



REPORT TO COUNCIL

City of Sacramento

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

CONSENT
December 18, 2007

Honorable Mayor and
Members of the City Council

Title: Lease Agreement: Fog Mountain Café at 1000 I Street

Location/Council District: 1000 I Street at the corner of 10th and I Streets, in City Hall Garage. Council District 1

Recommendation: Adopt a **Resolution** 1) finding that, pursuant to City Code section 3.68.110, the leasing of 1000 I 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 Eats & Sweets, Incorporated, dba, Fog Mountain Café, for retail space at 1000 I Street in City Hall Garage.

Contact: Paul Sheridan, Program Analyst, 808-6817

Presenters: None

Department: Transportation

Division: Parking Services

Organization No: 3461

Description/Analysis

Issue: Jim and Judy Harnish are the founders of Eats & Sweets, Incorporated. In 2001, after originally selling only gourmet handmade candies, they leased a small store front in mid-town to expand their business to include a variety of fresh soups, salads and sandwiches. They named the new business Fog Mountain Café. When their lease expired in 2005 they decided to suspend their thriving operations until they could locate a larger more suitable location to allow their business to grow. At 1000 I Street, the Harnishes would like to re-open Fog Mountain Café. Planned hours of operation will be Monday through Friday 7:00 a.m. to 6:00 p.m. The café will extend its hours for special events in Cesar Chavez Park and during City Council meetings.

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.

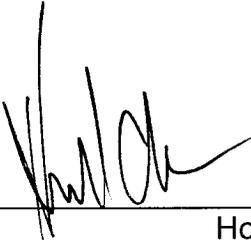
Environmental Considerations: This project is exempt from the California Environmental Quality Act (CEQA) under Section 15301, "Operation of existing public structures or facilities involving no expansion of use".

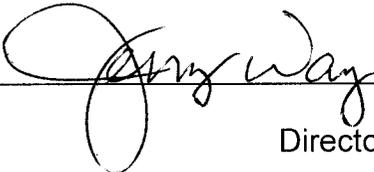
Rationale for Recommendation: City Code 3.68.110 allows the City to lease City property without bidding where a firm and complete written offer at or above market value is received by the City and the City Council finds that leasing the property without bidding is in the best interest of the City. Eats & Sweets, 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. At 1000 I Street, Fog Mountain Café promises to create its same high quality unique soups, sandwiches and candies to serve the neighboring residential and business communities.

Financial Considerations: Based on a market rate of \$2.10 per square foot (the prior tenant paid \$1.80 per square foot), rent payments will begin at \$4,326 per month and increase 3% annually. Total rent collected during the initial 5-year term will be \$275,606. 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 \$53,100 (\$26/sqft) that will be used for standard site improvements. These improvements will remain as property of the City on the date the tenant moves from the premises. The amount of this allowance is consistent to those provided through similar lease agreements with new tenants.

Emerging Small Business Development (ESBD): N/A

Respectfully Submitted by: 
Howard Chan
Parking Services Manager

Approved by: 
Jerry Way
Director of Transportation

Recommendation Approved:

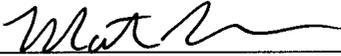
for 
RAY KERRIDGE
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

LEASE AGREEMENT: FOG MOUNTAIN CAFÉ AT 1000 I STREET

BACKGROUND

- A. Jim and Judy Harnish are the founders of Eats & Sweets Incorporated which operates Fog Mountain Café. The original Fog Mountain Café opened in 2001 at small mid-town location, serving fresh soups, salads, sandwiches and homemade gourmet candies. When their lease expired in 2005 the Harnishes decided to suspend their thriving operations until they could locate a larger more suitable location to allow their business to grow.
- B. Pursuant to City Code 3.68.110 Eats & Sweets, 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. At 1000 I Street, Fog Mountain Café promises to create its same high quality unique soups, sandwiches and candies to serve the neighboring residential and business communities. Planned hours of operation will be Monday through Friday 7:00 a.m. to 6:00 p.m. The café will extend its hours for special events in Cesar Chavez Park and during City Council meetings.
- D. 1000 I Street is located at the corner of 10th & I Streets in the City's City Hall Garage. The site is approximately 2,060 square feet in size. City Hall Garage has over 21,000 square feet of commercial office/retail space, occupied by one other retail tenant plus the City's Information Technology department.
- E. The term of the lease is five years with two 5-year extended term options. Based on a market rate of \$2.10 per square (the prior tenant paid \$1.80 per square foot), rent payments will begin at \$4,326 per month and increase 3% annually. Total rent collected during the initial 5-year term will be \$275,606. 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.
- F. The City will contribute a one-time tenant improvement allowance of \$53,100 (\$26/sqft) that will be used for standard site improvements. These improvements will remain as property of the City on the date the tenant moves from the premises. The amount of this allowance is consistent to those provided through similar lease agreements with new tenants.

**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 1000 I Street without bidding.

Section 2. The City Manager is authorized to execute a lease agreement with Eats & Sweets, Incorporated for retail space located at 1000 I Street for a term of five years with two 5-year options.