

REPORT TO COUNCIL

City of Sacramento

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



CONSENT
September 25, 2007

Honorable Mayor and
Members of the City Council

Title: Lease Agreement: Renwood Winery, Incorporated

Location/Council District: 1003 L Street/District 1

Recommendation: Adopt a **Resolution** 1) finding that, pursuant to City Code section 3.68.110, the leasing of 1003 L 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 Renwood Winery, Incorporated for retail space at 1003 L Street in Capitol Garage.

Contact: Paul Sheridan, Program Analyst, 808-6817

Presenters: None

Department: Transportation

Division: Parking Services

Organization No: 3461

Description/Analysis

Issue: Renwood Winery is the largest producer of wines in the Sierra Foothills. Their wines have won numerous industry awards and wine-tasting competitions throughout the country. Renwood would like to open a wine tasting room at 1003 L Street that would include an education center, providing information and history of winemaking in the Amador region, and a gift shop selling their wines. The tasting room will offer a variety of light snacks to complement their wines. Planned hours of operation will be Monday through Saturday, 11:00 a.m. –12:00 a.m., and Sunday 12:00 p.m. – 10:00 p.m.

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.

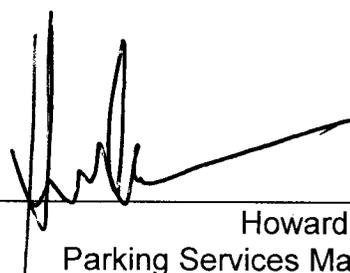
Environmental Considerations: This project is exempt from the California Environmental Quality Act (CEQA) under Section 15301, "Operation of existing public structures or facilities involving no expansion of use".

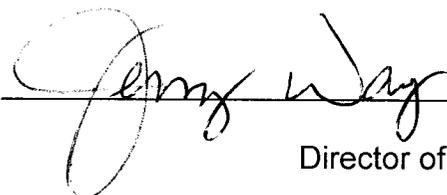
Rationale for Recommendation: City Code 3.68.110 allows the City to lease City property without bidding where a firm and complete written offer at or above market value is received by the City and the City Council finds that leasing the property without bidding is in the best interest of the City. Renwood Winery 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. The tasting room planned by Renwood Winery promises to be an exciting new addition to the Downtown area. It will add vitality to the J-K-L Streets Corridor by creating an elegant new retail establishment serving customers throughout evening and weekend hours.

Financial Considerations: Based on a market rate of \$2.00 per square foot, rent payments will begin at \$3,752 per month and increase 3% annually. Total rent collected during the initial 5-year term will be \$239,036. Rent for the extended terms will be reevaluated at market rate, but in no circumstance will the revised rent be lower than the Initial or prior Extended Term.

The City will contribute a one-time tenant improvement allowance of \$65,600 (\$35/sqft). The tenant improvement allowance will be used to relocate existing restrooms and complete other standard building improvements. The tenant improvement allowance will be paid to the tenant in the form of rent credits starting on the rent commencement date. Rent charges will begin when all rent credits have been expended.

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
City Manager *for*

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RESOLUTION NO.

Adopted by the Sacramento City Council

LEASE AGREEMENT: RENWOOD WINERY, INCORPORATED

BACKGROUND

- A. Renwood Winery is the largest producer of wines in the Sierra Foothills. Their wines have won numerous industry awards and competitions throughout the country.
- B. Pursuant to City Code 3.68.110, Renwood Winery, 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.
- C. Renwood would like to open a wine tasting room at 1003 L Street that would include an education center, providing information and history of winemaking in the Amador region, and a gift shop selling Renwood wines. The tasting room will offer a variety of light snacks to complement their wines. Planned hours of operation will be Monday through Saturday, 11:00 a.m. – 12:00 a.m., and Sunday 12:00 p.m. – 10:00 p.m. The tasting room planned by Renwood Winery promises to be an exciting new addition to the Downtown area. It will add vitality to the J-K-L Streets Corridor by creating an elegant new retail establishment serving customers throughout evening and weekend hours.
- D. 1003 L Street is located in Capitol Garage at 10th & L Streets. The site is approximately 1,876 square feet in size. At Capitol Garage there is over 23,000 square feet of commercial/retail space divided into 13 units.
- E. The term of the lease is five years with three 5-year extended terms. Based on a market rate of \$2.00 per square foot, rent payments will begin at \$3,752 per month and increase 3% annually. Rent for the extended terms will be reevaluated at market rate, but in no circumstance will the revised rent be lower than the Initial or prior Extended Terms.
- F. The City will contribute a one-time tenant improvement allowance of \$65,600 (\$35/sqft). The tenant improvement allowance will be used to relocate existing restrooms and complete other standard building improvements. The tenant improvement allowance will be paid to the tenant in the form of rent credits starting on the rent commencement date. Rent charges will begin when all rent credits have been expended.

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 the best interests of the City to lease 1003 L Street without bidding.
- Section 2. The City Manager is authorized to execute a lease agreement with Renwood Winery for retail space located at 1003 L Street for a term of five years with three 5-year options in an amount based on a market rate of \$2.00 per square foot. Rent payments will begin at \$3,752 per month and will increase 3% annually. Rent for the extended terms will be reevaluated at market rate, but in no circumstance will the revised rent be lower than the Initial or prior Extended Term.