



CITY OF SACRAMENTO

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JAMES P. JACKSON
CITY ATTORNEY

THEODORE H. KOBEY, JR.
ASSISTANT CITY ATTORNEY

LELIAND J. SAVAGE

DAVID BENJAMIN

SAM JACKSON

WILLIAM P. CARNAZZO

SABINA ANN GILBERT

STEPHEN B. NOCITA

DEPUTY CITY ATTORNEYS

DEPARTMENT OF LAW

612 TENTH ST.

SACRAMENTO, CALIF. 95814

SUITE 203

TELEPHONE (916) 449-5346

September 23, 1980

APPROVED
BY THE CITY COUNCIL

SEP 23 1980

Sacramento City Council
City Hall
Sacramento, California

OFFICE OF THE
CITY CLERK

In re: Second Amendment to Lease for San Carlos Motel

Honorable Members in Session:

At its meeting on September 9, 1980, City Council requested the staff negotiate certain changes to the proposed lease for the San Carlos Motel. During the past two weeks, I have negotiated the changes set forth below with county staff. The Second Amendment to Lease Re San Carlos Motel which is forwarded with this letter was approved by the Board of Supervisors this morning. The enclosed document accomplishes the following changes in the referenced lease:

1. It changes the term from five years with two respective five-year options with undetermined rent (to be mutually agreed at the time of exercise of the respective options) to a ten-year term with the rent to be \$3,800 per month for the first five years and \$5,700 per month for the second five years. The amended lease contains one option to extend for a period of five years with a procedure for either negotiation of a new rent or the new rent to be set by appraisal.

2. The occupancy date has been changed from January 1, 1981 to March 1, 1981. The Housing Authority is to make every reasonable effort to enable partial occupancy prior to March 1, 1981. No rent would be paid during the period of partial occupancy; however, the lessee agrees to indemnify the lessor for any damage caused by lessee or any person it allows to occupy the premises during this period of time.

3. The maintenance obligations have been modified such that, instead of standby contracting, there are three levels of maintenance. The first is for general loss or failure of any function generally affecting habitability such as loss of heat, electricity, gas, etc. which must be repaired within eight hours of notice. The second level of maintenance is for loss of an important function such as

water closet, commodes, etc. which may be temporarily compensated by using other facilities. This type of failure must be restored within forty-eight hours after notice. Other repairs shall be made on a periodic basis as agreed between lessor and lessee.

The foregoing specifically does not apply to normal wear and tear or on account of conditions existing at the time lessee took possession of the premises. Lessee does not waive the provisions of Civil Code Section 1942. Civil Code Section 1942 provides that in the event there are delapidations affecting habitability upon thirty days notice, the lessee may repair such delapidations and deduct them from the next succeeding installment of rent.

In the event that the Housing Authority conveys, transfers or assigns any portion of its ownership interest in the demised premises to any person or entity other than the City of Sacramento or a related public entity, the maintenance obligations automatically revert to those which were in the lease prior to the second amendment to the lease.

4. There was a legal technicality with respect to the payment of ad valorem real property taxes. In my opinion, it was possible under the provisions of the original lease that the City might have a contractual obligation to pay any possessory interest tax. This technicality has now been cleared up.

5. The lessee has the right to cancel and terminate the lease at any time the availability of appropriated funds from the State of California is insufficient for the continuation of lessee's mental health program proposed to be conducted on and at the demised premises. The determination of the insufficiency of appropriated funds is within the sole discretion of lessee, reasonably exercised.

6. The original lease provides that in the event there was a conflict between or among the respective exhibits to the lease which stated the extent of repairs to be made to the facility, the lessee in its sole discretion would resolve the conflict. The proposed amendment changes this to state that the parties shall resolve any such conflict in a mutually agreeable manner, each party acting in a reasonable manner under the circumstances.

Respectfully submitted,


LELAND J. SAVAGE
Deputy City Attorney

LJS:kn

Attachment

Cc's: William Selene
Walter Slife

SECOND AMENDMENT TO LEASE
RE SAN CARLOS MOTEL

THIS SECOND AMENDMENT TO LEASE is made and executed this _____ day of _____, 1980, amending that certain lease authorized by Sacramento County Board of Supervisors Resolution No. 80-254, made and entered into the 11th day of March, 1980, as such lease was amended by a Lease Amendment entered into the 29th day of July, 1980, herein collectively referred to as the "lease", 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".

NOW, THEREFORE, IT IS MUTUALLY AGREED to amend the lease between the parties as follows:

1. Delete the provisions commencing with the word "For" on the first line immediately succeeding the description on page 1 and ending with the period on line 4 of page 3, as amended, and in lieu thereof substitute the following:

This lease is for a term of ten years and shall commence on the first date Lessee occupies the premises. Rent in the total sum of \$570,000.00 for the term shall be payable by Lessee to Lessor, as follows:

- (1) \$3,800.00 per month for the first 60 months.
- (2) \$5,700.00 per month for the second 60 months.

The monthly rental is payable on the last day of each calendar month during the lease term or renewal thereof. If occupancy is for less than

a full calendar month, rent shall be prorated in such amount that the number of days of occupancy bears to the total number of days in such month, and payable only for the actual number of days occupied.

When Lessor has completed the premises in accordance with the terms and conditions of this Lease, and an Occupancy Permit has been issued by the City of Sacramento, Lessor shall give Lessee written notice thereof that the premises are ready to be occupied, and occupancy under this Lease shall be considered to commence ten (10) days from the date of receipt of such notice by Lessee or on the date Lessee occupies the premises, whichever is the earlier. Such service shall be made upon the Real Estate Section, Department of Public Works, County of Sacramento, at 827 - 7th Street, Room 220, Sacramento, California 95814. Rent shall commence to accrue as of the date of occupancy.

Occupancy of the premises by Lessee shall not relieve Lessor in any respect from full compliance with Exhibits A, A-1, B, B-1, and B-2. It is understood and agreed that any installation not in conformance with such exhibits shall be corrected by Lessor at its sole cost and expense.

Notwithstanding any other provision in this lease to the contrary, in the event remodeling of the building wherein the premises are located is not complete by March 1, 1981, including compliance with all codes and ordinances, receipt of any required use permits for Lessee's proposed use, and issuance of an Occupancy Permit, Lessee shall thereupon have the right to cancel and terminate this Lease without any obligation on its part.

Lessor agrees to make every reasonable effort to enable Lessee to occupy a portion of the premises prior to March 1, 1981, and in such event such partial occupancy shall be without any requirement for the payment of rent in regard thereto and shall not constitute occupancy in regard to the commencement of the lease term, and shall not constitute a waiver of Lessee's right to cancel set forth above if the premises are not ready for full occupancy by March 1, 1981. In the event of such partial

occupancy, Lessee shall indemnify Lessor for any damage, beyond reasonable wear and tear, caused by Lessee or any person it allows to so occupy the premises during such period of time.

2. A new paragraph no. 5A is added, to read as follows:

5A. While HOUSING AUTHORITY, CITY OF SACRAMENTO, is the owner of the herein described property the provisions of paragraph nos. 4 and 5 shall not apply and in lieu thereof the provisions of this paragraph shall apply.

Lessor shall during the term of this lease and any renewal maintain the premises in good condition and repair, including the following:

Roof, exterior walls, interior walls, ceilings, glazing, floors and other facilities of the leased premises. Said facilities including without limitation thereto all plumbing, water pipes, hot water heater and air conditioning units. Maintenance of equipment shall include, but is not limited to, furnishing and replacing electrical light fixtures, ballasts, and air conditioning and ventilating equipment filter pads. Lessee shall maintain the landscaping.

Such repairs shall be made either on a periodic basis, as agreed between Lessor and Lessee, or, in the case of repairs to essential functions or components of the premises, as follows:

(1) General loss of, or failure of, any function which generally affects habitability such as heat during winter, electricity, gas, or water shall be restored as soon as possible, but not later than eight (8) hours after notice to Lessor;

(2) Loss of function of water closet, commode or other important function or component of premises affecting habitability which may be temporarily compensated by using available redundant functions or components shall be restored within forty-eight (48) hours of the time notice is given to Lessor.

Notice of requirement for repairs shall be given according to agreement between Lessor and Lessee.

The foregoing shall not apply to normal wear and tear or on account of conditions existing at the time Lessee took possession of the premises.

The provisions of Civil Code Section 1942 are not waived by Lessee, nor shall such provisions be deemed Lessee's exclusive remedy in the event of Lessor's breach of obligation hereunder.

In the event Lessor conveys, transfers or assigns any portion of its ownership interest in the demised premises to any person or entity other than the City of Sacramento or a related public entity, the provisions of this paragraph shall no longer be in effect and the provisions of paragraph nos. 4 and 5 shall be applicable with regard to Lessor's grantee, transferee, or assignee.

3. A new paragraph no. 17 is added, to read as follows:

17. Lessee shall have the right or option to extend the term on all the provisions contained in this lease, except rental, for a five (5) year period following expiration of the initial term, herein referred to as "extended term", by giving Lessee a notice of exercise of option to extend term at least six (6) months but not more than one (1) year before the expiration of the term.

The parties shall have sixty (60) days after Lessor receives the option notice in which to agree on the amount of rent for the extended term. If the parties agree on the amount of such rental during that period, they shall immediately execute an amendment to this lease, reflecting such agreed rental.

If the parties are unable to agree on such rental during that period, then within ten (10) days after the expiration of that period each party, at its own cost and by giving notice to the other party, shall appoint a real estate appraiser with at least five years' full-time commercial appraisal experience in the Sacramento County area to appraise and establish the

amount of rent for the extended term. If a party does not appoint an appraiser within ten (10) days after receiving notice by the other party of the name of its appraiser, the single appraiser appointed shall be the sole appraiser to establish such rental amount. If the two appraisers are so appointed by the parties, the appraisers shall meet promptly and attempt to establish the amount of rent for the extended term. If they are unable to agree within 45 days after the second appraiser has been appointed, then their appraisals shall be added together and such total divided by two and the resulting quotient shall be the amount of rent for the extended term.

In establishing such rent for the extended term, the appraisers shall consider the use to which the premises are restricted under the lease and shall not consider the highest and best use for the premises without regard to the restriction on use of the premises contained in this lease.

After the rental for the extended term has been determined as set forth above, the parties shall be immediately notified. If Lessee objects to the amount of rent that has been established, Lessee shall have the right to have this lease expire at the end of the term, provided Lessee pays the costs of Lessor's appraiser. Lessee's election to allow this lease to expire at the end of the term must be exercised within ten (10) days after receipt of notice from the appraisers of the amount of rent for the extended term. If Lessee does not exercise such election within such ten (10) day period, the term of this lease shall be extended for the additional 5 year period upon the rental established as provided in this paragraph.

Lessee shall have no other right to extend the term beyond the extended term.

4. Paragraph no. 21 is amended to read as follows:

21. In the event ad valorem real property taxes would otherwise be legally required to be paid by Lessor or its successor in interest, Lessor or its successor shall pay such taxes. Lessee shall not be responsible or obligated hereunder to pay any real property taxes or assessments which may be levied upon the premises.

Under this lease or a sublease or assignment thereof, a possessory interest subject to property taxation may be created. Notice is hereby given pursuant to Revenue and Taxation Code Section 107.6 that such property interest may be subject to property taxation if created, and that the party to whom the possessory interest is vested may be subject to the payment of property taxes levied on such interest. Any such sublessee or assignee shall pay any and all such taxes.

5. Paragraph no. 22 is amended to read as follows:

22. Lessee shall pay Lessor the reasonable cost to repair any damage to the leased premises; provided, however, Lessor shall be responsible for maintaining the leased premises as set forth in paragraph no. 5A, or paragraph nos. 4 and 5, as the case may be, including maintenance required due to normal wear and tear of the facility. As used in this paragraph the term "normal wear and tear" shall mean and be limited to that degree of wear and tear attributable to use as a residential facility.

6. Paragraph no. 25 is added, to read as follows:

25. Lessee shall have the right to cancel and terminate this lease at anytime during the term and extended term thereof, without any liability therefor in the event the availability of appropriated funds to Lessee from the State of California is insufficient for the continuation of Lessee's mental health program proposed to be conducted on and at the demised premises. The determination of the insufficiency of appropriated funds as referred to herein shall be within the sole discretion of Lessee, reasonably exercised.

7. The first paragraph of Exhibit B-2 is amended to read as follows:

The following list of work to be completed by Lessor shall be included in the final specification 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 the parties shall resolve such conflict in a mutually agreeable manner, each party acting in a reasonable manner under the circumstances.

THE PARTIES FURTHER MUTUALLY AGREE that in all other respects the terms and conditions of the lease not affected by the foregoing amendments shall remain in full force and effect.

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 _____
Executive Director

APPROVED AS TO FORM:

Chief Counsel

COUNTY OF SACRAMENTO, a political sub-
division 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



36
B+C

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

September 18, 1980

Housing Authority of the
City of Sacramento
Redevelopment Agency of the
City of Sacramento
915 I Street
Sacramento, CA 95814

Honorable Members in Session:

SUBJECT: Approval of San Carlos Amended Lease, Authorizing Loan of 2A Tax Increment Funds, and Approval of Fast Track Implementation Procedures for Rehabilitation

SUMMARY

The attached resolutions authorize the Executive Director to execute the second amendment to the San Carlos lease with the County of Sacramento, authorizes the loan of \$260,000 for rehabilitation activities from the Redevelopment Agency's Project 2A Tax Increment Housing Replacement Fund (fourth year) and approves a fast track implementation program for the rehabilitation of the facility.

BACKGROUND AND IMPLEMENTATION PROGRAM

On Councilman Lloyd Connelly's motion, the County has been requested to include a firm ten year term in the San Carlos lease with a 50% increase in rent for the second five year period. County staff is supportive of this amendment and the Board of Supervisors is scheduled to act on the lease on September 23, 1980. (See attachment from City Attorney's office).

In order to meet the occupancy date of March 1, 1981, certain regular Housing Authority procedures must be accelerated. Subject to the above approvals on September 23, the Executive Director will immediately enter into a Contract for installation of the required sprinkling system (a low bid of \$30,990 from Associated Automatic Fire Protection Co. is on file and good until September 30, 1980); retain a roofing consultant to prepare specifications and obtain informal bids on the roof installation, exterior stairs, fence installation, filling of swimming pool, installation of front doors, jambs

CITY GOVERNING BOARD
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EXECUTIVE DIRECTOR
WILLIAM G. SELINE

P.O. Box 1894
SACRAMENTO, CA 95808
630 I STREET
SACRAMENTO, CA 95814
(916) 444-9210

APPROVED
SACRAMENTO REDEVELOPMENT AGENCY

Date 9/23/80

APPROVED
SACRAMENTO HOUSING AUTHORITY

Date 9/23/80

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento

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September 18, 1980

and locks, window repair, attic insulation, floor coverings and any other work item not requiring planning or engineering specifications.

An architect will immediately be selected from the City's "Small Job" architectural list (see attached memo for recommendation of Grant Caywood) who will prepare or obtain specifications on remaining major items such as heating, air conditioning, plumbing, electrical, kitchen and lounge improvements. Upon preparation of specifications, informal bids will be obtained from contractors to perform the necessary work. The architect will also have the responsibility of coordinating and supervising these activities.

It will be necessary that rapid approval of building permits be granted by the Building Department.

The attached memo from Rehabilitation Supervisor Ken Larsen summarizes steps taken in preparing for the start of rehabilitation.

To maintain the fast track schedule, the Executive Director must be authorized to approve plans and enter into contracts exceeding \$10,000 subject to the approval of the Planning and Development Committee of the Commission.

FINANCIAL DATA

Estimated cost of rehabilitation is \$260,000. Source of funding would be a loan from fourth year Project 2A Tax Increment Housing Replacement Funds. A total of \$300,000 of uncommitted funds remain in the fourth year funding period. The loan would be repaid from net income derived from the County lease. Estimated net income to the Housing Authority for the first five year period is \$153,976. The second five year period would produce net income of \$222,786 for a ten year total of \$376,762. The rent for the third five year period would be renegotiated at the end of the tenth year.

It is estimated that acquisition and rehabilitation loans can be repaid to the Agency's project 2A Tax Increment fund in twelve to thirteen years.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority of the
City of Sacramento
Redevelopment Agency of the
City of Sacramento
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RECOMMENDATION

It is my recommendation that you adopt the attached resolutions.

Respectfully submitted,



WILLIAM G. SELTNE
Executive Director

TRANSMITTAL TO COUNCIL


WALTER J. SLIPE
City Manager

Contact Persons: William G. Seltne
Lee Savage (Lease Agreement)

RESOLUTION NO. 2943

Adopted by the Redevelopment Agency of the City of Sacramento

September 23, 1980

**RESOLUTION AUTHORIZING LOANS TO THE
HOUSING AUTHORITY OF THE CITY OF SACRAMENTO
RELATING TO THE PURCHASE AND REHABILITATION
OF THE FORMER SAN CARLOS MOTEL**

**BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY
OF SACRAMENTO:**

**Section 1. The Executive Director is hereby author-
ized to advance to the Housing Authority of the City of Sacra-
mento all moneys advanced to date in connection with the pur-
chase and rehabilitation of the former San Carlos Motel.**

**Section 2. The Executive Director is further author-
ized to loan an additional \$260,000 of Project 2-A Tax Increment-
Housing Replacement Funds to the Housing Authority of the City
of Sacramento to fund additional rehabilitation costs of the
former San Carlos Motel.**

ATTEST:


SECRETARY

CHAIRPERSON

APPROVED
SACRAMENTO REDEVELOPMENT AGENCY

Date 7/23/80

1839
RESOLUTION NO. 1839

Adopted by the Housing Authority of the City of Sacramento

September 23, 1980

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR
TO EXECUTE AN AMENDMENT TO THE LEASE
AND CERTAIN OTHER CONTRACTS FOR THE
FORMER SAN CARLOS MOTEL

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

Section 1. The Executive Director is hereby authorized to execute that certain Second Amendment to the Lease of the premises of the former San Carlos Motel with the County of Sacramento.

Section 2. The Executive Director is authorized to proceed with the selection of an architect to perform architectural work on the rehabilitation of the former San Carlos Motel without a formal architectural selection procedure, provided that the architect selected would be among those listed on the City of Sacramento architectural list for small projects.

Section 3. The Executive Director is authorized to award contracts for rehabilitation work on the former San Carlos Motel through an informal bid process without resorting to formal advertisement and solicitation of bids.

Section 4. The Executive Director is authorized to approve any plans and specifications prepared by the architect he selects and to enter into contracts awarded according to the foregoing informal bid process in any amount, provided that the Executive Director shall have received the prior approval for such contracts and plans from the Planning and Development/Old Sacramento Committee of the Sacramento Housing and Redevelopment Commission.

Section 5. Notwithstanding the provisions of Section 4 of this resolution, the Executive Director is hereby authorized to enter into a contract for installation of the required sprinkling system at the former San Carlos Motel with Associated Automatic Fire Protection Company for an amount of \$30,990.00.

ATTEST:


SECRETARY

CHAIRPERSON

APPROVED
SACRAMENTO HOUSING AUTHORITY

Date: 9/23/80