

**Meeting Date:** 7/26/2016

**Report Type:** Consent

**Report ID:** 2016-00703

**Title: Lease Agreement: 1125 10th Street Expansion**

**Location:** 1125 10th Street, District 4

**Recommendation:** Pass a Motion 1) determining that, pursuant to City Code Section 3.68.110, the leasing of a portion of 1129 10th Street without bidding to expand the tenant space at 1125 10th Street is in the best interest of the City; and 2) authorizing the City Manager to execute an amendment to Lease Agreement 2014-0983 to incorporate 154 square feet of the tenant property located at 1129 10th Street to the existing Planned Parenthood facility at 1125 10th Street.

**Contact:** Erika Galang, Program Specialist, (916) 808-8572; Matt Eierman, Parking Services Manager, (916) 808-5849, Department of Public Works

**Presenter:** None

**Department:** Public Works Department

**Division:** Off-Street Parking Admin

**Dept ID:** 15001211

**Attachments:**

1-Description/Analysis

2-Contract

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### **City Attorney Review**

Approved as to Form

Gerald Hicks

7/15/2016 11:47:26 AM

### **Approvals/Acknowledgements**

Department Director or Designee: Jerry Way - 7/7/2016 6:49:28 AM

## Description/Analysis

**Issue:** Planned Parenthood Mar Monte, Inc. has been a tenant at 1125 10<sup>th</sup> Street since 1993. In 2014, after expiration of its previous lease agreement, a new lease agreement was entered into with the City, City Agreement No. 2014-0983. Tenant now requests to incorporate approximately 154 square feet from the adjoining tenant space at 1129 10<sup>th</sup> Street, which has remained vacant for years, to increase its front reception area and build out a new break room and meeting room in the rear of the existing lease space.

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

**Economic Impacts:** None.

### 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:** Not applicable.

**Other:** None.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** City Code §3.68.110 allows the City to lease City property without bidding when a firm and complete written offer at or above market value is received by the City, and the City Council finds that leasing the property without bidding is in the best interests of the City. Planned Parenthood Mar Monte, Inc. submitted an offer to lease a portion of property that has remained vacant for years due to a space configuration that is not amenable to prospective tenants in the current market. Lessee will pay the same rent rate currently being charged for the lease space at 1125 10<sup>th</sup> Street, which is above market rate. By leasing without bidding, the proposed lease agreement will enable the City to retain a quality and successful tenant.

**Financial Considerations:** 1125 10<sup>th</sup> Street measures approximately 2,233 square feet in size. By incorporating 154 square feet of space from 1129 10<sup>th</sup> Street, this will increase the current monthly payment by an additional \$240.24 for a total monthly rent amount of \$3,723.72. The new rent payment shall be effective September 1, 2016, when Lessee wishes to take possession of the additional space.

The newly incorporated space will be subject to the same 2% annual rent increase, effective on the same date as the 2017 annual increase on the existing lease space at 1125 10<sup>th</sup> Street. With this incorporation, the total rent to be collected during the initial term will be \$216,142.08.

Because this expansion is not part of the existing Lease Agreement, tenant will incur all construction costs, estimated at an approximate cost of \$50,000.

**Local Business Enterprise (LBE):** Not applicable.

**FIRST AMENDMENT TO LEASE BETWEEN CITY OF SACRAMENTO AND PLANNED PARENTHOOD MAR MONTE, INC**

**THIS FIRST AMENDMENT** is made at Sacramento, California as of \_\_\_\_\_, 2016 by and between the CITY OF SACRAMENTO, a municipal corporation (“Lessor”) and PLANNED PARENTHOOD MAR MONTE, INC. (“Lessee”).

**BACKGROUND**

- A. On October 7, 2014, Lessor and Lessee executed a lease (“Lease”) for 1125 10<sup>th</sup> Street, located inside the Capitol Garage (“Premises”) more specifically described in the Lease, which is denominated City agreement number 2014-0983. The Lease Commencement date was February 1, 2014.
- B. The tenant suite adjacent to Planned Parenthood Mar Monte is identified as 1129 10<sup>th</sup> Street. To better accommodate clients and employees in the current tenant space at 1125 10<sup>th</sup> Street, Lessee requests an opportunity incorporate approximately 154 square feet from select front and rear areas of 1129 10<sup>th</sup> Street to facilitate this expansion.
- C. Lessee will assume all construction costs, estimated at \$50,000. Lessee will also assume all costs and responsibilities related to permits and code compliance with local, state and federal laws, if applicable. All work shall be performed by Lessee’s contractors.
- D. The rent rate for this additional 154 square feet of space will be equal to the current rent rate Lessee pays at 1125 10<sup>th</sup> Street.
- E. Lessor desires to provide an opportunity for Lessee to occupy the space to support Lessee’s operation and continued success.
- F. The additional 154 square feet of incorporated space shall be part of the Planned Parenthood facility and is subject to all terms and conditions under the Lease for the remainder of the Initial Term and any extended terms.

## AGREEMENT

THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Initial Payment.** The first payment of additional rent for the 154 square feet of space, in the amount of \$240.24, shall be paid with all other rent and fees by September 1, 2016. This new base rent amount of \$3,723.72 is therefore effective September 1, 2016 and for every month thereafter, until the end of the Initial Term of the Lease Agreement.
2. **Terms of Lease.** All terms under City Lease Agreement 2014-0983 shall apply to the additional 154 square feet incorporated from 1129 10<sup>th</sup> Street, including the amended Exhibit C schedule. This additional suite shall be considered as part of the Planned Parenthood Mar Monte, Inc. tenant space and as such, Planned Parenthood Mar Monte, Inc. will be held responsible and liable under the terms of the Lease for any operations conducted in this suite.
3. **Payment of Rent.** Exhibit C of the Lease shall be amended to reflect the additional monthly rent payment for the approximately 154 square feet. Payment of rent for this additional space shall be due and submitted on the same day as the rent and fees reflected in the Lease.
4. **Annual Rent Increase.** An annual increase of 2% on the rent per square feet from 1129 10<sup>th</sup> Street will be assessed during the same month as the annual increase on rent per square foot under the Lease for 1125 10<sup>th</sup> Street.
5. Except as amended by this First Amendment, all terms and conditions of the Lease remain in effect, including options to extend.

Executed as of the day and year first above stated.

LESSEE:

Planned Parenthood Mar Monte, Inc.

By: Stephanie Merrell

Its: Stephanie Merrell COO

Date: 6/27/16

LESSOR:

City of Sacramento

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

Its: \_\_\_\_\_

Date: \_\_\_\_\_

APPROVED AS TO FORM:

By: [Signature]

ATTEST:

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

Attachment

Amended Exhibit "A" – Layout of Lease Space

Amended Exhibit "B" – Schedule of Payments



**Amended Exhibit "B"**  
**Rent Schedule**

(Calculations for months 1-31 based on 2,233 square feet and months 32-180 based on 2,387 square feet)

<b>Months</b>	<b>Monthly Rent</b>	<b>Rent Per Square Foot (rounded)</b>
1-12	\$3,349.50	\$1.50
13-24	\$3,416.49	\$1.53
25-31	\$3,483.48	\$1.56
32-36	\$3,723.72	\$1.56
37-48	\$3,795.33	\$1.59
49-60	\$3,866.94	\$1.62

**Extended Term 1**

<b>Months</b>		
61-72	\$3,962.42	\$1.66
73-84	\$4,034.03	\$1.69
85-96	\$4,105.64	\$1.72
97-108	\$4,201.12	\$1.76
109-120	\$4,272.73	\$1.79

**Extended Term 2**

<b>Months</b>		
121-132	\$4,368.21	\$1.83
133-144	\$4,439.82	\$1.86
145-156	\$4,535.30	\$1.90
157-168	\$4,630.78	\$1.94
169-180	\$4,726.26	\$1.98