



REPORT TO COUNCIL City of Sacramento

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

Consent
September 7, 2010

Honorable Mayor and
Members of the City Council

Title: Third Amendment to Ground Lease with Raption Investment Group LLC

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

Recommendation: Adopt a resolution that supersedes Resolution No. 2010-351 (adopted on June 22) and authorizes the City Manager or his designee to negotiate and sign a third amendment to the City's ground lease with Raption Investment Group LLC ("Raption"). The third amendment (1) removes from the lease a 0.14-acre site, on which Clear Channel Outdoor Inc. will install a digital billboard; and (2) decreases Raption'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 currently leases approximately 17.48 acres to Raption 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). Raption 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

site at the southeast corner of the property leased to Raption. To facilitate the City's lease with CCO and CCO's construction of the billboard, Raption agreed to relinquish its leasehold on a 0.14-acre site at the southeast corner of the leased property. To that end, on June 22, 2010, the City Council adopted Resolution No. 2010-351, which authorized the City Manager to negotiate and sign a third amendment to Raption's ground lease that (1) removes CCO's billboard site from the lease and (2) decreases Raption's rent by \$450.

The third amendment authorized by Resolution No. 2010-351 *has not been signed*. This is so because CCO has asked that the site for its digital billboard be moved to a location on Raption's leasehold that is approximately 350 feet west of the southeast corner (see Exhibit A to the attached resolution), and Raption has approved the new location. Accordingly, staff requests that the City Council adopt a resolution that supersedes Resolution No. 2010-351 and authorizes the City Manager to negotiate and sign a third amendment that (1) removes the *new* 0.14-acre site from Raption's leasehold, thereby reducing the area of City property leased to Raption from 17.48 acres to 17.34 acres; and (2) decreases Raption's monthly rent by \$450, so that monthly rent will be \$53,863.83.

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 Raption's ground lease will not, by itself, cause a significant change in the environment. It merely adjusts Raption's leasehold and financial obligations.

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

Commission/Committee Action: None

Rationale for Recommendation: As was true when the City Council considered this matter on June 22, 2010, Raption is relinquishing its leasehold on a 0.14-acre site that CCO requires for its digital billboard, and in return the City is decreasing Raption's monthly rent by \$450. Only the location of the site has changed.

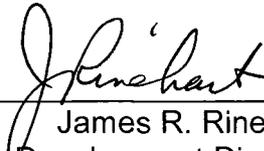
Financial Considerations: If the resolution is approved, then the rent Raption pays to the City will be decreased to reflect the reduced area of the leased property. The adjusted rent will still suffice to cover the debt service for the loan of CRCIP bond proceeds that financed remediation of the property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

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

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Respectfully Submitted by: _____


James R. Rinehart
Economic Development Director

Recommendation Approved:

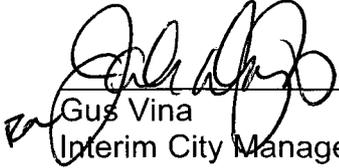

Gus Vina
Interim City Manager

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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 of City-owned property to Rapton Investment Group LLC ("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 this lease, the City leases to CCO a portion of the City property currently leased to Rapton, which CCO will use to construct and operate a digital billboard. CCO also 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 return, will 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, as amended, under which—

- (a) Rapton will relinquish its leasehold on a site consisting of approximately 0.14 of an acre along the southern border of the leased property, at the location generally depicted in **Exhibit A** to this resolution; and

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- (b) the City will decrease Rapton's rent under City Agreement No. 2007-055 by \$450 a month, resulting in monthly rent of \$53,863.83.

Section 3. This resolution supersedes Resolution No. 2010-351, adopted on June 22, 2010, which the City Council hereby rescinds.

Exhibit A

**Location of Digital Billboard on North Side of Business 80, East of Fulton Avenue
(APN 254-310-002-002)**

Exhibit A consists of the attached one-page document that has the following title:

SITE PLAN - BUSINESS 80 LOCATION

CLEARCHANNEL®
OUTDOOR

Digital Billboards - Multiple Sites

RFP No. P10EDD101

SITE PLAN - BUSINESS 80 LOCATION

