



## Legislation Text

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File #: 23-0826, Version: 1

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Recommendation to authorize City Manager, or designee, to execute all documents necessary for a Second Amendment to Lease No. 34894 with BLANKSPACES, LLC, for City-owned property located at 309 Pine Avenue, commonly known as the Shaun Lumachi Innovation Center. (District 1)

### **Levine Act: Yes**

On December 5, 2017, the City Council approved Lease No. 34894 (Lease) with BLANKSPACES, LLC (Lessee) for City-owned property located at 309 Pine Avenue, commonly known as the Shaun Lumachi Innovation Center (Subject Property). The Subject Property required substantial capital improvements to make the facility functional and code compliant, including elevator recommission, bathroom improvements, ADA access upgrades, and interior redesign of the space to support co-working activities and entrepreneurial community events. On February 8, 2022, City Council approved a First Amendment to the Lease to compensate the Lessee for documented financial losses, as well as adjust the Rent Commencement Date to July 1, 2023, due to delays from COVID-19 related closures and resulting supply chain challenges. The Shaun Lumachi Innovation Center celebrated its grand opening on May 13, 2022.

Due to recent heavy winter storms, the Subject Property experienced roof damage and resulting leaks which affected the interior of the building. In addition, a leak in the sewage drainage system was discovered requiring significant repair and renovation to the restrooms. The time required to complete the required remediation and repairs from both issues have spanned approximately six months causing the Lessee further economic losses due to the disruptions to its customers. Rent, currently due and payable as of July 1, 2023, is \$9,400 per month, less any available rent credits to offset Lessee's management fee and certain operating costs. The total rents credits cannot exceed \$4,600 per month, resulting in a minimum monthly rent of no less than \$4,800. The Lessee has requested to extend the Rent Commencement Date approximately six months to January 1, 2024 to allow the Lessee additional time to recover financially from these delays and realize operations at full capacity. A Second Amendment to the Lease would be required to memorialize this accommodation.

This matter was reviewed by Principal Deputy City Attorney Richard F. Anthony on July 10, 2023 and by Budget Management Officer Nader Kaamouh on July 14, 2023.

### LEVINE ACT

This item is subject to the Levine Act. The Mayor, Councilmembers, and Commissioners who have received a contribution of more than \$250 within 12 months prior from a party,

participant, or their representatives involved in this proceeding may do either of the following: (1) disclose the contribution on the record and recuse themselves from this proceeding; OR (2) return the portion of the contribution that exceeds \$250 within 30 days from the time the elected official knew or should have known about the contribution and participate in the proceeding.

All parties, participants, and their representatives must disclose on the record of this proceeding any contribution of more than \$250 made to the Mayor or any Councilmembers within 12 months prior to the date of the proceeding. The Mayor, Councilmembers, and Commissioners are prohibited from accepting, soliciting, or directing a contribution of more than \$250 from a party, participant, or their representatives during a proceeding and for 12 months following the date a final decision is rendered.

City Council action is requested on August 1, 2023, to facilitate execution of the amendment.

The proposed amendment extends the abatement for an additional 6 months, for a total period of 22 months. This results in lost revenues to the General Fund Group valued at \$28,800; \$14,400 in Fiscal Year 2023 (FY 23) and \$14,400 in FY 24. These revenues were not budgeted due to uncertainty of when the Lessee would be able to occupy the building. Accordingly, there is no budgetary impact associated with this recommendation. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

BO MARTINEZ  
DIRECTOR  
ECONOMIC DEVELOPMENT

APPROVED:

THOMAS B. MODICA  
CITY MANAGER