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CONVENTION, CULTURE AND
LEISURE DEPARTMENT
PARKING FACILITIES DIVISION

CITY OF SACRAMENTO
CALIFORNIA

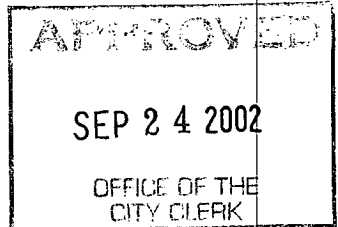
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September 5, 2002

City Council
Sacramento, California

AG 2002-172



Honorable Members in Session

SUBJECT: Agreement to Lease Retail Space in Memorial Garage to Samrac, Inc., dba The Melting Pot restaurant

LOCATION AND COUNCIL DISTRICT: 14th and H Streets, District 3

RECOMMENDATION:

This report recommends the City Council, by resolution, authorize the City Manager to execute a lease agreement with Samrac Inc. for retail space located at Memorial Garage parking facility at 814 15th Street. Samrac, Inc. is the franchisee for the Melting Pot restaurant.

CONTACT PERSON: Paul Sheridan, Program Analyst, 264-6817
Howard Chan, Parking General Manager, 264-7610

FOR COUNCIL MEETING OF: September 24, 2002

SUMMARY:

It is proposed that the City Council approve, a 10-year lease agreement with Samrac, Inc. to rent Five Thousand Six Hundred Twenty (5,620) square feet of retail space located at 814 15th Street, within the Memorial Garage parking facility. Samrac, Inc., as franchisee, will operate a Melting Pot fondue restaurant.

COMMITTEE/COMMISSION ACTION:

N/A

BACKGROUND INFORMATION:

- The first Melting Pot was opened in 1975. Today there are 59 Melting Pot restaurants nationwide, with another 12 in development.
- The Melting Pot is a destination restaurant specializing in four-course fondue dinners. Guests may choose from four different cooking styles and order a variety of entrees including: Lobster, Filet Mignon, chicken, shrimp, salmon, fresh vegetables, Andouille sausage, teriyaki chicken and steak and much more. The Melting Pot offers four different cheese fondues and a variety of chocolate fondues for dessert. The Melting Pot will offer an extensive beer and wine menu as well as serve cocktails.
- Serving hours are scheduled to be: Monday thru Thursday 5:00pm–10:00pm, Friday 5:00pm–11:00pm, Saturday 4:00pm–11:00pm, and Sunday 4:00pm–10:00pm.
- The term of the lease is for 10 years with two, 5-year extended term options.
- Required by the Franchisor, a collateral agreement will be attached to the lease agreement, giving the Franchisor the right to assume the lease if the Franchisee is unable to fulfill its obligations under the lease.
- The terms of this lease agreement have been reviewed by the Cordano Company, and were found to be comparable to similar retail lease agreements.

FINANCIAL CONSIDERATIONS:

Monthly rental payments will begin at \$1.65 per square foot per month (the average rent for City garage retail tenants is \$1.45 per square foot.) Rent will increase 10% every 5 years. Total base rent income for the initial term will be \$1,168,398. In addition to the base rent, the Lessee is also required to pay a percentage rent of 5% of annual gross sales over the breakpoint of \$2,090,640. The breakpoint will increase proportionately as the base rent increases during the life of the lease. Average annual gross sales for Melting Pot franchises are \$2.0 to \$2.5 million.

Total construction costs for the Melting Pot restaurant will be approximately \$800,000 and of that amount, the City will contribute \$196,700 (\$35 per square foot) as its share of Tenant Improvements. The cash allowance is available in the City's Retail Space Improvement capital project.

The tenant will be responsible for all utilities except water, sewage, and storm drainage charges.

The Cordano Company, broker for Memorial Garage, will be paid a commission based on the following terms set forth in their exclusive listing agreement with the City: 5% of the total base rent to be collected during the first 5 years of the lease term and 2.5% of the total base rent to be collected during the 2nd 5 years of the lease term. Total commission paid by the City will be \$43,119. The commission will be paid from the City's Retail Space Improvement capital project, complying with its objective of attracting quality tenants to City retail space.

The revenue from this lease will be deposited in the Parking Fund.

ENVIRONMENTAL 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".

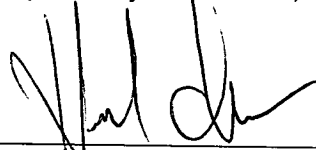
POLICY CONSIDERATIONS:

The attached agreement is consistent with the City of Sacramento's Strategic Plan through the promotion of Economic Vitality by supporting the development and success of new businesses in Sacramento. The Melting Pot provides a unique restaurant experience, enhancing the downtown area as a desirable dining and entertainment destination.

ESBD CONSIDERATIONS:

N/A

Respectfully submitted,



Howard Chan, Parking General Manager

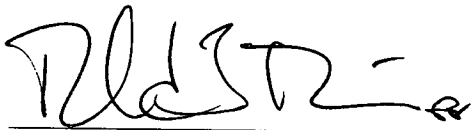
APPROVED:



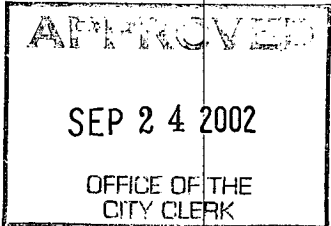
Barbara E. Bonebrake, Director
Convention, Culture and Leisure Dept.

City Council
The Melting Pot Lease Agreement
September 24, 2002

RECOMMENDATION APPROVED:

A handwritten signature in black ink, appearing to read 'R. Thomas', written over a horizontal line.

Robert P. Thomas, City Manager



RESOLUTION NO. 2002 - 641

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**Lease Agreement between the City of Sacramento and Samrac, Inc., dba
The Melting Pot for space in Memorial Garage located at 814 15th Street.**

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

1. The City Manager is hereby authorized and directed to execute a lease agreement with Samrac, Inc., dba The Melting Pot, to lease 5,620 square feet of retail space at Memorial Garage.
2. Tenant improvement allowance due to Samrac, Inc. and commission owed to the Cordano Company will be paid from the City's Retail Space Improvement capital project (CIP VD91).

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

5