



# Folsom City Council Staff Report

<b>MEETING DATE:</b>	6/8/2021
<b>AGENDA SECTION:</b>	Consent Calendar
<b>SUBJECT:</b>	Resolution No. 10636 – A Resolution of the City Council Approving Amendment No. 2 to Lease Agreement with the Folsom Chamber of Commerce for the Depot Building Located at 200 Wool Street
<b>FROM:</b>	City Manager's Office

## **RECOMMENDATION / CITY COUNCIL ACTION**

Staff respectfully recommends that the City Council move to adopt Resolution No. 10636 – A Resolution of the City Council Approving Amendment No. 2 to Lease Agreement with the Folsom Chamber of Commerce for the Depot Building Located at 200 Wool Street.

## **BACKGROUND / ISSUE**

The Folsom Chamber of Commerce (“Chamber”) has leased the Depot Building at 200 Wool Street from the former Folsom Redevelopment Agency and the City of Folsom continuously since 1989. The current lease authorized by the Council runs from January 1, 2015 to December 31, 2022. Rent for the property has been \$1.00 per year for more than a decade, if not longer.

The 2,383 square feet property is zoned HD in the General Plan, which means it can be used for retail, service, public/quasi-public and office uses, as well as small light industrial and residential uses (subject to certain limitations). The Chamber has used the property as its principal place of business, as well as a visitor’s center for people visiting the City and the Historic District.

## **POLICY / RULE**

The City Council is vested with authority to approve agreements to lease City facilities and City-owned real properties.

## **ANALYSIS**

The Chamber has recently requested that the lease be extended for 20 more years (5-year renewal with three 5-year options to extend), and to allow a portion of the leased premises to be sublet to a third-party under a revenue-sharing arrangement upon approval of the proposed lease amendment by the City Council. Rent remains at \$1.00 per year, with the same existing obligations for maintenance, upkeep, insurance, and indemnification. The request is made long in advance of the December 2022 expiration due to the Chamber's desire to make improvements to the property.

The Chamber has been a good steward of this historical structure and has provided valuable services to the Historic District with the Visitor's Center and services to the community. The Chamber has continued to provide maintenance and upkeep to the building. Staff believes there continues to be substantial public benefit to the Historic District and the City to lease the Depot Building to the Chamber under terms and conditions of the existing lease, modified as follows:

- Term of the lease extended to December 31, 2027.
- Rent remains \$1.00 per year.
- Chamber has option to extend the lease 3 times; each extension is 5 years. If Chamber exercises all 3 options, the total term of the lease under this Amendment No. 2 will be 20 years (terminating on December 31, 2042).
- Chamber may sublease a portion of the Depot Building under a revenue-sharing arrangement. Once the Chamber recovers its initial investment in tenant improvement of the subleased area, the revenue from the sublease shall be shared with the City on a 50%-50% basis.
- All proposed improvements to the Depot Building require City review and approval.

The City has not experienced any issue with the Chamber leasing the Depot Building, operating the Visitor's Center, making lease payments, or honoring the lease terms.

## **FINANCIAL IMPACT**

This action is likely to generate nominal revenue to the City's General Fund.

## **ENVIRONMENTAL REVIEW**

The proposed extension of existing lease of public facility is exempt from environmental review under the California Environmental Quality Act pursuant to Section 15301 (Existing Facilities) of the CEQA Guidelines.

**ATTACHMENTS**

1. Resolution No. 10636 – A Resolution of the City Council Approving Amendment No. 2 to Lease Agreement with the Folsom Chamber of Commerce for the Depot Building Located at 200 Wool Street
2. Amendment No. 2 to Lease Agreement

Respectfully submitted,

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Elaine Andersen, City Manager

## ATTACHMENT 1

**RESOLUTION NO. 10636**

**A RESOLUTION OF THE CITY COUNCIL APPROVING AMENDMENT NO. 2 TO  
LEASE AGREEMENT WITH THE FOLSOM CHAMBER OF COMMERCE  
FOR THE DEPOT BUILDING LOCATED AT 200 WOOL STREET**

**WHEREAS**, the Folsom Chamber of Commerce (“Chamber”) has leased the property and building at 200 Wool Street (the “Depot Building”) continuously since 1989 from the former Folsom Redevelopment Agency (“RDA”) and the City of Folsom; and

**WHEREAS**, on April 18, 2012 the Folsom Successor Agency Oversight Board, pursuant to Resolution No. 004-FSAOB, approved the transfer of Parcel B, on which the Depot Building sits, to the City; and

**WHEREAS**, the City acquired Parcel B by Grant Deed on March 17, 2012; and

**WHEREAS**, the City Council has in the past authorized extensions of the Depot Building lease to the Chamber, most recently on September 12, 2017, with the current lease expiring on December 31, 2022; and

**WHEREAS**, the Chamber has expressed a desire to extend the lease under the same terms as the current lease, and to allow subleasing a portion of the Depot Building under a revenue-sharing arrangement with the City; and

**WHEREAS**, the City desires to continue leasing the Depot Building to the Chamber; and

**WHEREAS**, the Chamber provides substantial public benefit to the City and to the Historic District by its presence at the Depot Building including but not limited to, operating the Visitor’s Center, providing assistance to merchants, businesses and visitors in the Historic District and the City generally, and providing assistance with tourism, economic development and events throughout the City; and

**WHEREAS**, the City Council finds that the public benefit provided by the Chamber supports continuing the lease with the Chamber under the terms in the current lease and as modified by Amendment No. 2 to the Lease Agreement.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Folsom that the City Manager is hereby authorized to execute Amendment No. 2 to Lease Agreement for premises located at 200 Wool Street – SP Depot Building, dated May 27, 2014, in a form acceptable to the City Attorney, to extend the lease to December 31, 2027 with options to renew.

**PASSED AND ADOPTED** this 8<sup>th</sup> day of June, 2021, by the following roll-call vote:

AYES: Councilmember(s):  
NOES: Councilmember(s):  
ABSENT: Councilmember(s):  
ABSTAIN: Councilmember(s):

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Michael D. Kozlowski, MAYOR

ATTEST:

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Christa Freemantle, CITY CLERK

## ATTACHMENT 2

**CITY OF FOLSOM  
AMENDMENT NO. 2  
TO  
LEASE AGREEMENT FOR PREMISES LOCATED AT:  
200 WOOL STREET – SP DEPOT BUILDING**

The Lease Agreement between the City of Folsom and the Folsom Chamber of Commerce dated May 27, 2014 (“Lease”) for premises located at 200 Wool Street (SP Depot Building), previously amended by Amendment No. 1 dated September 29, 2017, is further amended by this Amendment No. 2 as follows:

1. Section 2, Term, of the Lease is hereby amended as follows:

The term of this Lease shall terminate on December 31, 2027, with such rights of prior termination as may be provided herein.

The Chamber has the option to extend the Lease 3 times as follows: No later than 60 days prior to the expiration of the Lease term provided for in this Amendment No. 2 or any extended term, the Chamber may request, in writing, that the City extend the Lease for 5 more years. Should the Chamber exercise all 3 options to extend, the Lease under this Amendment No. 2 shall terminate on December 31, 2042.

2. Section 7, Termination, of the Lease is hereby amended as follows:

City may terminate this Lease, in whole or in part, at any time during the lease term, or any extension thereof, by giving Chamber notice, in writing, at least 12 months prior to the date when any such termination shall become effect.

3. Section 10, Subletting/Assignments, of the Lease is hereby amended as follows:

Chamber shall not sublet the Premises, in whole or in part, nor assign this Lease or any interest therein, except as agreed to by the City Manager in writing. As later provided herein, Chamber may rent, on a periodic basis, portion of the Premises (see Use of Premises).

Should the Chamber sublease a portion of the Premises for longer than 30 days, the Chamber shall share 50% of the revenue from the sublease with the City, payable on the 10<sup>th</sup> day of each month. The aforementioned revenue-sharing requirement shall commence once the Chamber has recovered its initial investment in tenant improvement for the subleased area. All proposed tenant improvement for the sublease area, including the projected costs, shall require prior submittal to the City for review and approval in accordance with Section 20. The term of the sublease shall not exceed the then-current term of the Chamber’s lease, and the sublease shall contain the same indemnity and



insurance requirements in favor of the City as in Sections 12 and 13 of the Lease.

4. Section 24, Use of Premises, of the Lease is hereby amended as follows:

The Premises shall be used for the official functions of the Chamber. Chamber may rent portions of the Premises on a periodic basis, not to exceed 30 consecutive days at any given time, for private parties, classes, and other similar uses with the consent of the City Manager or his/her designee. Unless prior approval is first obtained from the City Manager, no portion of the Premises shall be rented on an ongoing basis for more than 30 days, and no such rental shall compete with an existing business in the Historic District. The parties recognize that the Chamber occasionally rents out space on the Premises for meetings or conferences and nothing in this Section is intended to prohibit such use.

In the event that the Premises are rented or permissibly used as set forth above, either the Chamber's insurance shall cover the activity, or the Chamber shall obtain insurance from the person or entity renting, using, or subleasing the portion of the Premises that complies in all particulars with the insurance requirements set forth in Exhibit B.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to Lease Agreement to be duly executed.

Date: \_\_\_\_\_

City of Folsom,  
A Municipal Corporation

By: Elaine Andersen, City Manager \_\_\_\_\_

Date: \_\_\_\_\_

Folsom Chamber of Commerce,  
A California Non-Profit Corporation

By: \_\_\_\_\_

By: \_\_\_\_\_

Approved As To Form:

\_\_\_\_\_  
Steven Wang, City Attorney

\_\_\_\_\_  
Date

Attests:

Funding Available:

\_\_\_\_\_  
Christa Freemantle, City Clerk

\_\_\_\_\_  
Stacey Tamagni, Finance Director/CFO    Date

**NOTICE: SIGNATURE(S) ON BEHALF OF LESSEE MUST BE NOTARIZED.**

A certificate of acknowledgment in accordance with the provisions of civil code section 1189 must be attached for each person executing this agreement on behalf of consultant. California Civil Section provides, at part (b): "Any certificate of acknowledgment taken in another place shall be sufficient in this state if it is taken in accordance with the laws of the place where the acknowledgment is made."