



REPORT TO COUNCIL City of Sacramento

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

Consent
June 22, 2010

Honorable Mayor and
Members of the City Council

Title: Approving Third Amendment to Ground Lease with Rapton Investment Group LLC

Location/Council District: District 2 (Business 80 at Fulton Avenue)

Recommendation: Adopt a Resolution authorizing the City Manager or his designee to sign a third amendment to the City's ground lease with Rapton Investment Group LLC (Rapton). The amendment will (1) reduce the area of City property leased to Rapton from 17.48 acres to 17.34 acres and (2) decrease Rapton's rent by \$450.

Contact: Diana Sasser, Project Manager, 808-5519

Presenters: Not applicable

Department: Economic Development

Division: Citywide

Organization No: 18001031

Description/Analysis

Issue: The City leases 17.48 acres to Rapton Investment Group LLC ("Rapton") under a ground lease dated June 5, 2007. The leased property is on the north side of Business 80 at Fulton Avenue (the former site of the Sacramento Trapshooting Club). Rapton is current on all lease payments.

On May 8, 2010, the City Council approved a lease with Clear Channel Outdoor, Inc. ("CCO") that authorizes CCO to construct and operate a digital billboard on a 0.14-acre site at the southeast corner of Rapton's leasehold. To facilitate CCO's

construction of the billboard, Rapton has agreed to relinquish its lease on the 0.14-acre site.

Policy Considerations: This project is consistent with direction given by the City Council to find a compatible and productive use for the property. Section 3.68.120 of the Sacramento City Code provides that the City Council “may by resolution approve the amendment of any lease.”

California Environmental Quality Act (CEQA): Approving the requested third amendment to Rapton’s ground lease will not, by itself, cause a significant change in the environment. It merely adjusts Rapton’s leasehold and financial obligations. Moreover, the City complied with CEQA when it approved Rapton’s ground lease and when it approved CCO’s digital-billboard lease.

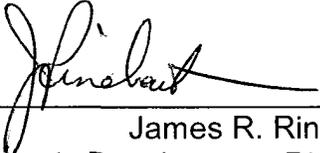
Sustainability Considerations: This report does not address any sustainability issues.

Commission/Committee Action: None

Rationale for Recommendation: Rapton is relinquishing its leasehold on the 0.14-acre site required for the digital billboard in return for a rent decrease of \$450 per month.

Financial Considerations: If the resolution is approved, then the rent Rapton pays to the City will be decreased to reflect the reduced area of the leased property. The adjusted rent will still suffice to cover the debt service for the loan of CRCIP bond proceeds that financed remediation of the property after the Sacramento Trapshooting Club left.

Emerging Small Business Development (ESBD): There are no emerging small business development impacts from this report.

Respectfully Submitted by: 
James R. Rinehart
Economic Development Director

Approved by: 
John Dangberg
Assistant City Manager

Recommendation Approved:


Gus Vina
Interim City Manager

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RESOLUTION NO.
Adopted by the Sacramento City Council

**APPROVING THIRD AMENDMENT TO GROUND LEASE WITH RAPTON
INVESTMENT GROUP LLC**

BACKGROUND

- A. Under City Agreement No. 2007-0555 (a ground lease dated June 5, 2007), the City leases approximately 17.48 acres to Rapton Investment Group ("Rapton"). The north half of the property (3630 Fulton Avenue) is the site of Rapton's Honda dealership. The south half is currently vacant.
- B. The City and Rapton have amended City Agreement No. 2007-0555 twice. The first amendment, City Agreement No. 2007-0555-1, clarified various provisions in the ground lease. The second amendment, City Agreement No. 2007-0555-2, granted Rapton a temporary, one-year reduction in rent so that Rapton could cope with the steep decline in revenues caused by the severe financial and economic crisis that has beset the nation since late 2008.
- C. On May 8, 2010, the City Council approved a lease with Clear Channel Outdoor, Inc. ("CCO") under which CCO will construct and operate a digital billboard on the southeast corner of the Rapton leasehold. Among other things, CCO agrees in the lease to make the digital billboard available to Rapton, at no cost, for the display of Rapton's advertising messages.
- D. To facilitate the City's lease to CCO, Rapton desires to relinquish its leasehold on the 0.14-acre site where CCO will construct and operate the digital billboard. The City, in turn, desires to reduce Rapton's rent in proportion to the acreage relinquished.

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

Section 1. The facts set forth in the Background are correct.

Section 2. In accordance with section 3.68.120 of the Sacramento City Code, the City Manager (or his designee) is hereby authorized to negotiate and sign, on the City's behalf, a third amendment to City Agreement No. 2007-0555, under which (a) Rapton will relinquish its leasehold on approximately 0.14 of an acre at the southeast corner of the premises; and (b) the City will reduce Rapton's rent by \$450 a month, resulting in monthly rent of \$53,863.83.