



Legislation Text

File #: 18-170, **Version:** 1

Report Prepared by: Frank Quintero, Director of Economic Development

SUBJECT: Lease Renewal, Second Amendment, Between the City of Merced and Kaljian Family Revocable Trust for the Evidence Storage Facility at 450/460 Grogan Avenue

REPORT IN BRIEF

Second amendment to the lease agreement exercising an option to extend the lease 5-years with a new lease rate for a $\pm 10,410$ square foot warehouse and ± 1.12 -acre yard for use by the Merced Police Department with the Kaljian Family Revocable Trust.

RECOMMENDATION

City Council - Adopt a motion approving the second amendment to the lease agreement with the Kaljian Family Revocable Trust for the facility and yard at 460 Grogan Avenue extending the lease for five years and lease rates; and, authorizing the City Manager or Assistant City Manager to execute the necessary documents.

ALTERNATIVES

1. Approve, as recommended by staff, or,
2. Approve, subject to other than recommended by staff (identify specific findings and/or conditions amended to be addressed in the motion); or,
3. Deny; or,
4. Refer to staff for reconsideration of specific items (specific items to be addressed in the motion); or,
5. Continue to a future meeting (date and time to be specified in the motion).

AUTHORITY

Charter of the City of Merced, Section 200

CITY COUNCIL PRIORITIES

As provided for in the 2017-18 Adopted Budget

DISCUSSION

The Office of Economic Development negotiated a Lease Renewal with the Kaljian Family Revocable Trust for a $\pm 10,410$ square foot warehouse and ± 1.12 acre storage yard on behalf of the Merced Police Department (Attachment 1). Currently, the Police Department are using the building and yard for evidence storage and are paying \$4,580.00 which did not include a charge for the outdoor storage. The proposed lease renewal represents a starting market lease rate of \$0.50/sf plus a \$1,000.00 charge for use of the 1.12 acre outdoor storage. Under the Second Amendment, rent for the building and outdoor storage area would start at \$6,205.00 per month increasing to \$6688.00 by

Year 5.

It should be noted that during the economic downturn, the Kaljian Trust did not charge rent for the 1.12 acre outdoor storage area, and reduced rent by 50%. In October 2015, the City Council and Kaljian Trust adjusted the rent to reflect market rates.

History and Past Actions

The original Lease Agreement for the subject facility and storage yard ran from May 1997 to May 2002 between the City and John Bankson. The Lease Agreement was assigned to the Kaljian Family Revocable Trust in June 1999 as a result of a land sale. The Lease was then extended for five years ending April 2007. Another lease extension followed ending in May 2011. The Police occupied the subject site on a month to month basis until 2013. Another Lease Agreement was executed from 2013 to 2018. Now, the City of Merced desires to exercise the option for a 5-year extension.

Several tenant improvements were made during the term of the original lease to accommodate the variety of items stored. Security systems have also been installed to protect to items contained at the warehouse.

Description

Notable terms of the proposed Lease Renewal (Second Amendment) are as follows:

Premises: The subject site includes a ±10,410 square foot warehouse and ±1.12-acre outdoor storage yard.

Term: Five (5) years.

Rent: March 1, 2018 through February 28, 2020, \$6,205.00 per month

March 1, 2020 through February 29, 2021, \$6,361.00 per month

March 1, 2021 through February 28, 2022, \$6,522.00 per month

March 1, 2022 through February 28, 2023, \$6,688.00 per month

Use: Evidence storage

Utilities: Cost of utilities such as gas, power, telephone, and so on are the responsibility of the City.

IMPACT ON CITY RESOURCES

The rent and use of the warehouse and storage yard is regularly budgeted and paid from account 001-1003-522-21-00 (Police Department Rents and Leases).

ATTACHMENTS

1. Attachment 1 - 2nd Amendment to the Kaljian Lease Agreement