



1.3

DOWNTOWN  
DEPARTMENT

PARKING LOT ADMINISTRATION

CITY OF SACRAMENTO  
CALIFORNIA

November 16, 1998

City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT: AGREEMENT TO LEASE 1000 I STREET TO KIP'S KABOBS, LLC**

**LOCATION: Corner of 10<sup>th</sup> and I Streets in Council District 1.**

**RECOMMENDATION:**

This report recommends that the City Council, by resolution, authorize termination of the Lease Agreement in effect at 1000 I Street and authorize execution of a new Lease Agreement with Kip's Kabobs, LLC (a California limited liability company), for retail space at 1000 I Street, Lot I Parking Garage (see map attached as Exhibit A).

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

**FOR COUNCIL MEETING OF:** December 8, 1998

**SUMMARY:**

This report recommends City Council approve the execution of a new five-year lease agreement for use of the space at 1000 I Street in the City's Lot I parking facility by Kip's Kabobs, LLC. This lease will replace Kip's Kabobs current lease and will increase rental income from the current \$1,184.50 to \$2,060.00 after six months.

**COMMITTEE/COMMISSION ACTION:**

None.

**APPROVED**  
BY THE CITY COUNCIL

312 K STREET  
SACRAMENTO, CA  
95814-3329

DEC 8 1998

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OFFICE OF THE  
CITY CLERK

AG 98-216

City Council  
Privatizing Management of  
Retail Leases in City Parking Garages  
November 16, 1998

**BACKGROUND:**

Subject to City Council approval, a five-year Lease agreement with one (1) five-year option to renew has been negotiated to lease 2060 square feet of retail space to Kip's Kabobs, LLC. The Lease is for the space at 1000 I Street that Kip's Kabobs currently occupies and after six months will bring the rental rate in line with the City Council established minimum for Lot I of \$1.00 per square foot per month (Resolution No. 94-375).

The rental rate in the proposed agreement begins at \$0.65 per square foot per month, increases to \$1.00 per square foot per month with month seven (7), and increases to \$1.40 per square foot ninety days after occupancy of the Cal EPA building located directly across the street from the restaurant.

With nearly 4,000 employees expected, and no planned cafeteria, the Cal EPA building should make the 1000 I Street space an ideal location for a restaurant, and Kip's Kabobs expects to triple revenues within three years.

The Lease agreement has been approved to form by the City Attorney's Office.

**FINANCIAL CONSIDERATIONS:**

Monthly rental payments will be \$1,339.00 (\$0.65 per square foot) per month for the first six months. Rent will increase to \$2,060.00 (\$1.00 per square foot) per month beginning with the seventh month of the Lease. Three months after the Cal EPA building reaches a 50 percent occupancy level (currently estimated to occur in the summer of 2000), rent shall increase to \$2,884.00 (\$1.40 per square foot) per month, and the rental rate will remain as such for the remainder of the initial Lease term.

The City will provide no free rent and there will be no tenant improvement allowances. All utilities, except for water and sewage, will be paid by tenant. All property taxes levied on the premises, including possessory interest taxes, will be paid by the tenant.

Yearly rental income during the five years of this Lease will average \$29,787.60 if the Cal EPA building opens as scheduled and \$23,854.80 if the Cal EPA were never to open. Currently Kip's Kabobs is paying \$14,214 a year in rent. All rents from this Lease shall be deposited in the appropriate Parking Fund for operation of City garages.

City Council  
Privatizing Management of  
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**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 item conforms with current policy which requires obtaining market rent and conditions for City leases.

**MBE/WBE CONSIDERATION:**

None. No goods or services are being purchased.

Respectfully submitted,



Mark S. Miller  
Parking Operations Manager

RECOMMENDATION APPROVED:

APPROVED:



WILLIAM H. EDGAR  
City Manager



Thomas V. Lee  
Deputy City Manager

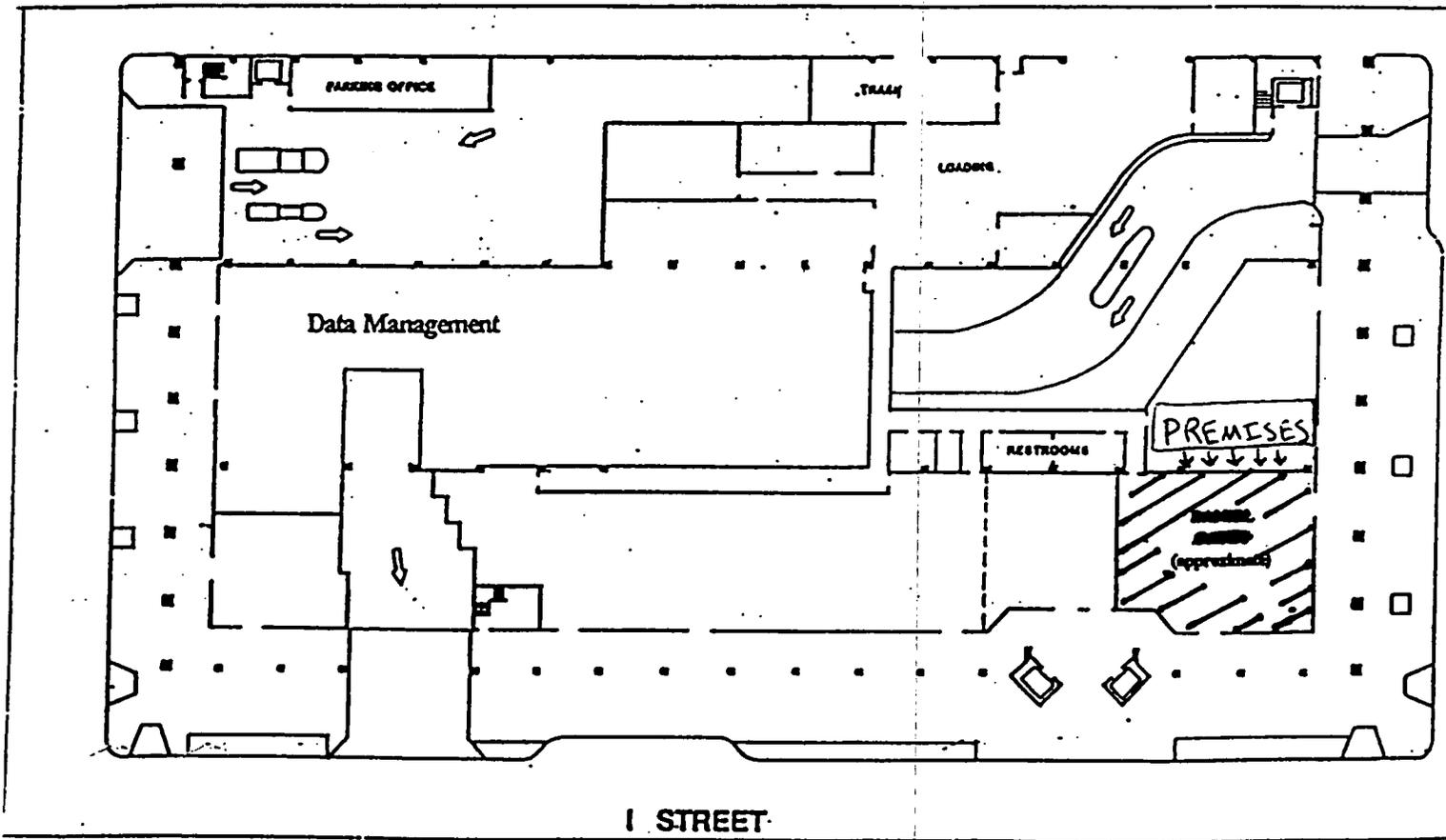
EXHIBIT A

# CIVIC CENTER PLAZA GARAGE

GROUND LEVEL

1" = 50' (±)

ALLEY



I STREET

APPROVED  
BY THE CITY COUNCIL

DEC 8 1998

OFFICE OF THE  
CITY CLERK

**RESOLUTION NO. 98-607**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**RESOLUTION AUTHORIZING TERMINATION OF LEASE AGREEMENT 97-019  
WITH ELGIN K. JOHNSON, NORMAN P. JOHNSON, KIP ERIC JOHNSON, AND  
CHRISTOPHER ALAN MITCHELL, DBA KIP'S KABOBS AND AUTHORIZING THE  
EXECUTION OF A NEW LEASE AGREEMENT WITH KIP'S KABOBS, LLC, FOR THE  
LEASE OF RETAIL SPACE AT 1000 I STREET**

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

1. That the City Manager is hereby authorized and directed to terminate City Agreement 97-019 and is authorized to execute a Lease with Kip's Kabobs, LLC, for the lease of retail space at 1000 I Street, Lot I Parking Garage, which Lease is on file with the City Clerk.
2. The City Manager is further authorized to execute such additional documents, and to take additional acts as necessary, to implement the Lease.
3. Income derived from this Lease shall be deposited in the Parking Fund for the operation of City garages.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_