

MCDONOUGH, HOLLAND & ALLEN

A PROFESSIONAL CORPORATION
ATTORNEYS

555 CAPITOL MALL, SUITE 950
SACRAMENTO, CALIFORNIA 95814

(916) 444-3900

COSTA MESA OFFICE
3200 PARK CENTER DRIVE, SUITE 710
COSTA MESA, CALIFORNIA 92626
(714) 850-1180

IN REPLY REFER TO:

September 28, 1982

MARTIN MCDONOUGH
ALFRED E. HOLLAND
BRUCE F. ALLEN
V. BARLOW GOFF
JOSEPH E. COOMES, JR.
WILLIAM G. HOLLIMAN, JR.
DAVID J. SPOTTISWOOD
ELMER R. MALAKOFF
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MARK J. HUEBSCH
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JOHN J. FLYNN III

FILED
By the City Council
Office of the City Clerk

RECEIVED
CITY CLERKS OFFICE
CITY OF SACRAMENTO
SEP 28 4 54 PM '82

SEP 28 1982

Mr. John Varozza
City Engineer
City of Sacramento
City Hall, Room 207
915 I Street
Sacramento, CA 95814

Dear Mr. Varozza:

The Department of Transportation, State of California (Caltrans) through James B. "Jim" White, has agreed to enter into a lease with Sutter Community Hospitals for parking lots J-2 and J-3 for a period of six months commencing October 1, 1982, during which time Caltrans and Sutter will negotiate a long term lease of the lots. It is in Sutter's best interest to enter into such a lease at this time.

It is our understanding that the City desires to continue to operate the parking lots until such time as Sutter requires possession of the lots for construction of parking facilities. On the basis of our discussion with you and Les Frink, City Traffic Engineer, it is also our understanding that the City would require payment from Sutter in the amount of \$2,000 a month for maintenance and operation of the lots.

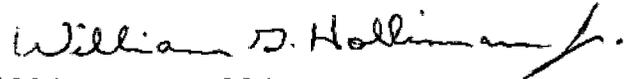
Sutter agrees to authorize the City to continue operation and maintenance of parking lots J-2 and J-3 during such time as Sutter is the lessee and until Sutter requires possession of the lots for commencement of construction activities. It is our understanding that all of the existing signs, gates, and other equipment which are the property of the City will remain during the term of this Agreement. Sutter further agrees to pay the City \$2,000 a month for operation and maintenance of the lots. We would also propose as a condition of such an arrangement that the leasing, operation and maintenance of the lots be reviewed by the City and Sutter

Mr. John Varozza
September 28, 1982
Page 2

on April 1, 1983. It is our understanding that the City will agree to relinquish its use and operation of the parking lots upon thirty days written notice that the lots are required for commencement of construction activity by Sutter.

We appreciate the City's cooperation and assistance and we believe that the proposed arrangement will be in the best long range interests of Sutter and the City of Sacramento.

Very truly yours,



William G. Holliman, Jr.

WGH:js

cc: Patrick G. Hays
Chuck Van Sluyter
Les Frink



CITY OF SACRAMENTO

Handwritten scribbles and the number 24 in a circle.

TRAFFIC ENGINEERING DIVISION

1023 J STREET - SUITE 202

SACRAMENTO, CALIF. 95814

CITY MANAGER'S OFFICE

RECEIVED

SEP 15 1982

TELEPHONES (916)

TRAFFIC ENGINEERING 449-5307

OFF-STREET PARKING 449-5354

ON-STREET PARKING 449-5644

September 15, 1982

City Council
Sacramento, California

FILED
By the City Council
Office of the City Clerk

FILED
By the City Council
Office of the City Clerk
Cont. To
9-28-82
SEP 28 1982

Honorable Members in Session:

SUBJECT: Lease Renewal for Parking Lots J2 and J3.

SUMMARY

This report recommends a 5-year renewal of the City's lease with Caltrans for Parking Lots J2 and J3 located underneath I-80 between Capitol Avenue, K, 29th and 30th Streets. This recommendation includes an increase in the rent to Caltrans and an increase in the monthly rates for these parking lots.

BACKGROUND

The City initially entered into a lease with Caltrans in 1967 for the parking lots known as J1, J2 and J3 (J1 was immediately north of J2 and J3 between J and K Streets). The lease provided four additional 5-year options to renew, contingent on a negotiated rental. The City paid \$200,398 for the initial parking lot improvements, for which the State agreed to an offset credit which was applied to the rent over the first ten years in order for the City to amortize its initial investment. Due to lack of usage, Lot J1 was deleted upon the first 5-year renewal.

These parking lots did not earn any net revenue until three years ago. For the last two years, the net revenue has been significant. Another feature is that these parking lots absorb almost \$40,000 per year in administrative costs that would otherwise reduce net revenue from the Parking Fund by that amount.

Caltrans was sent notice in April of this year that the City was interested in negotiating a renewal of the lease for the third 5-year period starting September 1, 1982. Initial discussions included the planned expansion of Sutter General Hospital, which includes construction of parking garages on J2 and J3. The City has agreed to relinquish its leasehold interest in the property when this project is ready for construction.

FINANCIAL DATA

Currently, the City reserves Lot J3 for exclusive use by Sutter Hospital employees. When Lot J3 is full, the hospital employees have access to J2. Lot J2 is also

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used by 57 other monthly permittees and daily transient parkers who must pay 75¢ to an automatic gate mechanism in order to exit from the lot. The current monthly rate is \$16. Hospital employees receive a 25% discount on the basis that the hospital uses each space almost three times over each 24 hours.

The City's rent to Caltrans for the 5-year period that expired on August 31, 1982, was \$3,300 per month, or \$198,000 for five years.

The City staff initially offered Caltrans \$6,666 per month, or \$400,000 for the next 5-year period. Caltrans' response was that they had appraised the parking lot property at \$2,776,100 and that a return of 12% would require \$27,761 per month; but, acknowledging that the City's leasehold occupancy would be temporary until Sutter Hospital started construction, they counter-offered with a proposed rent of 65% of the gross receipts with a minimum of \$14,000 per month and stated that the rates could be increased.

The City staff followed with another counteroffer of \$8,700 per month, appealing to Caltrans for consideration that a rate increase for Sutter Hospital employees was not justified; based on their intensive use of the lots 24 hours per day, seven days per week. Currently there are 1,027 permits issued to Sutter Hospital employees for about 362 parking spaces. This is equivalent to about \$34 per space. It was also called to Caltrans' attention that the parking lot property is zoned for transportation use only by the City, which has a diminishing effect on its value in contrast to prime commercial land.

Caltrans rejected the City's counteroffer of \$8,700 per month, stating that the minimum acceptable rent would be 65% of the revenue with a minimum guarantee of \$14,000 per month. They also contended that regardless of the City's land-use restriction on the property, the return they expected was based on the income that could be expected from parking. In the same letter, Caltrans accepted the City's offer of \$8,700 per month on a month-to-month basis until bids could be solicited from "possible leases".

On August 30, 1982, a meeting was held between Caltrans' right-of-way agents and City staff. The City staff at that time made a final offer of 65% of the gross revenue with a minimum of \$9,000 per month. Caltrans insisted that the rates could be raised and insisted on their original position of 65% against a \$14,000 minimum. The meeting ended with negotiations still incomplete.

Subsequently, both the City and Caltrans discussed the matter with representatives of Sutter General Hospital who made it clear to the City that they were opposed to a rate increase since it would impose a hardship on their employees.

In conclusion of negotiations, Caltrans has taken a final position in demanding 65% of the gross with a minimum of \$14,000 per month. The City can either accept this offer and raise the rates to break even, or relinquish its interest in the property. The staff position on this matter is that it would be in the City's best interest to continue operating the lots, pay the increase Caltrans is demanding, and raise the rates to avoid a net loss and to continue paying administrative costs as applied to these parking lots.

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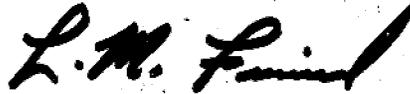
Caltrans has advised the staff that if the City relinquishes its interest in the property, it will solicit bids from private parking operators in order to obtain the highest rent possible. This will be at the expense of the employees currently using the parking lots. This would not be in the best interest of the City or Sutter Hospital, since the hospital will have to negotiate a long-term lease with Caltrans in a few years in order to build and operate the parking facilities planned for the hospital expansion.

RECOMMENDATION

It is recommended that the City Council adopt the two attached resolutions for the following:

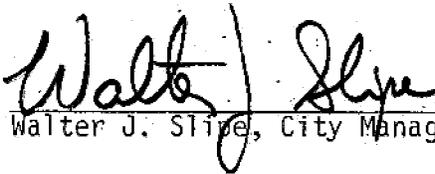
1. To renew the third 5-year option for renewal of the J2/J3 parking lots for a rental of 65% of the gross or \$14,000 minimum per month;
2. To increase the monthly rate for Lots J2 and J3 from \$16 per month to \$20 per month. the hospital's monthly permit rate will be raised from \$12 to \$16, decreasing their discount from 25% to 20%.

Respectfully submitted,



L. M. Frink
Traffic Engineer

Recommendation Approved:


Walter J. Slive, City Manager

LMF:JMM/mf
Attachments: 2

September 21, 1982
District 4

24

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE
A 5-YEAR RENEWAL OF THE LEASE FOR PARKING LOTS J2
AND J3

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

The City Manager is hereby authorized to execute a 5-year lease renewal between the City of Sacramento and the State of California, for the two parking lots beneath the I-80 Freeway between Capitol Avenue, K, 29th and 30th Streets, for a rental to the State of California in the amount of 65% of the gross parking revenue derived from parking operations or a minimum of \$14,000 per month, whichever is the greater amount.

MAYOR

ATTEST:

CITY CLERK

245

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION INCREASING THE MONTHLY PARKING RATE
FOR LOT J

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1. That the monthly permit parking rate for Lot J
is hereby increased from \$16 per month to \$20 per month.

SECTION 2. Resolution No. 82-447 is hereby amended.

MAYOR

ATTEST:

CITY CLERK

McDONOUGH, HOLLAND & ALLEN

A PROFESSIONAL CORPORATION
ATTORNEYS

555 CAPITOL MALL, SUITE 950
SACRAMENTO, CALIFORNIA 95814

(916) 444-3900

COSTA MESA OFFICE
3200 PARK CENTER DRIVE, SUITE 710
COSTA MESA, CALIFORNIA 92626
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IN REPLY REFER TO:

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September 21, 1982

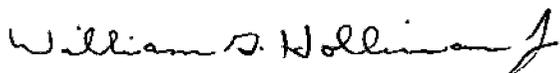
Ms. Lorraine Magana
City Clerk
City of Sacramento
City Hall, Room 203
915 "I" Street
Sacramento, CA 95814

Dear Ms. Magana:

On behalf of Sutter Community Hospitals, we respectfully request that agenda item 5 on the September 21, 1982 City Council Agenda be continued for one week. We are currently engaged in discussions with the City Engineer and Cal Trans over matters which should be resolved prior to any action.

Thank you for your consideration in this matter.

Very truly yours,



William G. Holliman, Jr.

WGH:jt

cc: John Varozza
Walter Slipe
Patrick Hays

DEPARTMENT OF TRANSPORTATION

DISTRICT 3

P. O. BOX 911, MARYSVILLE 95901



Telephone (916) 674-4427

September 17, 1982

03-FLA 80-2,3

Mr. Mark Morgan,
Parking Manager
City of Sacramento
1023 "J" Street
Sacramento, California 95814

Dear Mark:

Subject: Our Lease 03-FLA 80-2,3
K to Capitol Avenue

The Renewal you requested is enclosed. Please have it signed for the City and returned for California Transportation Commission Approval. I understand the City Council will act on it next Tuesday at their regular meeting.

Very truly yours,

LEO J. TROMBATORE
District Director of Transportation

By
J. M. White
Property Manager

JMW:mw

LEASE RENEWAL

1
2 This Lease Renewal made this _____ day of _____, 1982,
3 in Sacramento, California, by and between the State of California,
4 acting by and through its Department of Transportation, Lessor,
5 703 "B" Street, Marysville, California, 95901, and the City of
6 Sacramento, a municipal corporation, Lessee, of 915 "I" Street,
7 Sacramento, California 95914.

WITNESSETH

8
9 WHEREAS, Lessor and Lessee did on the 25th day of January,
10 1967, enter into that certain lease covering property located on
11 the three blocks bounded by 29th and 30th Streets between "J"
12 Streets and Capitol Avenue in the City of Sacramento, State of
13 California, and said lease was subsequently amended and renewed
14 by documents dated December 27, 1972, and September 30, 1977.

15 WHEREAS, it is mutually desired and agreed to extend the
16 lease for an additional five (5) years in accordance with
17 Clause 18 of said lease.

18 NOW, THEREFORE, it is mutually agreed to extend the term of
19 said Lease covering Areas 802 and 803 for an additional five (5)
20 year period beginning on the first day of ^{OCTOBER} ~~September~~, 1982, and
21 ending on the 31st day of August, 1987, at a monthly rent of
22 Fourteen Thousand (\$14,000.00) or 65% of the gross receipts
23 received by the Lessee, whichever is greater. Gross receipts
24 shall mean the total amount of rents received by the Lessee from
25 all subtenants of the leased premises. Within thirty (30) days
26 of the close of each three month period following September 1st,
27 1982, Lessee shall deliver to Lessor a correct statement in
28 writing itemizing the total gross receipts of Lessee during said
29 preceding three month period. Such statement shall be certified
30 as accurate and signed by the Lessee or its responsible agent
31 under penalty of perjury, and shall be in the form prescribed by

LEASE RENEWAL

This Lease Renewal made this _____ day of _____, 1982, in Sacramento, California, by and between the State of California, acting by and through its Department of Transportation, Lessor, 703 "B" Street, Marysville, California, 95901, and the City of Sacramento, a municipal corporation, Lessee, of 912 "I" Street, Sacramento, California 95814.

WITNESSETH

WHEREAS, Lessor and Lessee did on the 25th day of January, 1967, enter into that certain lease covering property located on the three blocks bounded by 29th and 30th Streets between "L" Streets and Capitol Avenue in the City of Sacramento, State of California, and said lease was subsequently amended and renewed by documents dated December 27, 1972, and September 30, 1977.

WHEREAS, it is mutually desired and agreed to extend the lease for an additional five(5) years in accordance with Clause 18 of said lease.

NOW, THEREFORE, it is mutually agreed to extend the term of said lease covering Areas 802 and 803 for an additional five (5) year period beginning on the first day of September, 1982, and ending on the 31st day of August, 1987, at a monthly rent of Fourteen Thousand (\$14,000.00) or 62% of the gross receipts received by the lessee, whichever is greater. Gross receipts shall mean the total amount of rents received by the Lessee from all subtenants of the leased premises. Within thirty (30) days of the close of each three month period following September 1st, 1982, Lessee shall deliver to Lessor a correct statement in writing itemizing the total gross receipts of Lessee during said preceding three month period. Such statement shall be certified as accurate and signed by the Lessee or its responsible agent under penalty of perjury, and shall be in the form prescribed by

1 the Lessor. A check for the amount by which 65% of the gross
2 receipts exceeds the minimum rent for that period shall accompany
3 said statement.

4 All other terms, covenants, and conditions contained in said
5 Lease, except as modified by this instrument and the prior re-
6 newals dated December 27, 1972, and September 30, 1977, shall
7 remain the same.

8 IN WITNESS WHEREOF, the parties hereto have executed this
9 Lease Renewal as of the date hereinbefore affixed.

10
11
12 CITY OF SACRAMENTO

13
14 By: _____
15 Mayor

16 By: _____
17 City Clerk

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19 STATE OF CALIFORNIA
20 DEPARTMENT OF TRANSPORTATION

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22 By: _____
23 Robert O. Watkins
24 Deputy Director
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DEBORA DICKSON
CORREY O. MCKINNA

BY: _____

DEPARTMENT OF REVENUE
STATE OF CALIFORNIA

CITY OF SACRAMENTO

BY: _____

BY: _____

BY: _____

CITY OF SACRAMENTO

lease renewal as of the date hereinafore set forth.

IN WITNESS WHEREOF, the parties hereto have executed this
lease on the same.

newly dated December 31, 1952, and September 30, 1953, shall
lease, except as modified by this instrument and the prior re-

ALL other terms, covenants, and conditions contained in said
said agreement.

receipts exceeds the minimum rent for that period shall accompany
the lease. A check for the amount of such rent of the gross