018/19 operating budget (Parking Fund, Fund 6004).

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

Local Business Enterprise (LBE): Not applicable.