



Office of the City Manager

INFORMATION CALENDAR

September 10, 2013

To: Honorable Mayor and Members of the City Council

From:  Christine Daniel, City Manager

Submitted by: William Rogers, Deputy City Manager

Subject: City-owned Retail Space at Telegraph Channing Mall

CURRENT SITUATION AND ITS EFFECTS

At its July 16, 2013 meeting, Council requested a report on rental of City-owned retail space at the Telegraph Channing Mall. The purpose of this item is to provide Council with the current and future plans for managing filled and vacant rental spaces in the Telegraph Channing Mall.

The Telegraph Channing Mall occupies the street level of the Telegraph Channing Parking Garage (formerly the Sather Gate Garage) and has 14 retail spaces with almost 16,000 square feet of rentable space. The retail spaces range in size from 420 square feet to over 2,000 square feet. Currently, there are 2 vacancies totaling 2,625 square feet or about 16.6% of the total retail space, compared to an 18% vacancy rate in the Telegraph area overall. Current tenant businesses include take-out food and frozen yogurt, photocopying and postal services, framing materials and services, books, clothing, shoe repairs, and the continuing operation of Friends of the Library.

Efforts to rent the 2 remaining vacant spaces at the Telegraph Channing Mall have been delayed due to staffing changes and challenges finding qualified tenants. Staffing in the City's Real Property Management unit was significantly affected by the resignation of one person in April and another who went out on long term leave shortly thereafter, and that position is expected to be back-filled soon. In order to address current needs, a Public Works Senior Management Analyst was assigned to provide temporary oversight of the unit, in addition to managing other continuing responsibilities, and is assisted by the remaining Real Property Management staff person, who also handles other tasks in the Department. They are complemented by staff from other departments, including the City Manager's Office, the Office of Economic Development, the City Attorney's Office, and the Public Works Department. Together this team is coordinating efforts to manage daily operations, and assisting with filling vacancies with eligible tenants. Nevertheless, marketing the spaces has been affected by the staffing situation.

There have also been challenges finding qualified businesses to rent space in this facility. Recent applicants have either withdrawn their interest after assessing their costs and business projections, or were found to be unqualified based on evaluation of all the

information they submitted. However, there has recently been renewed interest in both of the vacant spaces. City staff is careful to exercise a consistent, rigorous and fair process reflecting standard industry practices for review, when assessing applications from all interested parties. Approving an unqualified applicant could unfortunately result in the need to evict a tenant who is unable to fulfill the obligations for business operations and/or rent payments, which is costly to the City.

Given all the conditions described above, staff has been considering how to ensure the continued professional management of the Telegraph Channing Mall in the long term. Accordingly, an RFP was issued on August 30, 2013 to find a leasing and management agent who, under the direction of City staff will have overall responsibility for the Mall, which includes marketing vacancies, evaluating prospective tenants and making written recommendations to the City on tenant selection, collecting rents, paying expenses, addressing tenant needs, and coordinating routine maintenance with Facilities Management. (The Telegraph Channing Garage is managed under a separate contract with LAZ Parking California.) It is anticipated that responses to the RFP will be received this fall, and a decision about whom to retain made before the end of the year. In addition, the City's website for [Property Management – City Property Available for Lease or Sale](#)¹ has been updated with new content, including Proposal Letter Guidelines, and the City's Business Rental Application.

BACKGROUND

The Sather Gate Garage was built in the late 1960s by the City of Berkeley Sather Gate Garage Company, a non-profit corporation. It now has 436 parking spaces above almost 16,000 square feet of retail use. The structure underwent seismic improvements that were completed in 1996, and another project in 2004 included installation of a ventilation system, automatic fire sprinklers, fire alarm, and other fire protection improvements. The Garage and Mall were renamed the Telegraph Channing Parking Garage in 2006, seen as “more reflective of the shopping district,” and a summary of its history can be found in the Council report from March 21, 2006.²

POSSIBLE FUTURE ACTION

As indicated, above, the City is preparing to contract with a management agent for overall responsibility for the Mall, including marketing vacancies, evaluating prospective tenants, collecting rents, paying expenses, addressing tenant needs, and routine maintenance.

¹ City Property Available for Lease or Sale:

www.cityofberkeley.info/Public_Works/Facilities_Management/City_Property_Available_for_Lease_or_Sale.aspx

² Council adopted Resolution No. 63,246 on March 21, 2006 Renaming Sather Gate Garage “Telegraph Channing Garage”: www.cityofberkeley.info/citycouncil/2006citycouncil/packet/030706/2006-03-07%20Item%2019%20Rename%20Sather%20Gate%20Garage.pdf

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Total annual revenue from rents and related payments in FY 2013 was almost \$233,000. The Library has been using a 1,500 square foot vacant space for storage at a reduced rental rate, and is expected to release this unit by the end of the year. When the 2 currently vacant spaces are leased, staff projects an increase in annual revenue of \$30,000 – \$50,000. Staff anticipates expenses will be covered by a percentage of the rental receipts.

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