

Agenda Report

October 24, 2011

TO: Honorable Mayor and City Council

FROM: Economic Development, Office of the City Manager

SUBJECT: THREE SUBLEASE AGREEMENTS IN OLD PASADENA LOCATED AT 41 S. DE LACEY AVENUE, 65 S. RAYMOND AVENUE AND 55 S. RAYMOND AVENUE, RESPECTIVELY

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the subleasing of 41 S. De Lacey Avenue to Spitfire Restaurants, LLC, (doing business as Cheval Blanc Bistro), 65 S. Raymond Avenue to Norman, Kristine and Robert Lew, (doing business as Sugar Fix Bakery), and 55 S. Raymond Avenue to Alexander Strubinger, Amara Barroeta and Miriam Alvarez, (doing business as Amara Chocolate & Coffee), are categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to the State CEQA Guidelines Section 15301 (Existing Facilities); and
2. Authorize the City Manager to execute three separate sublease agreements for Cheval Blanc, Sugar Fix and Amara, incorporating the terms and conditions generally described below, and to execute any other related agreements necessary to effectuate these transactions including non-substantial revisions.

BACKGROUND:

The Schoolhouse and De Lacey parking garages in Old Pasadena have retail space at the street level. Currently there are six tenants leasing space from the City. In order to retain full occupancy and maintain a favorable tenant mix, it is recommended that lease modifications move forward to allow: 1) Cheval Blanc 2) Sugar Fix, and 3) Amara to occupy space and conduct business.

I. CHEVAL BLANC BISTRO (SPITFIRE) - 41 S. De Lacey Avenue

Mr. Kislingbury and Mr. Casebeer, who operated the Club 41 restaurant for many years, now sublease the restaurant space to Spitfire, a partnership operated by the Smith Brothers Restaurant Corporation. Revised terms have been negotiated that will terminate the Kislingbury/Casebeer lease and allow the City to rent the space directly to Spitfire. The revised lease includes a slight reduction in the amount of space and provides a partial credit for the \$300,000 tenant improvement invested into the retail space by Spitfire. The following is a summary of the recommended new lease terms:

Tenant:	Spitfire Restaurants, LLC
Area:	4,866.5 square feet
Base Rent:	\$116,796 per year (\$9,733 per month or \$2.00 per square Foot)
Less Tenant Improvement Allowance:	-\$ 27,800 per year for the next five years (\$2,317 per month or \$0.48 per square foot)
Adjusted Rent:	\$ 88,996 per year (\$7,416 per month or \$1.52 per square foot)
Rental Adjustments:	Annually based on Consumer Price Index, and every five years to the then current fair rental value
Term:	Five years effective approximately November 1, 2011
Options:	One five-year option to extend the Term through October 31, 2021
Utilities:	Paid by Spitfire

II. SUGAR FIX BAKERY (The Lew family) - 65 S. Raymond Avenue

Two years ago, with the consent of the City, Listone Giordano subdivided its space and subleased roughly half of their area to the Lew family which started the Sugar Fix Bakery at the corner of Raymond and Green Street. With the termination of the Listone Giordano lease, the City will now rent the Sugar Fix site directly to the Lew Family.

Tenant:	Norman, Kristine and Robert Lew
Area:	1,358 square feet
Base Rent:	\$36,666 per year (\$3,055.50 month or \$2.25 per square foot)
Rental Adjustments:	Annually based on Consumer Price Index, and every five years to the then current fair rental value
Term:	Five years effective approximately November 1, 2011
Options:	One five-year option to extend the Term through October 31, 2021
Utilities:	Paid by Sugar Fix

III. AMARA CHOCOLATE & COFFEE (Strubinger family) - 55 S. Raymond Ave

The lease term for Wilshire Fireplace Shops has ended. The City has received two offers to lease this vacant space. Amara is the strongest candidate with superior financial backing. In addition, from an economic development standpoint, the food service use for this location (instead of flooring and window) is preferred. Amara will spend a couple months performing a total remodel to accommodate food service. Given the substantial work required and the recent determination that the HVAC system needs to be replaced, a tenant improvement allowance up to \$5,000 is proposed. Amara will primarily include a chocolateria, churros and salty Venezuelan snacks. The adjacent tenant (Sugar Fix) is supportive of this use.

Tenant:	Alexander Strubinger, Amara Barroeta and Miriam Alvarez
Area:	1,049 square feet
Base Rent:	\$28,323 per year (\$2,360.25 per month or \$2.25 per square foot)
Less Tenant Improvement Allowance:	-\$ 5,000 for the first year (\$417 per month)
Adjusted Rent:	\$ 23,323 for the first year, then \$ 28,323 per year thereafter
Rental Adjustments:	Annually based on Consumer Price Index, and every five years to the then current fair rental value
Term:	Five years effective approximately March 1, 2012
Options:	One five-year option to extend the Term through February 28, 2022
Utilities:	Paid by Amara
Brokerage Fee:	\$4,250 to be paid by City (3% of Base Rent of first five years only)

The three base rental rates proposed are within range of competitive fair market rental rates for the area. Spitfire warrants an approximate \$0.25 per square foot reduction to \$2.00 per square foot given the substantially larger area leased.

COUNCIL POLICY CONSIDERATION:

The City's leasing of the three Old Pasadena sites in City owned parking garages is consistent with the City Council's Strategic Plan goal of supporting and promoting the quality of life of the local economy and economic development. Specifically, the leases are consistent with the Economic Development and Employment Element goal 1 of the General Plan that encourages a sound local economy which attracts investment, increases the tax base, creates employment opportunities for Pasadena residents and generates public revenues.

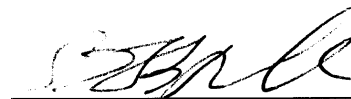
ENVIRONMENTAL ANALYSIS:

The City's continued leasing of 41 S. De Lacey Avenue, 65 S. Raymond Avenue and 55 S. Raymond Avenue is categorically exempt from CEQA pursuant to State CEQA Guidelines Section 15301 (Existing Facilities). This exemption applies to the continued operation of existing facilities involving negligible or no expansion of use. Neither the tenant improvements proposed at 55 S. Raymond Avenue nor the continued operation of the uses at the other two addresses for five year terms will result in any expansion of the existing uses.

FISCAL IMPACT:

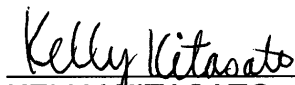
The three leases will generate \$139,544 over the first year, then \$153,985 each year thereafter and cost \$4,250 in brokerage commission for the Amara lease. Approximately \$89,000 will be deposited annually into the Old Pasadena Parking Fund account 6962, fund 407 and organization code 774500 for the Spitfire lease, and approximately \$52,200 will be deposited the first year, then approximately \$64,600 each subsequent year into account 6961, fund 407, and organization code 774500 for the two Schoolhouse Garage leases.

Respectfully submitted,



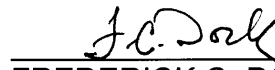
STEVE MERMELL
Assistant City Manager

Prepared by:



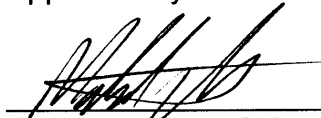
KELLY KITASATO
Real Property Manager

Concurred by:



FREDERICK C. DOCK
Director of Transportation

Approved by:



MICHAEL J. BECK
City Manager

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Act
Pasadena City Charter, Article XVII**

- I. Does the value of this application/project *have the potential* to exceed \$25,000? Yes No (Applicant *must* mark one)
- II. Is the application being made on behalf of a government entity? Yes No
- III. Is the application being made on behalf of a non-profit 501(c) organization? Yes No
If yes, please indicate the type of 501(c) organization: 501(c)(3) 501(c)(4) 501(c)(6)

Applicant's name: Smith Brothers Restaurant Corporation Date of Application: 11-9-10

Owner's name: Spit Fire Restaurant I, LLC Contact phone number: 626-577-2400
(for questions regarding this form)

Project Address: 41 S. Delacey, Pasadena CA

Project Description: Sublease of City owned property

IV. Applicant and Property Owner must disclose all joint owners, trustees, directors, partners, officers and those with more than a 10% equity, participation or revenue interest in owner and/or project. If any of these are an organization/entity, include the name of the organization/entity and the first and last names of all parties of interest of that organization/entity. (List all parties below and use additional sheets as necessary, or provide all parties on an attachment) **Please print legibly.**
Have any additional sheets or an attachment been provided? Yes No

Names of Owner(s), Trustees, Directors, Partners, Officers of Owner/Project	Names of Owner(s), Trustees, Directors, Partners, Officers of Owner/Project (continued)	Those with more than a 10% equity, participation or revenue interest in Owner and/or project
Robert F. Smith Gregg G. Smith		

I hereby certify that I am the owner or designated agent and that the statements and answers contained herein, and the information attached, are in all respects true, accurate and complete to the best of my knowledge and belief.

Signature of Owner or Designated Agent: SMITH BROTHERS RESTAURANT CORP. Date: 11-9-10
BY: Robert F. Smith, President

For Office Use Only

Type of Application: Variance (all types) Adjustment Permit Sign Exception Temporary Use Permit Expressive Use Permit
 Conditional Use Permit (excluding Master Plan) Master Plan Amendment Planned Development Other

Assigned Planner: _____ PLN#: _____

Attached Address: _____ No Attached Address

Appealed: Yes No Appeal PLN# _____ Application Withdrawn

Final Decision: Approved Denied Decision Date: _____ Decision Maker: _____
(Name and Title, or Name of Commission/Committee)

Votes in favor (please print):

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Applicant's name: SUGAR FIX LLC Date of Application: 10/1/11

Owner's name: Norm LEW Contact phone number: _____
(for questions regarding this form)

Project Address: 65 S. RAYMOND AVENUE, PASADENA CA.

Project Description: _____

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KRISTENE FRANCES LEW	Member	
NORMAN LEW	Member	
ROBERT CHRISTOPHER LEW	Member	

I hereby certify that I am the owner or designated agent and that the statements and answers contained herein, and the information attached, are in all respects true, accurate and complete to the best of my knowledge and belief.

Signature of Owner or Designated Agent:  Date: 10/1/2011

For Office Use Only

Type of Application: Variance (all types) Adjustment Permit Sign Exception Temporary Use Permit Expressive Use Permit
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If yes, please indicate the type of 501(c) organization: 501(c)(3) 501(c)(4) 501(c)(6)

Applicant's name: AMARA CHOCOLATE & COFFEE Date of Application: 10/1/11

Owner's name: AMARA E. BARROETA Contact phone number: 626-710-8801
(for questions regarding this form)

Project Address: 55 S. RAYMOND AVENUE, PASADENA, CA

Project Description: FOR THE PURPOSE OF SELLING VARIOUS TYPES OF CHOCOLATE, COFFEE, CUPROS AND SALTY VENEZUELAN SNACKS

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ALEXANDER STRUBINGER	Member	Alexander R. Strubinger
AMARA E. BARROETA	Member	
MIRIAM ALVAREZ	Member	

I hereby certify that I am the owner or designated agent and that the statements and answers contained herein, and the information attached, are in all respects true, accurate and complete to the best of my knowledge and belief.

Signature of Owner or Designated Agent: _____ Date: 10/1/2011

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