

Agenda Report

DATE: AUGUST 15, 2005

TO: CITY COUNCIL

FROM: CITY MANAGER

**SUBJECT: SECOND LEASE AMENDMENT FOR JACOBS PARKING LOT
AT SOUTHWEST CORNER OF GLENARM STREET AND
ARROYO PARKWAY**

RECOMMENDATION

It is recommended that the City Council approve the terms and conditions as generally described below, and authorize the City Manager to execute an amendment to Lease Agreement #16,397 reducing the size of the leased premises by 7,646 square feet and the number of parking spaces from 144 to 126, thereby requiring a reduction in the rent as well as providing compensation to the tenant for the un-amortized value of the parking lot improvements taken in accordance with the terms of the lease.

BACKGROUND

Currently, the parking lot contains an area of 60,571 square feet and is striped for 144 parking spaces. After the taking, the lot will contain 52,925 square feet and will have 126 parking spaces. The reduction in lot size and loss in parking will result in a reduction of rent. Currently, the rent is \$1,310.16 per month. After the amendment, taking into consideration the loss of area and parking spaces, the monthly rent will be reduced to \$1,146.39.

The Jacobs parking lot and the number of parking spaces will be reduced as a result of a street and freeway widening project entitled "Raymond Avenue to SR110 Connector". Therefore, it will be necessary to amend the lease to reflect the reduction and to adjust the rent accordingly. In addition, because the tenant improved the parking lot they are to receive compensation for the portion of their investment that they will no longer use. This area will be terminated from the lease. Compensation for the improvements will be calculated by utilizing the method specified in the lease relating to the "Termination Fee" payable by the City of Pasadena in connection with the voluntary termination of the lease prior to the expiration of the term.

Jacobs Parking Lot Lease Amendment

There are three (3) adjustments: (1) annual rent will be adjusted due to less parking available (2) the tenant is entitled to compensation for improvements to the area they do not have access to, and (3) during construction, on a temporary basis, the tenant will not have access to 30 parking spaces and the remaining 96 spaces will be affected by congestion subjecting Jacob's parkers to inconvenience and time lost, as well possible costs associated with providing parking alternatives to Jacobs.

In addition to the loss of area and parking spaces, there is the matter of compensation for the tenant's improvements made in an area which the tenant will not be able to use. Compensation was calculated by utilizing the method specified in the lease relating to the "Termination Fee" payable by the City in connection with the voluntary termination of the lease prior to the expiration of the term. In this case a partial termination fee was calculated since only a small part of the leased area is to be terminated.

The fee payable by the City equals the un-amortized portion of the Tenant's costs in connection with this lease (with the total amortized on a straight-line basis as if the total were a loan having a term of 15 years at a rate of 10 % per year), taking into account any amounts already recovered by the Tenant through application of the Increased Amount Credit against Basic Rent previously paid. The Increased Amount Credit is defined in the lease as an amount up to \$2,500 per year that may be deducted from the base rent. As the credit is applied to the rent it is deducted from the remaining unamortized balance of the Tenant's costs.

The total tenant costs associated with the parking lot in July 1998 were \$405,873.53. The Lease began July 30, 1998 and the lease area and rent were reduced March 1, 2003 because of the portion of the lot needed by the City for the power plant's Gold Line crossing. A partial termination fee of \$14,855 was paid for the reduction. As of the anticipated start of the project in July 2005, the un-amortized balance is \$268,845.91. The termination fee for the current leased area calculates to be \$251,346.19 after deducting the \$2,500 per year from the rent as an offset based on the increased amount credit in accordance with the lease. This is a partial termination based upon an 18 space reduction from the current 144 spaces yielding a 12.5% reduction in parking spaces. The partial termination fee based on this reduction is calculated at \$31,420.

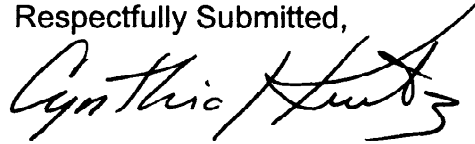
It is anticipated that construction along the northerly and easterly property lines of the parking lot will take about twelve months. This work will directly affect the use of the thirty parking spaces along the property line as well the affect the remainder spaces and will subject Jacob's parkers to inconvenience and time lost due to congestion, as well as possible costs associated with providing parking alternatives to Jacobs. The City will reduce the rent by \$11,140 as compensation for the temporary loss of parking and reduction in the utility and

inconvenience of the remainder parking area during construction.

FISCAL IMPACT

During the first year of the Lease Amendment there will be an \$11,140 rent reduction for the temporary loss of 30 parking spaces and reduction in the utility and inconvenience of the remainder parking area during construction. The one-time partial early termination fee of \$31,420 is to be paid by the City to the Tenant. Funding for the early termination fee is available in the unappropriated Power Fund fund balance.

Respectfully Submitted,



CYNTHIA J. KURTZ
City Manager

Prepared by:



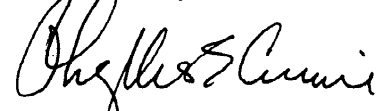
MANUEL NEGRETE JR.
Real Property Manager

Approved by:



RICHARD BRUCKNER
Director of Planning and Development

Concurred by:



PHYLLIS CURRIE
General Manager, Water & Power Department