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**DEPARTMENT OF PARKS
AND COMMUNITY SERVICES**

CITY OF SACRAMENTO
CALIFORNIA

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April 28, 1987

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GOLF
METROPOLITAN ARTS
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PARKS
RECREATION
ZOO

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Old Sacramento Riverfront Depot Building Lease

SUMMARY

This report provides information relating to leasing the California Steam Navigation Company (CSNC) Depot building on the Old Sacramento riverfront and requests authorization to execute a lease with Pony Express Bakery.

BACKGROUND INFORMATION

Reconstruction of the Old Sacramento riverfront buildings by SHRA and subsequent operations by the Waterfront Management Section of the Department of Parks and Community Services will provide private entrepreneurs with an opportunity to lease a part of living history and to join one of the most distinctive retail/office/residential areas on the Pacific coast.

The Old Sacramento Riverfront Master Plan project includes the reconstruction and revitalization of approximately 4.5 acres of riverfront area. Designed to interpret the 1849-1870 period, principal elements of the plan include historic riverfront buildings, floating hulks, and historic ships. Proposed uses for the riverfront area are commercial, tour boats, public open space, and riverfront access. The Specific Use and Leasing Plan approved January 1985 includes reconstruction of the shells of the three historic riverfront buildings in the area located west of Front Street between L and K Streets on a site leased to the City under a master lease with the State Lands Commission.

In an effort both to secure tenants of high quality who are sensitive to the unique historical setting afforded by Old Sacramento as well as to maximize the revenue to the City, the riverfront buildings lease proposal process was initiated following City Council authorization on October 28, 1986, to select tenants for these leasing opportunities.

Assistance in both the development of the Request for Proposal to lease the Old Sacramento riverfront buildings and the subsequent marketing of this leasing opportunity was provided by Ralph Anderson and Associates under a consultant services contract. Utilizing the consultant's suggested lists of potential lessees as well as the advertising and marketing techniques suggested as a means to target distribution of the RFP, the City sent more than four hundred individualized invitations to submit proposals to potential lessees. In addition, advertisements were placed in appropriate local publications.

Proposals for the leasing of these riverfront buildings were opened on December 16, 1986. The City received four proposals to lease the CSNC Depot. This site offers 600 square feet of retail space in a larger building which will also house the Sacramento Visitors' Center and the City Waterfront offices and which is located on Front Street. In order to ensure the selection of the best responsible proposer, a selection panel was established with representatives from the Department's Resource Development and Management Section, Waterfront Management Section, SHRA, and the Executive Director of the Museum and History Division. The selection panel was assisted by the expertise of Ralph Anderson in reviewing the proposals. All proposers were interviewed by the selection panel and were evaluated on their experience in operating similar enterprises, quality and design of proposed improvements, quality of proposed services including compatibility with and sensitivity to the unique historical setting of Old Sacramento, and proposed rent to the City.

The selection panel made a split recommendation that a lease for the CSNC Depot be negotiated with Pony Express Bakery, a family partnership which currently operates a downtown coffee shop and which provides exporting services for a previously owned bakery in Taiwan. The Pony Express Bakery proposes to offer traditional Chinese baked goods featuring California agricultural products with designs incorporating Old Sacramento themes. The bakery proposes to operate seven days a week year-round and to offer special demonstrations and events in Old Sacramento. This proposal was ranked high in all areas including ability, experience and operational plans. Pony Express Bakery was deemed the most compatible of the proposed services in terms of both the unique historical setting and the commercial mix of Old Sacramento. It was felt by the panel that the bakery offers the proposed use which would contribute most to the goal of recreating a thriving, active and historically representative riverfront area. Given that the City has limited opportunities to generate revenue from the Old Sacramento Waterfront, the Director of Parks and Community Services did not support the selection panel's recommendation but recommended that a lease be negotiated with the highest proposer, the panel's second ranked proposer, Ronald Wroten and Beverly Ann Dixon, who proposed "The Gold Mine", a fine replica jewelry store, at a rent substantially higher than that proposed by the Pony Express Bakery.

The Budget and Finance Committee, at their meeting of March 10, 1987, recommended that all proposals relating to the leasing of the CSNC Depot be rejected and a lease for the depot be negotiated with Pony Express Bakery. It is felt by the Committee that given that there are currently no other bakeries in Old Sacramento, the Pony Express Bakery would provide services unique to Old Sacramento, and thus would be most compatible in terms of the commercial mix in Old Sacramento. On March 17, 1987, the City Council authorized the Department of Parks and Community Services to negotiate an Old Sacramento riverfront depot building lease with Pony Express Bakery. A negotiating team comprised of representatives from Parks and Community Services Resource Development and Management staff, the City Attorney's office, the Waterfront Management, and the Executive Director of Museum and History commenced negotiations with Pony Express Bakery. These parties have completed the negotiations process. Significant terms of the lease agreement are as follows:

- Pony Express Bakery will commence operations within 45 days following notice from the City that the demised premises are suitable for occupancy. A late June start-up date is anticipated, after which the bakery will be open year-round from early morning to evening.
- The Pony Express Bakery will provide decorated baked goods in the Chinese tradition with designs incorporating Old Sacramento themes and featuring California agricultural products.
- The Pony Express Bakery shall present a minimum of six historical and cultural special programs and events to the general public including dough sculpture, candy blowing and dragon beard candy demonstrations as well as Chinese harp playing, brush painting and folk art demonstrations. These programs will be scheduled so as to maximize Old Sacramento Waterfront activity and visitation.
- The lessee will assume full responsibility for all maintenance and for a \$1 million insurance policy.
- Lessee shall make all tenant improvements, estimated at \$60,000, in accordance with City approved plans and specifications and in conformance to historical considerations.
- The term of the lease is five years. The term may be extended for up to two additional five-year periods on the terms and conditions upon mutual agreement between the Director of Parks and Community Services and lessee.

FINANCIAL DATA

Revenue from the Old Sacramento depot building will be deposited in the General Fund and will be used to offset the costs of providing management, programming, and maintenance for the Old Sacramento Waterfront area.

Terms of the negotiated lease include eight percent of gross receipts from all activities under the contract including off premises sales of bakery goods. In addition, the proposed lease also provides an annual guaranteed minimum fee of \$10,800. Estimated return to the City, based on gross receipts prepared by Pony Express Bakery, is as follows:

	<u>Year</u>	<u>Estimated Gross Receipts</u>	<u>Percentage Rent</u>	<u>Revenue to City</u>
Pony Express	1987	\$127,800	8%	\$10,800 (minimum)
Bakery	1988	217,260	8%	17,380
	1989	249,849	8%	19,988
	1990	287,326	8%	22,986
	1991	330,425	8%	26,434

RECOMMENDATION

It is recommended that the Budget and Finance Committee approve this report and refer it to the full City Council for action. Further, it is recommended that the City Council, by resolution, authorize award of the lease for the Old Sacramento Riverfront depot building to Mike and Theresa Lin, dba Pony Express Bakery.

Respectfully submitted,

for - D. Eiling Longgi
ROBERT P. THOMAS, Director
Parks and Community Services

Recommendation Approved:

Jack R. Crist

JACK R. CRIST
Deputy City Manager

RPT:ja

May 12, 1987
District No. 1

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION AWARDING THE LEASE FOR THE
OLD SACRAMENTO RIVERFRONT DEPOT BUILDING
TO MIKE AND THERESA LIN DBA
PONY EXPRESS BAKERY

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

That the award of the lease for the Old Sacramento Riverfront depot building with Mike and Theresa Lin, dba Pony Express Bakery, is hereby authorized in accordance with Section 12.39 of the Sacramento City Code.

MAYOR

ATTEST:

CITY CLERK