



REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento

**915 I Street, Sacramento, CA 95814-2671
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Consent
May 16, 2006

Honorable Chair and Members of the Board and
Honorable Mayor and Members of the City Council

Subject: Authorizing a Business Purchase Agreement with Java Stop
at St. Rose of Lima Park

Location/Council District: 7th and K, Council District 1

Recommendation:

Adopt a Resolution: 1) Authorizing the City Manager, as a designated signatory for the Redevelopment Agency, to execute a Business Purchase Agreement and to take all other actions necessary to purchase the business located in the Agency-owned kiosk at 701 K Street in St. Rose of Lima Park and dispose of business assets; and 2) Establishing a budget for the purchase by transferring \$135,000 from Merged Downtown Tax Increment to the 700/800 K/L project budget for the purchase and related real estate, administrative, and professional services costs.

Contact: Michelle Nelson, Senior Economic Development. Project Manager, 808-7064
Leslie Fritzsche, Downtown Development Manager, 808-7223

Presenters: Not applicable

Department: Economic Development

Division: Downtown Development

Organization No: 4451

Summary:

This report recommends that the Redevelopment Agency of the City of Sacramento (Agency) adopt the attached Resolution authorizing the purchase of the commercial business that is currently operating from the Agency-owned kiosk located in St. Rose of Lima Park. The business, known as Java Stop, is currently for sale. The recommended action would allow the Agency to purchase the business, which includes buying out the remaining five-year term of the existing lease agreement. This would provide the

opportunity for the Agency to control the site and introduce new uses that enhance the retail vibrancy of this key corner.

Committee/Commission Action: None

Background Information:

In 1996, the Agency entered into a Lease Agreement with the DSP for management of the Agency-owned kiosk located in St. Rose of Lima Park (Attachment 1). The DSP originally operated the SacTix program in approximately one-third of the kiosk space, fronting 7th Street. The SacTix program offered same-day theater and events tickets at a discount. The remaining two-thirds of the kiosk space was subleased to Java Stop, which sold coffee and other beverages, in addition to pastries and items that did not require on-site preparation. The Java Stop lease also included approximately 600 square feet of space at 707 Merchant Street (Pioneer Hall) for storage, office and restrooms for employees. The lease term was for five years, with two five-year options.

In 1998, the Lease Agreement with Java Stop was amended to include the SacTix space and to allow the tenant to expand its use for a larger selection of menu items. The lease agreement currently has one remaining five-year term ending in October 2011.

Agency staff recently learned that the Java Stop was offering their business for sale. Staff is requesting authority to purchase the business interest and remaining lease term in an effort to control the property for future uses that may enhance the revitalization of the 700 block. The Agency is also recommending the termination of the lease agreement with DSP. The Agency does not have an approved plan for the future use of this site but anticipates bringing forward a concept within the next ninety days. Staff will be working with the DSP on the terms of the kiosk lease.

Financial Considerations:

A preliminary business valuation was recently completed by a third-party business valuation appraiser. It is estimated that approximately \$135,000 will be needed to cover the costs of purchase, lease buy-out and related professional and administrative costs. Downtown Tax Increment Funds will be used to fund the purchase, if approved.

Environmental Considerations:

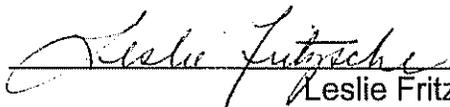
The proposed action to purchase the business interest on Agency-owned property is in furtherance of the Merged Downtown Redevelopment Plan. Once control of the property is obtained and a proposed project is defined, environmental review would be conducted prior to approval for the reuse of the existing building or redevelopment of this property. Therefore, the proposed action to acquire an existing business is not a project subject to environmental review per CEQA Guidelines Section 15378(a).

Policy Considerations:

The actions recommended in this report would terminate a long-term lease with an existing tenant and secure the Agency's control over the property. This action is consistent with previous Council action to purchase key properties in furtherance of redevelopment goals for the 700 block of K Street.

M/WBE Considerations:

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully submitted: 
Leslie Fritzsche
Downtown Development Manager
on behalf of the Redevelopment Agency
of the City of Sacramento

Recommendation Approved:


RAY KERRIDGE
City Manager

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RESOLUTION NO.

Adopted by the Redevelopment Agency of the City of Sacramento

AUTHORITY TO ENTER INTO A BUSINESS PURCHASE AGREEMENT WITH THE TENANT AT THE AGENCY-OWNED KIOSK IN ST. ROSE OF LIMA PARK

BACKGROUND

- A. In 1996, the Agency entered into a Lease Agreement with the Downtown Sacramento Partnership (DSP), formerly the Downtown District, for management of the Agency-owned kiosk located in St. Rose of Lima Park. The lease term was for five years with two five-year options.
- B. In 1996, DSP subleased approximately two-thirds of the kiosk space to a tenant, Java Stop, to operate a small coffee and beverage business with a small selection of pastries and other foods not prepared on the site.
- C. In 1998, DSP amended the sublease with the tenant to include the entire kiosk space to Java Stop and to allow an expansion of the food items to be offered on site, with any and all necessary improvements to be made by the tenant. The lease term remained the same as before.
- D. Java Stop has advertised the sale of its business, which includes furnishings, fixtures and the remaining lease term of its agreement with the DSP.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. After due consideration of the facts presented, the findings, including the environmental findings regarding this action, as stated in the staff report, are approved;
- Section 2. The City Manager, acting as a designated signatory for the Redevelopment Agency, is authorized to execute a Business Purchase Agreement with the tenant of the Agency-owned kiosk at 701 K Street in St. Rose of Lima Park; and to take all other actions necessary to purchase the business; and
- Section 3. Merged Downtown Tax Increment Funds in the amount of \$135,000 are transferred from the Redevelopment Agency Budget to the 700/800 K/L Project Budget for purchase of the Java Stop business and related real estate, administrative and professional services costs.