



May 4, 1994



Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: EXECUTION OF LEASE WITH HOLIDAY INN CAPITOL PLAZA -
PUBLIC HEARING

LOCATION AND COUNCIL DISTRICT: 300 J Street, District 1

STAFF RECOMMENDATION

Staff recommends the adoption of the attached resolution which:

- ◆ finds that the project will assist in the elimination of blight;
- ◆ finds that the lease consideration is not less than the fair reuse value at the use, and with the lease covenants and conditions, equals the development costs authorized by the lease; and
- ◆ authorizes the Executive Director to execute a lease agreement with the John Q. Hammons Hotel Company, doing business as the "Holiday Inn Capitol Plaza" (HICP) for:
 - 1) HICP's development and private use of Agency-owned property as an outdoor cafe, and enhanced entryway, and
 - 2) allocates funds not to exceed \$25,000 to HICP for replacement of the deteriorating Agency stairway which leads to the south entrance of the hotel, for the health, safety and welfare of the public.

CONTACT PERSON:

Gene Masuda, Assistant Director, Downtown Development, 264-1515

FOR COUNCIL MEETING OF: May 17, 1994

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SUMMARY

This report provides assistance to the Capitol Plaza Holiday Inn for: 1) adding an outdoor cafe to the south side of the hotel, 4th Street and the east end of "Indo Park"; and 2) reconstruction of a public stairway on the south side of the hotel (K Street), which leads to and solely serves the hotel entrance. Notwithstanding prior City repairs, these stairs are in a continuing state of deterioration and pose a liability to the Agency and the City.

COMMISSION ACTION

At its meeting of May 4, 1994, the Sacramento Housing and Redevelopment Commission recommended approval of the attached resolution. The votes were as follows:

AYES: Cespedes, Dobbins, Holloway, Moose, Fotz, Simon,
Yew, Diepenbrock
NOES: None
NOT PRESENT TO VOTE: Amundson, Harland
ABSENT: Williams

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BACKGROUND

In June 1992, the Redevelopment Agency adopted the Sacramento Central Business District Streetscape Study. Included in this study were recommendations for public improvements and pedestrian linkages for 4th Street and K Street's Indo Park, which would connect them on a human scale to Downtown Plaza and Old Sacramento. The study depicts an outdoor cafe in conjunction with the Holiday Inn location as a way to achieve a desired connection. Subsequently, in October 1993, specific improvements were made to 4th Street between J and K streets as an enhancement to Downtown Plaza. At the same time, HICP began an \$800,000 interior/exterior remodeling program. A portion of HICP's renovation included repainting the exterior of the building to

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coincide with the opening of Downtown Plaza; a second component of the hotel's exterior renovation is the proposed construction of an outdoor cafe which would be an expansion of The Greenery restaurant. The cafe would occur in an area adjacent to the south side of the hotel, the west side of 4th Street, and the eastern end of Indo Park. [Please see Attachment I.] The adopted Central Business District Streetscape Study recommended this specific area for outdoor dining. In order to accomplish the outdoor expansion, the cafe will need to occupy a portion of Agency-owned property, which HICP has proposed to lease from the Agency.

In conjunction with the construction of the outdoor cafe, it is recommended that the existing stairway at the south entrance of the hotel be reconstructed, thereby enhancing this entry to the hotel. These stairs are chipped and the concrete continues to spall, and are in a state of deterioration sufficient to pose a public liability. These stairs were originally constructed by the Agency concurrent with the hotel and are presently maintained by the City. As the stair serves only the hotel, staff recommends that the stairway area also be leased to HICP with the area necessary for the cafe, and that HICP receive an advance of up to \$25,000 from the Agency for the purpose of replacing the existing stairway and making other repairs at the same time the outdoor dining area is being constructed for the hotel. HICP would assume all responsibility and liability for the new stair and outdoor cafe. The completed project is anticipated to create more activity in the Indo park and 4th Street areas, which will enhance the pedestrian experience and provide additional linkage between the Downtown Plaza and Old Sacramento.

The construction of improvements outlined in this report will require execution of a lease agreement between the Agency and John Q. Hammons Hotel Company for long-term use of Agency-owned property at the southeast corner of the hotel related to the operation of an outdoor cafe. The lease document sets forth certain terms and conditions which shall remain in effect for the 25-year term of the lease [see Attachment II].

Special Considerations and Findings

The California Redevelopment Law (Section 33433 of the Health and Safety Code) requires that the Redevelopment Agency make certain findings relative to the impact of the proposed project [i.e., lease of property] as it relates to blight and to fair market or reuse value, and that these findings be adopted by resolution at the close of an advertised public hearing [see Attachment III].

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- A. Findings of Blight: In accordance with Section 33031(a)(1), (2) & (3) of the California Health and Safety Code [California Community Redevelopment Law], the following economic and physical conditions are referenced below:

The Holiday Inn Capitol Plaza hotel was constructed circa 1977, and has served downtown tourism and conference clients for the past twenty years. During that time a number of additional structures and capital improvements have been constructed which have served to compete with this hotel for the consumer's dollar. Some of these improvements include construction of a new Hyatt Regency Hotel in 1988, and the recent major remodeling of both the Red Lion and Radisson hotels, which are part of the downtown hotel market. Moreover, 1993 witnessed the completion of an adjacent, brand-new shopping mall, Downtown Plaza. This mall was constructed at a cost of \$157 million. The existing hotel and surroundings appear to be inadequate to compete with these more recent and economically successful projects, and is seeking to improve its image and cash flow through the proposed capital improvements: construction of an outdoor cafe and reconstruction of a deteriorated stairway.

A secondary issue is the public health and safety in accessing a commercial building. The existing stairway at the south entrance of the hotel is chipped and the concrete continues to spall. The condition of the stairway is sufficient to pose a public liability. As the stairway serves only the hotel, the Lessee has agreed to accept the funds necessary to repair the deteriorated stairway and assume all future liability for its maintenance and repair during the term of the lease.

- B. Findings [Explanation] of Disposition of Land for Less than Full Value: The estimated fee value of the Redevelopment Agency's property interest in this lease is \$420,000, if developable. This sum is based on \$70.00/square foot for 6,000 square feet of developable land, which is the value for similar property located at 4th and J streets, appraised by David Lane, an MAI appraiser, in December 1992. The subject property, however, is on public right-of-way, which is not buildable and must remain as open space. The City and Agency Real Estate departments concur that this property can be discounted at least 90%, to \$7.00/square foot, for a value of \$42,000.

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Based on the term of the lease, which is 25 years, the Agency has set rental payments of \$1,680 annually (10% per annum, triple net), or \$42,000 over the term of the lease. This annual payment shall be reduced by Agency-approved Lessee administrative costs, including maintenance, repairs and security of the adjacent public area, as set forth in the lease.

FINANCIAL CONSIDERATIONS

The cost for construction of the outdoor dining area is totally funded by HICP, and is not an aspect of this report. The cost of reconstructing the stairs has been estimated not to exceed \$25,000, and the Agency is recommending that an amount of up to \$25,000 be allocated to HICP to eliminate public liability and provide a cost-effective mechanism to complete all improvements at one time.

The Agency's source of funds for this grant is the Downtown 1990 Tax Allocation Bond (taxable) which was identified in the 1994 approved budget.

POLICY CONSIDERATIONS

The recommended action proposed in this report is consistent with 1) the Merged Downtown Sacramento Redevelopment Plan, dated June 17, 1986, 2) the Sacramento Urban Design Plan for the Central Business District adopted February 18, 1987, and 3) the Sacramento Central Business District Streetscape Study dated June 1992.

ENVIRONMENTAL REVIEW

The repair of the stairway and restaurant expansion are exempt from environmental review per CEQA Guidelines Section 15301. NEPA does not apply.

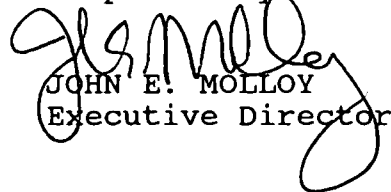
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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M/WBE REVIEW

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

Respectfully submitted by,


JOHN E. MOLLOY
Executive Director

TRANSMITTAL APPROVED BY:


WILLIAM H. EDGAR
City Manager

F:\cmc\staffrpt\HolInn

RESOLUTION NO. 94-032

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

**LEASE AGREEMENT FOR STAIRWAY AND OUTDOOR CAFE
AT HOLIDAY INN CAPITOL PLAZA HOTEL**

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

Section 1: The Executive Director is authorized to execute a lease agreement with John Q. Hammons Hotel Company for a stairway and an outdoor cafe adjacent to the Holiday Inn Capitol Plaza, in the form on file with the Agency Clerk, subject to modifications as approved by Agency Counsel.

Section 2: The Executive Director is authorized to provide leasehold improvement funds in an amount not to exceed \$25,000, to the John Q. Hammons Hotel Company pursuant to the above-referenced lease, for reconstruction of the stairway leading from an Agency-owned portion of K Street to the south entrance of the Holiday Inn Capitol Plaza.

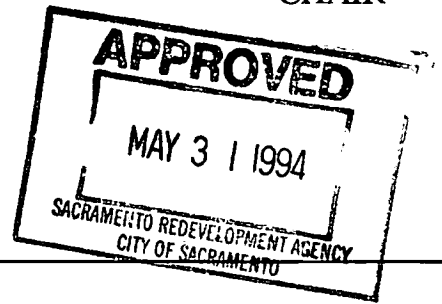
Section 3: The Agency finds that the lease of the subject property will assist in the elimination of blight as it regards 1) the inadequacy of the existing project to compete with more recent and economically successful projects; and 2) public health and safety in accessing a commercial stairway to a building.

Section 4: The Agency finds that the consideration is not less than the fair reuse value at the use and with the covenants and conditions within the lease.

ATTEST:

SECRETARY

CHAIR



f:\mdi\staffres\Hollm

FOR CITY CLERK USE ONLY

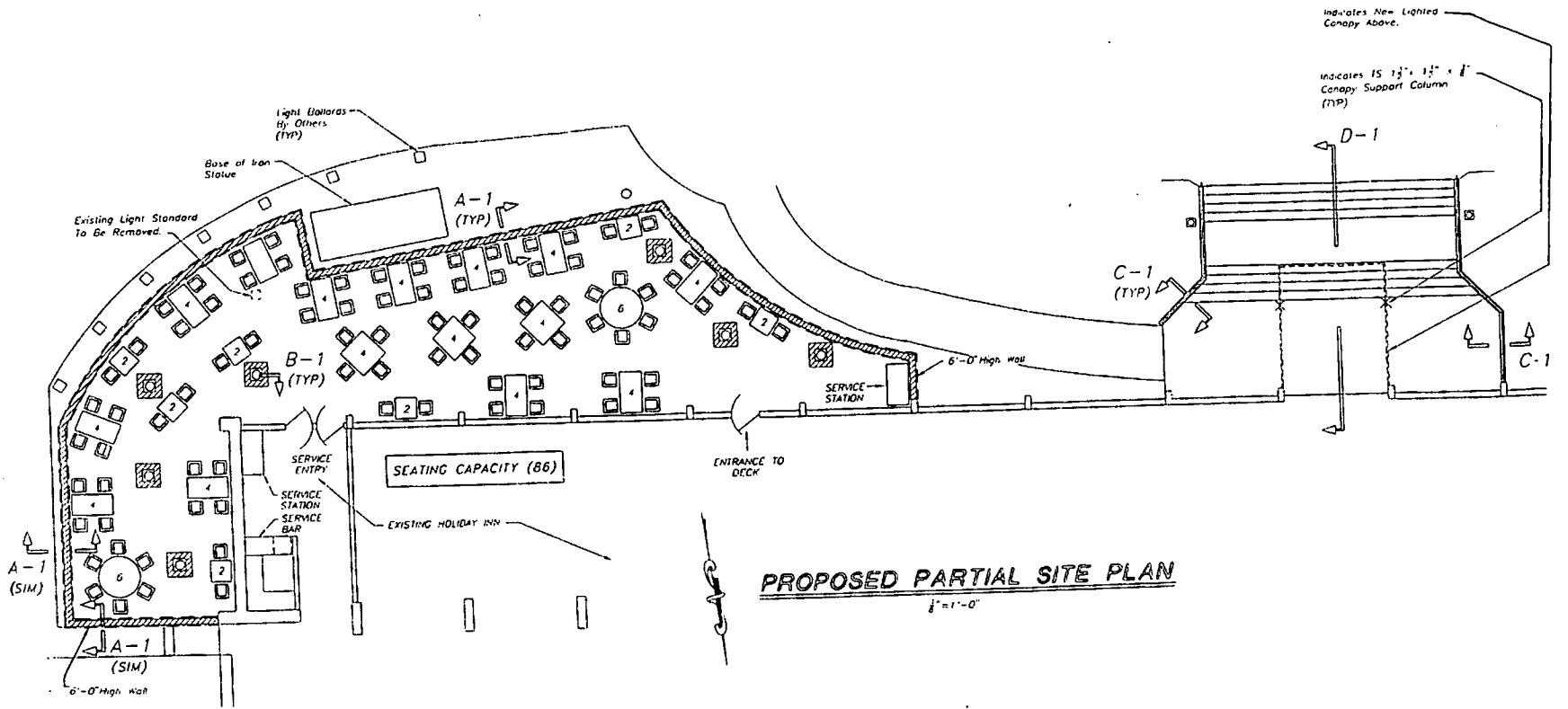
RESOLUTION NO.: _____

DATE ADOPTED: _____

RECEIVED

1881 E YAM

1881



PROPOSED PARTIAL SITE PLAN
 1/4" = 1'-0"

LEASE FOR USE OF AGENCY-OWNED PROPERTY
BY HOLIDAY INN CAPITOL PLAZA HOTEL

Redevelopment Agency of the City of Sacramento, a public body, corporate and politic (hereinafter "Agency"), and John Q. Hammons Hotel Company (hereinafter "Lessee"), hereby agree as follows:

Subject to the conditions, stipulations and provisions set forth below, the Agency hereby agrees to lease to Lessee that property lying within the City of Sacramento, commonly known as a portion of K Street lying between 3rd and 4th Streets, and as shown on Exhibit A, a property owned or controlled by Agency or in which Agency has an interest, for use in conjunction with a stairway leading to the south entrance of the hotel which it serves, and an outdoor cafe at the southeast corner of the hotel which it serves.

The above-described property is hereinafter called the "Premises."

1. The term of the lease shall be twenty-five (25) years from the date of execution.

2. The rent for the lease of premises shall be \$1,680 per year, less Agency-approved applicable Lessee administrative costs, including maintenance and repairs and utility costs associated with the illuminating and security of the adjacent public area, due and payable each year in advance of the anniversary of the date of execution of the lease.

3. Agency further agrees to provide a sum of money not to exceed \$25,000, to Lessee for replacement of the deteriorating formed concrete Agency stairway which leads to and solely serves Lessee, as a leasehold improvement, benefitting the health and safety of the Lessee's employees, guests, and invitees. Payment shall be made by Agency jointly to Lessee and the contractor, upon presentation of invoices, conditional lien releases acceptable to Agency, and Agency's inspection to confirm the percentage of work completed. Agency shall be entitled to withhold ten percent retention to be disbursed upon completion and Agency's acceptance of the work.

The design and construction of the replacement stairway shall be subject to Agency staff approval and approved by the Building Inspection Division of the City of Sacramento.

4. Lessee agrees to submit outdoor cafe designs, layout, materials, furnishings, and shade elements renderings to Agency staff for its review and approval prior to construction.

5. The Lessee assumes full responsibility and liability for the outdoor cafe and stairway as they serve only the Holiday Inn Capitol Plaza, and agrees to maintain the outdoor cafe and stairway in a safe and clean condition throughout the term of the lease.

6. Lessee assumes full responsibility and liability for the construction and maintenance of the stairway, including mechanic's liens and contested claims, for the term of the lease.

7. Lessee shall insure that access to the Premises and the surrounding area will be preserved for emergency vehicles and equipment at all times.

8. Lessee agrees to provide at its sole expense any and all necessary security personnel required by pertinent ordinances or statutes, and/or as deemed necessary by Lessee for the protection of the premises and/or the public. This expense may be deducted as an offset against rent as described in Section 2.

9. Lessee agrees that it does not have and shall not claim at any time any interest or estate of any kind or extent whatsoever in the Premises by virtue of this lease or its occupancy or use hereunder, except the leasehold interest created hereby. Upon termination of this Lease, the stairs shall become the responsibility of the Agency.

10. Lessee and Agency agree that any notices, bills, invoices, or reports required by this Lease shall be sufficient if sent by the parties in the United States mail, postage paid, to the addresses noted below:

Agency:

Sacramento Housing and Redevelopment Agency
1013 - 7th Street, Suite 200
Sacramento, CA 95814
Attn: Gene Masuda, Asst. Director

Lessee:

Holiday Inn Capitol Plaza
300 J Street
Sacramento, CA 95814
Attn: Jerry Temple, Hotel Manager

11. In accordance with the insurance requirements of Agency, Lessee must provide Agency with a certificate of insurance and a copy of each required insurance policy.

A. Type and Coverage. At all times during the life of this Lease, Lessee must obtain and maintain the following types and amounts of insurance:

1) Comprehensive General Liability. A policy of comprehensive general liability insurance which shall include, without limitation, coverage for contractual liability, public liability and property damage, written for not less than **One Million Dollars (\$1,000,000)** and a deductible of not more than **Twenty-five Thousand Dollars (\$25,000)**.

2) Automobile Liability. If motor vehicles are used in performing services in connection with this Contract, a policy of automobile liability insurance written for not less than **Three Hundred Thousand Dollars (\$300,000)** and a deductible of not more than **Five Thousand Dollars (\$5,000)**.

3) Workers Compensation. A workers compensation policy which covers all employees of Lessee and each and every subcontractor and which is written in accordance with California law.

B. Agency as Additional Insured. All of the insurance policies, except the workers compensation policy, shall name Agency, its officers, directors, commissioners, agents, consultants and employees, as additional insureds.

C. Insurance Provider. All required insurance policies shall be purchased from a company or companies admitted to do business in California and having a Best's rating of at least A-VII, or a rating of such other rating service as Agency, in its sole discretion, shall require.

D. Certificates of Insurance; 30-Day Cancellation. Not less than ten (10) days prior to commencement of the lease term, Lessee must file with Agency certificates of insurance in form and content acceptable to Agency. Such certificates and the underlying policies shall each contain a provision stating that coverages afforded under the policies shall not be canceled until at least thirty (30) days prior written notice has been given to Agency at the following address:

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY
320 Commerce Circle - Purchasing Office (10-PS)
Sacramento, California 95815

E. Failure to Maintain Insurance. Failure to maintain any or all of the required insurance shall be deemed a material breach of the lease. Agency shall, nevertheless, have the right, without obligation, to pay any delinquent insurance premiums and any other charges to reinstate or maintain the required insurance policies and coverage. Lessee must immediately reimburse Agency for any and all

costs incurred by Agency in obtaining or maintaining such insurance. If Agency does incur such costs, Agency shall have the right to require reimbursement by Lessee, upon ten days notice. Any such costs incurred by Agency and to be reimbursed by Lessee, shall be deemed additional rent.

12. Lessee shall indemnify, save harmless and defend the Housing Authority of the City of Sacramento, Housing Authority of the County of Sacramento, Redevelopment Agency of the City of Sacramento, Redevelopment Agency of the County of Sacramento, and the Sacramento Housing and Redevelopment Agency, their respective officers, directors, commissioners, agents, consultants and employees from liability, claims, demands, costs or attorney's fees for any injury or damages to persons or property resulting from Lessee's prosecution of work under the lease whether caused, in whole or part, by an intentional act, negligent act or omission by Lessee.

Agency shall indemnify, and save harmless, Lessee, its officers, agents and employees from liability, claims, demands, costs or attorney's fees for any injury or damages to persons or property resulting from Agency's negligence or intentional misconduct related to this lease.

13. In no event shall the making by Agency of any payment to the Lessee be considered as a waiver by Agency of any breach of covenant, or any default which may then exist on the part of the Lessee. Agency's making of any payment while any breach or default by Lessee exists shall in no way impair any right or remedy available to Agency related to such breach or default. For the purposes of this section, references to property by Agency shall include offsets against rent as described in Section 2.

Agency's failure to object to any breach of covenant or default on the part of Lessee on any occasion shall not constitute a continuing waiver of subsequent breaches or defaults.

14. Lessee herein covenants by and for himself and herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the Premises herein leased nor shall the Lessee himself, or any person claiming under or through him or her, establish or permit any such practice or

practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the Premises herein leased.

15. Lessee agrees, and expressly acknowledges, that Agency shall have no liability or obligation regarding activities undertaken by Lessee in accordance with this lease. Lessee acknowledges receipt of a copy of this lease and acknowledges the terms and provisions hereof.

IN WITNESS WHEREOF, the parties hereto have executed this lease as of this _____ day of _____, 1994.

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

APPROVED AS TO FORM:

By _____

JOHN E. MOLLOY
Executive Director

General Counsel

JOHN Q. HAMMONS HOTEL COMPANY

By _____

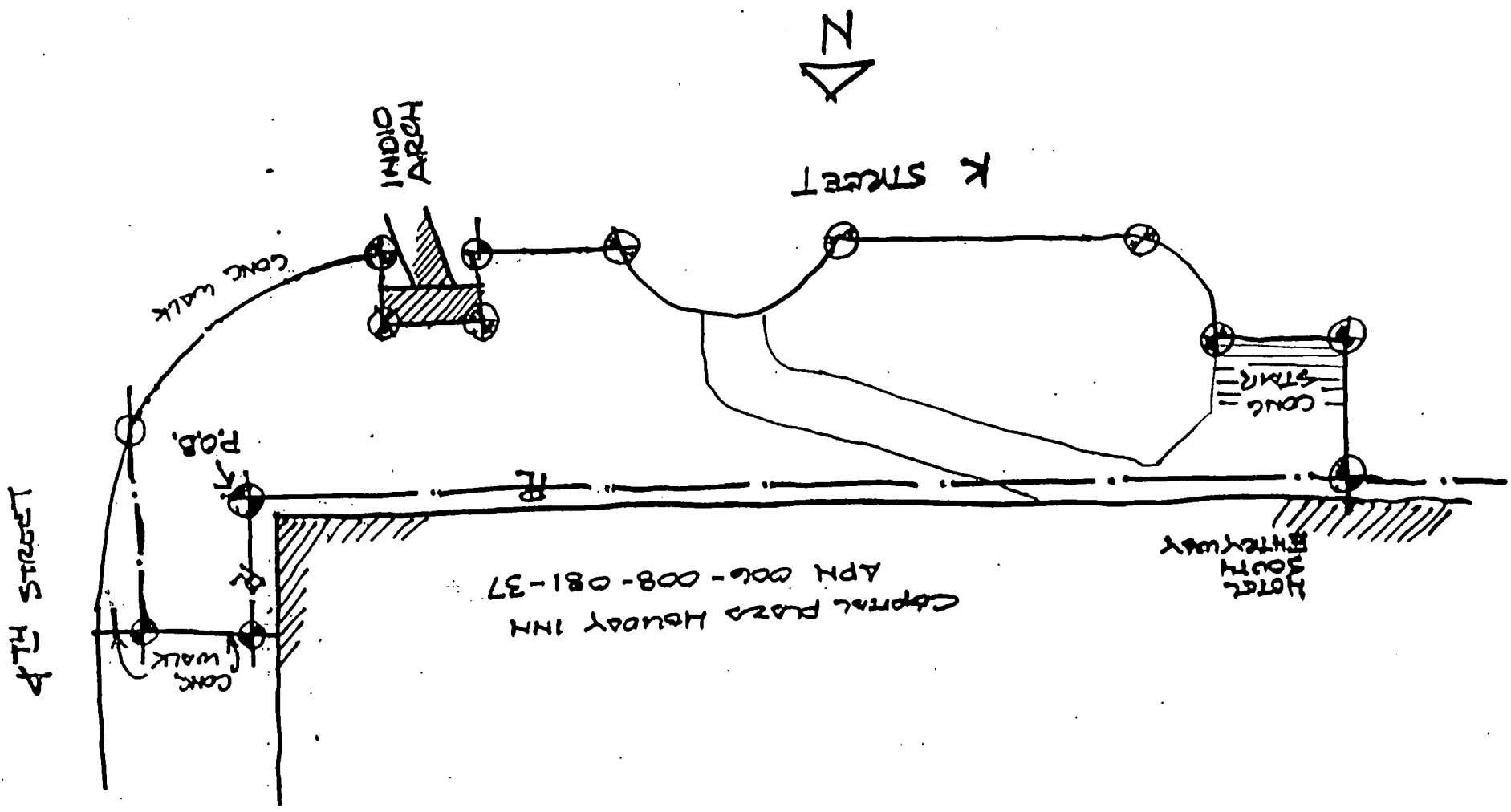
Title _____

300 J Street
Sacramento, CA 95814
(916) 446-0100

Akiyama\HInnLeas

DESCRIPTION
of
HICP LEASED PREMISES

Beginning at the intersection of the south and east property lines at the southwest corner of Assessor's Parcel No. (APN) 006-008-081-37 (the Point of Beginning, P.O.B.), thence north along said east property line to a point intersecting the south line of the concrete walkway, thence east along said line to a point of intersection with the west meandering line of the concrete walkway along 4th Street, thence along said line in a southerly direction to a point of intersection with the arc of a curved concrete walkway, thence following the arc of the curve in a westerly direction to a point of intersection with the north line of the concrete walkway lying in the K Street right-of-way, thence west along said line to a point of intersection with the northeasterly segment of an arc of a circle in the concrete walkway, thence continuing along the arc in a northerly, to westerly, to southerly direction, to a point of intersection with said north line of the concrete walkway lying in the K Street R.O.W., thence along said line in a westerly direction to a point of intersection with a tangent point of an arc of a curve in the concrete walkway, thence following the arc of the concrete walkway around in a westerly to northerly direction to a point of intersection with the south line of the bottom step of a concrete stairway, thence along said south line of the bottom step of the stairway to a point of intersection with the westerly-most line of the stairway, thence north along said line to the point of intersection with the south property line of said APN, thence east along said south property line to the point of beginning, excepting all that area underlying the northern base support of the Indo Arch sculpture, and the area immediately adjacent to, and south thereof, lying between the sculpture base and the concrete walkway lying in K Street.



Central Plaza Holiday Inn
 APN 006-008-081-37

Report Regarding the Disposition of Property Acquired Directly or Indirectly with Tax Increment Funds (Health & Safety Code Section 33433)

I. Agreement

A copy of the Purchase and Sale or Lease Agreement ("Agreement") disposing of an interest in Agency real property is attached to this Report.

II. Summary of Terms of Disposition

AGENCY'S COST OF ACQUIRING THE LAND	
Purchase Price (or Lease Payments Payable During Agreement)	-0-
Commissions	-0-
Closing Costs	-0-
Relocation Costs	-0-
Land Clearance Costs	-0-
Financing Costs	-0-
Improvement Costs (e.g. utilities or foundations added)	-0-
Other Costs	-0-
TOTAL	-0-

ESTIMATED VALUE OF INTEREST CONVEYED	
Value of the property determined at its highest and best use under the redevelopment plan	N/A

ESTIMATED REUSE VALUE OF INTEREST CONVEYED	
Value of property determined with consideration of the restrictions and development costs imposed by the Agreement	\$42,000

VALUE RECEIVED ON DISPOSITION	
The purchase price or the total of the lease payments due to the Agency under the Agreement	\$42,000 less admin. costs

III. Explanation of Disposition for Less than Full Value

The estimated value of the Redevelopment Agency's property interest in this lease is \$420,000, if developable. This sum is based on \$70.00/square foot for 6,000 square feet of developable land, which is the value for similar property located at 4th and J streets, appraised by David Lane, an MAI appraiser, in December 1992. The subject property, however, is on public right-of-way, which is not buildable and must remain as open space. The City and Agency Real Estate departments concur that this property can be discounted at least 90%, to \$7.00/square foot, for a value of \$42,000.

Based on the term of the lease, which is 25 years, the Agency has set rental payments of \$1,680 annually (10% per annum, triple net), or \$42,000 over the term of the lease. This annual payment shall be reduced by Agency-approved Lessee administrative costs, including maintenance, repairs and security of the adjacent public area, as set forth in the lease.

IV. Elimination of Blight

The Holiday Inn Capitol Plaza hotel was constructed circa 1977, and has served downtown tourism and conference clients for the past twenty years. During that time a number of additional structures and capital improvements have been constructed which have served to compete with this hotel for the consumer's dollar. Some of these improvements include construction of a new Hyatt Regency Hotel in 1987, and the recent major remodeling of both the Red Lion and Radisson hotels, which are part of the downtown hotel market. Moreover, 1993 witnessed the completion of an adjacent, brand-new shopping mall, Downtown Plaza, in 1993. This mall was constructed at a cost of \$157 million. The existing hotel and surroundings appear to be inadequate to compete with these more recent and economically successful projects, and is seeking to improve its image and cash flow through the proposed capital improvements: construction of an outdoor cafe and reconstruction of a deteriorated stairway.

A secondary issue is the public health and safety in accessing a commercial building. The existing stairway at the south entrance of the hotel is chipped and the concrete continues to spall. The condition of the stairway is sufficient to pose a public liability. As the stairway serves only the hotel, the Lessee has agreed to accept the funds necessary to repair the deteriorated stairway and assume all future liability for its maintenance and repair during the term of the lease.

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94-040

NOTICE OF PUBLIC HEARING

Proposed Lease of Public Right-of-Way to Holiday Inn Capitol Plaza for construction of outdoor cafe and reconstruction of public stairway; and compliance with Section 33433 of California Health and Safety Code.

Notice is hereby given that a public hearing will be held to consider a lease between the John Q. Hammons Company, the owner of the Holiday Inn Capitol Plaza, and the Redevelopment Agency of the City of Sacramento. The subject property is public right-of-way owned by the Agency and located at the southeast corner of 4th and K Streets in Sacramento, a portion of Assessor's Parcel No. 006-008-081-037. The meeting will occur at the following date and time:

Redevelopment Agency of the City of Sacramento
~~Tuesday, May 17, 1994~~ at 2:00 p.m.
City Hall, Council Chambers
915 I Street
Sacramento, CA 95814

Section 33433 of the California State Health and Safety Code requires that a report be made available for public inspection not later than May 3, 1994 at the offices of the City Clerk, 915 I Street, Room 304. This report contains a copy of the proposed lease, a summary of the cost of the agreement to the Agency, the estimated value of the interest to be leased, determined at the use, and with the conditions, covenants, and development costs required by the lease, and an explanation of why the lease of the property will assist in the elimination of blight. Citizens may inspect the report and accompanying lease at any time on or after May 3, 1994. Citizens will also have an opportunity to comment on the proposed lease before the Redevelopment Agency at the meeting listed above. All comments received will be considered during the public hearing regarding the proposed lease.

Questions regarding the proposed lease should be directed to Sue Akiyama of Akiyama Architects, Inc., at (916) 944-8100, or Ted Leonard, 1013 - 7th Street, (916) 264-1514.

Run One Time: May 3, 1994}

Daily Recorder

Run One Time: May 10, 1994}

O: 2455
C: 400200

for
4-26-94

LEASE FOR USE OF AGENCY-OWNED PROPERTY
BY HOLIDAY INN CAPITOL PLAZA HOTEL

Redevelopment Agency of the City of Sacramento, a public body, corporate and politic (hereinafter "Agency"), and John Q. Hammons Hotel Company (hereinafter "Lessee"), hereby agree as follows:

Subject to the conditions, stipulations and provisions set forth below, the Agency hereby agrees to lease to Lessee that property lying within the City of Sacramento, commonly known as a portion of K Street lying between 3rd and 4th Streets, and as shown on Exhibit A, a property owned or controlled by Agency or in which Agency has an interest, for use in conjunction with a stairway leading to the south entrance of the hotel which it serves, and an outdoor cafe at the southeast corner of the hotel which it serves.

The above-described property is hereinafter called the "Premises."

1. The term of the lease shall be twenty-five (25) years from the date of execution.

2. The rent for the lease of premises shall be \$1,680 per year, less Agency-approved applicable Lessee administrative costs, including maintenance and repairs and utility costs associated with the illuminating and security of the adjacent public area, due and payable each year in advance of the anniversary of the date of execution of the lease.

3. Agency further agrees to provide a sum of money not to exceed \$25,000, to Lessee for replacement of the deteriorating formed concrete Agency stairway which leads to and solely serves Lessee, as a leasehold improvement, benefitting the health and safety of the Lessee's employees, guests, and invitees. Payment shall be made by Agency jointly to Lessee and the contractor, upon presentation of invoices, conditional lien releases acceptable to Agency, and Agency's inspection to confirm the percentage of work completed. Agency shall be entitled to withhold ten percent retention to be disbursed upon completion and Agency's acceptance of the work.

The design and construction of the replacement stairway shall be subject to Agency staff approval and approved by the Building Inspection Division of the City of Sacramento.

4. Lessee agrees to submit outdoor cafe designs, layout, materials, furnishings, and shade elements renderings to Agency staff for its review and approval prior to construction.

5. The Lessee assumes full responsibility and liability for the outdoor cafe and stairway as they serve only the Holiday Inn Capitol Plaza, and agrees to maintain the outdoor cafe and stairway in a safe and clean condition throughout the term of the lease.

6. Lessee assumes full responsibility and liability for the construction and maintenance of the stairway, including mechanic's liens and contested claims, for the term of the lease.

7. Lessee shall insure that access to the Premises and the surrounding area will be preserved for emergency vehicles and equipment at all times.

8. Lessee agrees to provide at its sole expense any and all necessary security personnel required by pertinent ordinances or statutes, and/or as deemed necessary by Lessee for the protection of the premises and/or the public. This expense may be deducted as an offset against rent as described in Section 2.

9. Lessee agrees that it does not have and shall not claim at any time any interest or estate of any kind or extent whatsoever in the Premises by virtue of this lease or its occupancy or use hereunder, except the leasehold interest created hereby. Upon termination of this Lease, the stairs shall become the responsibility of the Agency.

10. Lessee and Agency agree that any notices, bills, invoices, or reports required by this Lease shall be sufficient if sent by the parties in the United States mail, postage paid, to the addresses noted below:

Agency:

Sacramento Housing and Redevelopment Agency
1013 - 7th Street, Suite 200
Sacramento, CA 95814
Attn: Gene Masuda, Asst. Director

Lessee:

Holiday Inn Capitol Plaza
300 J Street
Sacramento, CA 95814
Attn: Jerry Temple, Hotel Manager

11. In accordance with the insurance requirements of Agency, Lessee must provide Agency with a certificate of insurance and a copy of each required insurance policy.

A. Type and Coverage. At all times during the life of this Lease, Lessee must obtain and maintain the following types and amounts of insurance:

1) Comprehensive General Liability. A policy of comprehensive general liability insurance which shall include, without limitation, coverage for contractual liability, public liability and property damage, written for not less than **One Million Dollars (\$1,000,000)** and a deductible of not more than **Twenty-five Thousand Dollars (\$25,000)**.

2) Automobile Liability. If motor vehicles are used in performing services in connection with this Contract, a policy of automobile liability insurance written for not less than **Three Hundred Thousand Dollars (\$300,000)** and a deductible of not more than **Five Thousand Dollars (\$5,000)**.

3) Workers Compensation. A workers compensation policy which covers all employees of Lessee and each and every subcontractor and which is written in accordance with California law.

B. Agency as Additional Insured. All of the insurance policies, except the workers compensation policy, shall name Agency, its officers, directors, commissioners, agents, consultants and employees, as additional insureds.

C. Insurance Provider. All required insurance policies shall be purchased from a company or companies admitted to do business in California and having a Best's rating of at least A-VII, or a rating of such other rating service as Agency, in its sole discretion, shall require.

D. Certificates of Insurance; 30-Day Cancellation. Not less than ten (10) days prior to commencement of the lease term, Lessee must file with Agency certificates of insurance in form and content acceptable to Agency. Such certificates and the underlying policies shall each contain a provision stating that coverages afforded under the policies shall not be canceled until at least thirty (30) days prior written notice has been given to Agency at the following address:

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY
320 Commerce Circle - Purchasing Office (10-PS)
Sacramento, California 95815

E. Failure to Maintain Insurance. Failure to maintain any or all of the required insurance shall be deemed a material breach of the lease. Agency shall, nevertheless, have the right, without obligation, to pay any delinquent insurance premiums and any other charges to reinstate or maintain the required insurance policies and coverage. Lessee must immediately reimburse Agency for any and all

costs incurred by Agency in obtaining or maintaining such insurance. If Agency does incur such costs, Agency shall have the right to require reimbursement by Lessee, upon ten days notice. Any such costs incurred by Agency and to be reimbursed by Lessee, shall be deemed additional rent.

12. Lessee shall indemnify, save harmless and defend the Housing Authority of the City of Sacramento, Housing Authority of the County of Sacramento, Redevelopment Agency of the City of Sacramento, Redevelopment Agency of the County of Sacramento, and the Sacramento Housing and Redevelopment Agency, their respective officers, directors, commissioners, agents, consultants and employees from liability, claims, demands, costs or attorney's fees for any injury or damages to persons or property resulting from Lessee's prosecution of work under the lease whether caused, in whole or part, by an intentional act, negligent act or omission by Lessee.

Agency shall indemnify, and save harmless, Lessee, its officers, agents and employees from liability, claims, demands, costs or attorney's fees for any injury or damages to persons or property resulting from Agency's negligence or intentional misconduct related to this lease.

13. In no event shall the making by Agency of any payment to the Lessee be considered as a waiver by Agency of any breach of covenant, or any default which may then exist on the part of the Lessee. Agency's making of any payment while any breach or default by Lessee exists shall in no way impair any right or remedy available to Agency related to such breach or default. For the purposes of this section, references to property by Agency shall include offsets against rent as described in Section 2.

Agency's failure to object to any breach of covenant or default on the part of Lessee on any occasion shall not constitute a continuing waiver of subsequent breaches or defaults.

14. Lessee herein covenants by and for himself and herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the Premises herein leased nor shall the Lessee himself, or any person claiming under or through him or her, establish or permit any such practice or

practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the Premises herein leased.

15. Lessee agrees, and expressly acknowledges, that Agency shall have no liability or obligation regarding activities undertaken by Lessee in accordance with this lease. Lessee acknowledges receipt of a copy of this lease and acknowledges the terms and provisions hereof.

IN WITNESS WHEREOF, the parties hereto have executed this lease as of this _____ day of _____, 1994.

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

APPROVED AS TO FORM:

By _____
JOHN E. MOLLOY
Executive Director

General Counsel

JOHN Q. HAMMONS HOTEL COMPANY

By _____

Title _____

300 J Street
Sacramento, CA 95814
(916) 446-0100

DESCRIPTION
of
HICP LEASED PREMISES

Beginning at the intersection of the south and east property lines at the southwest corner of Assessor's Parcel No. (APN) 006-008-081-37 (the Point of Beginning, P.O.B.), thence north along said east property line to a point intersecting the south line of the concrete walkway, thence east along said line to a point of intersection with the west meandering line of the concrete walkway along 4th Street, thence along said line in a southerly direction to a point of intersection with the arc of a curved concrete walkway, thence following the arc of the curve in a westerly direction to a point of intersection with the north line of the concrete walkway lying in the K Street right-of-way, thence west along said line to a point of intersection with the northeasterly segment of an arc of a circle in the concrete walkway, thence continuing along the arc in a northerly, to westerly, to southerly direction, to a point of intersection with said north line of the concrete walkway lying in the K Street R.O.W., thence along said line in a westerly direction to a point of intersection with a tangent point of an arc of a curve in the concrete walkway, thence following the arc of the concrete walkway around in a westerly to northerly direction to a point of intersection with the south line of the bottom step of a concrete stairway, thence along said south line of the bottom step of the stairway to a point of intersection with the westerly-most line of the stairway, thence north along said line to the point of intersection with the south property line of said APN, thence east along said south property line to the point of beginning, excepting all that area underlying the northern base support of the Indo Arch sculpture, and the area immediately adjacent to, and south thereof, lying between the sculpture base and the concrete walkway lying in K Street.

III. Explanation of Disposition for Less than Full Value

The estimated value of the Redevelopment Agency's property interest in this lease is \$420,000, if developable. This sum is based on \$70.00/square foot for 6,000 square feet of developable land, which is the value for similar property located at 4th and J streets, appraised by David Lane, an MAI appraiser, in December 1992. The subject property, however, is on public right-of-way, which is not buildable and must remain as open space. The City and Agency Real Estate departments concur that this property can be discounted at least 90%, to \$7.00/square foot, for a value of \$42,000.

Based on the term of the lease, which is 25 years, the Agency has set rental payments of \$1,680 annually (10% per annum, triple net), or \$42,000 over the term of the lease. This annual payment shall be reduced by Agency-approved Lessee administrative costs, including maintenance, repairs and security of the adjacent public area, as set forth in the lease.

IV. Elimination of Blight

The Holiday Inn Capitol Plaza hotel was constructed circa 1977, and has served downtown tourism and conference clients for the past twenty years. During that time a number of additional structures and capital improvements have been constructed which have served to compete with this hotel for the consumer's dollar. Some of these improvements include construction of a new Hyatt Regency Hotel in 1987, and the recent major remodeling of both the Red Lion and Radisson hotels, which are part of the downtown hotel market. Moreover, 1993 witnessed the completion of an adjacent, brand-new shopping mall, Downtown Plaza, in 1993. This mall was constructed at a cost of \$157 million. The existing hotel and surroundings appear to be inadequate to compete with these more recent and economically successful projects, and is seeking to improve its image and cash flow through the proposed capital improvements: construction of an outdoor cafe and reconstruction of a deteriorated stairway.

A secondary issue is the public health and safety in accessing a commercial building. The existing stairway at the south entrance of the hotel is chipped and the concrete continues to spall. The condition of the stairway is sufficient to pose a public liability. As the stairway serves only the hotel, the Lessee has agreed to accept the funds necessary to repair the deteriorated stairway and assume all future liability for its maintenance and repair during the term of the lease.

Report Regarding the Disposition of Property Acquired Directly or Indirectly with Tax Increment Funds (Health & Safety Code Section 33433)

I. Agreement

A copy of the Purchase and Sale or Lease Agreement ("Agreement") disposing of an interest in Agency real property is attached to this Report.

II. Summary of Terms of Disposition

AGENCY'S COST OF ACQUIRING THE LAND	
Purchase Price (or Lease Payments Payable During Agreement)	-0-
Commissions	-0-
Closing Costs	-0-
Relocation Costs	-0-
Land Clearance Costs	-0-
Financing Costs	-0-
Improvement Costs (e.g. utilities or foundations added)	-0-
Other Costs	-0-
TOTAL	-0-

ESTIMATED VALUE OF INTEREST CONVEYED	
Value of the property determined at its highest and best use under the redevelopment plan	N/A

ESTIMATED REUSE VALUE OF INTEREST CONVEYED	
Value of property determined with consideration of the restrictions and development costs imposed by the Agreement	\$42,000

VALUE RECEIVED ON DISPOSITION	
The purchase price or the total of the lease payments due to the Agency under the Agreement	\$42,000 less admin. costs



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DATE 4/27/94 TO City Clerk FROM Betty Kasman
Valerie Burnowes 264-1511
RE: Holiday Inn Lease PUBLIC HEARING



Attached is a copy of the public hearing notice which is for your information only. Joan Roberts will handle the (publication) of the notice. However the lease itself is attached to comply with the directions that the material be made available for public inspection in your offices not later than May 3, 1994.

cont. from
5-17-93 #5.3
to
5-31-94

Please call me if you have any questions at number listed above. The accompanying staff report is being handled through the normal process.