



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: JUNE 6, 2017

DEPARTMENT: PUBLIC WORKS

FROM: GARY PETERSEN, DIRECTOR OF PUBLIC WORKS

BY: DON REYNOLDS, ASSISTANT PUBLIC WORKS DIRECTOR

TITLE: FREIGHT BUILDING LEASE FOR THE WELCOME CENTER

RECOMMENDED MOTION:

A motion to approve a Resolution authorizing the City Manager to execute a lease and relocate the Welcome Center to the City's Freight Building.

RECOMMENDATION:

It is recommended that the City Council approve a Resolution authorizing the City Manager to execute a lease with the Salinas Valley Tourism and Visitor's Bureau (SVTVB), in support of the relocation of the Welcome Center to the City's Freight Building at the Intermodal Transportation Center.

EXECUTIVE SUMMARY:

Relocating the California Welcome Center from the Westridge Mall to the City's downtown (the the Freight Building located in the Intermodal Transportation Center) will help the Welcome Center serve more tourists than it currently does, attract tourists to the City and the City-Center, and begin to re-purpose the newly refurbished attractive Freight Building that currently serves as storage. This report brings a lease forward to the City Council for approval to demonstrate the City's commitment to the State in an effort to gain the State's approval of the relocation. If the State approves the relocation and the City Council approves both the Lease and the Capital Improvement plan, the lease would initiate after completion of the Tenant Improvements, with a goal to re-open by the end of summer.

BACKGROUND:

In 1995, the State approved Assembly Bill 1589, adding Sections 15334.3, 15337, and 15364.2 to the Government Code amending existing law that provides authority to the Office of Tourism to open a tourism network of "Welcome Centers" across the State. After submitting several applications to the State Office of Tourism, in 2011 the Salinas Valley Tourism and Visitors Bureau was selected to become part of this tourism network, and opened at 1213 North Davis Road in the Westridge Mall.

During its first four-years, the City subsidized its operation, but that ended in 2016/17. A large part of their operation expenses comes from the \$3,000 per month rent. Without the City's subsidy, the Welcome Center is unable to sustain these operational costs.

The Salinas Welcome Center has struggled to attract the same amount of tourism and attention that other Welcome Centers do. If more visitors do not visit the Welcome Center, the State may revoke the privilege of having one located in Salinas.

Improvements to the Intermodal Center have progressed to include the recent renovations to the Train Depot and Freight Building. After its completion, using rented lavatories, the Freight Building served as the temporary AMTRAK Station until the Train Depot was refurbished. The Train Station is half-leased up to three tenants; Greyhound, Amtrak and SERCO. Its "west wing" remains vacant and available. The Freight Building is currently underutilized as a warehouse for storage and other temporary uses. It needs restrooms and basic tenant improvements to reach its full potential.

The City has attempted on several occasions to attract a tenant that will invest in the Freight Building. But without the extension of Lincoln Avenue, attracting the investment necessary to re-open the Freight Building has been difficult. Recently, the Transportation Agency of Monterey County has been making progress to complete its improvements at the ITC. At its April Rail Policy meeting, TAMC explained that it will take possession of the needed right-of-way by the end of the summer, and begin construction soon thereafter.

When the SVTVB approached the City and asked that it consider the Welcome Center's relocation to the Freight Building, a conceptual rendering was produced to the satisfaction of the SVTVB and the City. The 5,000 square foot warehouse would be divided into three sections. In the center, a common area is proposed of 566 square feet of restrooms and meeting space to be shared by a future tenant(s). Dedicated office space of 1,453 square feet is designed on the east side of the building and is initially intended to be leased to the SVTVB for the Welcome Center. This leaves 3,103 square feet for a future tenant(s).

As proposed, the Welcome Center would have roughly the same square footage as it currently does, without adding the restrooms or the meeting room. It will face the Train Depot, have access to the patio, (screened from the wind), and benefit from the glass doors left by the temporary AMTRAK ticket offices.

The tenant improvements are described as an Exhibit B to the proposed lease. The estimated cost to build the improvements is \$175,000 and \$200,000. This cost is included in the draft CIP for Fiscal Year 17/18. Work could begin by the end of July and be completed within 6-8 weeks.

Current leases of adjacent properties suggest a market rental rate of \$1.25 per square foot. This would be a monthly rent of \$2,170. Attracting more tourists to Salinas and the City-Center is mutually beneficial to both the City and SVTVB. The SVTVB is requesting a 20% discount and a rent of \$1,750 per month. The SVTVB also asked for a ten-year term. As a compromise, it is recommended that five two-year terms be considered, with room for a cost of living increase at

each of the four possible two-year extensions, not to exceed a 10% increase in any one two-year increment. The 10% cap allows the SVTVB to budget without risk of having a spike in rent for two-years. The CPI Increases every two-years maintains the rent subsidy at 20%, over the possible ten-year term of the lease. The Lease has a termination clause that allows the City to terminate the Lease for non-performance, and for not paying rent.

Over a ten-year term, the City would fully recover the expense of the tenant improvements. As drafted, the Lease targets November 1 for the grand re-opening of the Welcome Center.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

Bringing the California Welcome Center to the City-Center has the potential to expand the City's Economic Diversity and Prosperity by expanding tourism. It sustains government by changing the City's warehouse to higher and better use as an office building, while receiving close to market rent.

FISCAL AND SUSTAINABILITY IMPACT:

If this Lease runs for a ten-year term, the City will recover its investment needed to accommodate the Welcome Center and future tenants. The rental revenue from the tenants at the Intermodal Transportation Center are re-invested in the train station and help pay for security, landscape, utilities and maintenance services.

ATTACHMENTS:

Resolution and Proposed Lease

RESOLUTION NO. _____(NCS)

**RESOLUTION APPROVING A LEASE AGREEMENT WITH THE
SALINAS VALLEY TOURISM AND VISITOR'S BUREAU AT 1A
STATION PLACE FOR THE RELOCATION OF THE CALIFORNIA
WELCOME CENTER**

WHEREAS, the City owns that certain real property commonly referred to as the Intermodal Transportation Center and one of several buildings on these properties is the Freight Building, located at 1 Station Place (the "Property"); and

WHEREAS, the Freight Building consists of 5,000 square feet of warehouse space that was built in 1879, and was restored in 2014, but lacks the necessary restrooms and tenant improvement required for occupancy; and

WHEREAS, the City, as it adopts its budget for Fiscal Year 2017/18, is being asked to consider an appropriation of sufficient funds in its Capital Improvement Plan to complete 1,453 square feet of office space, and a 566 square foot common space that includes restrooms and a meeting room; and

WHEREAS, the Salinas Valley Tourism and Visitors Bureau (SVTVB) desires to lease this space from the City and relocate the California Welcome Center here, contingent upon first receiving State's approval; and

WHEREAS, the State's approval of the relocation is dependent upon several factors including site amenities, the City's commitment to the capital improvements, and its willingness to enter into a lease; and

WHEREAS, the City and the SVTVB both agree that relocating the Welcome Center to the Train Station in the Freight Building is a mutually beneficial endeavor, and will commence with the attached Lease and initiate its term as soon as the State approves the move, and after the tenant improvements are completed.

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby finds and determines that the above recitals and accompanying staff report are true and correct and have served as the basis, in part, for the actions of the City Council set forth below.

BE IT FURTHER RESOLVED that the City Council hereby approves the proposed Lease, and directs the City Clerk to maintain on file a copy of the Lease in the form hereby approved by the City.

BE IT FURTHER RESOLVED, that the City Council hereby authorizes the City Manager to execute the Lease on behalf of the City, substantially in the form on file with the City Clerk.

BE IT FURTHER RESOLVED, that the City hereby authorizes the City Manager to take such other actions and execute such other documents as are appropriate to effectuate the intent of this Resolution and the Lease.

PASSED AND APPROVED this 6th day of June, 2017 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

Joe Gunter, Mayor

ATTEST:

Patricia M. Barajas, City Clerk