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DEPARTMENT OF PARKS
AND COMMUNITY SERVICES

ROBERT P. THOMAS
DIRECTOR

G. ERLING LINGGI
ASSISTANT DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

February 27, 1987

1231 I STREET
SUITE 400
SACRAMENTO, CA
95814-2977

916-449-5200

DIVISIONS:

CROCKER ART MUSEUM
GOLF
METROPOLITAN ARTS
MUSEUM & HISTORY
PARKS
RECREATION
ZOO

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Old Sacramento Riverfront Buildings Leases

SUMMARY

This report provides information relating to leasing three Old Sacramento riverfront buildings shown on Exhibit A. This report: (1) requests authorization to award a lease for the California Steam Navigation Company (CSNC) Depot to Ronald J. Wroten and Beverly Ann Dixon, a partnership, in accordance with Section 12.36 of the Sacramento City Code; (2) requests authorization to reject all proposals relating to the leasing of the CSNC Office; and (3) requests that the City give notice of its intent to negotiate a lease for the CSNC Office and the Central Pacific Railroad (CPRR)/CSNC Warehouse with Jackson Oldham in accordance with Section 12.39 of the Sacramento City Code.

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.

These commercially leasable buildings are authentic recreations of the warehouse, office and depot originally constructed by the California Steam Navigation Company (CSNC) and the Central Pacific Railroad (CPRR). In accordance with the Specific Use and Leasing Plan, the proposed use of the three buildings calls for a mix of restaurant and retail uses. The buildings, which are being constructed as shells to allow for tenant improvements to meet individual needs, are tentatively scheduled for tenant occupancy in April 1987.

A major objective in securing lessees for the riverfront buildings is to support operations of the Old Sacramento Waterfront Area. Revenue to the City from these leases, together with revenue from the Riverfront Commercial Tour Vessel Lease, will be used to offset the costs of providing management, programming, and maintenance for the Old Sacramento Waterfront Area. The FY 1987-88 cost of waterfront operations is estimated at \$303,000. Anticipated future revenue from the Waterfront, excluding the Old Sacramento Riverfront buildings leases, is projected to reach \$218,000 annually. Exhibit B provides the details of this revenue projection.

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, two proposals to lease the CSNC Office, and no proposals to lease the CPRR/CSNC Warehouse. In order to ensure the selection of the best responsible proposers, 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 then made a recommendation to the Director of the Department of Parks and Community Services who in turn makes these recommendations to the City Manager and then to the City Council. A summary of leasing proposals and the panel and Director's recommendations follow.

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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.

Proposals were received from The Candy Barrel, Creative Imports, Pony Express Bakery, and Ronald Wroten and Beverly Ann Dixon. A comparison of the four proposals received is shown on Exhibit C.

The selection panel made a split recommendation of the selection panel 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.

The City has limited opportunities to generate revenue from the Old Sacramento Waterfront; revenue is crucial in offsetting the costs of providing management, programming and maintenance of this historically and culturally significant area. On the basis of this premise, the Director of Parks and Community Services does not support the selection panel's recommendation but recommends that a lease be negotiated with the highest proposer, the panel's second ranked proposer, Ronald Wroten and Beverly Ann Dixon. This current Old Sacramento retailer proposes "The Gold Mine", a fine replica jewelry store at a rent of 8% of gross or \$1,800 per month, whichever is greater. This proposal, which likewise received positive evaluations in the areas of experience, ability and operational plans, would provide the City a guaranteed minimum of \$21,600 per year compared to the minimum proposed by the Pony Express Bakery of \$10,800. Further, The Gold Mine projects rent at \$30,000 to \$40,000 per year compared to projections from the Pony Express Bakery of \$10,800 to almost \$20,000. Similar jewerly stores are now operating very successfully in Pier 39 and three other locations.

CSNC Office

This site offers 1,200 square feet divided equally between the ground and second floor. The Specific Use Plan calls for food service with exterior dining (first floor) and office (second floor) uses for this structure.

Two proposals were received for this building; one from the Delta King, Inc. for a seasonal food service and office for the Delta King; and a second proposal from Our Mothers, Inc. for a take out soul food restaurant. A comparison of the two proposals received for this building is shown as Exhibit D.

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Based on the selection criteria as contained in the request for lease proposals, the selection panel does not recommend negotiation of a lease with either proposer. Delta King, Inc.'s proposal appears to primarily focus on the second story office space with the food services operation being somewhat incidental. The proposed food service was to be of a seasonal nature operated via a subleasing arrangement with Laral Hotels, Inc. as a part of the Riverboat Delta King food service. The primary purpose of this space, which would also sell tickets and provide an orientation to the Delta King, was as an ancillary to the riverboat. In addition, Delta King merchandise would be sold, for which the City would receive no rent and the City would be required to pay for all tenant improvements estimated at \$60,000.

Our Mothers, Inc. proposed to offer take-out soul food, to be prepared off-site and served from the ground floor. While the proposers prepared an excellent product, the proposal is weak for this story site. The proposed use of the upstairs was not complete, nor were the financial, management and operational details or the tenant improvements.

The selection panel recommends, and the Director's office concurs, that further consideration of either proposal is not in the best interest of the City. This building should be considered in conjunction with the warehouse building following.

In recognition of the significance of the Delta King operations, the Sacramento Housing and Redevelopment Agency has proposed to work with the owners of the Delta King to find suitable leasing space in close proximity to the Delta King.

CPRR/CSNC Warehouse

This 4,200 square foot, single story structure is constructed on the wharf overlooking the river. The Specific Use Plan calls for a full service restaurant with exterior dining for this structure.

The City received no proposals on this building during the proposal period. As a result of a newspaper article on the leasing of all three buildings, which mentioned this lack of proposer interest, the City received several inquiries. A serious proposal was received from Jackson Oldham, current owner of the Davis Graduate Restaurant, Inc. and former partner in the chain of Graduate restaurants. This proposal is for both the warehouse and the office building to house restaurant operations. Their existing operation totals 8,000 square feet. The combined square footage of both buildings is 5,400 square feet. Both buildings are required to make this an economically viable operation.

Specifically, their proposed use of the warehouse building is for a restaurant, thematically designed to reflect the riverfront's heyday, called the Stevedore. The proposed restaurant will offer breakfast, lunch, dinner and a bar service, dancing, and will be the site of special programming complimentary to the various special events in Old Sacramento. In the nearby office, limited food services of a snack/desserts/espresso type will be featured via a counter service with exterior seating arrangement. The second story shall house the mechanisms for

the food service as well as serve as office for the restaurant operations, thereby permitting uniform management of adjacent outdoor eating areas and common maintenance areas. Restrooms would only be required in the warehouse building if both buildings are under one operator.

The proposed combination lease for the warehouse and office is for ten years with two ten-year options at 6% of the annual gross sales or a minimum of \$68,400 per year, whichever is greater. Even assuming minimum guarantee rent, revenue to the City from leasing the office in conjunction with the warehouse is substantially higher than any proposed rent from the office building from either of the other proposals received by the City. The level of investment in proposed tenant improvements exceed three quarters of a million dollars.

As a result of several interviews with Mr. Oldham and a review of his Davis Graduate Restaurant operation, the selection panel is unanimous in recommending that authorization be given to negotiate a combination lease for the warehouse and office with Jackson Oldham. The success of the Davis Graduate Restaurant, Inc. and the completeness of the Stevedore proposal clearly indicate that Mr. Oldham has the proven experience, operational plans and ability to perform in a family venture which will enhance the historical ambiance and family recreational opportunities of the Old Sacramento riverfront.

Lease Award and Negotiations

Section 12.36 of the City Code authorizes the award of a lease to the person determined to be the highest bidder. As Ron Wroten and Beverly Ann Dixon were the highest proposer for the CSNC Depot, it is proposed a lease be awarded to them based on the details of their proposal. Significant terms of the proposed lease include a five year term for "The Gold Mine", a fine replica jewelry store for which rent will be \$1,800 per month or 8% of gross sales, whichever is greater.

Section 12.39 (a) of the City Code authorizes the negotiation of a lease when the bid process has failed to produce a highest responsible bidder as was the case with the request for lease proposals for the warehouse building. Further, Section 12.39 (f) of the City Code authorizes the negotiation of a lease including terms and conditions when the Council finds and determines that special circumstances make the use of the bid procedure inappropriate. The nature of Old Sacramento and particularly the waterfront project dictates crucial consideration of such factors as securing high quality tenants who are sensitive to the unique historical setting of the area; quality and nature of both proposed use and tenant improvements; management and operation experience of proposer and proposed marketing plan, as well as revenue to the City in the selection of lessees for the Old Sacramento riverfront buildings. The selection criteria to determine the best responsive proposers for the riverfront buildings as contained in the request for lease proposals approved by the City Council on October 28, 1986 reflects the importance of these factors in selecting that proposal which is in the best interests of the City. These criteria were applied during the proposal review and interview process. As a result, the Department of Parks and Community

Services is recommending negotiations with Jackson Oldham for both the CSNC/CPRR warehouse and the CSNC office building in accordance with the provisions of Sections 12.39 (a) and 12.39 (f) of the City Code.

Upon Council authorization, a negotiating team will begin negotiations with Jackson Oldham. It is anticipated this subsequent report to City Council recommending approval of a specific lease will occur within three months.

FINANCIAL DATA

Revenue from these building leases recommended by staff as estimated by the two proposers, based on their individual sales projections, is as follows:

<u>Proposer</u>	<u>Wrotten/Dixon</u>	<u>Jackson Oldham*</u>
<u>Building</u>	CSNC Depot	CSNC/CPRR Warehouse Office
<u>% Rent</u>	8%	6%
<u>Minimum</u>	\$1,800/month (\$21,600/year)	\$5,700/month (\$68,400/year)
<u>Estimated Gross Rent</u>		
<u>1987-88</u>	\$375,000/\$30,000	\$1,127,500/\$75,677
<u>1988-89</u>	\$405,000/\$32,400	\$1,206,500/\$80,413
<u>1989-90</u>	\$437,400/\$34,992	\$1,290,900/\$85,480
<u>1990-91</u>	\$472,392/\$37,791	\$1,381,300/\$90,902
<u>1991-92</u>	\$510,183/\$40,815	\$1,408,900/\$96,703

*Mr. Oldham's rent is presented as proposed. The actual rent will be negotiated along with the remaining terms and conditions of the lease.

Revenue is deposited in the General Fund to offset Waterfront management operating costs.

RECOMMENDATION

It is recommended that the Budget and Finance Committee review this report and forward it to the full City Council for action. Further, it is recommended that the City Council, by resolution:

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1. Authorize award of a lease for the Old Sacramento riverfront depot building to Ron Wroten and Beverly Ann Dixon in accordance with Section 12.36 of the Sacramento City Code.
2. Authorize the rejection of all proposals relating to the leasing of the Old Sacramento riverfront office building in accordance with Section 12.38 of the Sacramento City Code.
3. Negotiate a lease for the Old Sacramento Riverfront office building and the Old Sacramento Riverfront warehouse building with Jackson Oldham in accordance with Section 12.39 (a) and (f) of the Sacramento City Code.

Respectfully submitted,

fr - S. Eiling Ling
ROBERT P. THOMAS, Director
Parks and Community Services

Recommendation Approved:

Jack R. Crist
JACK R. CRIST
Deputy City Manager

RPT:ja

March 10, 1987
District No. 1

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION AUTHORIZING AWARD OF A LEASE FOR THE
OLD SACRAMENTO RIVERFRONT DEPOT BUILDING,
REJECTING ALL LEASE PROPOSALS FOR THE OLD
SACRAMENTO RIVERFRONT OFFICE BUILDING AND
NOTICING OF THE CITY'S INTENT TO NEGOTIATE
A LEASE FOR THE OLD SACRAMENTO RIVERFRONT
OFFICE AND WAREHOUSE BUILDINGS

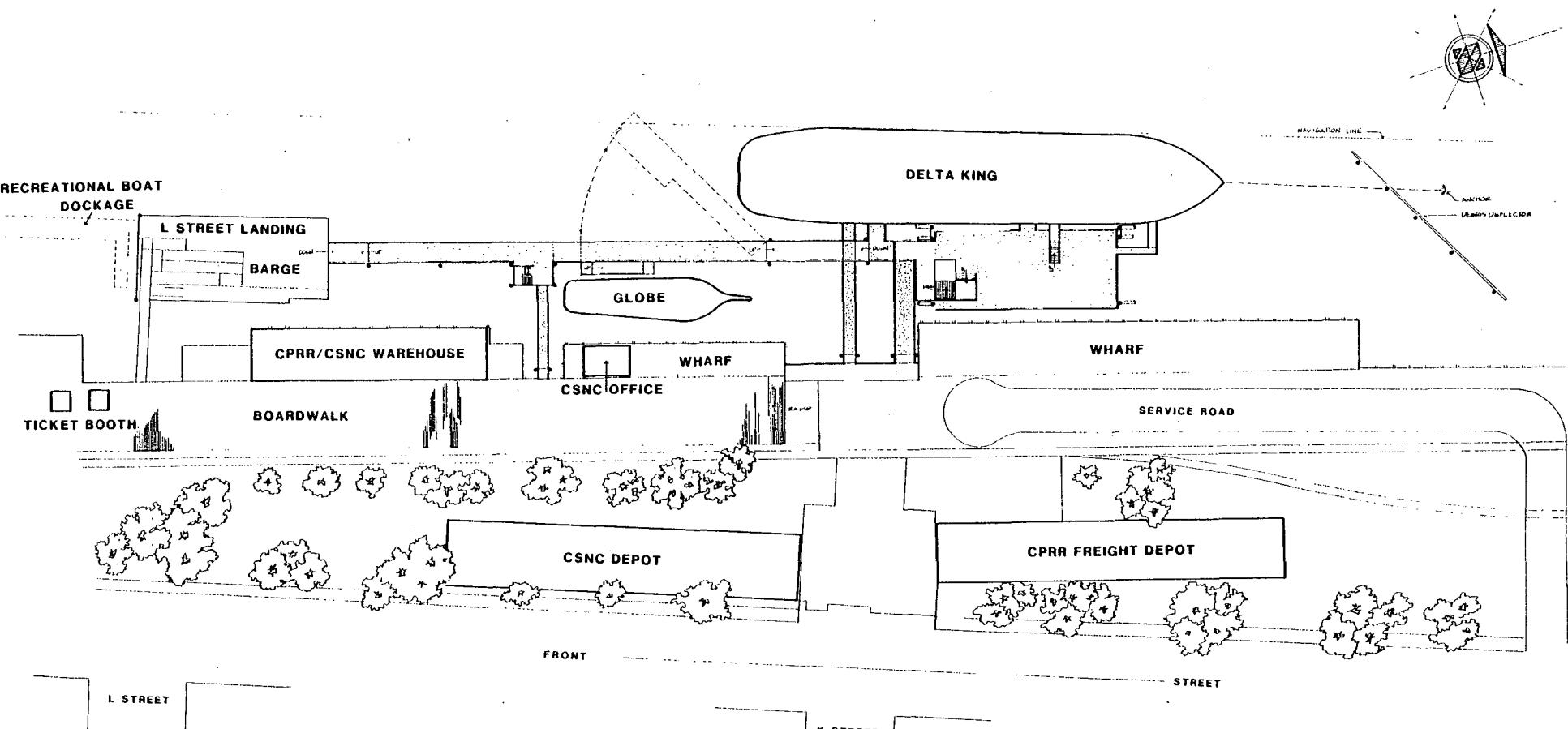
BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That the award of a lease for the Old Sacramento riverfront depot building to River City Brass Works, Inc., in accordance with Section 12.36 of the Sacramento City Code, is hereby authorized.
2. That the rejection of all proposals relating to the leasing of the Old Sacramento riverfront office building is in the best interests of the City and, in accordance with Section 12.38 of the Sacramento City Code, is hereby authorized.
3. That the City hereby gives notice of its intent to negotiate a lease for the Old Sacramento riverfront office and warehouse buildings with Jackson Oldham, in accordance with Section 12.39 (a) and (f) of the Sacramento City Code.
4. That the City Clerk shall publish this notice of intent in the official newspaper of the City of Sacramento.

MAYOR

ATTEST:

CITY CLERK



OLD SACRAMENTO RIVERFRONT DOCKAGE PLAN

REVISIONS	NO.	DESCRIPTION	DATE BY
		DRAWN BY <u>IMP</u>	
		DESIGNED BY _____	
		LANDSCAPE ARCHITECT _____	
		DATE <u>11/12/06</u>	
		FIELD BOOK _____	
		SCALE <u>1' = 20' 0"</u>	

DRAWN BY IMP
 DESIGNED BY _____
 LANDSCAPE ARCHITECT _____
 DATE 11/12/06
 FIELD BOOK _____
 SCALE 1' = 20' 0"

CITY OF SACRAMENTO
 DEPARTMENT OF PARKS & COMMUNITY SERVICES



SHEET 1 / SHEETS 1

EXHIBIT B

REVENUE PROJECTIONS
OLD SACRAMENTO WATERFRONT

	<u>Estimated</u> <u>1987-88</u>	<u>Estimated</u> <u>1992-93</u>
Barge rentals	\$ 250	\$ 500
Exploration Cruise Lines	10,000	10,000
Red & White Fleet	2,250	2,250
Charters:		
River City Queen	5,000	5,000
Elizabeth Louise	500	500
Delta King	24,000	29,000
Channel Star Excursions	11,400	15,200
Convention Center Depot Lease	18,000	18,000
CPRR State Parks Building Lease	1,000	1,000
Maintenance Assessment District	37,500	41,250
Solid Waste Division Budget Transferral	10,650	11,700
Warehouse/Office Buildings Lease	67,650	96,700
Depot Lease	<u>30,000</u>	<u>40,800</u>
TOTALS:	\$218,200	\$271,900
Expenditures for Waterfront Management	[\$303,000]	
Operating Deficit	[\$ 84,800]	

EXHIBIT C

COMPARISON OF PROPOSALS RECEIVED FOR THE
DEPOT LEASE

<u>Proposer</u>	<u>River City Brass Works (Sacramento)</u>	<u>The Candy Barrel (Reno, NV)</u>	<u>Creative Imports (Sacramento)</u>	<u>Pony Express Bakery (Sacramento)</u>
<u>Use</u>	fine replica jewelry store	candy store	minimart	specialized bakery
<u>Term</u>	5 years	5 yrs with 5 yr option	5 yrs with 5 yr option	5 yrs with two 5 yr options
<u>% Rent</u>	8%	11%	6%	6%
<u>Guaranteed Minimum</u>	\$1,800/mo \$21,600/yr	\$1,250/mo \$15,000/sf	\$900/mo \$10,800/yr	\$900/mo \$10,800/yr
<u>Estimated Rent to City</u>				
<u>1987 Gross Sales /Rent</u>	\$375,000 /\$30,000	\$180,000 /\$19,800	\$100,000 /\$10,800	\$127,800 /\$10,800
<u>1988 Gross Sales /Rent</u>	\$405,000 /\$32,400	\$210,000 /\$23,100	unknown /\$10,800	\$217,260 /\$13,035
<u>1989 Gross Sales /Rent</u>	\$437,400 /\$34,992	\$230,000 /\$25,300	unknown /\$10,800	\$249,849 /\$34,992
<u>1990 Gross Sales /Rent</u>	\$472,392 /\$37,791	\$245,000 /\$26,950	unknown /\$10,800	\$287,326 /\$17,240

EXHIBIT D

COMPARISON OF PROPOSALS RECEIVED FOR THE
OFFICE LEASE
(TWO STORY BUILDING)

<u>Proposer</u>	<u>Delta King, Inc.</u> (San Rafael)	<u>Our Mothers, Inc.</u> (West Sacramento)	* <u>Jack Oldham</u> (Davis)
<u>Use</u>	Office and seasonal food service	Take out soul food	Restaurant
<u>Term</u>	10 years with option	Not specified	10 years with (2) ten year options
<u>% Rent</u>	6%	4 1/2%	6%
<u>Guaranteed Minimum</u>	\$14,400	\$6,000	\$68,400
<u>Tenant Improvements/ Equipment**</u>	\$55,000	Not provided	\$750,000+
<u>Estimated Rent to City</u>			
<u>1987 Gross Sales /Rent</u>	\$180,000 /\$14,400	Not provided " "	\$1,127,500 /\$67,650
<u>1988 Gross Sales /Rent</u>	Not provided " "	Not provided " "	\$1,206,500 /\$72,390
<u>1989 Gross Sales /Rent</u>	Not provided " "	Not provided " "	\$1,290,900 /\$77,454
<u>1990 Gross Sales /Rent</u>	Not provided " "	Not provided " "	\$1,381,300 /\$82,878

*Office and warehouse totalling 5,600 square foot for a restaurant.

**Proposed to reduce rent to City until \$30,000 is repaid to proposer.