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APPROVED
BY THE CITY COUNCIL

SEP 27 1988

OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

OFFICE OF THE
CITY CLERK
AG 88059 (lease)
AG 88060
(option)
CITY HALL
ROOM 101
915 I STREET
SACRAMENTO, CA
95814-2684

September 16, 1988

916-449-5704

City Council
Sacramento, California

Honorable Members In Session:

Subject: **Execution of Lease-Purchase Agreement and Option to Purchase Agreement with WEMCO for the Former City Incinerator Property Located at North 7th and North B Streets**

SUMMARY

This report recommends that the City Council authorize the City Manager to execute two agreements with WEMCO, a Division of Envirotech Corporation, for the Lease-Purchase and an Option to Purchase parcels 001-0031-001 and 002-0010-006, consisting of 10.02 acres located at the northeast corner of North 7th and North B Streets.

BACKGROUND

The City owns and previously operated a landfill and incinerator plant on property located on the corner of North 7th and North B Streets in the Richards Boulevard industrial area of Sacramento. The City discontinued use of the site in the early 1950's and in 1953 entered into a forty year lease agreement with Allan Construction Company of Sacramento. The agreement was signed by Mr. Allan T. Olson (deceased). Mr. Olson, and subsequently his son, have subleased the properties to several users over a period of years including LEABO, SAWDCO and WEMCO. The City's lease with Olson expires on March 4, 1993 at which time the City will have sole discretion on the management and use of the property.

The principal user of the land and facilities is WEMCO, a Division of the Envirotech Corporation. WEMCO is the manufacturer of mineral processing, waste water handling, oil/water separation and specialized pumping equipment. WEMCO exports equipment to numerous foreign countries and Sacramento is the worldwide headquarters providing more than two hundred jobs for area residents. Recently, WEMCO successfully negotiated a three year extension to their 1990 sublease for the property with Allan Construction Company. WEMCO's sublease will expire with the expiration of the Master Lease between Allan Construction Company and the City on March 4, 1993.

WEMCO has continuously occupied this site for more than 30 years. They desire an opportunity to continue at that location beyond the 1993 sublease with Allan. They approached the City in May of 1987 and requested that we give priority to their long term future in the City. We explored various methods which would assure their continued use of the site and concluded that a Lease-Purchase would be most beneficial to both parties.

Appraisals of the property were made and a series of meetings were held to gather information which led to the development of a Lease-Purchase Agreement and Option to Purchase Agreement between the City and WEMCO which are described herein.

DESCRIPTION OF AGREEMENTS

The purpose of this section is to describe the major elements of each of the two agreements.

A. Lease-Purchase Agreement for the City-Owned Property

1. Property

This agreement proposes that the City lease directly to WEMCO parcels owned by the City consisting of 10.02 acres located at the northeast corner of North 7th and North B Streets including property currently occupied LEABO, Inc. and SAWDCO.

2. Term

Term of the lease is twenty years commencing March 5, 1993 and expiring March 4, 2013. Lessee has the right to a lease extension for two additional ten (10) year terms at the same terms and conditions of this lease.

3. Lease Payments

The total rent for the first 60 months of the term is \$490,020 in installments of \$8,167 per month. At the end of the first 5 years, and every five years thereafter, rent shall be adjusted upward or downward for the subsequent five year period according to statistics published by the Department of Labor of the United States and a method of computation is described within the lease. In any event, rent shall not be less than the minimum amount for the first five years.

4. Credit for Demolition of the Incinerator Structure

The agreement provides that the City will allow WEMCO to demolish the incinerator structure and receive credit against rent for all costs of said demolition pro-rated over a thirty-six month period. The demolition is subject to prior City approval.

5. Option to Purchase

WEMCO has the option to purchase the property within the first five years of the term of this Lease-Purchase Agreement. The purchase price is set at \$2,035,000 which is the amount of a full appraisal made by appraiser David E. Lane, M.A.I., on September of 1987. WEMCO is allowed to deduct \$50,000 per year from the sales price of \$2,035,000 for each year of the lease, but in no event shall the deduction exceed \$250,000.

6. Special Assessments

The City is allowed to increase the purchase price by the amount of any special improvement required of the property through a public improvement assessment procedure prior to the date of purchase by WEMCO.

7. Termination

In the event that WEMCO voluntarily surrenders this lease agreement, WEMCO shall pay the City a \$200,000 termination fee.

8. Guarantees

The lease has a number of sections providing guarantees for the City including appropriate insurances.

9. Assignment or Subletting

WEMCO shall have no right to assign this agreement and shall not sublet the premises without first receiving the written consent of the City. WEMCO may assign or sublet all or any portion of the premises to a successor to their business or an affiliate of their company.

B. Option to Purchase

WEMCO requested that the City enter into a separate Option to Purchase Agreement which is referenced in the Lease-Purchase Agreement for the property. This is not a standard practice of the City. It is more a consideration of form than substance, and therefore the City has no objection to the short form Option to Purchase Agreement to meet WEMCO's requirements. The Option to Purchase consists of an exclusive right to purchase the property at a price and under the terms and conditions set forth in the Lease-Purchase Agreement for the property as described in Section A above.

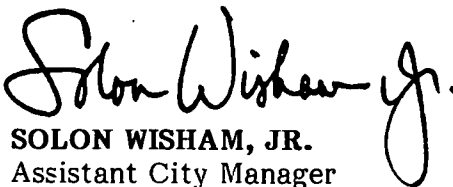
FINANCIAL DATA

The combined total rent to the City from Allan Construction Company is less than \$10,000 per year through the expiration of the lease on March 4, 1993. The proposed Lease-Purchase Agreement with WEMCO for the two parcels owned by the City is \$8,167 per month for the first sixty months. Five years thereafter, the rent is adjusted based on a formula contained in the agreement which utilizes statistics published by the Department of Labor of the United States and adjusted with specified economic indexes. WEMCO is provided an Option to Purchase the 10.02 acres of City property for an appraised amount of \$2,035,000 within the first five (5) years of the twenty year lease.

RECOMMENDATION

It is recommended that the City Council, by resolution, authorize the City Manager to execute a Lease-Purchase Agreement and an Option to Purchase Agreement with WEMCO, a Division of Envirotech Corporation, for the City owned property located on the northeast corner of North 7th and North B Streets in Sacramento.

Respectfully submitted,


SOLON WISHAM, JR.
Assistant City Manager

September 27, 1988
District 1

RESOLUTION No. 88-832

Adopted by The Sacramento City Council on date of

APPROVED
BY THE CITY COUNCIL
SEP 27 1988
OFFICE OF THE
CITY CLERK

AUTHORIZATION TO EXECUTE A LEASE-PURCHASE WITH WEMCO, A DIVISION OF ENVIROTECH CORPORATION, FOR THE CITY PROPERTY LOCATED AT THE NORTHEAST CORNER OF NORTH 7TH AND NORTH B STREETS

BE IT RESOLVED by the Council of the City of Sacramento that the City Manager and the City Clerk are authorized and directed to execute a Lease-Purchase Agreement with WEMCO, a Division of Envirotech Corporation, a Delaware Corporation for the City owned property described as Assessor's Parcels #001-0031-001 and #002-0010-006 consisting of 10.02 acres located at the northeast corner of North 7th and North B Streets within the City of Sacramento.

MAYOR

ATTEST:

CITY CLERK

CONFIDENTIAL SOURCE

CONFIDENTIAL SOURCE

RESOLUTION No. 88-833

Adopted by The Sacramento City Council on date of

AUTHORIZATION TO EXECUTE AN OPTION TO PURCHASE AGREEMENT FOR CITY OWNED PARCELS LOCATED AT THE NORTHEAST CORNER OF NORTH 7TH AND NORTH B STREETS

APPROVED
BY THE CITY COUNCIL
SEP 27 1988
OFFICE OF THE CITY CLERK

BE IT RESOLVED by the Council of the City of Sacramento, that the City Manager and the City Clerk are hereby authorized and directed to execute an Option to Purchase Agreement with WEMCO, a Division of Envirotech Corporation, a Delaware Corporation for the City owned property located at the northeast corner of North 7th and North B Streets consisting of 10.02 acres and described as Assessor's Parcels #001-0031-001 and #002-0010-006.

MAYOR

ATTEST:

CITY CLERK

1942 - 1943

1942 - 1943

September 29, 1988

Bill Colbert
WEMCO
A Division of Envirotech Corporation
721 North B Street
Sacramento, CA 95814

Dear Mr. Colbert:

On September 27, 1988, the Sacramento City Council adopted Resolution No. 88-832 authorizing the execution of City Agreement #88059, Lease-Purchase Agreement Incinerator and Resolution No. 88-833 authorizing the execution of City Agreement #88060, Option to Purchase, regarding property located at the northeast corner of North 7th and North B Street.

Enclosed, for your records, is one fully certified copy of said agreement and authorizing resolution.

Sincerely,

LORRAINE MAGANA, CITY CLERK

JANICE BEAMAN
Acting Assistant City Clerk

JB/cc/35A & 35B
Enclosure

cc: City Manager
Risk Management