



**REPORT TO HOUSING AUTHORITY**  
**City of Sacramento**  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

Consent  
**April 6, 2010**

**Honorable Chair and Members of the Housing Authority Board**

**Title: Riverview Plaza Commercial Property Lease Amendment and Rent Reduction**

**Location/Council District:** 600 I Street, Council District 1

**Recommendation:** Adopt a **Housing Authority Resolution** authorizing the Executive Director or her designee to: 1) reduce the rent for twelve months, 2) execute Lease Amendment #5 for a two year extension to the commercial lease originally executed September 15, 1993, between the Housing Authority and Dennis W. Vicars, Michele Ann Winger, Jacqueline C. Colbert/Phoenix Schools, for the property located at 600 I Street, Suite 102 extending the term to March 31, 2018.

**Contact:** Nick Chhotu, Assistant Director, 440-1334, Cecette Hawkins, Management Analyst, 449-6218

**Presenters:** N/A

**Department:** Sacramento Housing and Redevelopment Agency (SHRA)

**Description/Analysis**

**Issue:** The Housing Authority of the City of Sacramento began leasing commercial space at Riverview Plaza in September 1993 to Lil' People's School (later assigned to Phoenix Schools, Inc.). The lease included 5,300 square feet of indoor commercial space and 7,500 square feet of outdoor deck (playground area). The lease was approved by the Housing Authority of the City of Sacramento in 1993 for a term of five years with two extension options of five years each. Phoenix Schools is a child care and early childhood education program for infants (six weeks old) through kindergarten (six years old).

On February 17, 2009, a lease extension with Phoenix Schools was authorized through March 31, 2016. Concurrent with the December 2009 rent payment, the Phoenix Schools, Inc. CEO requested a 25 percent rent reduction for 12 months (12/1/09 – 11/30/10) due to economic hardship triggered by reduced enrollment at this and other locations. Through subsequent discussions, and contingent upon necessary governing board approval, a 15 percent rent reduction was

tentatively agreed to for 12 months (12/1/09 – 11/30/10) in conjunction with a two year lease extension with 4.5 percent annual rent increases. Staff recently completed a commercial property rent survey that confirms a significantly weakened commercial real estate market has lowered asking rates for available space. Additionally, many existing commercial tenants in Sacramento County have been requesting reduced rents in order to survive the severe recession. Staff recommends this temporary rent reduction and lease extension for Phoenix Schools, Inc. as they provide a valuable service to downtown workers including SHRA employees and Phoenix Schools Inc. has been a valued, stable tenant at Riverview Plaza for over 16 years.

**Policy Considerations:** Public Housing Authorities are required to comply with applicable federal laws and regulations, including the Quality Housing and Work Responsibility Act of 1998 (QHWRA). No new policies are recommended in this report.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed action to amend the lease to continue an existing use in an existing facility is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Section 15301.

**National Environmental Policy Act (NEPA):** There is no federal funding or any other federal action involved with this action; therefore, the National Environmental Policy Act (NEPA) does not apply.

**Sustainability Considerations: N/A**

**Other: None**

**Committee/Commission Action:** *Sacramento Housing and Redevelopment Commission:* At its meeting on March 17, 2010, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Burruss, Chan, Dean, Fowler, Gore, Morgan, Morton, Otto, Rosa, Shah, Stivers

NOES: None

ABSENT: None

**Rationale for Recommendation:** Staff recently completed a commercial property rent survey that confirms a significantly weakened commercial real estate market has lowered asking rates for available space. Additionally, many existing commercial tenants in Sacramento County have been requesting

reduced rents in order to survive the severe recession. The attached resolution will authorize the Housing Authority to reduce the rent for a period of 12 months from December 1, 2009, through November 30, 2010, and concurrently extend the lease two years to enable Phoenix Schools, Inc. to continue to offer a needed service to the community.

**Financial Considerations:** This report recommends a reduction in scheduled rent payments for a twelve-month period and the related amendment to the 2010 budget.

The monthly rent for the commercial lease at Riverview Plaza located at 600 I Street was calculated after considering market conditions (vacancies, free rent, etc.), reviewing a rent survey, and taking into consideration the previous length of tenancy. The monthly rent that has been agreed to is as follows:

Time Period	Monthly Base Rent	Increase Compared to Previous Year
12/1/2009 - 11/30/2010	\$6,553.50	(13.3%)
12/1/2010 - 11/30/2011	\$7,922.00*	20.9%
12/1/2011 - 11/30/2013	\$8,199.00*	3.5%
12/1/2013 - 3/31/2016	\$8,568.00	4.5%
4/1/2016 - 3/31/2017	\$8,954.00	4.5%
4/1/2017 - 3/31/2018	\$9,357.00	4.5%

\*The previous Amendment No. 4 included two months free rent for 12/2010 and 12/2011.

**M/WBE Considerations:** The items discussed in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by:

  
 LASHELLE DOZIER  
 Executive Director

Recommendation Approved:

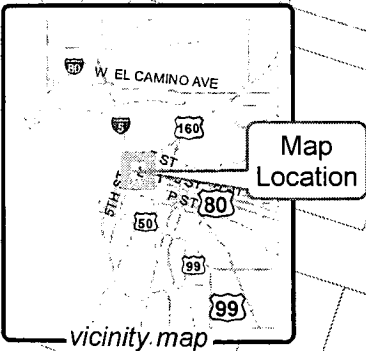
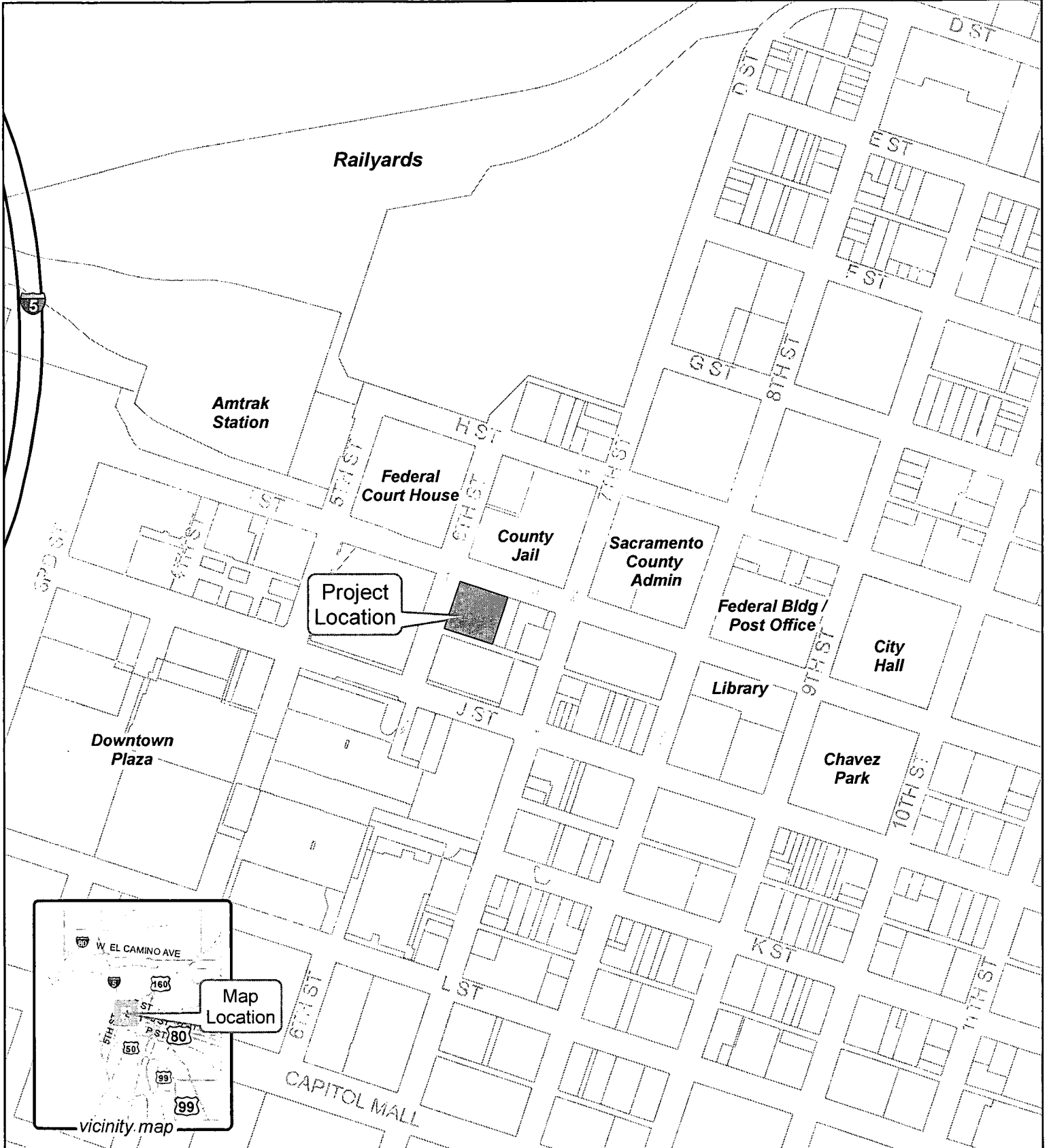
  
 AUGUST VINA  
 Interim City Manager

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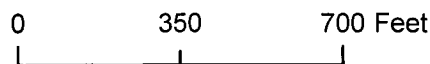
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# Riverview Plaza - 600 I Street



 600 I St



SHRA GIS  
March 5, 2010

## **RESOLUTION NO. 2010 -**

**Adopted by the Housing Authority of the City of Sacramento**

on date of

### **AUTHORIZATION OF THE LEASE AMENDMENTS and RENT REDUCTION FOR THE COMMERCIAL PROPERTY LOCATED AT 600 I STREET**

#### **BACKGROUND**

- A. On February 17, 2009, a Phoenix Schools lease extension was authorized through March 31, 2016. Concurrent with the December 2009 rent payment, the Phoenix Schools, Inc. requested a 25% rent reduction for 12 months (12/1/09 – 11/30/10) due to economic hardship triggered by reduced enrollment at this and other locations.
- B. Staff conducted a commercial rent survey and has determined that the proposed reduced rents were comparable to other rents in the area. Staff recommends continuing to lease the property to Phoenix Schools as they provide a valuable service to downtown workers including employees of SHRA. In addition, Phoenix Schools Inc. has been a stable tenant at Riverview Plaza for over 15 years.
- C. The action authorized in this resolution is exempt from further CEQA review pursuant to Guideline Section 15301 and other findings regarding this action.

#### **BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:**

- Section 1. The foregoing background recitals and findings are determined to be true and correct and are hereby adopted.
- Section 2. The Executive Director, or her designee, is authorized to reduce the rent for twelve months and concurrently execute Lease Amendment #5 for a two year lease extension to the Commercial Lease dated September 15, 1993 by and between the Housing Authority of the City of Sacramento and Dennis W. Vicars, Michele Ann Winger, Jacqueline C. Colbert dba Lil People's School (later assigned to Phoenix Schools, Inc.), as amended from time to time, extending the term of the commercial lease for the property located at 600 I Street, Suite 102 to March 31, 2018.

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Exhibit A – Lease Amendment #5

**LEASE AMENDMENT NO. 5**

**THIS LEASE AMENDMENT NO. 5 to Commercial Lease is made this 10th day of February, 2010, by and between the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO as Landlord and PHOENIX SCHOOLS, INC. as Tenant.**

**RECITALS**

1. Landlord and Tenant entered into that certain Commercial Lease ("Original Lease") dated September 15, 1993 pursuant to which Landlord leased to Tenant and Tenant leased from Landlord the premises located at 600 I Street, Suite 102, Sacramento, California as more particularly described in the Lease. The Lease was for an initial five (5) year term, and Tenant received two (2) extension options of five (5) years each.
2. Landlord and Tenant entered into Lease Amendment No. 1 to Commercial Lease on or about December 8, 1997; and
3. Landlord and Tenant entered into Lease Amendment No. 2 to Commercial Lease on or about July 25, 2003; and
4. Landlord and Tenant entered into Assignment of Lease and Lease Amendment No. 3 on or about August 4, 2004; and
5. Landlord and Tenant entered into Lease Amendment No. 4 on or about December 3, 2008.

**AGREEMENT**

1. Lease Term: Landlord and Tenant hereby agree to continue with the terms and conditions in the attached Commercial Lease dated September 15, 1993, as it has been amended from time to time. Landlord and Tenant further agree to this Amendment No. 5 and the terms and conditions herein.

2. Monthly Base Rent:

<u>Time Period</u>	<u>Monthly Base Rent</u>	<u>Increase Compared To Previous Year</u>
12/1/2009 – 11/30/2010	\$6,553.50	(13.3%)
12/1/2010 – 11/30/2011	\$7,922.00 (12/1/2010 – 12/31/10 free)	20.9%
12/1/2011 – 11/30/2013	\$8,199.00 (12/1/2011 – 12/31/11 free)	3.5%
12/1/2013 – 3/31/2016	\$8,568.00	4.5%
4/1/2016 – 3/31/2017	\$8,954.00	4.5%
4/1/2017 – 3/31/2018	\$9,357.00	4.5%

Upon expiration of the Lease and until a lease extension is mutually executed, the Lease will continue on a month-to-month basis at an increased monthly rent amount of the greater of 5.0% or CPI (Consumer Price Index - All Urban Consumers).

As of February 10, 2010, the parties agree all rent has been paid through February 28, 2010.

3. Notices: The parties agree that the address for notices shall be as follows:

To Landlord: Housing Authority of the City Of Sacramento  
Attention: Legal Department  
801 12th Street, Sixth Floor  
Sacramento, CA 95814

To Tenant: Phoenix Schools, Inc.  
Attention: Chief Executive Officer  
8767 Via de Ventura, Suite 240  
Scottsdale, AZ 85258

4. Successors and Assigns: Except as otherwise provided in the Lease, this Amendment shall be binding upon and shall inure to the benefit of the parties hereto, the personal representatives, successors, transferees, and assigns.

5. Ratification: Except as set forth above, all other terms and conditions of the Lease are ratified and affirmed and shall remain in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Amendment to be executed as of the date set forth above.

**LANDLORD:**

**TENANT:**

Housing Authority of the City Of Sacramento

Phoenix Schools, Inc.

By: \_\_\_\_\_  
La Shelle Dozier  
Executive Director

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_