



**AGENCY:** City Council  
**MEETING DATE:** October 9, 2018  
**DEPARTMENT:** Administrative Services  
**PRESENTED BY:** Scott Schneider  
**EMAIL ADDRESS:** sscneider@fortbragg.com

## AGENDA ITEM SUMMARY

### **TITLE:**

**Receive Report and Recommendation from Public Works and Facilities Committee and Provide Direction Regarding Options for the Leased Parking Lot Located at the Skunk Train Depot Including a Sub-Lease of Part of the Lot to the North Coast Brewing Company**

### **ISSUE:**

Since October 1, 2008, the City has leased the parking lot at the foot of Laurel Street from Mendocino Railway (MR). The lease, which expired on October 1, 2018, identifies an annual payment of \$8,000 from the City to MR for the use of the lot as public parking. Also included in the lease is the requirement for the City to set aside \$1,500 for maintenance each year. In addition, a sub-lease between the City and the North Coast Brewing Company (NCBC) began on November 16, 2016 and also expired October 1, 2018. The sub-lease currently provides the City \$3,888 annually – about 41% of the City's cost of the parking lot lease. The Depot parking lot consists of a total of 127 spaces – 77 of which are a part of the City's lease with MR – 12 of those 77 spaces are part of the sub-lease with NCBC.

Staff brought the lease and sub-lease to the Public Works and Facilities Committee for discussion at its September 19, 2018 meeting. After Committee discussion and input from the public, the Committee is recommending to Council to let both the lease and sub-lease expire with no renewal agreements in the immediate future.

### **ANALYSIS:**

Providing convenient, affordable parking to locals, visitors and residents has been an ongoing City Council discussion for many years. Going back to 1996, the City and California Western Railroad (CWR) partnered to construct the parking lot and entered into an agreement to lease the parking lot to the City for \$1/year. In 2004, Mendocino Railway purchased CWR's assets including the parking lot. Following the change of ownership, and after much deliberation, a 10-year lease of the parking lot to the City which expired on October 1, 2018 was executed.

Over the past several weeks, staff has been in discussions with Mendocino Railway for both the possible renewal of the parking lot lease as well as the current sub-lease between the City and NCBC, both of which expired on the 1<sup>st</sup> of the month. Due to the exciting, yet unpredictable future use of the land surrounding the Depot, it is MR's wish (and staff's recommendation) to not enter into another long-term lease with the City for use of the parking lot.

However, should Council desire to continue a lease with MR, two options are available:

1. **Month-to-Month Lease:** MR has expressed a willingness to transition the agreement to a month-to-month lease keeping the annual rent the same (\$8,000/year), payable in monthly increments of \$667 should the Council choose to do so. A month-to month does not provide assurance that the parking will remain public beyond the end of each month.
2. **Long Term Lease:** MR has indicated it would be willing to enter into a long-term agreement but it would increase the annual rent to at least \$25,000 – an amount closer to the assessed value of the parking lot. The annual maintenance fee would also, most likely,

increase by a similar percentage to properly maintain the lot which is currently in need of resealing.

With regard to parking throughout downtown, the Public Works and Facilities Committee reviewed a report regarding paid parking which noted that during peak hours (11am – 5pm) on the most desirable street for parking (300 block of North Franklin St.), utilization was between 70 and 90%. Taking this into consideration, along with prior discussions with local businesses and observations of available parking in the downtown area, the Depot Lot is not vital in ensuring free parking throughout downtown. This may change as vacancy rates in the downtown drop, we attract more business activity and development of the Mill Site begins.

**Sub-Lease:** The North Coast Brewing Company (NCBC) has been utilizing approximately 12 spaces of the City's leased area within the Depot parking lot for its own use – employee parking, pallet storage, truck parking, etc. through a sub-lease which expires October 1, 2018. NCBC has been paying the City \$27 per month per space. It is the recommendation of staff and the wishes of both NCBC and MR to have the sub-lease expire between the City and NCBC and have MR and NCBC re-negotiate a lease directly with one another for use of the spaces along the west side of NCBC's building. The relationship between these two businesses is positive and given the larger transaction in play, we believe that they are able to work out their own arrangements.

Keeping the parking lot open to the public is clearly in the City's and the public's best interest. In recent discussions, MR has expressed no intention in the near future to close off the parking lot to the public regardless of Council's direction moving forward.

**RECOMMENDED ACTION:**

The Public Works and Facilities Committee and staff recommend the following:

1. Do not renew the lease which expired on October 1, 2018, and instead use those funds to improve other Municipal Parking Lots and signage and/or have the City start to actively plan for additional parking to serve the Central Business District in the long term.
2. Direct staff to continue discussions with Mendocino Railway regarding the Depot Parking Lot to ensure it serves the best interests of the City and surrounding businesses as well as Mendocino Railway's current and future plans for its property.

**ALTERNATIVE ACTION(S):**

Provide direction to staff to negotiate a lease renewal with Mendocino Railway – either a month-to-month or long-term lease for the Depot parking lot.

**FISCAL IMPACT:**

The City funds the lease of the parking lot by using accrued parking in-lieu fees. The policy to not assess those fees in recent years has resulted in a dwindling source of funds with which to cover a lease going forward. As of July 1, 2013, this fund had \$64k available. Today that balance is \$32k. At the current costs, a month-to-month lease would use up these funds within three and a half years. At an increased cost for a long-term lease, those funds would last a little longer than one year. An additional revenue source would be necessary to continue to fund this or any other lease.

**ATTACHMENTS:**

1. Parking Lease Agreement between the City and Mendocino Railway
2. Parking Sub-Lease Agreement between the City and the North Coast Brewing Company

**NOTIFICATION:**

Mr. Robert Pinoli, Mendocino Railway

Mr. Mark Ruedrich, North Coast Brewing Company