

Agenda Report

October 25, 2010

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Department of Transportation

SUBJECT: AMENDMENT OF LEASE AGREEMENT WITH PARFINCO EWA LLC FOR LEASING OF PARKING SPACES IN THE WEST ANNEX PARKING STRUCTURE; AND AMENDMENT OF SUBLEASE AGREEMENT OF PARKING SPACES TO RUSNAK DEALERSHIP

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the City Manager to amend lease agreement 16,785 with Parfinco EWA LLC for lease of parking spaces in the West Annex Parking Structure;
2. Authorize the City Manager to amend the sublease of said parking spaces above with Rusnak Dealerships (lease agreement 16,785-2); and
3. Approve a journal voucher recognizing and appropriating \$6,106 in increased revenue from Rusnak Dealerships under the sublease agreement and recognize an additional \$6,106 in incremental sales tax revenue and appropriate both of these additional revenues to the West Gateway Parking Fund on line item 8105-225-774312.

BACKGROUND:

On September 14, 1998, City Council approved a lease of parking spaces in the West Annex of the Parsons Corporation parking structure. These spaces were sublet to Rusnak Dealerships so that Rusnak Dealerships could continue to successfully conduct business from its showrooms and service facilities on West Colorado Boulevard. As a result, lease negotiations commenced and the City entered into a 3-year lease agreement with Parsons Infrastructure & Technology Group, Inc. for approximately 400 parking spaces for a sum of \$175,000 annually.

On February 24, 2005, City Council approved an amendment to this lease agreement (lease agreement 16,785-2), increasing the annual amount to \$247,680.

Parfinco EWA LLC has agreed to extend the lease for another 3 years. The amount of parking spaces leased, 344, will remain the same.

The annual amount for the period of February 1, 2011 through January 31, 2012, will be \$280,704. This represents a monthly payment by the City of \$23,392, or \$68 per parking space. This represents a \$8,256 increase from the previous lease period or 3%. Rusnak has agreed to share the increased cost and pay half of the sum, or \$4,128 annually to the City (for a total annual sum of \$79,416) for continued use of the parking spaces under the sublease agreement.

The annual amount for the period of February 1, 2012 through January 31, 2013, will be \$286,896. This represents a monthly payment by the City of \$23,908, or \$69.50, per parking space. This represents a \$6,192 increase from the previous year or 2.21%. Rusnak has agreed to share the increased cost and pay half of the sum, or \$3,096 annually to the City (for a total annual sum of \$82,512) for continued use of the parking spaces under the sublease agreement.

The annual amount for the period of February 1, 2013, through January 31, 2014, will be \$293,088. This represents a monthly payment by the City of \$24,424 or \$71, per parking space. This represents a \$6,192 increase from the previous year or 2.2%. Rusnak has agreed to share the increased cost and pay half of the sum, or \$3,096 annually to the City (for a total annual sum of \$85,608) for continued use of the parking spaces under the sublease agreement.

The preservation of sales tax from this source, with the possibility of increasing sales tax revenue will continue to result in a positive impact to the General Fund. Also, should Rusnak diminish their operations in Pasadena, they would be responsible for the entire lease amount for the 344 parking spaces.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced by amending the lease agreement with PARFINCO EWA LLC for leasing of parking spaces in the West Annex parking structure; and amendment of sublease agreement of parking spaces to RUSNAK dealership.

ENVIRONMENTAL ANALYSIS:

The proposed amendment of lease agreement with PARFINCO EWA LLC for leasing of parking spaces in the West Annex parking structure; and amendment of sublease agreement of parking spaces to RUSNAK dealership is categorically exempt from the California Environmental Quality Act (CEQA) under section 15061 (b) (3), the General Rule that CEQA only applies to projects which have the potential for causing a significant effect on the environment.

FISCAL IMPACT:

Approval of an amendment to the lease agreement between the City of Pasadena and Parfinco EWA LLC will increase the current annual contract rate by \$20,640. Rusnak will

pay half of the cost through an increase of \$10,320 in lease revenue under the sublease agreement and the remaining \$10,320 will come from incremental sales tax revenue generated from higher auto sales. In FY2012, \$2,064 will be needed and received for the months of February through June 2012. This transaction will provide Rusnak with supplemental parking space for its inventory and thus it is expected that it will preserve sales tax revenue generated by Rusnak. Rusnak's total annual lease payments will be \$79,416.

In 2012 the annual contract rate will increase by \$6,192 annually. Rusnak will again pay half of the cost through an increase of \$3,096 in lease revenue under the sublease agreement, with the remaining \$3,096 to come from the City. In 2012, Rusnak's total annual lease payments will increase to \$82,512.

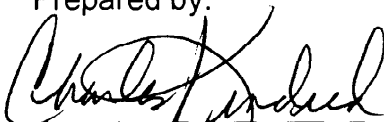
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Respectfully submitted,



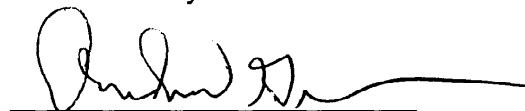
Mark Yamarone
Transportation Administrator

Prepared by:



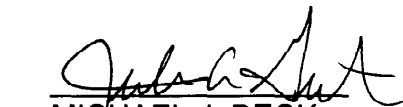
Charles Kindred
Parking Manager

Concurred by:



Andrew Green
Director of Finance

Approved by:



MICHAEL J. BECK
City Manager