



# REPORT TO COUNCIL

## City of Sacramento

915 I Street, Sacramento, CA 95814-2604 9  
www.CityofSacramento.org

Consent  
February 2, 2010

Honorable Mayor and  
Members of the City Council

**Title: First Amendment and Sublease of the 19<sup>th</sup> & W Parking Agreement**

**Location/Council District:** Surface parking lot at 19<sup>th</sup> Street between W and X Streets/Council District 4

**Recommendation:** Adopt a **Resolution** authorizing the City Manager to: 1) Execute the First Amendment to City Agreement No. 2007-0404 with the State of California; and 2) execute a sublease of City Agreement No. 2007-0404 with 1901 Broadway MRES, LLC. The term of the sublease will be the same as City Agreement No. 2007-0404.

**Contact:** Paul Sheridan, Program Analyst, 808-6817

**Presenters:** None

**Department:** Transportation

**Division:** Parking Services

**Organization No:** 15001211

### **Description/Analysis**

**Issue:** On May 1, 2007 the City entered into City Agreement No. 2007-0404 (hereinafter "Master Lease") with the State of California, Department of Transportation, to lease the State's property located at the corner of 19<sup>th</sup> & W streets for the purpose of developing a surface parking lot that would support neighboring businesses. Currently, the property contains an old surface parking lot that is in need of certain repairs and improvements to become operational. The term of the lease is for 10 years with two 5-year options. Rent starts at \$2,700 per month for the first five years then increases annually based on the Consumer Price Index.

Millennium Real Estate Services, Inc., ("Millennium") as managing member for 1901 Broadway MRES, LLC., is developing the mixed-use project, Broadway Lofts, located on 19<sup>th</sup> Street, between X street and Broadway, directly across from the 19<sup>th</sup> & W parking lot. The Broadway Lofts will include a mix of retail, residential and office uses, with some on-site parking. To provide adequate parking for the project, Millennium would like to sublease the 19<sup>th</sup> & W parking lot from the City. Millennium

will be solely responsible for the costs and construction of all improvements to the parking lot and will assume all obligations of the Master Lease, including rent payments which will be paid to the City. The City, as Lessee, will continue to pay rent directly to the State.

To meet construction funding requirements for the Broadway Lofts project, Millennium has requested the term of the original lease be extended to 35 years plus two 10-year options. On December 22, 2008, the California Transportation Commission approved the term extension of the master lease.

**Policy Considerations:** These recommendations are consistent with the City's strategic plan and goal of the City Council to expand economic development throughout the City.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** This project is exempt from the California Environmental Quality Act (CEQA) under Section 15301, "Operation of existing public structures or facilities involving no expansion of use."

**Sustainability Considerations:** No sustainability consideration is associated with this action.

**Other:** None

**Commission/Committee Action:** None

**Rationale for Recommendation:** The Broadway Lofts is a 144,000 square-foot mixed-use project that will be located in the Tower District. The project will have some on-site parking; however, an additional source of parking is required to support the needs of the project. Subleasing the 19<sup>th</sup> & W parking lot, will ensure a long-term source of convenient parking is available to tenants and visitors of the Broadway Lofts.

It is requested the term of the master lease be extended to 55 years, including extended term options, to meet construction funding requirements that suitable parking be secured to support the success of the project. On December 22, 2008, the California Transportation Commission approved the term extension of the Master Lease.

**Financial Considerations:** Rent payable under the Master Lease is \$2,700 per month. Upon execution of the sublease, Millennium will reimburse the City for rent paid since the commencement of the Master Lease. The City will continue to pay all rent requirements of the master lease and Millennium will directly reimburse the City for those obligations. All rent received and paid are through the Parking fund (Fund 6004).

Millennium will be solely responsible for all costs and construction required to

improve the 19<sup>th</sup> & W parking lot.

**Emerging Small Business Development (ESBD):** None

Respectfully Submitted by:  \_\_\_\_\_  
Howard Chan  
Parking Services Manager

Approved by:  \_\_\_\_\_  
Jerry Way  
Director of Transportation

Recommendation Approved:

 \_\_\_\_\_  
Ray Kerridge  
City Manager

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**RESOLUTION NO.**

Adopted by the Sacramento City Council

**FIRST AMENDMENT AND SUBLEASE OF THE 19<sup>TH</sup> & W PARKING AGREEMENT**

**BACKGROUND**

- A. On May 1, 2007 the City entered into City Agreement No. 2007-0404 (hereinafter "Master Lease") with the State of California, Department of Transportation to lease the State's property located at the corner of 19<sup>th</sup> & W streets for the purpose of developing a surface parking lot that would support neighboring businesses. Currently, the property contains an old surface parking lot that is in need of certain repairs and improvements to become operational again. The term of the lease is for 10 years with two 5-year options. Rent starts at \$2,700 per month for the first five years then increases annually based on the Consumer Price Index.
- B. Millennium Real Estate Services, Inc., ("Millennium") as managing member for 1901 Broadway MRES, LLC., is developing the Broadway Lofts, located on 19<sup>th</sup> Street, between X street and Broadway, directly across from the 19<sup>th</sup> & W parking lot. The Broadway Lofts will include a mix of retail, residential and office uses, with some on-site parking. To provide adequate parking for the project, Millennium would like to sublease the 19<sup>th</sup> & W parking lot from the City.
- C. Millennium will be solely responsible for the costs and construction of all improvements to the parking lot and will assume all obligations of the Master Lease, including rent payments which will be paid to the City. The City, as Lessee, will continue to pay rent directly to the State.
- D. To meet construction funding requirements for the Broadway Lofts project, Millennium has requested the term of the original lease be extended to 35 years plus two 10-year options. On December 22, 2008, the California Transportation Commission approved the term extension of the master lease.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The City Manager is authorized to execute the first amendment to City Agreement No. 2007-0404 with the State of California, extending the term of the lease from 10 years with two 5-year options to 35 years with two 10-year options.
- Section 2. The City Manager is authorized to execute a sublease of City Agreement No. 2007-0404 with 1901 Broadway MRES, LLC., with Millennium Real Estate Services, Inc., serving as it managing member. The term of the sublease will be the same as City Agreement No. 2007-0404.