



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



26-A

November 12, 1986



Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Camellia City Center

SUMMARY

This report recommends rendering certain financial and other assistance to the Camellia City Center to help them remain in their current facility.

BACKGROUND

On October 28th, your Council was scheduled to hear an appeal by the Downtown Merchants Association of a Planning Commission decision to grant a special permit to operate a community center at 719 J Street. The initial application had been filed by the property owner in anticipation of a lease with Camellia City Center who was looking for a new site given various problems with their current lease in the ground floor of the Capitol Park Hotel on 9th Street.

Agency staff was in agreement with the Downtown Merchants Association that the J Street site was inappropriate for this use. (The Agency has been doing everything it can to encourage retail uses on J Street, pursuant to your recently adopted Downtown Redevelopment plan.) Consequently, we offered our assistance to Camellia City Center in an attempt at working out a renewed lease arrangement for them at the Capitol Park site.

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Redevelopment Agency of the City of Sacramento

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Following extensive negotiations with the Capitol Park owner, Mr. Ron Henry, we have reached an agreement (see Attachment 1) on terms of a proposed lease which are before you for consideration. Under the proposed lease terms, the Agency will lease the space from Mr. Henry for \$2,450.00 per month (heating and cooling not included) for three years at which time the rent will increase to \$2,650.00 per month. The initial rate works out to be \$.52/sq.ft./month. The initial term will be for five years, with an annual option to renew for five additional years. The Agency will sublet the property to Camellia City Center, who will make all lease and heating/cooling payments.

Mr. Henry has agreed to reimburse the Agency for up to \$100,000 of the \$160,000 in leasehold improvements which we will make at the request of Camellia City Center (see Attachment 2). The \$100,000 liability will be reduced by \$15,000 per year for the first five years of the lease and thereafter by \$12,500 in the sixth and seventh years. The \$100,000 equates to our estimate of the real "value-added" to his property. The balance, which will be treated as a grant to Camellia City Center, are improvements which they want but which will be of no value to Mr. Henry. The "value-added" will, in essence, be fully depreciated over the seven year term of forgiveness. If Mr. Henry breaks the lease during that term, he will have to reimburse us the remaining unforgiven amount. The lease terms will be officially recorded on the property.

FINANCIAL DATA

A total of \$160,000 in Downtown Tax Increment (Developer Assistance Fund) monies will be needed for this project. The balance in the Developer Assistance Fund will be reduced to \$41,723 following this transaction (see Attachment 3).

ENVIRONMENTAL DATA

No environmental review required.

VOTE AND RECOMMENDATION OF COMMISSION

The Sacramento Housing and Redevelopment Commission has been briefed on this proposal. Time has not permitted a formal action.

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RECOMMENDATIONS

Staff recommends adoption of the attached Resolution which:

1. Allocates \$160,000 in Downtown Tax Increment (Developer Assistance Fund) monies for use on improvements to the Camellia City Center site.
2. Authorizes the Executive Director to enter into a lease agreement for lease of the space for Camellia City Center which is in accord with the terms set forth in this staff report.
3. Authorizes the Executive Director to sublet the space to Camellia City Center pursuant to the terms set forth.
4. Authorizes the Executive Director to enter into such construction contracts or other agreements necessary to effect the identified leasehold improvements.
5. Amends the Agency budget in accord with these changes.

Respectfully submitted,


WILLIAM H. EDGAR
Executive Director

Contact Person: John Molloy
440-1360

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RESOLUTION NO. 86-066

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

APPROVED

NOV -12 1986

SACRAMENTO REDEVELOPMENT AGENCY
CITY OF SACRAMENTO

PARK

AUTHORIZING LEASE RELATING TO CAPITOL ~~CENTER HOTEL~~
AND THE SUBLEASE TO CAMELLIA CITY CENTER

WHEREAS THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO is desirous of assisting the Camellia City Center to continue providing services to the elderly residents of Downtown Sacramento;

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

Section 1. A total of \$160,000 in Downtown Tax Increment funds (Cost Center 0882) is authorized to be used for renovations and other leasehold improvements to the property.

Section 2. The Executive Director of Sacramento Housing and Redevelopment Agency is authorized to enter into a lease with the owner of the Capitol Park Hotel pursuant to terms substantially the same as those set forth in the staff report on this subject matter dated November 12, 1986.

Section 3. The Executive Director is further authorized to sublet the property to Camellia City Center pursuant to those terms.

Section 4. The Executive Director is authorized to enter any and all construction contracts and/or other agreements necessary to make the required leasehold improvements.

Section 5. The Agency budget is hereby amended to effect the changes indicated above.

CHAIR

ATTEST:

SECRETARY

0586L

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November 12, 1986

Dwight Moore
Sacramento Housing and Redevelopment
Agency
630 I Street
Sacramento, CA 95814

Dear Mr. Moore:

This letter will set forth the basic terms and conditions upon which Mr. Ronald A. Henry will agree to lease the premises located at 1121 9th Street, Sacramento, California, to the Sacramento Housing and Redevelopment Agency:

1. The term of the lease will be for five (5) years, commencing December 1, 1986.
2. The monthly rent for the first, second and third years will be \$2,600.00, and for the fourth and fifth years will be \$2,800.00.
3. The lessee would be entitled to a credit of \$150.00 per month for a utility allowance, but would be obligated to pay for all of its utility expenses.
4. The lessor would pay all real estate taxes, garbage collection, water and sewer charges, and casualty insurance. The lessee would be required to maintain public liability and property damage insurance naming the lessor as an additional insured in limits and with an insurer acceptable to the lessor. The lessee would be responsible for repair and maintenance of the premises.
5. Any leasehold improvements would have to be provided and paid for by the lessee, including but not limited to replacement of heating and/or air conditioning equipment. Any proposed tenant improvements would be subject to the prior approval of the lessor, and the lessor would require that detailed plans and specifications for any such proposed improvements be submitted to the lessor for approval.

Mr. Moore
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6. After the third year of the lease term, the lessor would be entitled to terminate the lease upon giving six months' advance written notice to the lessee, and provided that the lessor would pay to the lessee upon the effective date of the termination an amount equal to the total cost of the tenant improvements installed by the lessee (not to exceed \$100,000.00) reduced by \$15,000.00 per year of the lease term. Said reduction would be prorated for partial years. The tenant improvements would remain the property of the lessor upon termination of the lease.

7. The lessee would have five successive one-year options to extend the term of the lease after the conclusion of the initial term. The monthly rent during each year of the option period would be determined based upon the increase in the Consumer Price Index (San Francisco-Oakland Bay Area) from the beginning of the immediately preceding year of the lease term to the end of that year. The annual increase in monthly rent during any option year would not exceed 5% of the prior year's monthly rent, but each year's monthly rent increase would be not less than \$100.00 above the prior year's monthly rent. In addition, the lessor would retain the right during the first two option periods to terminate the lease upon giving six months' advance written notice to the lessee, and paying to the lessee upon the effective date of such termination an amount equal to the initial cost of tenant improvements (not to exceed \$100,000.00) reduced by \$75,000.00 plus \$12,500.00 per year during the option period. If the first two options are exercised by the lessee, the lessor would be entitled to terminate the tenancy upon six months' advance written notice without any further obligation to pay any amount to the lessee for the termination.

8. The lessee would agree to subordinate its interest to any loan or loans secured by a deed of trust or deeds of trust on the property on which the leased premises are located in a total principal amount not to exceed \$2,500,000.00, and on payment terms to be designated in the formal written lease.

We believe the foregoing covers the salient points of a proposed lease to be entered into between the Redevelopment Agency

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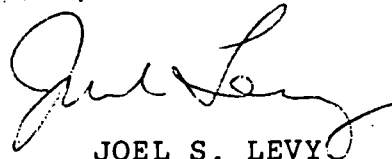
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and our client, but, of course, there would be certain other details to be discussed and agreed upon in entering into a written lease. If the Redevelopment Agency finds the foregoing terms acceptable, we look forward to working together toward formalizing the agreement and entering into a lease upon these terms in the near future.

Very truly yours,

HEFNER, STARK & MAROIS

By



JOEL S. LEVY

JSL/ck:2

cc: Mr. and Mrs. Ronald A. Henry

LIST OF PROPOSED IMPROVEMENTS

Heat and air estimate, including required electrical, ducting and installation.	\$ 30,000
Electrical upgrade of main floor and mezzanine.	20,000
Upgrade existing downstairs bath to men's handicap facility and create a new women's handicap bath on the same level. Includes plumbing, fixtures and walls.	27,000
Rearrange the non-efficient, existing office space and create new offices on first floor. (Includes floor covering.)	15,000
Upgrade bath and replace fixtures on the upper level.	2,500
Upgrade and remodel kitchen area.	9,000
Additional floor covering, all areas except offices.	10,000
Paint complete interior.	11,000
Repair all windows for operational use.	1,500
Window coverings.	2,000
Demolition and debris removal.	3,000
Furniture and miscellaneous equipment	10,000
Contractor profit and overhead at 17% +	<u>19,000</u>
Total Estimate	\$160,000

ATTACHMENT 3

STATUS OF DOWNTOWN DEVELOPER ASSISTANCE FUND

Balance 10/31/86	\$1,136,723
Less: Loan Commitments to Date	<u>535,000</u>
Subtotal	\$ 601,723
Less: Tentative Commitment Pioneer Hall	<u>\$ 400,000</u>
Subtotal	\$ 201,723
Less: Camellia City Center Project	<u>\$ 160,000</u>
Balance	\$ 41,723

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