



REPORT TO COUNCIL

City of Sacramento

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

Consent
April 22, 2010

Honorable Mayor and
Members of the City Council

Title: Agreement: Second Amendment to Lease for Restaurant Services in Cesar Chavez Plaza

Location/Council District: Café Soleil, Council District 1

Recommendation: Adopt a **Resolution:** authorizing the City Manager to execute the Second Amendment to Lease for Restaurant Services in Cesar Chavez Plaza with Jorge and Nicole Ix, D.B.A., Café Soleil, to adjust the monthly rent due under the Lease.

Contact: Lori Harder, Support Services Manager, 808-5172

Presenters: None

Department: Parks and Recreation

Division: Administration

Organization No: 19001011

Description/Analysis

Issue: The Department of Parks and Recreation received a request from Jorge and Nicole Ix to review the lease rate for Café Soleil which is comprised of approximately 763 square feet of restaurant space and 580 square feet of outdoor patio/dining space. At issue is the fact that, under the current lease, the tenant pays the same lease rate for both types of space, restaurant and outdoor patio/dining space. As a result, Café Soleil is paying a higher monthly rental rate than other City leases for a similar use. Therefore, staff is recommending that the City Council authorize the City Manager to execute the Second Amendment to Lease for Restaurant Services in Cesar Chavez Plaza to make the method for calculating the rental rate consistent with other City leases.

Policy Considerations: The action requested is consistent with the City's strategic plan and the goal of the City Council to expand economic development throughout the City.

California Environmental Quality Act (CEQA): This report concerns administrative activities that will not have any significant effect on the environment and that do not constitute a "project", as defined by the California Environmental Quality Act (CEQA) [CEQA Guidelines Sections 15061(b)(3); 15378(b)(2)].

Sustainability Considerations: Not applicable.

Commission/Committee Action: None with this item.

Rationale for Recommendation: In 1996, the City and Jorge and Nicole Ix executed a lease for restaurant services in Cesar Chavez Plaza (formerly Plaza Park) wherein the rent structure required quarterly payments of a minimum monthly fee of \$900.00 and a percentage of gross receipts.

In 2001, the City and tenant jointly funded a construction project to expand the kitchen area of the café to enhance food-service operation and to add an exterior covered patio area to provide additional customer seating; however, the quarterly rent structure established in 1996 proved to be burdensome for the tenant in terms of budgeting and did not provide a consistent revenue stream to the City.

In 2004, the rent structure was changed to a fixed monthly amount based on fair market rent, subject to adjustment; however, there was no differentiation in the lease rate for restaurant versus outdoor patio/dining space. At the time, Café Soleil was one of a few, if not the only, lease of City-owned restaurant space with outdoor dining. Since then, outdoor dining has become prevalent in the downtown market and lease rates for this type of space are lower than for indoor restaurant space.

In July 2009, the tenant exercised the first of two 5-year options to extend the term of the lease. The recommended action will adjust the monthly rent to reflect existing market conditions and bring the Lease into parity with other leases for City-owned restaurant and outdoor patio/dining space.

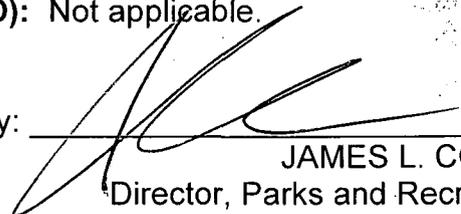
Financial Considerations: Café Soleil is comprised of approximately 763 square feet of café space and approximately 580 square feet of outdoor patio/dining space. The current monthly rent for both types of space is \$2.05 per square foot. This amount is higher than market conditions for similar space.

The adjusted monthly rent for café space will begin at a market rate of \$1.95 per square foot or \$1,487.85 and end at \$2.05 per square foot or \$1,563.44. The outdoor patio/dining space will be leased for a flat rate of \$290 per month. In addition, Café Soleil will continue to pay monthly charges for gas, electricity, trash removal, janitorial and telephone service.

The total rent collected for the remainder of the first extended term will be \$92,295.15. The lease revenue will continue to be directed to Downtown Sacramento Partnership pursuant to City Agreement 2009-0962 to be used to support programming for the park and facilitate the coordination of park maintenance, repair, and renovation activities with City staff.

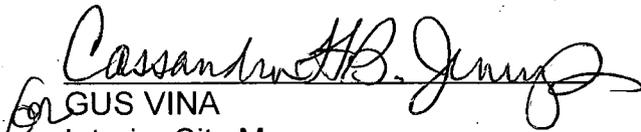
Emerging Small Business Development (ESBD): Not applicable.

Respectfully Submitted by:



JAMES L. COMBS
Director, Parks and Recreation

Recommendation Approved:



GUS VINA
Interim City Manager

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RESOLUTION NO. 2010-

Adopted by the Sacramento City Council

April 22, 2010

**SECOND AMENDMENT TO LEASE FOR RESTAURANT SERVICES IN CESAR
CHAVEZ PLAZA**

BACKGROUND

- A. In September 1996, City Council approved a Contract for the Restaurant Services at Plaza Park, City Agreement No. 96-117, with Jorge and Nicole Ix, doing business as Café Soleil. The rent structure under the Contract required quarterly payments of a minimum monthly fee and a percentage of gross receipts.
- B. In 2001, the City and Café Soleil jointly funded a construction project to expand the kitchen area of the café and to add an exterior covered patio area to provide additional customer seating; however, the rent structure established in 1996 proved to be burdensome for the tenant in terms of budgeting and did not provide a consistent revenue stream to the City.
- C. In August 2004, under a successor Lease and subsequent First Amendment to Lease, City Agreement No. 2004-0125 and City Agreement No. 2004-1025-1, respectively, the rent structure was changed to a fixed monthly amount based on fair market rent; however, there was no differentiation in the lease rate for restaurant versus outdoor patio/dining space. Since 2004, outdoor patio/dining space has become more prevalent in the downtown market and lease rates for this type of space are lower than for indoor restaurant space.
- D. In July 2009, Jorge and Nicole Ix exercised the first of two 5-year options to extend the term of the Lease.
- E. The recommended action will adjust the monthly rent for the remainder of the extended term to reflect market conditions for the method of calculating rent and will bring the Lease into parity with other City leases for restaurant and outdoor patio/dining space.

**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 Second Amendment to Lease for Restaurant Services in Cesar Chavez Plaza.