

Agenda Report

TO: CITY COUNCIL
THROUGH: FINANCE COMMITTEE

Date: January 24, 2005

FROM: CITY MANAGER

SUBJECT: AMENDMENT OF LEASE AGREEMENT WITH PARFINCO EWA LLC FOR LEASE OF PARKING SPACES IN THE WEST ANNEX PARKING STRUCTURE; AND AMENDMENT OF SUB-LEASE AGREEMENT OF PARKING SPACES TO RUSNAK DEALERSHIPS

RECOMMENDATION

It is recommended that the City Council:

1. Authorize the City Manager to amend lease agreement 16,785-1 with Parfinco EWA LLC for lease of parking spaces in the West Annex Parking Structure;
2. Authorize the City Manager to amend the sub-lease of said parking spaces above with Rusnak Dealerships (lease agreement 16,786-1); and
3. Approve a journal voucher recognizing and appropriating \$5,460 in increased revenue from Rusnak Dealerships under the sublease agreement and recognize an additional \$5,460 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 November 5, 2001, City Council approved an amendment to this lease agreement (lease agreement 16,785-1), increasing the annual amount to \$221,472 and reducing the amount of leased parking spaces to 344. Additionally at that time Parsons Infrastructure and Technology Group, Inc. transferred its entire interest of the West Annex to its wholly owned subsidiary, Parfinco, Inc. Parfinco, Inc. in turn transferred its entire interest of the West Annex over to Parfinco EWA LLC, a limited liability company wholly owned by Parfinco, Inc.

The terms of this lease amendment expired on November 30, 2004. An interim purchase order was issued to extend this lease agreement until January 31, 2005, while new terms were being negotiated.

Parfinco EWA LLC has agreed to extend the lease for another 3 years with another 3 year option period thereafter. The amount of parking spaces leased, 344, will remain the same. The new lease, for February 1, 2005 through January 31, 2008, will be \$247,680 annually, \$20,640 monthly, or \$60 per parking space per month. The new annual amount of the lease represents a \$26,208 increase over the previous 3 year term or 11.8%. Rusnak has agreed to share this cost increase equally by paying half of the sum, or \$13,104 annually to the City (for a total annual payment of \$62,904) for continued use of the parking spaces under a separate sublease agreement.

The annual amount for the option period of February 1, 2008 through January 31, 2011, will be \$272,448. This represents a monthly payment by the City of \$22,704, or \$66 per parking space. This represents a \$24,768 increase from the previous lease period or 10.0%. Rusnak has agreed to share the increased cost and pay half of the sum, or \$12,384 annually to the City (for a total annual sum of \$75,288) for continued use of the parking spaces under the sublease agreement.

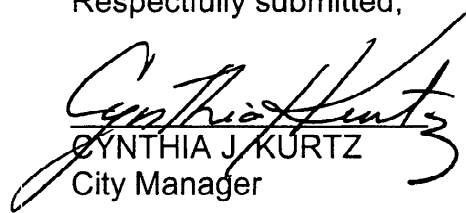
Rusnak's sales have been very strong and have exceeded their projections every year in the past 5 years. The preservation of sales tax from this source, with the possibility of increasing sales tax revenue will continue to result in a positive impact to the General Fund. Also, should Rusnak diminish their operations in Pasadena, they would be responsible for the entire lease amount for the 344 parking spaces.

FISCAL IMPACT

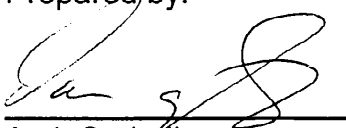
Approval of an amendment to the lease agreement between the City of Pasadena and Parfinco EWA LLC will increase the current annual contract rate by \$26,208 annually. Rusnak will pay half of the cost through an increase of \$13,104 in lease revenue under the sublease agreement and the remaining \$13,104 will come from incremental sales tax revenue generated from higher auto sales. In FY 2005, \$10,920 will be needed and received for the months of February through June 2005. 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 \$62,904.

In 2008 the annual contract rate will increase by \$24,768 annually. Rusnak will again pay half of the cost through an increase of \$12,384 in lease revenue under the sublease agreement, with the remaining \$12,384 to come from the City. In 2008, Rusnak's total annual lease payments will increase to \$75,288.

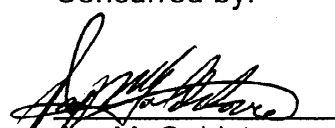
Respectfully submitted,


CYNTHIA J. KURTZ
City Manager

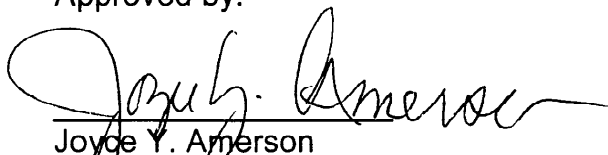
Prepared by:

for 
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Director of Finance

Approved by:


Joyce Y. Amerson
Director of Transportation