

Agenda Report

DATE: JUNE 28, 1999

TO: CITY COUNCIL

FROM: CYNTHIA J. KURTZ

SUBJECT: FIFTH AMENDMENT TO SUBLEASE AGREEMENT NO. 12,872
BETWEEN THE CITY OF PASADENA AND ROGER
KISLINGBURY AND PAUL CASEBEER FOR DE LACEY'S CLUB
41 IN THE DE LACEY AVENUE PARKING FACILITY (OLD
PASADENA)

RECOMMENDATION:

It is recommended that the City Council approve the terms and conditions of, and authorize the City Manager to execute, a Fifth Amendment to Sublease Agreement No. 12,872 by and between the City of Pasadena, as Sublessor, and Roger E. Kislingbury and Paul A. Casebeer, as Sublessees.

BACKGROUND:

On August 26, 1986, the City, as Sublessor, and Roger Kislingbury and Paul Casebeer (the "Sublessees") entered into Sublease Agreement No. 12,872 (the "Sublease") for the lease of commercial space for a restaurant use within the DeLacey Avenue Parking Facility (the "Parking Facility"). In fulfillment of their Sublease obligations, the Sublessees raised the necessary capital to provide tenant improvements to the shell in the Parking Facility and completed the restaurant ("DeLacey's Club 41") which opened in August 1988.


Subsequent to the approval of the Sublease, the City Council approved four amendments thereto. The First Amendment extended the term of the Sublease from 20 years to 21 years and two months. The Second Amendment modified the definition of "Premises" to exclude and to include certain spaces, to reflect the resulting rent adjustment, and to specify screening of roof mechanical equipment. Also, the City Council approved a License Agreement for storage space in the Parking Facility on December 19, 1989 to meet DeLacey's Club 41's needs. The Third Amendment added a 398 square foot patio portion on City-owned land just north of the Parking Facility and south of Fraser Alley to be rented at \$0.75/square foot per month with rent commencing November 1, 1989, and

reduced the security deposit from two to one month's rent. Because of various factors, the Sublessees did not proceed to build out the improvement to the patio as previously planned. The Fourth Amendment amended the Sublease with respect to the patio portion such that: (a) the Sublease became effective for the patio portion of the Premises upon issuance of the building permit for permanent patio improvements built by the Sublessees; and (b) the rent for the patio portion commenced 180 days after issuance of the building permit for the patio improvements.


The proposed Fifth Amendment will effectuate a ten year extension of the sublease term from 21 years two months to 31 years two months; establish the method by which the fair rental rate for the extension period shall be determined at the time the extension is to be effectuated, and acknowledge and approve the Sublease Agreement between the Sublessee and De Lacey's Club 41 which was executed August 10, 1988 without prior City approval.

FISCAL IMPACT

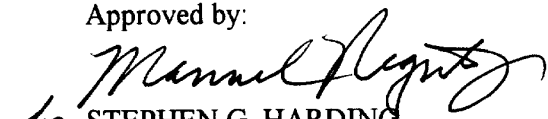
The Sublessees are currently paying \$8,289.91 per month for the premises, which is subject to periodic rental adjustments based upon the consumer price index. The Fifth Amendment would adjust the rent to the fair rental rate at the beginning of the extension period, which would begin in about eight years. The rent would be subject to periodic adjustments thereafter, based upon the consumer price index. Approving the proposed Sublease Amendment will enhance the ability of the City's Sublessees to meet major investor requirements to finance continued restaurant use of the premises. The total additional 10 years of contract rent due as a result of amending the Sublease would result in a substantial increase in rental income to the City.

Respectfully Submitted,

CYNTHIA J. KURTZ
City Manager

Prepared by:


MANUEL NEGRETE JR.
Real Property Manager

Approved by:


for STEPHEN G. HARDING
Interim Director of Housing and Development