

REPORT TO COUNCIL

City of Sacramento

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



Consent
August 21, 2007

Honorable Mayor and
Members of the City Council

Title: Lease Agreement: Navin's Incorporated

Location/Council District: 324 K Street/District 1

Recommendation: Adopt a **Resolution** 1) finding that, pursuant to City Code section 3.68.110, the leasing of 324 K Street without bidding is in the best interests of the City; and 2) authorizing the City Manager to execute a 5-year lease agreement with Navin's Incorporated for retail space at 324 K Street.

Contact: Paul Sheridan, Program Analyst, 808-6817

Presenters: None

Department: Transportation

Division: Parking Services

Organization No: 3461

Description/Analysis

Issue: Navin's Incorporated, is the owner of Navin's Custom Clothier, a full service tailor and clothier that has been located at 324 K Street since 1982. Navin's prior lease agreement with the City expired at the end of March 2007, and Navin's would like to execute a new lease agreement that will allow it to continue operating at its current location.

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

Environmental Considerations: 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".

Rationale for Recommendation: City Code 3.68.110 allows the City to lease City property without bidding where 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. Navin's Incorporated has been a valued tenant at 324 K Street for over 25 years. Navin's submitted a firm and complete written offer to lease wherein the rent specified is at or above the fair market rate for comparable property as determined by the City's real property supervisor. By leasing without bidding, the proposed lease agreement will allow Navin's to continue operating at its current location and enable the City to retain another quality tenant in the downtown area.

Financial Considerations: Based on a market rate of \$1.90 per square foot, monthly rent payments will begin at \$2,568.80 per month and increase at an average rate of 3.6% annually. The total rent collected during the initial 5-year term will be \$164,658 and \$206,817 for the 5-year option. The City will contribute a tenant improvement allowance of \$6,670 (approximately \$5 per square foot) to be applied towards facility upgrades.

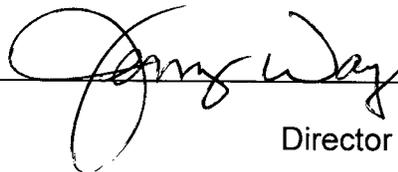
Emerging Small Business Development (ESBD): N/A

Respectfully Submitted by: _____



Howard Chan
Parking Services Manager

Approved by: _____



Jerry Way
Director of Transportation

Recommendation Approved:



RAY KERRIDGE

for City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

LEASE AGREEMENT: NAVIN'S INCORPORATED

BACKGROUND

- A. Navin's Incorporated has been a valued tenant at 324 K Street since 1982. Its business, Navin's Custom Clothier, is a full-service, customer tailor and clothier, selling fine men's and women's suits.
- B. Navin's prior lease agreement with the City, City Agreement No. 97-047, expired at the end of March 2007. Navin's has been renting the space on a month-to-month basis and wishes to remain on a long-term basis.
- C. Pursuant to City Code 3.68.110 Navin's Incorporated submitted a firm and complete written offer to lease wherein the rent specified is at or above the fair market rate for comparable property as determined by the City's real property supervisor.
- D. The term of the new lease is for 5 years with a 5-year option. Based on a market rate of \$1.90 per square foot, monthly rent payments will begin at \$2,568.80 per month and increase at an average rate of 3.6% annually.
- E. Navin's Incorporated is planning to complete some upgrades to the premises and the City will contribute a tenant improvement allowance of \$6,670 (approximately \$5 per square foot).

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

- Section 1. Pursuant to City Code 3.68.110 it is in the best interests of the City to lease 324 K Street without bidding.
- Section 2 The City Manager is authorized to execute a lease agreement with Navin's Incorporated for retail space located at 324 K Street for a term of 5 years with one 5-year extended term option.