

CONTINUED
FROM 5/18/99
TO 5/25/99
Item 11.1, 5/18/99



11.1

DOWNTOWN
DEPARTMENT
PARKING LOT ADMINISTRATION

CITY OF SACRAMENTO
CALIFORNIA

312 K STREET
SACRAMENTO, CA
95814-3329

PH: 916-264-5110
FAX: 916-264-5115

April 30, 1999

*Staff's recommendation
Denied*

City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: PRIVATIZING MANAGEMENT OF RETAIL LEASES IN CITY
PARKING GARAGES**

LOCATION: All districts.

RECOMMENDATION:

This report recommends that the City Council, by resolution, suspend competitive bidding for the solicitation of bids to manage the retail leasing spaces located at City Parking Lots G, H, and I in order to allow the City Manager to undertake a Request for Proposals

CONTACT PERSON: Mark S. Miller, Parking Manager 264-7610

FOR COUNCIL MEETING OF: May 18, 1999

SUMMARY:

Upon authorization from the City Council, the City Manager will direct the Parking Operations Manager to begin searching for a private lease management company with the ability to oversee all the day-to-day aspects of managing the City's retail lease space located in City parking garages G, H and I. After choosing a suitable firm and negotiating an agreement with such firm, the City Council will be asked to approve the agreement.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND:

The Parking Division began overseeing parking garage leases in May of 1998 and currently leases 24,048 square feet of rental space in City Lots G, H, and I to thirteen different tenants. Another 1,780 square feet of rental space located in these three City garages is vacant with leases under current negotiation or awaiting City Council approval. The City currently receives \$31,229 each month from the thirteen tenants in Lots G, H, and I. Prior to last year, the Real Estate Services in the Department of Public Works managed all parking garage leases.

Parking Division staff has succeeded in filling existing vacant spaces and bringing lease renewals up to current market rates. The Division, however, has no staff members with retail lease experience and the workload would not justify filling a new position. A number of local, private companies specialize in retail leasing and lease management. A lease management company would receive a fee to service tenants and oversee repairs plus a placement fee when vacant sites are leased. In addition, the management company would receive and deposit all revenues collected and make sure that needed repairs are performed.

With City Council approval, staff will send out Requests for Proposals (RFP's) to qualified lease management firms by July 30, 1999 and will accept proposals until August 30, 1999. All proposals shall be reviewed by an independent selection committee to be appointed by the City Manager. The selection committee shall be instructed to choose a lease management company based upon the following criteria:

- Experience in real estate management
- Financial stability
- Ability to fill vacant spaces
- Amount of proposed fee

Before September 30, 1999, the selection committee shall review all proposals, and shall use the above criteria to recommend the best firm for the job. At this point, staff will begin negotiating a contract with the chosen firm. If negotiations prove successful, the subsequent agreement shall be presented to City Council for approval.

It should be noted that some of the City's current tenants wish to continue having the Parking Division oversee their leases and are opposed to privatizing the management of their leases (see Exhibit A and Exhibit B). Parking Division staff has met with tenants regarding these concerns to provide information and answer questions.

FINANCIAL CONSIDERATIONS:

If the City employs a property management firm, a property management fee would be negotiated and brought to City Council for approval as part of a service contract.

ENVIROMENTAL CONSIDERATIONS:

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


POLICY CONSIDERATIONS:

This proposal is consistent with the City's goal to identify and improve service delivery options and strategies where it is applicable.


ESBD CONSIDERATION:

ESBD participation would be considered by the selection committee during the interview process for the contract award to a property management firm. There would also be provisions in the contract to encourage on-going participation by ESBD to supply goods and services to the management firm for supplies and goods used to maintain the facilities.


Respectfully submitted,


Mark S. Miller
Parking Operations Manager

RECOMMENDATION APPROVED:


ROBERT P. THOMAS
City Manager

APPROVED:


Thomas V. Lee
Deputy City Manager

SACRAMENTO'S HI-TECH GOLF STORE
GRIPS FAST GOLF

5679 FREEPORT BLVD. 422-5644
1015 L st. 492-9599 FAX (916) 422-9712
THE PROFESSIONAL CUSTOM-CLUB-MAKERS

January 23, 1998

THE HONORABLE COUNCILWOMAN HEATHER FARGO
915 I Street
Sacramento, California 95814

Dear Councilwoman Fargo:

Thank you for your time in allowing me to express my concerns regarding the possible privatization of our property management.

I have talked to the other tenants of the L Street parking garage and we are all in agreement that we would not favor a change from City to private management.

We have found that the current management administered by your maintenance crew, Finance Department, and Parking Operations Manager to be excellent. We have found everyone to be caring and responsive to our needs.

Whenever there has been any property vandalism or repair needs, maintenance has responded immediately to rectify matters. The City Finance Department has had the understanding to work with us in our rent payments, knowing there are times we may need "grace" time with payments. The Parking Manager has had a good heart, insuring us that the City is very interested in our longevity to do business as we have invested heavily not only monies, but also long hours (including weekends, evenings, holidays).

Our concern is that a private management group will not have the same relationship with us as the City Management. Direct management by the owner (the City of Sacramento) is more caring and concerned, seeing that the tenants are doing their best in serving the downtown community. The City management is actually a part of the "working neighborhood," frequenting our bakeries, lunch spots, magazine, and other specialty retails. A private contractor might be farther removed from understanding the daily workings of small businesses.

SACRAMENTO'S HI-TECH GOLF STORE
GRIPS FAST GOLF

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THE PROFESSIONAL CUSTOM CLUB MAKERS

- page 2
Councilwoman Heather Faroo

We, as owners of our shops, take great pride in what we do and will represent the City of Sacramento in a positive, enthusiastic light. Because of our location, we meet people from all walks of life and from around the world and all across the United States. We strive to not only serve the public with our businesses, but we offer also the extra-mile of providing direction (with Sacramento convention guides), and recommendations as to what is available in Sacramento.

All of us have given our lives to our businesses and want our future as tenants to be only profitable for everyone concerned, but also to be a beneficently happy one. We have been pleased with the City's current direct-line of management and oppose and outside-contracted management that has no understanding of our businesses. Worse yet, an outsider would not care for us as the owner (the City) would in seeing that our future existence is secure. We all want to be here for many more years to come.

Thank you for allowing us to express our concerns over the issue of management and for taking your time to consider this issue.

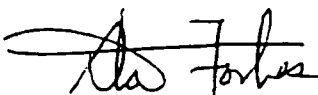
Sincerely,



John Britv
GRIPS FAST GOLF



Mvunasook Lee
CAFE CONNECTION



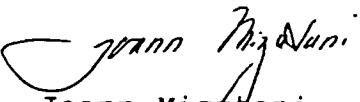
Stan Forbes
AVID READER

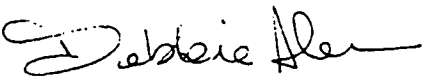
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THE PROFESSIONAL CUSTOM CLUB-MAKERS

- page 3 -
Councilwoman Heahter Fargo


John Boghossian
VANINI


Joann Mizotani
JOANN'S ELEGANT GIFTS


Debbie Alen
CAPITAL BAKERY AND CAFE


Val King
CAPITAL BAKERY AND CAFE

FRANK GARCIA (C.R.)
Frank Garcia
TACO LOCO


Nicolle Kollasch
SEE'S CANDIES

JOANN'S ELEGANT GIFTS

1019 L Street
SACRAMENTO, CALIFORNIA 95814

March 8, 1999

MARK MILLER
MANAGER, OFFICE OF PARKING OPERATIONS
312 K Street
Sacramento, CA 95814

Dear Mark:

Thank you for taking the time to talk to the merchants on L Street regarding the possibility of privatizing the management of our properties.

I spoke to Councilmember Heather Fargo on February 12, 1999 regarding my concerns with such a change in management. What I heard from Councilmember Fargo was her concern in filling the existing vacancies.

I believe that the City's present corp of management from the Finance Department to the present team of Parking Operations Department have worked well in taking care of our needs. I have had a long 19 year association with the Fiance Department and they understand the nature of my business with seasonal holidays. Your department has helped us in coordinating any request for help in maintenance (i.e. the flooding of our shop last fall when our neighbor's water heater broke).

I understand your time restraints in actively seeking out new tenants for exsisting vancies, but, that is a separate issue from day-to-day management of our properties.

I see a need to hire a real estate agent to help in filling the vacant properties, but I do not see a need in taking the management of the properties from the various city department's domain of duties. Working directly with the City has been more than adequate.

I do have questions regarding how the new management will operate. Will the City have a monitory group to oversee the duties of the contractor? For example, will the City be adjudicating notices of disputes between the tenant and the contractor?

Also, does the City have examples of these transitions in other buildings so that we as tenants know that such a plan is feasible?

JOANN'S ELEGANT GIFTS
1019 L Street
SACRAMENTO, CALIFORNIA 95814

- page 2 -

MARK MILLER
MANAGER, OFFICE OF PARKING OPERATIONS

Is this a cost effective strategy for the City tax payers? Currently, it cost the City to manage the property by using its own staff. How much will a management company cost in addition to the cost the City will incur for its "oversight responsibility" with this management company?

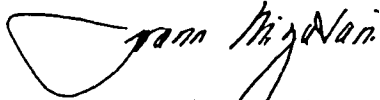
I have talked with the other tenants and we outlined our concerns over privatizing management in a letter to Council-member Fargo (dated January 23, 1999) which you have on file.

We have all enjoyed a mutually successful relationship with the City and would like to continue such a working relationship for years and years to come.

I have been honored to serve the downtown area for 19 years and would like to do everything possible to remain as an existing establishment for decades to come.

I would welcome a continued dialogue in your plans to change management. This change wil affect our livelihood and we would like to be a part of any planning decisions.

Sincerely,



Joann Mizutani
JOANN'S

8

RESOLUTION NO.

*Denied
by Council*

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**A RESOLUTION SUSPENDING COMPETITIVE BIDDING
TO ALLOW THE CITY MANAGER TO REQUEST PROPOSALS
FOR MANAGEMENT OF THE RETAIL LEASE SPACES
IN CITY PARKING LOTS G, H, AND I**

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

In the best interests of the City, competitive bidding is hereby suspended for the solicitation of bids to manage the retail leasing spaces located at City Parking Lots G, H, and I, in order to allow the City Manager to undertake a Request for Proposals process to solicit proposals from property management firms for management of the retail leasing spaces located at City Parking Lots G, H, and I, consistent with applicable provisions of chapter 12.02 of the City Code governing the leasing of City property, and provided that City Council approval shall be required for any management agreement of \$100,000 or more.

MAYOR

ATTEST:

CITY CLERK

9

FOR CITY CLERK USE ONLY

RESOLUTION NO: _____

DATE ADOPTED: _____

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

A RESOLUTION SUSPENDING COMPETITIVE BIDDING TO ALLOW THE CITY MANAGER TO REQUEST PROPOSALS FOR MANAGEMENT OF THE RETAIL LEASE SPACES IN CITY PARKING LOTS G, H, AND I

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

In the best interests of the City, competitive bidding is hereby suspended for the solicitation of bids to manage the retail leasing spaces located at City Parking Lots G, H, and I, in order to allow the City Manager to undertake a Request for Proposals process to solicit proposals from property management firms for management of the retail leasing spaces located at City Parking Lots G, H, and I, consistent with applicable provisions of chapter 12.02 of the City Code governing the leasing of City property, and provided that City Council approval shall be required for any management agreement of \$100,000 or more.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO: _____

DATE ADOPTED: _____

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**A RESOLUTION SUSPENDING COMPETITIVE BIDDING
TO ALLOW THE CITY MANAGER TO REQUEST PROPOSALS
FOR MANAGEMENT OF THE RETAIL LEASE SPACES
IN CITY PARKING LOTS G, H, AND I**

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

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MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO: _____

DATE ADOPTED: _____



11-2
11-1
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DOWNTOWN
DEPARTMENT

CITY OF SACRAMENTO
CALIFORNIA

312 K STREET
SACRAMENTO, CA
95814-3329

PARKING LOT ADMINISTRATION

PH: 916-264-5110
FAX: 916-264-5115

April 15, 1999

City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: PRIVATIZING MANAGEMENT OF RETAIL LEASES IN
CITY PARKING GARAGES**

LOCATION: All districts.

RECOMMENDATION:

This report recommends that the City Council, by resolution, suspend competitive bidding for the solicitation of bids to manage the retail leasing spaces located at City Parking Lots G, H, and I in order to allow the City Manager to undertake a Request for Proposals

CONTACT PERSON: Mark S. Miller, Parking Manager, 264-7610

FOR COUNCIL MEETING OF: April 20, 1999

SUMMARY:

Upon authorization from the City Council, the City Manager will direct the Parking Operations Manager to begin searching for a private lease management company with the ability to oversee all the day-to-day aspects of managing the City's retail lease space located in City parking garages G, H and I. After choosing a suitable firm and negotiating an agreement with such firm, the City Council will be asked to approve the agreement.

COMMITTEE/COMMISSION ACTION:

None

CONTINUED
FROM 04-20-99 #4.4
TO 04-20-99 #11.2

CONTINUED
FROM 04-20-99 evening
TO 05-18-99 afternoon

NEWSBEAT

An up-to-date, traditional newsstand

REC. DATE **5/25** FILE NO. **11.1**
FROM: CITY CLERK'S OFFICE

20 May 1999

To: City Clerk Valerie Burrowes
945 I Street, Room 304
Sacramento, CA 95814

Re: Proposed privatization of Parking Lot management

NEWSBEAT was opened at it's space in Lot H a little over 7 years ago. We were originally subtenants of Home Savings of America. They left their space a few months after we opened. The city inherited our lease, with management responsibilities falling to the City's Real Estate Division.

The Real Estate Division staff was not very familiar with the parking lot properties. Tenancy and maintenance suffered accordingly from the lack of awareness. My business, which is open 7 days per week, had to operate without heating or cooling on weekend days for our first year of business. It sure felt like the City's administration was completely indifferent to the existence of my store. By contrast, in the short time that the Parking Division has had charge of the property they have shown a genuine interest in the welfare of their existing tenants and filled the vacancies that they inherited. The difference is that the Parking Division is already directly involved with these properties. They know the tenants and the properties. The management that obtained these nearly ideal results should not be lightly dismissed.

The staff report states that "... the workload would not justify filling a new position." This suggests that the Parking Division did not experience a large cost while achieving the results of the last year. In terms of cost, paying more than \$35,000 per year for management services would be excessive and need to be examined carefully. The \$100,000 "high end" proposed in the resolution makes no sense at all in comparison. That would be about 30% of the total revenue that the buildings can generate.

The immediate question implied by the resolution is whether the City should be "in the business" of property management. The principle virtue of privatization is that savings result from not paying for staff or equipment that will be underutilized. The City of Sacramento manages and maintains a lot of downtown property, most of it being occupied by City operations. Considering the substantial resources that the City already has committed to building management, the additional cost of managing the Parking Garage properties is far less than what the City would experience under privatization.

NEWSBEAT

An up-to-date. traditional newsstand

A more fundamental question underlies this issue; whether the City of Sacramento's commitment to the goals for a successful downtown community requires direct involvement in the City's projects and properties. The City is very active in so many parts of the life of the downtown. The parking garage retail spaces are an important, dynamic, component of the business community the City is fostering. Building owners who are involved in the care of their property and in the success of their tenants mean so much to the business community. This kind of involvement becomes mutual, leading tenant business owners to take greater risks based on their trust in a shared investment in the future. Management by a commercial agent with many accounts and based in a remote area would mean a loss of synergistic opportunities.

I strongly urge you to continue with management of the lots by the Parking Division. Their intimate familiarity with the 4 buildings in question affords all of the benefits of the owner/tenant relationship. An active stewardship of these properties will show a commitment to the tenants, to the community and to the vision of what Downtown Sacramento is poised to become.

Thank You,

Terence Lott, d.b.a. NEWSBEAT

c.c. Charles Dalldorf

