

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
10	06/27/16	Open	Action	06/21/16

Subject: Approving Mills Station Lease with City of Rancho Cordova for Installation and Maintenance of Arts and Culture Center at Mather Field Light Rail Station

ISSUE

Whether to approve the Mills Station Building Lease with the City of Rancho Cordova (City).

RECOMMENDED ACTION

Adopt Resolution No. 16-06-_____, Approving the Mills Station Building Lease with the City of Rancho Cordova.

FISCAL IMPACT

RT will receive 50% of income from sublease, once the net rents from the building exceed the costs of the exterior improvements to be undertaken by the City. RT has committed to place all rent money received in a Capital Reserve Account that would be used for major repairs or maintenance.

DISCUSSION

The Mills Station Building was constructed in 1911 several blocks from RT's present-day Mather Field/Mills light rail station. In the early 1990s, a coalition of leaders from Rancho Cordova approached RT with a proposal to relocate the building, then owned by the Raley family, from its location on Dawes Street to RT's planned Mather Field light rail station. RT received a federal grant of approximately \$778,000 to rehabilitate the building for public use and to provide amenities to transit users, and provided an initial local match of approximately \$105,000. The intent at the time was for the second floor to be used as a community meeting space and the first floor to house a retail business enterprise that would serve transit riders. The rehabilitation cost ultimately increased to \$2,784,331, with \$969,080 in federal funds and \$1,815,251 in local funds contributed to the renovation.

In 2002, after the rehabilitation was complete, RT solicited proposals from commercial property management companies to manage the building; ultimately it entered into a management agreement for two years with the non-profit Rancho Cordova Economic and Community Development Corporation and a lease agreement for the Mills One Club for the second story meeting space.

From 2006 onward, the Cordova Recreation and Parks District leased the second story of the building. The first floor was briefly occupied by a café but has been vacant for almost a decade. Historically for the second floor space, RT has received the greater of 50% of the gross income collected by tenant from subleases or \$1200 annual rent.

Approved:

Presented:

Final 06/22/16

General Manager/CEO

AGM of Engineering and Construction

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In late 2015, the City of Rancho Cordova approached RT with a proposal to assume management responsibility for the building and convert the first floor to an Arts and Culture Center, with the second floor remaining available for community rentals. This would involve interior improvements and also require exterior upgrades to bring the building into compliance with current ADA standards, including, but not limited to: modifications to the ramp, landing, trenced domes and addition of a printed crosswalk. The estimated cost of the exterior improvements is \$40,000; all costs for the improvements will be paid by City. RT will review and approve the design of both the interior and exterior improvements and develop a construction plan that avoids any interference with use of the station and bus stops. The City would be solely responsible for modifications. RT will continue to maintain responsibility for all exterior repairs to the Mills building, unless caused by the actions of City or its authorized agents.

Each month, 50% of the net income collected by the City from subleasing the Mills Building during the preceding month must be paid to RT, which will retain the collected rents in a Capital Reserve Account, to be used to carry out all repairs over \$1,000. City will be responsible for all interior repairs under this threshold and for all utility costs. If there insufficient funds in the Capital Reserve Account to cover the cost of a significant repair, RT would be responsible for the excess cost. RT would not receive 50% of the net rents until the cost of the exterior improvements is recovered by City. This arrangement mutually benefits the City and RT by activating the under-utilized facility.

The initial lease term would be 5 years, and the lease would automatically extend for two additional successive 5-year terms if neither party sends a notice of termination at least 120 days prior to the expiration of the current term. Upon expiration or termination of the lease, if requested by RT, the City would remove any of the interior improvements that were specific to the operation as an Arts and Culture center.

The Arts and Culture Center will serve as a community attraction and potentially increase RT ridership at the Mather Mills Light Rail Station. Outside of morning commute hours, visitors to the Mills Station building would be able to use any parking stalls in the park and ride lot; because there is excess capacity at the lot, Staff does not anticipate a negative impact on riders. Staff feels that this lease agreement will re-invigorate the Mills Station building and provide for more full use, as originally intended.

Staff recommends that the Board approve the Mills Station Building Lease between RT and City of Rancho Cordova.

RESOLUTION NO. 16-06-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

June 27, 2016

APPROVING THE MILLS STATION BUILDING LEASE WITH THE CITY OF RANCHO CORDOVA

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Lease Agreement between the Sacramento Regional Transit District, therein referred as "RT," and City of Rancho Cordova, therein referred to as "TENANT," whereby RT grants a Lease to the Mills Station building for TENANT to: (1) install and maintain an Arts and Culture Center in the first floor of the building; and (2) to use and sublease the second floor of the building for use by community groups, businesses, and local government agencies, etc. to host meetings and events, as further described therein, is hereby approved.

THAT, the General Manager/CEO is hereby authorized and directed to execute said Lease Agreement.

JAY SCHENIRER, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary