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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

March 10, 1981

CITY MANAGER'S OFFICE
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Redevelopment Agency of the
City of Sacramento
Sacramento, CA

Honorable Members in Session:

SUBJECT: Amendments to Leases for Retail Space Garage "G"
(K Mall-3rd-4th Streets)

SUMMARY

The attached resolution authorizes (1) an amendment to existing and proposed leases for retail spaces in Garage G (K Mall-3rd-4th Streets) to reflect a more realistic lease rate of \$.70/square foot per month or six percent (6%) of monthly gross sales, whichever is greater; and (2) an amendment to the lease with Wee Petite removing the names of Mr. and Mrs. James Abricki therefrom, leaving Mr. and Mrs. Robert Johnson as sole Lessee.

BACKGROUND

Of the four (4) retail units constructed in Garage "G", the Agency entered into lease agreements August 15, 1980 with two tenants, Sachet Beautiful Lingerie and Wee Petite.

Little interest has been expressed over the past several months for the two remaining retail spaces. The staff is preparing to readvertise the units, but prior to doing so, staff believes a reduction in the lease rate is necessary for both vacant and occupied spaces for the following reasons:

1. Jenny Farr, Lessee of Unit A, met with staff on January 6, 1981 indicating that her business had been slow, other than the week preceding Christmas. She stated that foot traffic is minimal, that the Holiday Inn has had low occupancy during the winter months and that having vacant units adjacent to her shop has not helped draw customers. Her financial partner is very ill in a Denver hospital and must withdraw from the partnership. Ms. Farr states she will be forced to close the business unless she can obtain a reduced lease rate from the present \$1.10/sq. ft. rate. Ms. Farr's letters of January 7 and February 18, 1981 are attached for your review marked Exhibit I. On February 18, Ms. Farr stated she is negotiating with a possible new

APPROVED
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Date

3/10/81

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
March 10, 1981
Page Two

partner and may receive bank or SBA assistance. Either way, she states the reduced rent is needed to stay in business.

2. The attached letters from Robert Johnson of Wee Petite marked Exhibit II, tenant in Unit B, expresses a similar problem and a request for rent reduction as well as a request for removal of Mr. and Mrs. James Abricki from the lease.
3. Jack Adams, Executive Director of Downtown Plaza Properties (DPP), acknowledges that business has been slow at the retail center. Responding to questions on current DPP leases, he states that DPP is presently seeking \$.70 to \$.80 per square foot per month or six percent (6%) of the gross, whichever is greater.
4. Irv Moraes of the City Real Estate Department, reports that City leases in other downtown garages are approximately \$.65/square foot without a percentage provision. In one space, a recent appraisal indicates \$1.00/square foot is obtainable for office use. However, Agency policy prohibits offices or institutional uses in Garage "G" retail spaces.

FINANCIAL DATA

The proposed reduction for Unit A would reduce the present monthly rent from \$1188 to \$756; Unit B from \$1600 to \$896. As business improves in the future, the six percent (6%) of the gross provision would assure the Agency additional rental income.

<u>Unit</u>	<u>Size</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Gross Sales Needed to Activate 6% Clause</u>
A	1,080 sq.ft.	\$1.10 sq.ft.	\$.70 sq.ft. (or 6%)	\$12,600/month
B	1,280 sq.ft.	\$1.25 sq.ft.	\$.70 sq.ft. (or 6%)	\$14,933/month

CONCLUSION

Considering the above, staff believes it is better to retain occupancy at a possible lower return than to have additional vacant sites and, that the present vacant spaces should be readvertised at the lower rate. As to Sachet Beautiful, it is recommended

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
Page Three

March 10, 1981

that for the lease amendment to become effective, Ms. Farr must produce evidence within sixty (60) days satisfactory to the Interim Executive Director that she has sufficient working capital to demonstrate the ability to remain in business.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of March 2, 1981, the Sacramento Housing and Redevelopment Commission approved the attached resolution authorizing a lease rate adjustment to existing and future leases for retail space in Garage "G" and approval of the withdrawal of Mr. and Mrs. James Abricki from the Wee Petite lease. The vote was recorded as follows:

AYES: Knepprath, Luevano, A. Miller, Serna,
Teramoto, B. Miller

NOES: None

ABSENT: Coleman, Fisher, Walton

RECOMMENDATION

The staff recommends adoption of the attached resolutions authorizing an amendment to the existing and future leases for retail space in Garage "G" so that the lease rate is \$.70/square foot or six percent (6%) of the monthly gross sales whichever is greater and the withdrawal of Mr. and Mrs. James Abricki from the Wee Petite lease.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Interim Executive Director

TRANSMITTAL TO COUNCIL:

Walter J. Slipe

WALTER J. SLIPE
City Manager

Contact Person: Robert E. Roche

RESOLUTION NO. 81-013 A

Adopted by the Redevelopment Agency of the City of Sacramento

March 10, 1981

AUTHORIZING AMENDMENT OF CERTAIN
LEASES FOR RETAIL SPACE IN THE PARKING GARAGE
ON THE K STREET MALL BETWEEN 3RD AND 4TH STREET

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

Section 1. The Interim Executive Director is authorized to execute amendments to those certain leases of retail space dated August 15, 1980 by and between the Agency and Jennifer Farr and Michael D. Schnyder DBA "Sachet Beautiful Lingerie" and dated August 15, 1980 by and between the Agency and Mr. and Mrs. James Abricki and Mr. and Mrs. Robert W. Johnson DBA "Wee Petite" to provide for monthly rental payments which shall be computed on the greater of \$.70 per square foot of rentable space, or 6% of the gross sales of the retail operation carried on within the premises. Said amended leases to be retroactive to March 1, 1981; provided that in the matter of Sachet Beautiful, Ms. Farr must produce evidence satisfactory to the Interim Executive Director within sixty (60) days and prior to the execution of the amended lease that she has sufficient working capital to demonstrate the ability to remain in business.

Section 2. The Interim Executive Director is further authorized to execute an amendment to that certain lease dated August 15, 1980 between the Agency and Mr. and Mrs. James Abricki and Mr. and Mrs. Robert Johnson to delete James G. Abricki and Anne A. Abricki from said lease.

CHAIRMAN

ATTEST:

SECRETARY

APPROVED
SACRAMENTO REDEVELOPMENT AGENCY
Date 3/10/81

January 7, 1980

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

Dear Sirs:

Christmas is behind us now and like all retailers I am seriously looking at what has transpired in the past year and making plans for the future. Our new location in your building has not produced the traffic we had hoped for. My thoughts on the reasons for this are as follows:

1) The design of the building, coupled with its location at the end of the mall, is ineffective for the retail units adjoined to the garage. Specifically, the flow of traffic down the mall and under the tunnel is funneled under the Arch. This means the traffic is always a good 25-30 yards from our store front - and is below us because of the stairs. Also, the design of the building in a U shape means nobody can see us until they are directly across from us. The design necessitates filling the end spaces to legitimize the inner spaces as "Prime Retail Space," and the accompanying rent structure.

2) The public, even the local working public, is still not aware that there is a new attractive extension of the mall.

I would like to request two things. I wouldn't be making the request unless I was very concerned about the survival of my business. One is a reduction in rent. Most of the shops down in the busy part of the mall between Macy's and Weinstock's are paying considerably less rent per square foot than we are. Rents are inflated currently but I think the landlord has to compromise with new unestablished businesses for the first year or so. This is why most commercial leases have a built in graduation of rental rates over the life of the lease. I suggested this in my original proposal. I would like you to consider it again with the alternative of a possibly additional empty space in the building to contend with.

Although the public will become more and more aware of this end of the mall anything the Agency responsible for the redevelopment of this area can do to promote it's usage would be appreciated. Signing, mini-concerts, art exhibits, and a little PR with the media might help.

On the Downtown Plaza • 316 K Street, Sacramento, Ca. 95814 • Sincerely, (916) 442-0664

Tennifer Farr

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FEB 19 1981

Sacramento Housing &
Redevelopment Agency

February 18, 1981

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

Dear Mr. Roche,

You are aware by now that my partner, Michael D. Schnyder, who has been critically ill for some time, wishes to legally dissolve our partnership, Sachet Beautiful Lingerie. One of two things will happen:

1. The business will be terminated and liquidated. As the liquidation will not cover our current debts there is the possibility of bankruptcy.

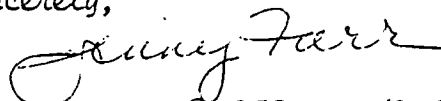
2. The business will be refinanced by either a new partner, a group of people in a syndication, or by a bank loan. In order to stay in business I need to be able to cover our current payables to eliminate Capt. Schnyder's liability.

Naturally I would like to stay in business. To this end I have begun a proposal for a bank loan or SBA funds. I am also talking to an attorney in town who is considering financial involvement in Sachet.

I have been granted two weeks to come up with the additional financing. However, in reality the postponement of a decision could be indefinite in view of the unfavorable consequences for both Capt. Schnyder and myself in the case of a liquidation.

Let me point out that even if I come up with the capital required I will not then be able to continue operating the business on my own unless the overhead is more in line with the gross that is generated by the traffic at our current location. I am again requesting a revision of the lease at a lower rate and I need to know immediately if the agency is prepared to accomplish this or not. Without this information I cannot accurately assess my ability to continue the business.

Sincerely,



WEE Petite

EXHIBIT II

11779 Fair Oaks Blvd.
Fair Oaks, Ca. 95628 • (916) 966-9316

January 16, 1981

Mr. Robert Roche
Deputy Director
Sacramento Housing Redevelopment Agency
630 "I" Street
Sacramento, California 95814

Dear Mr. Roche:

This letter is written to respectfully request a reduction in rent for our store location at 314 K Street, Sacramento.

Since opening our store on K Street, we have had to spend a lot of money advertising the location. The vacant spaces next door to us have hurt our business also because people are unaware that there are stores in the parking garage.

Sales for the 4 months ending December 31, 1980 have averaged \$7,118 monthly and it has been difficult to pay our current rental rate. Our first store in the Almond Orchard has 1/2 the rental rate yet more sales — and has had to subsidize our K Street store.

We are optimistic about the future of our downtown store — but would appreciate some badly needed relief on our rent.

Sincerely,

WEE PETITE

By:



Robert W. Johnson, Partner

Wee Petite
 11779 Fair Oaks Blvd.
 Fair Oaks, Ca. 95628 • (916) 966-9316

January 19, 1981

MR. Robert Roche
 Deputy Director
 Sacramento Housing &
 Redevelopment Agency
 Sacramento, California

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JAN 21 1981

Sacramento Housing &
 Redevelopment Agency

Dear Mr. Roche:

Please be advised that MR. James
 Aburiki has withdrawn from
 Wee Petite, a partnership.

Will you please amend our current
 lease to Robert & Teresa Johnson.

Sincerely,

Robert Johnson, owner
 of Wee Petite

WEE Petite

11779 Fair Oaks Blvd.
Fair Oaks, Ca. 95628 • (916) 966-9316

Jan 21, 1981

Mr. Robert Roche.
Deputy Director
Housing Redevelopment
Sacramento

MR & MRS J.G. ADRICK
7162 Camelo Hills
Citrus Heights Cal.

Dear Sirs:

I would like my name + my wife
name taken off Wee Petitt lease at
314 K' street for I have sold my interest
to my partner Robert Johnson. I'm still
helping Mr. Johnson with personal advice
and will continue as long as it is necessary

Thank You

James G. Adrick

RECORDED

JAN 27 1981

Sacramento Housing &
Redevelopment Agency

AGREEMENT

JAMES G. ABRICKI ("Abricki") and ROBERT W. JOHNSON
("Johnson") agree as follows:

1. Dissolution of Partnership. The partners dissolve the partnership between them under the name of Wee Petite effective January 1, 1981.

2. Replacement of Agreement. The provisions of this Agreement shall supersede and replace all provisions of any partnership agreement between the parties, including the Partnership Agreement dated March 1, 1980.

3. Formal Procedures. All formal steps and procedures incident to the dissolution of the partnership shall be taken by the parties, and they shall execute any and all documents and instruments as may be necessary to give full effect to the provisions of this Agreement.

4. Transfer of Interest. Abricki hereby transfers to Johnson his interest in the partnership and any debt owing to him by the partnership. In consideration therefor, Johnson shall pay Abricki the sum of \$, as follows: without interest on or before January 15, 1981, without interest on or before February 15, 1981, and the balance of \$ in successive annual installments of or more commencing on December 31, 1981 plus interest on the unpaid balance at the rate of 12% per year commencing January 1, 1981 payable contemporaneously with payments of principal.

5. Covenant not to Compete. Abricki covenants and agrees that he shall not directly or indirectly own, manage, operate, join, control, or participate, or be connected as an officer, employee, partner, agent, or otherwise, in the operation of a women's ready-to-wear business in Sacramento County, California, for a period of three years from the date of this Agreement. In consideration of such covenant and agreement, Johnson shall pay to Abricki the sum of ~~\$5,000.00~~ without interest on February 15, 1981.

6. Indemnification. Abricki warrants that he has not incurred any debt or obligation binding upon the partnership and not disclosed to Johnson and based thereon Johnson shall indemnify and hold Abricki harmless from and against all claims, demands and causes of action, including costs, expenses and attorneys' fees, of any nature made against Abricki pertaining to matters of the partnership.

7. Miscellaneous.

7.1. Each representation and warranty contained herein shall be deemed to be material and to have been relied upon, and shall survive the execution and delivery of this Agreement and the consummation of the transaction provided herein.

7.2. This document constitutes the entire agreement between the parties hereto, all oral agreements being merged herein, and any agreements hereafter made shall be ineffective to change or modify this Agreement in whole or in part unless such subsequent agreements are in writing and signed by the party or parties against whom enforcement of the change, modification or discharge is sought.

7.3. In the event that services of an attorney are required by any party to secure the performance hereof or otherwise, then the prevailing party shall be entitled to reasonable attorneys' fees.

7.4. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the respective parties hereto.

7.5. Time of the essence of this Agreement.

Dated: JANUARY 17, 1980. RWJ *[Signature]*

[Signature]

(James G. Abricki)

[Signature]

(Robert W. Johnson)