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CONVENTION, CULTURE AND
LEISURE DEPARTMENT

PARKING FACILITIES DIVISION

CITY OF SACRAMENTO
CALIFORNIA

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SACRAMENTO, CA
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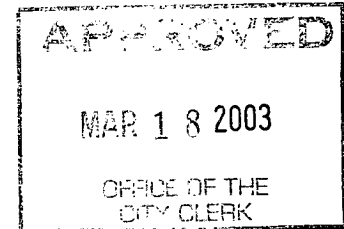
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February 20, 2003

City Council
Sacramento, California

Ag 2003-034

Honorable Members in Session



SUBJECT: Agreement to Lease Retail Space at Memorial Garage to
Brew It Up Enterprises, Inc.

LOCATION AND COUNCIL DISTRICT: 801 14th Street, District 3

RECOMMENDATION:

This report recommends the City Council, by resolution, authorize the City Manager to execute a lease agreement with Brew It Up Enterprises, Inc. for retail space located at Memorial Garage parking facility at 801 14th Street.

CONTACT PERSON: Paul Sheridan, Program Analyst, 264-6817
Howard Chan, Parking Manager, 264-7610

FOR COUNCIL MEETING OF: March 18, 2003

SUMMARY:

It is proposed that the City Council approve, a 10-year lease agreement with Brew It Up Enterprises, Inc. to rent eight thousand one hundred fifty (8,150) square feet of ground floor retail space, located along the northwestern portion of the Memorial Garage parking facility.

COMMITTEE/COMMISSION ACTION:

N/A

BACKGROUND INFORMATION:

- Founded in 1996 by Michael Costello, Brew It Up is a personal brewery that enables beer enthusiasts to choose from an extensive menu of recipes or create their own

personal brew. Brew It Up provides all the equipment, supplies, and expert supervision for people to craft beer, bottle it, and learn the art of brewing.

- Within the proposed space at Memorial Garage, Brew It Up also plans to operate an American-style grill restaurant that would offer a variety of items including: roasted chicken, steaks, pasta, fresh fish, pizzas, burgers, salads, a wide variety of appetizers, and desserts. They will have a selection of 20 specialty beers on tap as well as an extensive wine list.
- Their hours of operation will be 11:00 am to 11:00 pm everyday except Friday and Saturday when they will be open until 1:00 am.
- Currently, Brew It Up operates out of one site in Davis, California. However, due to growing demand for their services, they have out-grown that facility and would like to relocate to Sacramento. The new location at Memorial Garage (Lot C) would almost triple their current square footage and allow them to increase their ability to accommodate their customer base in the Sacramento region.
- The initial term of the lease is for 10 years. The lease includes two, 5-year extension options.
- The terms of this lease agreement have been reviewed by the Cordano Company and the Economic Development Department and were found to be comparable to similar retail lease agreements.

FINANCIAL CONSIDERATIONS:

Monthly rental payments will begin at \$1.70 per square foot per month (the average rent for City garage retail tenants is \$1.45 per square foot.) Rent will increase 5% every two years, with the first increase beginning month 25. Total rental income for the initial term will be \$1,738,628.

The City is contributing a tenant improvement allowance of \$100,000 in rent credits, spread over the first two years, and \$150,000 in a cash allowance upon completion of the tenant improvements. The City will also be reconfiguring the electrical switchgear to accommodate the brewery/restaurant load requirements; constructing a demising wall and gate enclosure in the electrical room at a cost of \$40,000. Funding for the tenant improvement allowance and electrical improvements is available in the City's Retail Improvement CIP VD91. The total project cost for the Brew It Up brewery and restaurant is estimated to be approximately \$900,000.

The tenant will be responsible for all utilities except water, sewage, and storm drainage charges.

The Cordano Company, broker for Memorial Garage, will be paid a commission based on the following terms set forth in their exclusive listing agreement with the City: 5% of the total base rent to be collected during the first 5 years of the lease term and 2.5% of the total base rent to be collected during the 2nd 5 years of the lease term. Total commission paid by the City will be \$62,604. The commission will be paid from CIP VD91, complying with its objective of attracting quality tenants to City retail space.

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The lease agreement is contingent upon Brew It Up delivering satisfactory loan commitment documentation within 30 days of lease execution.

An independent financial consultant reviewed Brew It Up's business plan and complete financials.

The revenue from this lease will be deposited in the Parking Fund 412.

ENVIRONMENTAL CONSIDERATIONS:

This project is exempt from the California Environmental Quality Act (CEQA) under Section 15301 of the (CEQA) Guidelines, "Operation of existing public structures or facilities involving no expansion of use".

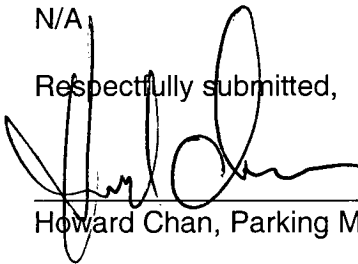
POLICY CONSIDERATIONS:

This agreement is consistent with the City of Sacramento's Strategic Plan through the promotion of Economic Vitality by supporting the development and success of new businesses in Sacramento. Brew It Up provides a unique personal brewery and restaurant experience, enhancing the downtown area as a desirable dining and entertainment destination.


ESBD CONSIDERATIONS:

N/A

Respectfully submitted,


Howard Chan, Parking Manager

APPROVED:


Barbara E. Bonebrake, Director
Convention, Culture and Leisure Department

RECOMMENDATION APPROVED:


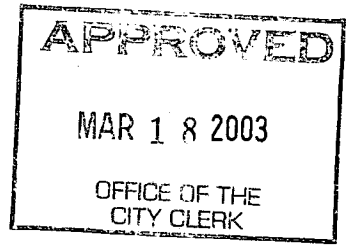

Robert P. Thomas, City Manager

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RESOLUTION NO. 2003-127

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**Agreement to Lease Retail Space at Memorial Garage
to Brew It Up Enterprises, Inc.**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. The City Manager is hereby authorized and directed to execute a lease agreement with Brew It Up Enterprises, Incorporated, to lease 8,150 square feet of retail space at Memorial Garage.
2. Tenant improvement allowance due to Brew It Up Enterprises, Incorporated will be disbursed from CIP VD91 in accordance with terms of the lease.
3. Commission owed to the Cordano Company will be paid from the City's Retail Space Improvement Capital Project (CIP VD91).

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____