



REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento

915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Consent
November 13, 2008

Honorable Mayor and
Members of the City Council

Title: Lease for 1016 K Street

Location/Council District: 1016 K Street, Council District 1

Recommendation: Adopt a **Redevelopment Agency Resolution**, authorizing the Acting Executive Director or her designee to execute a lease with Hensel Phelps Construction Company for the lease of 1016 K Street.

Contact: Beth Tincher, Economic Development Project Manager, 808-7730; Leslie Fritzsche, Downtown Development Manager, 808-5450

Presenters: None

Department: Economic Development Department

Division: Downtown Development

Organization No: 18000

Description/Analysis

Issue: In February 2005, the Redevelopment Agency issued a Request for Proposals for a Downtown Cultural, Entertainment, and Retail Complex for 1000 - 1022 K Street. On September 13, 2005 the Agency authorized an Exclusive Right to Negotiate Agreement (ERN) with K Street Central for redevelopment of the property.

In September 2008, the 1000 K Street (formerly Woolworths) building renovation was complete. The newly renovated building includes the exciting Cosmopolitan Cabaret, a 250-seat live theater cabaret, a signature ground floor restaurant, a night club on the second floor, 12,000 square feet of office space, and on-site parking and storage in the basement of the building.

The ERN was extended for the remaining parcels to allow the development team time to assemble a second project that will enhance the entertainment uses that are on the 1000 block of K Street which include the Cosmopolitan as well as the Crest Theater, and the Pyramid Brewery. Hensel Phelps Construction Company, the contractor for the Cosmopolitan, is currently utilizing 1016 K Street (see location map, Attachment 2) as a site construction office. Hensel Phelps expressed an interest in continuing to utilize the office space while the Agency negotiates a second project with the developer. In lieu of rent Hensel Phelps has agreed to provide building oversight for all the Agency-owned buildings on the south side of the block (from 1012-1022 K Street including 1016 K Street) as well as provide basic maintenance and minor repairs for these buildings (see Attachment 1, Lease).

Policy Considerations: This lease, while it is for only two years or less, is consistent with, and furthers the implementation of the Redevelopment Plan for the Merged Downtown Sacramento Redevelopment Project Area. Allowing Hensel Phelps to occupy the building while staff works to bring forward a project will help eliminate blight conditions caused by vacancy, lack of security, and limited resources for building oversight and maintenance.

Environmental Considerations: Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review. When a project is proposed for the site, it will undergo CEQA review.

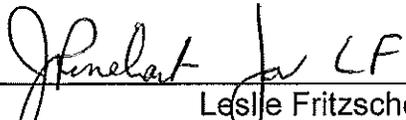
Sustainability Considerations: The recommendation in this report meets the objectives of the Sustainability Master Plan by providing oversight and maintenance to keep current Agency owned buildings in a state of good repair.

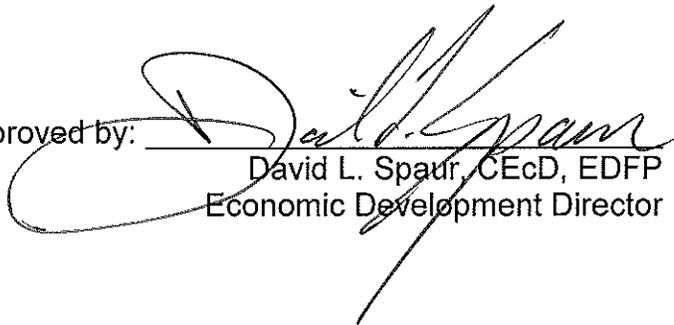
Commission/Committee Action: none.

Rationale for Recommendation: 1012 through 1022 K Street are currently vacant buildings on K Street, except 1016 K Street, where Hensel Phelps is currently housing its construction office while finishing up the final details on the Cosmopolitan Building. Occupying the building creates a physical presence which provides the Agency with building oversight and discourages vandalism which can be an issue with buildings that sit vacant. With Hensel Phelps continuing to occupy the building, the Agency is benefited by their willingness and ability to provide minor repair and maintenance services. This action does not hinder the ability to bring forward another exciting project in the near future as Hensel Phelps vacates the premises when a project is ready to begin.

Financial Considerations: The lease, upon execution saves the Agency approximately \$475 month in janitorial and property maintenance costs.

Emerging Small Business Development (ESBD): None

Respectfully Submitted by: 
Leslie Fritzsche
Downtown Economic Development Manager

Approved by: 
David L. Spaur, CEcD, EDFP
Economic Development Director

Recommendation Approved:

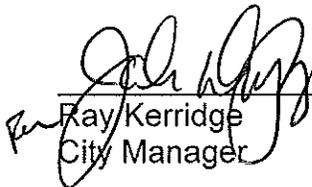

Ray Kerridge
City Manager

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Attachment 1

LEASE AGREEMENT

Recitals

A. The Landlord is the Redevelopment Agency of the City of Sacramento and the Tenant is Hensel Phelps Construction Co. The Landlord desires to lease to Tenant and Tenant desires to lease from Landlord approximately 3,200 square feet of space located at 1016 K Street, Sacramento, CA (the "Leased Premises").

B. Tenant understands and agrees that it is Landlord's intent to cause or have the Leased Premises redeveloped as soon as is reasonable and practical so this Lease is not to exceed two years.

C. The Property is located in the Merged Downtown Sacramento Redevelopment Project Area and is subject to the Redevelopment Plan for the Project Area. Further, Tenant acknowledges that Tenant is leasing the Property from Landlord, which is a Redevelopment Agency formed and acting under the Community Redevelopment Law (California Health & Safety Code Sections 33000 *et seq.*) acknowledges that this document is consistent with Community Redevelopment Law. This Lease, though for only two years or less, is consistent with, and furthers, the Redevelopment Plan and the "Implementation Plan" adopted for the Project Area in that it will help eliminate blighting conditions caused by vacancy, lack of security, limited resources for building oversight and maintenance which in turn support the Landlord's ongoing efforts to eliminate blighting conditions within the J-K-L corridor of the Merged Downtown Redevelopment Project Area.

Landlord and Tenant now agree as follows:

1. Lease Term. The Lease Term shall be for a two (2) year period of time commencing on January 1, 2009 and ending on December 31, 2011, unless sooner terminated according to this Lease.

a. Tenant acknowledges that this Term and Tenant's use of the Premises is an interim use until such time as the Premises or the parcels upon which they are situate can be redeveloped. Tenant, therefore, agrees upon thirty days' written notice to surrender the Leased Premises to Landlord.

2. Consideration/Rent. Tenant will occupy the Leased Premises and perform basic maintenance and minor repairs to 1012 – 1022 K Street and the Leased Premises. Landlord will pay for materials necessary for such maintenance and repairs provided by Tenant, with prior written approval. If work is required as a result of an insurance claim or is a major repair, Tenant will coordinate with the Landlord to have outside contractors complete any required repairs.

3. Utilities. Tenant, is and shall be responsible for payment for all utilities incurred as a result of Tenant's use of the Leased Premises.

4. Tenants' Use of Leased Premises. Tenant shall use the Leased Premises for general offices. Tenant shall not cause any damage to any part of the Leased Premises, except normal wear and tear, and except to the extent reasonably necessary for the installation of trade fixtures or equipment.

4.1 Tenant shall not make any alterations to the Leased Premises without prior written approval from Landlord.

4.2 Tenant shall not commit any wastes in or around the Leased Premises and shall keep the Lease Premises in a neat, clean, attractive and orderly condition, free of any nuisances.

4.3 Tenant shall use the Leased Premises in compliance with all applicable laws, statutes, ordinances, rules regulations, orders, recorded documents and restrictions, and requirement of any fire insurance underwriters or rating bureaus, now or later in effect, including but not limited to environmental laws, statutes, rules, regulations and orders.

4.4 Any trade fixtures that are not removed from the Leased Premises by Tenant within thirty (30) days after the Termination Date shall be deemed abandoned by Tenant and shall automatically become the property of Landlord as the owner of the real property to which they are affixed.

5. Insurance. Tenant shall, at Tenant's expense, obtain and maintain insurance throughout the life of this Lease, including coverage for damage to or destruction of Tenant's improvements to the Premises and personal property stored at the Premises, together with general liability coverage of One Million Dollars (\$1,000,000) minimum coverage per occurrence and all risk glass coverage for full cash value. Tenant will furnish Landlord, at each renewal period or change in insurer, with proof of insurance issued by an insurer approved by Landlord showing the coverage to be in force and showing Landlord as an additional insured for all periods of the Term. Landlord and Tenant each waive the rights of subrogation that may arise against the other because of any act covered by insurance.

5.1 Such insurance shall be in a form and carried with a company acceptable to Landlord and shall not have a deductible in excess of Five Hundred Thousand Dollars (\$500,000.00).

5.2 The insurance policy shall not be subject to cancellation, lapse, or change except after at least thirty (30) days prior written notice to Landlord.

6. No Assignment or Sublet. Tenant shall not sublet, lease or assign this Lease.

7. No Parking or Delivery Access Guaranty. Tenant acknowledges that Landlord does not control ether parking or delivery access to the Leased Premises and Landlord shall have no obligation to provide parking or delivery access to the lease Premises.

8. Non-Discrimination. The Tenant herein covenants by and for itself or its heirs, executors, administrators and assigns, and all persons claiming under or through it, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the Tenant itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.

9. Indemnification. Tenant agrees to indemnify, hold harmless, and defend Landlord from all claims and liability of every kind, including court costs and attorney fees, arising in any way from Tenant's negligence related to Tenant's use or occupancy of the Premises.

10. Landlord has no Obligation to Provide Security. Tenant acknowledges that Landlord shall have no obligation to provide any guard service or security measures or alarms to the Leased Premises. Tenant assumes all responsibility for the protection of Tenant, Tenant's agents, invitees, and customers, and the property Tenant and of Tenant's agents, invitees, and customers from third parties.

11. Default. Each of the following shall be an Event of Default under this Lease:

If Tenant fails within thirty (30) days after written notice to correct any breach of default of the other covenants, terms, or conditions of this Lease; and

If Tenant fails to use the Premises for the uses specified in this Lease for three (e) consecutive months, or more, or for a total of six (6) months, or more during the term of the Lease; or vacates, abandons, or surrenders the Premises prior to the end of the Term.

12. Remedies. Upon the occurrence of an Event of Default under this Lease by Tenant, Landlord is entitled at Landlord's option to the following:

(a) To reenter and take exclusive possession of the Premises;

(b) To continue this Lease in force or to terminate it at any time;

(c) To take custody of all personal property on the Premises and to dispose of the personal property, in accordance with applicable law, and to apply the proceeds from any sale of that property to Tenant's obligations under this Lease;

(d) To recover for Tenant the damages described in Civil Code § 1951.2(a)(1), 1951.2(a)(2), 1951(a)(3), and 1951(a)(4), the provisions of which are expressly made a part of this Lease;

(e) To restore the Premises to the same condition as received by Tenant at Tenant's expense; and

(f) To enforce by suit or otherwise all obligations of Tenant under this Lease and to recover from Tenant all remedies allowed by law.

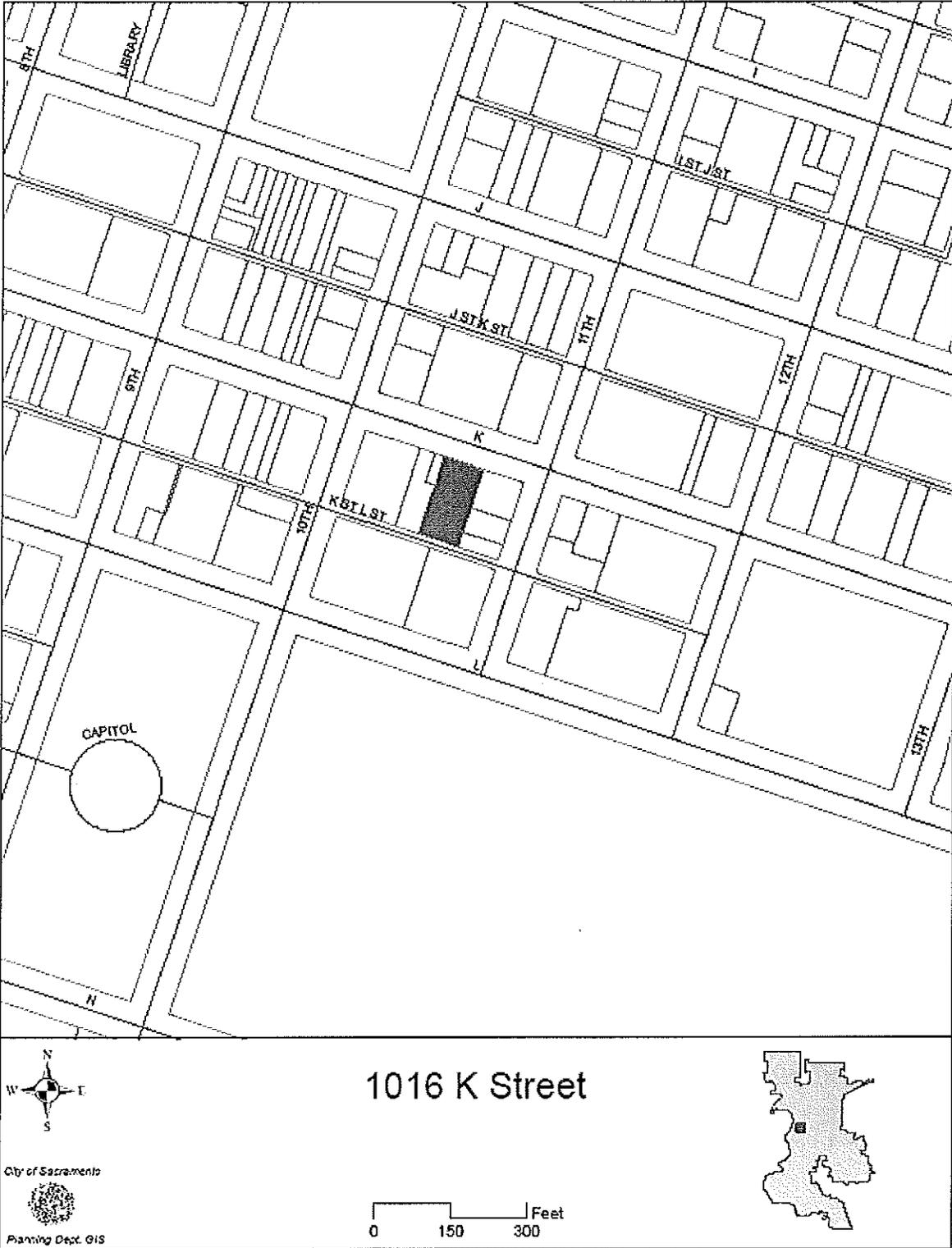
Any act that Landlord is entitled to do in exercise of Landlord's rights upon an Event of Default may be done at a time and in a manner deemed reasonable by Landlord in Landlord's reasonable discretion.

This Lease shall become binding on Landlord and Tenant only when fully executed by Landlord and Tenant.

The parties have executed this Lease as of November ____, 2008 in Sacramento, California.

<p>Landlord: THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO</p> <p>By: _____ John Dangberg, Assistant City Manager as Designated Signatory</p> <p>Approved as to Form: _____ Agency Counsel</p>	<p>Tenant: HENSEL PHELPS CONSTRUCTION CO.</p> <p>By: _____ Jon W. Ball</p> <p>Its: Vice President</p>
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**Attachment 2
Location Map**



Attachment 3

RESOLUTION NO. 2008 -

Adopted by the Redevelopment Agency of the City of Sacramento

APPROVAL OF LEASE FOR 1016 K STREET IN THE MERGED DOWNTOWN REDEVELOPMENT AREA

BACKGROUND

- A. The Redevelopment Agency of the City of Sacramento ("Agency") has adopted the Merged Downtown Redevelopment Plan ("Redevelopment Plan") and an Implementation Plan for the Merged Downtown Project Area ("Project Area").
- B. The 1000 block of K Street, which is in the Merged Downtown Redevelopment Area, is undergoing significant redevelopment and investment.
- C. Leasing 1016 K Street to Hensel Phelps provides a benefit to the Agency by securing the buildings and providing oversight, general maintenance, and basic repair to Agency owned buildings that would otherwise be vacant.
- D. This temporary use for 1016 K Street is consistent with the Amended Merged Downtown Redevelopment Plan and 2005 Merged Downtown Redevelopment Implementation Plan.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY RESOLVES AS FOLLOWS:

- Section 1. After due consideration of the facts presented, the lease for 1016 K Street is approved and the environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.
- Section 2. The Acting Executive Director, or her designee, is authorized to execute the lease with Hensel Phelps Construction Company, Inc. for the lease of 1016 K Street.