



# City of Sacramento City Council

915 I Street, Sacramento, CA, 95814

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**Meeting Date:** 6/14/2011

**Report Type:** Consent

**Title: Supplemental Agreement: Lease of 8178 Belvedere Avenue #A**

**Report ID:** 2011-00409

**Location:** District 6

**Recommendation:** Adopt a Resolution: 1) authorizing the City Manager or the City Manager's designee to execute the Supplemental No. 1 to City Agreement 2008-0291 to Standard Industrial/Commercial Multi-Tenant Lease-Gross ("First Amendment") with the English Family Revocable 2002 Trust for the warehouse space located at 8178 Belvedere Avenue #A to extend the term for five years, adjust the base rate schedule, and add an early termination clause.

**Contact:** Bernadette Cheek, Administrative Analyst (916) 808-6097, Dave Mitchell, Operations Manager, (916) 808-6076, Alan Tomiyama, Division Manager, (916) 808-8958, Department of Parks and Recreation

**Presenter:** None

**Department:** Parks & Recreation Department

**Division:** START

**Dept ID:** 19001631

## **Attachments:**

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1-Description/Analysis

2-Background

3-Resolution

4-Exhibit A English Family Revocable 2002 Trust Lease Extension and Amendment

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### **City Attorney Review**

Approved as to Form  
Sheryl N. Patterson  
5/2/2011 4:22:23 PM

### **City Treasurer Review**

Prior Council Financial Policy Approval or  
Outside City Treasurer Scope  
Russell Fehr  
4/29/2011 4:08:39 PM

### **Approvals/Acknowledgements**

Department Director or Designee: Jim Combs - 5/2/2011 12:39:27 PM

Assistant City Manager: Cassandra Jennings - 5/2/2011 4:12:33 PM

Eileen Teichert, City Attorney

Shirley Concolino, City Clerk  
**William H. Edgar, Interim City Manager**

Russell Fehr, City Treasurer

## Description/Analysis

**Issue:** The Department of Parks and Recreation, Sacramento START Program (START) has an ongoing need for warehouse storage with an onsite office to store recreational supplies. The original three (3) year lease agreement (City Agreement No. 2008-0291) was executed under the City Manager's signature authority because the total consideration did not exceed \$100,000. The START Program has a continued need for storage space and staff is recommending City Council approval of a five (5) year lease extension. The lease rate under the Amendment has been negotiated with the owner of the building, the English Family Revocable 2002 Trust. The building is comprised of approximately 4,100 square feet of an industrial unit located in a larger 20,500 square foot building at 8178 Belvedere Avenue #A. The extended lease term expires on March 31, 2016. After March 31, 2013, the City may terminate this Lease should the funding for START programs from state and county sources be decreased in amounts that are insufficient for continued operations requiring such storage space the City has the right to terminate the lease with six (6) months' prior written notice.

Currently, the base monthly rent for 4,100 square feet is \$2,175. Due to current economic conditions in Sacramento, City staff has been successful in negotiating a reduced monthly base rental rate for the first four (4) years of the five (5) year amendment. Under the Amendment, the base monthly rent schedule is as follows:

April 1, 2011 – March 31, 2012 = \$1,975.00 per month  
April 1, 2012 – March 31, 2013 = \$2,034.00 per month  
April 1, 2013 – March 31, 2014 = \$2,095.00 per month  
April 1, 2014 – March 31, 2015 = \$2,158.00 per month  
April 1, 2015 – March 31, 2016 = \$2,223.00 per month

The total amount of the base rent over the five (5) year term is not to exceed \$125,820.

The base rate for the extended term is the most economical lease rate for buildings of comparable size, condition and location. This Amendment adjusts the base monthly rent; adds a termination clause for program funding reductions, and changes the Lessee's address for notices. All other terms of the lease remain the same.

**Policy Considerations:** Extending this lease will support operational and financial efficiencies for the START Program. In accordance with Sacramento City Council Resolution No. 2010-346, the English Family Revocable 2002 Trust is headquartered in the state of California. The proposed Amendment is consistent with Resolution 2010-346 prohibiting the City from entering into any contract to purchase goods or services from any business or entity headquartered in Arizona.

## Environmental Considerations:

**California Environmental Quality Act (CEQA):** This report concerns the lease of storage and office space for the START Program. Continuing administrative activities, is not a "project" for the purposes of CEQA pursuant to section 15378(b)(2) of the CEQA

guidelines (Title 14 Cal. Code Reg. § 15000 et seq.) and is exempt from environmental review pursuant to section 15301 of the CEQA Guidelines, leasing existing buildings.

**Sustainability:** Approval of the First Amendment to Standard Industrial/Commercial Multi-Tenant Lease-Gross, for the property at 8178 Belvedere Avenue #A is consistent with the Sustainability Master Plan because it provides for continued use of an existing building.

**Commission/Committee Action:** None

**Rationale for Recommendation:** The START Program has an ongoing need for warehouse storage with an onsite office to store recreational supplies. The base rate for the extended term is the most economical lease rates for buildings of comparable size, condition and location. The extension of this lease will maximize cost savings and staff resources associated with locating and moving to a new facility.

**Financial Considerations:** The English Family Revocable 2002 Trust warehouse space is the most economical compared to similar facilities and meets the requirements of the Sacramento START Program. Staff has conducted a survey of rental rates for facilities of similar type in close proximity to the premises and has determined that the rates negotiated fall below market parameters. The extension of this lease avoids moving and related costs as well as disruption to program operations. Sacramento START Programs are funded by the State of California and various counties within California (the "Funding Sources"). Sufficient funds to service the lease obligations are available in START's operating budget through March 31, 2013. After March 31, 2013, should the state and counties fail to appropriate sufficient funding to the City for continued operations, the City has the right to terminate the lease with six (6) months' prior written notice.

**Emerging Small Business Development (ESBD):** The English Family Revocable 2002 Trust is not an emerging small business.



## Background

In 2008, Sacramento START was asked to vacate the warehouse located at the City of Sacramento's Sutter's Landing Corporation Yard. City staff began their relocation search by exploring the option to use unoccupied City facilities, but none were available. Through an exhaustive search, the warehouse facility at 8178 Belvedere Avenue was located and met the specific needs of the START Program. START has invested in warehouse shelving and inventory control software to help manage the large amount of supplies that are used to support the academic, enrichment and recreation activities that are conducted at the 57 after school sites operated by START. Many of the schools have very limited storage space, so in an effort to provide a wide variety of activities to keep the students engaged, sites exchange curriculum and supplies through the warehouse. The proposed lease extension allows for continue use of this building for storage to support the START program operations.



## **RESOLUTION NO. 2011-**

Adopted by the Sacramento City Council

**MAY 24, 2011**

### **APPROVING FIRST AMENDMENT TO LEASE OF 8178 BELVEDERE AVENUE #A WITH ENGLISH FAMILY REVOCABLE 2002 TRUST**

#### **BACKGROUND**

- A. The Department of Parks and Recreation, Sacramento START Program (START) has an ongoing need for warehouse storage with an onsite office to store recreational supplies.
- B. The original three (3) year lease agreement (City Agreement (2008-0291) was executed under the City Manager's signature authority because the total consideration was under \$100,000. A five (5) year lease extension has been negotiated with the English Family Revocable 2002 Trust, with the new lease expiration on March 31, 2016.
- C. Sacramento START Programs are funded by the State of California and various counties within California. Sufficient funds to service the lease obligations are available in START's operating budget through March 31, 2013. After March 31, 2013, should the state and counties fail to appropriate sufficient funding to the City for continued operations, the City has the right to terminate the lease with six (6) months' prior written notice.

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

- Section 1. The City Manager or the City Manager's designee is authorized to execute the First Amendment to Standard Industrial/Commercial Multi-Tenant Lease - Gross ("First Amendment") with the English Family Revocable 2002 Trust for the warehouse space located at 8178 Belvedere Avenue #A (City Agreement No. 2008-0291) to extend the term for five years, adjust the base rent schedule, and add an early termination clause.
- Section 2. The First Amendment described in Section 1 is attached as Exhibit A and made part of this Resolution.

#### Table of Contents:

- Exhibit A - First Amendment to Standard Industrial/Commercial Multi-Tenant Lease Gross



First Amendment to Standard Industrial/Commercial Multi-Tenant Lease – Gross

8178 Belvedere Avenue, Suite #A, Sacramento, CA 95826

This First Amendment (“First Amendment”) is made and entered into on \_\_\_\_\_, 2011, by and between English Family Revocable 2002 Trust (“Lessor”) and the City Of Sacramento, a municipal corporation (“Lessee”) for the premises located at 8178 Belvedere Avenue Suite # A Sacramento, CA 95826, for the following reasons, based upon the following facts:

- A. Lessor and Lessee previously entered into a Standard Industrial/Commercial Multi-Tenant Lease – Gross, dated April 9, 2008, and identified as City Agreement No. 2008-0291 (“Lease Agreement”); and
- B. Lessor and Lessee now wish to amend the Agreement to (i) extend the term; (ii) adjust the monthly rent; (iii); add a termination clause and (iiii) change Lessee’s address for notices.

NOW THEREFORE, it is mutually agreed the parties as follows:

- 1. **Base Monthly Rent:** In reference to Paragraphs 1.5 (“Base Rent”) and 50 (“Base Monthly Rent Schedule”) of the Lease Agreement, the Base Monthly Rent for the extended term will be as follows:

April 1, 2011 – March 31, 2012 = \$1,975.00 per month  
April 1, 2012 – March 31, 2013 = \$2,034.00 per month  
April 1, 2013 – March 31, 2014 = \$2,095.00 per month  
April 1, 2014 – March 31, 2015 = \$2,158.00 per month  
April 1, 2015 – March 31, 2016 = \$2,223.00 per month

- 2. **Extension of Lease Term:** In reference to Paragraph 1.3 of the Lease Agreement (“Term”), the lease term will be extended for Five (5) years commencing on April 1, 2011 and expiring on March 31, 2016.
- 3. **Termination for Lack of Funding:** Lessee’s business operations are funded by the State of California and various counties within California (the “Funding Sources”). At any time during the term of this Lease, after March 31, 2013, should the Funding Sources fail to appropriate and allocate to Lessee sufficient funds for Lessee’s continued operations, Lessee shall have the right to terminate this Lease, upon providing Lessor with (i) no less than six (6) months’ prior written notice of such termination, and (ii) evidence reasonably satisfactory to Lessor that Lessee lacks sufficient funds to continue operations. Notwithstanding anything to the contrary herein, in no event shall Lessee have the right to terminate this Lease under the provisions hereof if such termination is a subterfuge for Lessee to obtain more favorable lease terms (including, but not limited to, lower rent).

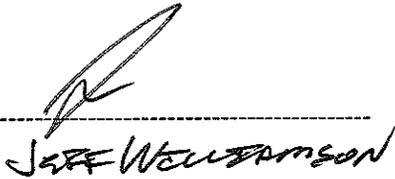
4. **Notices:** Lessee's mailing address under Paragraph 23.1 ("Notices") shall be:  
 Sacramento START  
 5735 47<sup>th</sup> Ave.  
 Sacramento, CA 95824
5. **Entire Agreement:** All other terms and conditions contained in the Lease Agreement will remain in full force and effect.
6. **Authority:** Lessor warrants and represents that the person or persons executing this First Amendment on behalf of Lessor has or have been duly authorized by Lessor to sign this First Amendment and bind Lessor to the terms hereof.

IN WITNESS WHEREOF, this First Amendment has been executed the Lessor and Lessee as of the day and year first stated above.

LESSOR: English Family Revocable 2002 Trust

LESSEE: City of Sacramento,  
 a municipal corporation

By: \_\_\_\_\_



JEFF WEIDMAN

By: \_\_\_\_\_

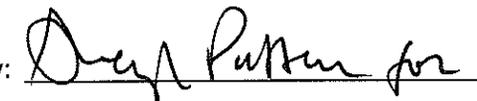
Cassandra H. B. Jennings, Assistant  
 City Manager

For: William H. Edgar, Interim City Manager

Approved as to form:

Attest:

By: \_\_\_\_\_



Gerald C. Hicks, Supervising Deputy City  
 Attorney

By: \_\_\_\_\_

City Clerk