



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



42

December 1, 1983

Redevelopment Agency of the
City of Sacramento
Sacramento, California

CITY MANAGER'S OFFICE
RECEIVED
DEC 2 1983
APPROVED
SACRAMENTO REDEVELOPMENT AGENCY
CITY OF SACRAMENTO

Honorable Members in Session:

DEC 6 1983

SUBJECT: Termination of MJC Partnership Contract for Sale
of Land on 1105 F Street, Alkali Flat Redevelopment
Project Area

SUMMARY

This report concerns a Contract termination which was presented to the Agency at its meeting on November 15, 1983. The Redeveloper has questioned the terms of the Agency's action on November 15, 1983. The staff recommends the Redevelopment Agency confirm adoption of the attached resolution in order to give the Redeveloper a precise indication of the Agency's intent.

BACKGROUND

The Agency acquired the property at 1105 F Street in January, 1977. The Contract for Sale of Land with MJC Partnership was executed in June, 1980. MJC failed to commence construction on the property and after numerous notices and discussions with staff was found in default by the Agency on July 7, 1981. On that same date, Mr. James Moore, one of the MJC partnership, advised the Agency that he had commenced rehabilitation on the property. According to the terms of the Contract, he should have completed construction one year later on July 7, 1982.

Nearly one year ago, on January 31, 1983, MJC was again noticed in default for failure to continuously perform construction until completion. The time to cure this default expired over six months ago, April 4, 1983. To date, MJC has failed to cure this default and the time for completing the project is more than a year past.

On November 15, 1983, staff presented a report to the Agency recommending that the MJC Contract be terminated and action be taken to revest the property. Mr. Moore appeared at the hearing and requested additional time to perform. It was the understanding of Agency Executive Director, William H. Edgar who presented the staff report to the Agency, that the Agency granted MJC sixty additional days to cure its default on the condition that MJC

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execute an Automatic Rescission Agreement with the Agency. The requirement of an Automatic Rescission Agreement is a condition of such an extension was established in the Agency's redevelopment default policy adopted by Resolution No. 83-045 on May 31, 1983. Mr. Moore, however, notified Agency staff several days later that he disagreed with Mr. Edgar's understanding of the Agency's action and that he would not sign an Automatic Rescission Agreement. After listening to a tape of the November 15, 1983 Agency proceedings, Mr. Moore persisted in his disagreement.

In order to make the Redevelopment Agency's position absolutely clear to the Redeveloper, the staff recommends that the Council confirm by motion that the resolution attached to this report as Exhibit A is the action adopted by the Agency on November 15, 1983. The attached resolution includes the terms of an Automatic Rescission Agreement which the Redeveloper would be required to sign as a condition of the extension. Because the action was taken on November 15, 1983, the resolution provides that the 60 day period would begin to run on that date. Additionally, because the Redeveloper should have completed construction on the property in July 1982, the Agreement specifies a revised final date for completion of the project.

The staff report presented to the Agency on November 15 is attached for your information.

FINANCIAL DATA

The current market value of the property and improvements have not been calculated. The disposition price of the 1105 F Street property was \$20,150.00. Staff can confirm that the Redeveloper has invested approximately \$60,000 for partial rehabilitation of the property, but the value of this partial work may be less. The Redeveloper asserts that he has actually invested \$174,000 in the property, but has not presented an documentation to staff to support this. Additionally, the Redeveloper has received \$136,000 from the Surety of the contractor who began the rehabilitation of the property to cover the cost of completing the job, but none of this \$136,000 has been reinvested in the property.

MJC has offered to reconvey the property to the Agency if the Agency pays MJC \$56,000. Staff recommends against accepting this offer because it would provide MJC with a profit without completing the project thus rewarding them for breaching the Contract. Additionally, staff believes it is important for the Agency to take a strong position regarding MJC's default prior to pursuing any settlement negotiations. Finally, the Agency has no funds available to make such a payment.

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POLICY IMPLICATION

The proposed actions are consistent with previously approved policy and there are no policy changes being recommended.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of November 7, 1983, the Sacramento Housing and Redevelopment Commission adopted a resolution recommending immediate termination of the Agency's Agreement with MJC Partnership. The resolution recommended by the Commission is attached to this report for your information. The vote was recorded as follows:

AYES: Amundson, Glud, Hall, Miller, Moose, Teramoto,
Vargas, Walton

NOES: Angelides, Luevano, Luttrell, Ose, Pettit

ABSENT: None

RECOMMENDATION

The staff recommends that the Agency confirm by motion that the attached resolution extending the Redeveloper's time to cure its default be sixty days from November 15, 1983 on the condition that MJC execute the Automatic Rescission Agreement is the resolution adopted by the Agency on November 15, 1983.

Respectfully submitted,

for 
WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:


WALTER J. SLUPE
City Manager

RESOLUTION NO. 83-089

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

November 15, 1983

APPROVED
SACRAMENTO REDEVELOPMENT AGENCY
CITY OF SACRAMENTO

TERMINATION OF ASSIGNMENT AGREEMENT AND
AMENDMENT TO CONTRACT FOR SALE OF LAND
MJC PARTNERSHIP
ALKALI FLAT PROJECT, PROJECT NO. 6

DEC 6 1983

WHEREAS, the Agency entered into a Contract for Sale of Land with MJC Partnership in June, 1980, for redevelopment of 1105 F Street in the Alkali Flat Project, Project No. 6, and conveyed said parcel to MJC Partnership by Special Warranty Deed in March, 1981; and

WHEREAS, the Agency noticed the MJC Partnership in default of said Special Warranty Deed on January 31, 1983; and

WHEREAS, the period to cure the default ending on April 4, 1983; and

WHEREAS, MJC Partnership to date has failed to cure the default.

NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1. The Agency hereby finds that the MJC Partnership has failed to cure its default within the time provided by the Special Warranty Deed and extended by the Agency.

Section 2. The Agency hereby further extends the period for MJC to cure its default to sixty (60) days from November 15, 1983, on the condition that MJC executes the Automatic Rescission Agreement attached to this Resolution as Exhibit A, no later than December 9, 1983.

Section 3. If MJC fails to execute the Automatic Rescission Agreement attached as Exhibit "A" by December 9, 1983, the Agency's reversion in the Property under the Special Warranty Deed will become immediately effective, and the Executive Director is authorized and directed to take all action necessary to quiet Agency's title to the property referred to above, and to take all

other actions necessary to enforce the Agency's rights under its contract with MJC Partnership.

CHAIRMAN

ATTEST:

SECRETARY

AUTOMATIC RESCISSION AGREEMENT

THIS AGREEMENT, entered into this _____ day of _____, 1983, by and between the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO (herein "Agency"), and MJC, a California partnership consisting of JAMES E. MOORE, JACOB JANTZEN and KATHERINE P. CROWDER (herein "Redeveloper").

Recitals

A. Agency and Redeveloper entered into an Assignment Agreement and Amendment to Contract for Sale of Land (hereinafter "Contract of Sale") on June 18, 1980, whereby Redeveloper agreed to purchase and redevelop real property located at 1105 F Street in the Alkali Flat Project Area (the "Property").

B. By Resolution No. _____ adopted December 6, 1983, the Agency authorized an extension of time to Redeveloper to perform its obligations with respect to the Property.

C. As a condition of granting an extension of time within which Redeveloper must perform its obligations under said Contract of Sale, Agency and Redeveloper desire to agree to the terms and conditions set forth herein.

Agreement

1. No later than January 16, 1984, the Redeveloper shall have executed an agreement with a licensed contractor to complete all rehabilitation work on the Property in accordance with the Contract of Sale, and shall have commenced rehabilitation construction on the Property.

2. Rehabilitation of the Property shall continue without interruption and shall be completed in accordance with the Contract of Sale no later than May 16, 1984.

3. In the event Redeveloper fails to perform its obligations within the times set forth in Sections 1 and 2 above, the Contract of Sale between Agency and Redeveloper and any rights of the Redeveloper in said Contract, or arising therefrom with respect to the Agency or the Property, shall be deemed automatically terminated pursuant to the terms of the Special Warranty Deed.

4. Agency and Redeveloper agree that as a result of Redeveloper's nonperformance under the Contract of Sale, Redeveloper is in default of its obligations to Agency, that Agency has

the right to terminate the Contract of Sale for nonperformance, and that Agency has no obligation to Redeveloper or any other person or party to render any additional performance of any type whatsoever as a condition precedent to further performance by Redeveloper or to termination.

5. Agency and Redeveloper further agree that such non-performance by Redeveloper was not in any way excused for any reason, including by reason of any act or failure to act on the part of the Agency, the City of Sacramento or other person or party.

6. In the event Redeveloper fails to deliver to the Agency executed copies of this Automatic Rescission Agreement by December 9, 1983, said Contract of Sale shall be automatically terminated by the Agency in accordance with the terms of the Special Warranty Deed.

7. In the event of automatic termination as provided above, Redeveloper agrees to execute, acknowledge and deliver to the Agency within fifteen (15) days after written request, a quit-claim deed or other document required by any title company to remove the cloud of said Contract of Sale from the Property.

8. Both parties acknowledge that time is of the essence and prior failure to insist upon adherence to the Schedule of Performances shall not constitute a waiver of the Agency's right to insist upon strict adherence to the terms of this Automatic Rescission Agreement, or subsequent acts to be performed under the Schedule of Performances.

IN WITNESS WHEREOF, the parties hereto have executed this Automatic Rescission Agreement effective as of the date first above written.

REDEVELOPMENT AGENCY OF THE CITY
OF SACRAMENTO

By _____
Executive Director

APPROVED AS TO FORM:

Agency Counsel

MJC PARTNERSHIP

By _____

By _____

By _____