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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

July 25, 1980

CITY MANAGER'S OFFICE
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JUL 25 1980

Housing Authority of the
City of Sacramento
Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

CITY GOVERNING BOARD
PHILLIP L. ISENBERG, MAYOR
LLOYD CONNELLY
BLAINE H. FISHER
THOMAS R. HOEBER
DOUGLAS N. POPE
JOHN ROBERTS
LYNN ROBIE
ANNE RUDIN
DANIEL E. THOMPSON

SUBJECT: San Carlos Motel

SUMMARY

By adopting the attached resolution, you authorize the Executive Director to execute an amendment to the Lease for the former San Carlos motel and to solicit bids for the sale of that motel.

COUNTY GOVERNING BOARD
ILLA COLLIN
C. TOBIAS (TOBY) JOHNSON
JOSEPH E. (TED) SHEEDY
SANDRA R. SMOLEY
FRED G. WADE

BACKGROUND

EXECUTIVE DIRECTOR
WILLIAM G. SELINE

On July 17, 1979 by Resolution No. 2849, you authorized the Executive Director to purchase the San Carlos motel on Stockton Boulevard with the intent of making certain renovations and leasing the building to the County of Sacramento Mental Health Department and/or Midtown Manor, Inc. to be used as a residential facility for mentally disordered adults. Subsequently, on March 11, 1980, the Executive Director executed a lease on behalf of the Housing Authority of the City with the County of Sacramento for the structure.

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SACRAMENTO, CA 95809
630 I STREET
SACRAMENTO, CA 95814
(916) 444-9210

Subsequently, it became clear that the degree of rehabilitation of the building required for its prospective use substantially exceeded earlier estimates. Additionally, considerable delay occurred in undertaking the rehabilitation required. During the same period it was ascertained that Midtown Manor, Inc. is presently occupying a substandard building and further, that the State Department of Mental Health wishes to close the facility currently occupied by Midtown Manor at an early date. As a result, Midtown Manor is under substantial pressure to occupy the former San Carlos motel site not later than January 1, 1981.

APPROVED
SACRAMENTO HOUSING AUTHORITY

Date 7/29/80

7-29-80

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It had at all times been the intention of the Agency to sell the motel to a private investor upon the completion of the rehabilitation and the leasing of the motel to Midtown Manor. However, in view of the substantial rehabilitation to be undertaken and the elaborate procedures and requirements which would have to be employed by the Agency if it were to undertake the rehabilitation directly, it is the judgment of the Agency staff that the necessary rehabilitation can be more expeditiously and inexpensively undertaken by the private sector. As a result, it is thought appropriate to pursue the sale to a private investor prior to the rehabilitation but subject to the leasehold interest.

As a result of the more substantial rehabilitation required, Agency staff anticipates that the proceeds from a sale to an investor might well not equal the acquisition and development costs expended by the Agency thus far (approximately \$230,000). With a view toward obtaining data for your consideration, Agency staff inserted two newspaper advertisements in the local papers requesting proposals based upon the March 11, 1980 lease with the County of Sacramento and the most recent estimate of the necessary rehabilitation done by Mr. Larsen of the Agency staff. As a result of those advertisements, Agency staff received indications of interest from three parties with proposed purchase prices ranging from approximately \$40,000 to approximately \$60,000 for the Agency's interest in the San Carlos motel. At least one of the parties indicated that the Agency's lease with the County was considered a detriment from the standpoint of investment.

In substance, the March 11, 1980 lease called for the payment of \$3,800 per month for five years with the County of Sacramento retaining an option to extend the lease for an additional five years at the same rental. The County also acquired a right to cancel the lease at its option upon thirty days notice after two years. Thus, from an investor's standpoint, he might have as little as two years to recoup his very substantial investment in rehabilitation and he might further be required to maintain a fixed rental in the face of substantial and expected inflation for as much as ten years.

Consequently, Agency staff concluded that the salability of the motel would be substantially enhanced if certain terms of the lease with the County of Sacramento could be modified. With a view towards such modification, Agency staff met with the City

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Manager and the County Executive and negotiated in principle certain modifications to the County lease. Those modifications were presented to the Sacramento County Board of Supervisors for their approval this morning and you will be advised of the outcome of their consideration.

In summary, the amendment to the Lease of March 11, 1980 provides that the 30-day cancellation clause is to be deleted. Further, the County is given an option to extend the lease for two successive five year periods rather than a single five year period. However, the rental for these two successive five year periods is to be negotiated based upon the fair market rental existing at the time. Additionally, the amendment deletes certain extraneous documents from the lease which were included in the first instance.

Agency staff believes that the proposed amendments to the lease substantially enhance the marketability of the motel from an investment standpoint and should result in a substantially higher price to be received by the Agency.

Of course, the Agency staff cannot represent that a shortfall will not occur between the bids to be received from potential purchasers and the acquisition costs expended by the Agency. However, we believe that such a shortfall will be substantially narrowed over the present situation by the adoption of the attached amendment.

Agency staff also seeks your authorization at this time to proceed with the formal solicitation of bids to sell the building subject to the amended lease.

A related concern not included in this submission involves the necessity for the issuance of a special use permit to the County of Sacramento for the use of the San Carlos facility as a residence for mentally disordered adults. It is the understanding of Agency staff that the City Attorney's office at the direction of the Planning Department is preparing an amendment to the Mental Health Residence ordinance enacted by the Council in June, 1980, which would have the effect of providing for direct Council consideration of a special use permit for this facility.

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It should be noted that the lease with the County is expressly conditioned upon its obtaining the requisite use permit. If for any reason, such a permit were not granted by the Council, the County would have the option of terminating the lease and the Agency would then be in a position to sell the San Carlos building without regard to the present leasehold interest of the County. Agency staff cannot ascertain at this time whether such a sale would produce a higher or a lower bid than the building subject to the leasehold interest.

VOTE AND RECOMMENDATION OF THE COMMISSION

Due to the extreme time pressure upon the Agency to make the necessary selection and sale as quickly as possible to allow sufficient time for the rehabilitation of the building and occupancy by January 1, 1981, Agency staff has not submitted this proposed amendment nor the proposed solicitation of bids to the Sacramento Housing and Redevelopment Commission.

RECOMMENDATION

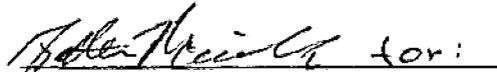
I recommend that you adopt the attached resolution.

Sincerely,



WILLIAM G. SELINE
Executive Director

TRANSMITTAL TO COUNCIL:


WALTER J. SLIPE
City Manager

Contact Person: Brenton A. Bleier

RESOLUTION NO. 1822

Adopted by the Housing Authority of the City of Sacramento

July 29, 1980

AUTHORIZING EXECUTION OF AMENDMENT TO LEASE
WITH THE COUNTY OF SACRAMENTO AND
AUTHORIZING SOLICITATION OF BIDS
SAN CARLOS MOTEL PROPERTY

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY
OF SACRAMENTO:

Section 1. The Executive Director is authorized to execute on behalf of the Housing Authority of the City of Sacramento that certain amendment attached as Exhibit "A" to the Lease dated March 11, 1980, by and between the County of Sacramento and the Housing Authority of the City of Sacramento pertaining to that property known as the former San Carlos Motel on Stockton Boulevard in the City of Sacramento.

Section 2. The Executive Director is authorized to solicit bids for the sale of the aforementioned San Carlos Motel property.

CHAIRPERSON

ATTEST:

Wanda S. Smith
SECRETARY

APPROVED
SACRAMENTO HOUSING AUTHORITY

Date 7/29/80

LEASE AMENDMENT

THIS AMENDMENT TO LEASE made and executed this _____ day of _____, 1980, amending that certain lease authorized by Resolution No. 80-254 made and entered into on the 11th day of March, 1980, between HOUSING AUTHORITY, CITY OF SACRAMENTO, hereinafter called "Lessor", and the COUNTY OF SACRAMENTO, a political subdivision of the State of California, hereinafter called "Lessee".

R E C I T A L S:

WHEREAS, the County of Sacramento, a political subdivision of the State of California entered into a lease with HOUSING AUTHORITY, CITY OF SACRAMENTO, on the 11th day of March, 1980, authorized by Resolution No. 80-254, for the accommodation of the Health Department of the County of Sacramento, and for everything necessary and incidental thereto and

WHEREAS, both parties desire to change the lease term, options to renew, deadline to complete remodeling and additions to remodeling specifications.

NOW THEREFORE, IT IS AGREED as follows:

1. That the lease entered into by the parties hereto on March 11, 1980, and authorized by Resolution No. 80-254 of the Board of Supervisors is hereby amended as follows:

- a. Paragraph No. 20 of said lease dated March 11, 1980 relating to Lessee's rights to cancel the lease is hereby deleted.
- b. Paragraph No. 17 of said lease dated March 11, 1980 which provides for an option to renew for five years at the same monthly rental shall be deleted and replaced with the following:

"Lessee shall have the right and/or option to renew this lease for two (2) successive five (5) year terms, upon giving thirty (30) days notice in writing to Lessor before the expiration of any five (5) year lease term, upon the same terms and conditions and for a mutually agreed rental."

c. The deadlines to complete remodeling as provided for on Page No. 2 of said lease dated March 11, 1980 are changed as follows:

"Notwithstanding any other provisions in the lease to the contrary, in the event remodeling of the building wherein said premises are located is not complete, (including compliance with all codes and ordinances, and receipt of any required use permits for the proposed Lessee's use) by January 1, 1981, Lessee shall thereupon have the right at its option, to cancel and terminate this lease at anytime thereafter without any obligation on its part herein. Lessor shall submit to Lessee a complete set of plans and specifications within forty-five (45) days after execution of this amendment."

d. Exhibit B is hereby modified to include the attached Exhibit B-2 (supplementary specifications) which is attached hereto and incorporated herein by reference for all purposes. Memo dated September 11, 1979 Evanchak to Wagaman and memo dated September 14, 1979 Evanchak to Stroth are hereby deleted.

2. That in all other respects all of the terms and conditions of said lease executed March 11, 1980, shall remain in force and effect as specifically modified herein.

IN WITNESS WHEREOF, the respective parties hereto have unto set their hands the day and year first above written.

HOUSING AUTHORITY, CITY OF SACRAMENTO

By: _____

COUNTY OF SACRAMENTO, a political subdivision of the State of California

Chairman of the Board of Supervisors

ATTEST: _____
Clerk of the Board of Supervisors

Approved: _____
Health Department

Reviewed: _____
Real Estate Division

Approved as to form: _____
County Counsel

EXHIBIT B-2

SUPPLEMENTARY SPECIFICATIONS

SAN CARLOS MOTEL
2830 STOCKTON BOULEVARD

The following list of work to be completed by lessor shall be included in the final specifications and plans. In the event of a conflict between Exhibit A, A-1, B, B-1 or this Exhibit B-2, the lessee shall be consulted and his decision shall be final and binding. If any of the above mentioned exhibits do not comply with current codes and ordinances, the exhibits shall be modified to comply:

1. AREA CALCULATIONS

SOUTH WING

Office Area:	213 s.f.
Manager's Office:	658 s.f.
Washroom Area:	350 s.f.
Other Livable Area:	<u>2,003 s.f.</u>

Total. 3,224 s.f.

CENTER SECTION

Upper Livable Area:	1,410 s.f.
Upper Storage Area:	290 s.f.
Lower Livable Area	944 s.f.
Lower Existing Garage Area:	1,450 s.f. (includes converted area)
Lower Other Use:	<u>250 s.f.</u>

Total. 4,344 s.f.

NORTH WING

Livable Area	2,350 s.f.
Storage	165 s.f.
Snack Bar	<u>180 s.f.</u>

Total. 2,695 s.f.

Total Livable Area Including Manager's Apartment	7,365 s.f.
Total Non-Livable Area	<u>2,898 s.f.</u>
Total Floor Area Including Upper and Lower	10,263 s.f.

- Lawn sprinklers: Repair as required.
- Driveway seal coat 8,500 s.f.
- Fire sprinkler system to meet code.
- Exterior stairs with hand rails and landing - to meet code.

6. Termite work per Termite Report #93666.

Visible dryrot and damage other than termite report:

- Dryrot to overhand, south corner of Center Section
- Dryrot to 8x8 post, south corner of Center Section
- Dryrot and damage, railing and porch deck, Center Section
- Dryrot to roof sheathing, Center Section, Apt. 15
- Dryrot to roof sheathing, Center Section, Apt. 9, 11 & storage
- Damage to roof sheathing, rear of North Wing, Apt. 20 (?)
- Dryrot and damage to roof sheathing, overhand South Wing & Laundry Area
- Dryrot to floor areas of h/w enclosures

7. Electrical:

Existing electrical service is an antiquated 200 amp. single phase panel, poorly enclosed, accessible to children, w/sub panels and separate breaker system for all apts., of insufficient size to meet the amperage load. Requirements of this complex will be a minimum of a new 400 amp/3 phase service, proper service enclosure, sub panels, elect. raceways, and all appurtenances thereof.

Electrical outlets in the bath areas are non-existent. All units will require new G.F.I. circuits. Some elect. will require upgrading; other areas will require removal.

8. Smoke detectors:

9. Gas line: Requires pressure test and repair/replace, as required.

10. Plumbing:

Existing plumbing has a moderate amount of visual problems. There are, nevertheless, existing open and deteriorated exposed plumbing to the rear of Center Section and North Wing. 90% of all the hot water heaters are without shutoff valves and/or overflow lines. Several units are also without shutoffs.

11. Roofing:

As previously mentioned, the roof on this structure is in a varied condition. Roof on the front and to the court yard area is Spanish tile. The rear portion of the South and North wings has rolled roofing which will last a couple of years with minimum patch, roof jack repair/replacement, turbine vent reflashing and ridge reseal and repair. The rear of the Center Section will require reroofing.

South & North Wings - slope 3/12 - rolled roofing material repair required:

- 10 roof jacks, replaced & sealed
- 33 vent flashings, resealed
- 278 l/f of ridge reseal
- 13 turbine vents resealed & serviced
- rolled roof repaired 7 sealed

Center Section - slope 2/12 - extensively deteriorated composition shingles. Composition shingles not to be used on any slope less than 4/12.

Repair required:

- 1,600 s.f. of buildup roofing, 5 ply
- 9 roof jacks
- 9 vent stacks
- 2 turbine vents (service & reinstall)
- 4 roof vents w/screens

(Note: Removal included under demolition)

Spanish tile roof repair

Includes replacement of broken/missing tile, resealing loose tile, recementing all broken loose seal areas.

(Note: Extra tile available on site)

12. Central Kitchen Facilities:

Includes cab, plumbing, ventilation, new footings, walls, doors, windows & floor covering

13. Exterior Doors:

23 solid core doors to be replaced (20 entry doors, 1 each Manager's kit to laundry, rear & storage door)

12 jambs & trim

8 locksets

3 hinge sets

14. Windows:

33 glass replacements (includes obscure glass in lower level bath areas)

10 window replacements (includes casement windows & bath louvered)

Bar removal, patching and/or replacement of sill and/or stoop (45 windows)
screens

15. Heating:

All units are single wall, thermostatically controlled, excepting the Manager's apartment which is a dual wall w/fan. Two units will require relocation due to adjoining walls and door clearances. Units are presently a fire hazard.

9 units replaced

11 units repair & service

3 units are new

13 units will require new thermostats

(not including the 9 on furnace replacement)

all flues to be cleaned & checked

16. Water Heaters:

Heaters are set up so one heater services 2 units. Several heaters are missing. A couple of heaters leak badly. Most heaters are without run-off lines. Some flues are bad or not connected. All heaters should be replaced. Washroom area requires separate larger heater.

14-40 gallon heaters

1-50 gallon heater (min)

Vent repair/replacement and run-off

17. Water Heater Enclosures:
All enclosures have deteriorated wall covering with exposed stud - fire hazard extreme. 50% of all enclosure doors are missing/deteriorated.
18. Attic Insultation:
Insulate to R-19 requirement - 7,365 s.f. of ceiling area.
19. Upgrade Kitchen in Manager's Apartment
20. Upgrade Laundry Area
21. Lounge Conversion:
Include footings with enclosures, new walls, new wall surfacing windows, doors, floor covering, electrical, etc. - 756 s.f.
22. Remove ranges from kitchenetts - (Living units)
23. Additional fencing.
Due to high vandalism problems within the area, together with the proposed usage, a fence shall be erected behind the structure on the south, west and portion of north property line (213' south, 150' west and 50' on the north - total: 413 feet.
24. Lessee shall have the option to require the Lessor to fill in the swimming pool in lieu of repairing the pool. In the event Lessee exercises said option Lessor shall:
 - a. Disconnect and cap all water sources and drainage pipes.
 - b. Remove any surface mounted equipment and electrical power connections and properly terminate.
 - c. Break up bottom of pool sufficient to allow normal drainage.
 - d. Fill with sand except for the upper one foot which shall be topsoil.
 - e. Prepare topsoil and plant lawn.
 - f. Provide hosebib for irrigation.
 - g. Chain link fencing around pool may be deleted.

This option must be exercised in writing by Lessee within 15 days after execution of this amendment.