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# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

November 5, 1980

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

Honorable Members in Session:

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

SUBJECT: Amendment to the Owner Participation Agreement  
Travelers Hotel Building

### SUMMARY

Agency staff recommends that you take no action on the attached Amendment to Owner Participation Agreement and refer the Amendment to the staff to be held in abeyance until such time as the present owners identify a developer who actually intends to undertake the rehabilitation of the building. However, the Sacramento Housing and Redevelopment Commission recommends that you adopt the attached Agreement and authorize its execution with the current owners.

### BACKGROUND

The factual background of this matter is fully set forth in the attached Memorandum to the Sacramento Housing and Redevelopment Commission by the Chief Counsel of the Agency.

At its regular meeting of November 4, 1980, by vote of 4 to 2 (in favor: Commissioners B. Miller, Luevano, Fisher and Walton; opposed: Commissioners Serna and Coleman; abstaining: Commissioner A. Miller), the Commission recommended approval of the attached Amendment to Owner Participation Agreement with the amendment of the parties to reflect the current ownership by Travelers Hotel Group, a California partnership. A plurality of the Commission felt that it was in the Agency's interest to aid the current owners of the building in finding a suitable purchaser by the execution of this Amendment. The minority in the Commission felt that, in view of the

**APPROVED**  
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Date 11/12/80

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# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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Agency's clear willingness to execute such an agreement with the ultimate redeveloper of the building, little was to be gained by authorizing this agreement with the current owners and that substantial discretion as to the selection and timing of the new owner would be waived by approving it at this point.

## FINANCIAL IMPACT

There is no direct financial impact upon the Agency as a result of any action taken or not taken upon this Amendment.

## RECOMMENDATION

It is recommended that the attached Amendment be referred back to the staff to be held in abeyance until such time as the current owners have identified a redevelopment group which actually intends to undertake the redevelopment of the building.

Respectfully submitted,

*William H. Edgar*

WILLIAM H. EDGAR  
Interim Executive Director

TRANSMITTAL TO COUNCIL:

*Walter J. Slipe*  
\_\_\_\_\_  
WALTER J. SLIPE  
City Manager

Contact Person: Brenton A. Bleier

AMENDMENT TO  
OWNER PARTICIPATION AGREEMENT

THIS AMENDMENT, made this \_\_\_\_\_ day of \_\_\_\_\_, 1980, by and between the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO (hereinafter "Agency"), and TRAVELERS ASSOCIATES, a California partnership (hereinafter "Owner").

WITNESSETH:

WHEREAS, Owner is the owner of that certain real property (hereinafter "Property"), described in Exhibit "A" attached hereto and made a part hereof; and

WHEREAS, the Property is situated within the boundaries of the Capitol Mall Extension, Project No. 3 (hereinafter referred to as the "Project Area") and is subject to redevelopment in accordance with the provisions of the Redevelopment Plan adopted by the Agency on April 11, 1960, and adopted by the City Council of the City of Sacramento on June 16, 1960, as Ordinance No. 2208, Fourth Series, and as subsequently amended; and

WHEREAS, said Redevelopment Plan contains provisions for the participation by certain owners of property lying within the Project Area upon terms and conditions to be prescribed by the Agency; and

WHEREAS, Agency entered into an Owner Participation Agreement pursuant thereto dated August 28, 1961, with George Lay, who was then the owner of the aforesaid Property; and

WHEREAS, Owner is the successor in interest to the aforesaid George Lay; and

WHEREAS, since the time of the aforesaid Agreement certain changes have occurred in the Redevelopment Plan for the Property; and

WHEREAS, the parties hereto desire to make certain amendments and modifications to the aforesaid Owner Participation Agreement.

NOW, THEREFORE, it is agreed by and between the parties that:

1. Paragraph 3 of the aforesaid Owner Participation Agreement of August 28, 1961 is hereby amended and modified by the deletion of all of the language set forth therein and the substitution of the following language in lieu thereof:

"3. Owner shall make the alteration, improvement, modernization and rehabilitation which is described in Exhibit 'B' attached hereto and made a part hereof, and such work shall be performed within the time and in the manner set forth herein."

2. Paragraph 4(b) of the aforesaid Owner Participation Agreement of August 28, 1961 is hereby modified and amended by the deletion of all of the language set forth therein and the substitution of the following language in lieu thereof:

"4. (b) Within one hundred twenty (120) days after the approval of the detailed plans and specifications by the Agency and the City of Sacramento, the latter thereof, Owner shall commence the alteration, improvement, modernization and rehabilitation of the Property in accordance with such plans and specifications. Owner shall pursue such work with due diligence and shall complete such work within twelve (12) months after the commencement thereof. All such alteration, improvement, modernization and rehabilitation of the Property shall be made at Owner's sole cost and expense."

3. Paragraph 5 of the aforesaid Owner Participation Agreement of August 28, 1961 shall be amended and modified by deleting the language set forth therein and substituting the following language in lieu thereof:

"5. Owner shall within ninety (90) days after receipt of written notice from Agency join with Agency in executing covenants, conditions and restrictions which shall take the form of a Declaration of Restrictions, to be recorded in the office of the County Recorder of Sacramento County. Such Declaration of Restrictions shall be in substantially the form attached hereto as Exhibit 'C' and by reference made a part hereof, in which the Property is described as Parcel 'A'. In connection with the physical standards and requirements contained in said Declaration of Restrictions and applicable to the property described therein other than the Property, the parties hereto agree that the Owner shall, with respect to said Parcel 'A' perform the following requirements:

(a) The size of the building shall not be increased in any way beyond the existing structure as

of the date of this Amendment, except that Owner may add additional floor area by enclosing completely the light wells on the westerly side of the building and by enclosing partially the light wells on the easterly side of the building.

(b) No setback lines shall be required for the structure situated on the Property.

(c) Service areas for loading, unloading and service to the Property shall be provided by the Owner. The design of such areas shall be approved by the Agency.

(d) Owner shall submit to the Agency for approval plans and/or designs for all signs hereafter erected on the Property during the term covered by the Declaration of Restrictions.

(e) Owner shall provide for drainage into the storm and sanitary drainage system installed in conformity with the Redevelopment Plan.

(f) Owner shall provide the fire protection set forth in Exhibit 'B'.

(g) Agency shall convey to Owner at a price substantially equivalent to that charged to other redevelopers on the same block, the following:

(1) An easement for light, air and pedestrian access, a fee interest in the land or some combination of the foregoing, at the option of the Agency, for a distance not to exceed twenty feet (20') from the southerly and westerly property lines of the parcel as they exist on the date of this Amendment to Agreement.

(2) Said interests as they may be conveyed shall include provision for use as a garden court on the southerly side and a service court on the westerly side with access to J Street.

(3) Agency shall retain appropriate easements for light, air and pedestrian access to any lands conveyed."

4. It is understood and agreed by the parties that Exhibit "C" as it was attached to the Owner Participation Agreement

of August 28, 1961 conflicts in certain particulars with the provisions of this Amendment. Insofar as that Exhibit does conflict with the provisions hereof, the parties agree to modify or amend the form of Exhibit "C" to conform herewith.

5. Exhibit "B" as it was attached and incorporated into the Owner Participation Agreement of August 28, 1961 is hereby deleted in its entirety and the attached Exhibit, designated as "Amended Exhibit 'B'", shall be substituted instead and in lieu thereof in its entirety.

6. It is understood and agreed by the parties that Owner shall begin the rehabilitation of the Property within two (2) years of the date of this Amendment to Owner Participation Agreement. In the event that Owner fails to commence actual rehabilitation of the improvements within said two (2) year period, Agency may then acquire the Property from Owner at the fair market value as of the date of this Amendment as it shall be determined in accordance with Paragraph 7 below, and Owner agrees to accept such sum in full satisfaction and payment for the Property.

It is expressly understood by the parties that the provisions of this paragraph are in addition to any other remedies Agency may have for breach of this Agreement.

7. In the event that the Agency elects to exercise its options under either Paragraph 6 of this Amendment or under Paragraph 10 of the original Agreement, the following procedure shall be employed to determine the fair market value of the building as of the relevant date:

- A. Agency shall notify Owner in writing of its intention to exercise its option, under either Paragraph 6 hereof or Paragraph 10 of the original Agreement, to purchase the building. As part of that notice, Agency shall designate an independent fee appraiser of its choice to undertake a determination of the fair market value as of the relevant date. Said notice shall be mailed to Owner at Owner's last known address, postpaid first class mail or, at the option of the Agency, shall be personally served upon a representative of Owner.
- B. Owner shall, within fifteen (15) days from the date of mailing of Agency's notice, or the service thereof, notify Agency in writing of its selection of an independent fee appraiser of its choice to undertake a determination of the fair market value as of the relevant date. If Owner shall fail or neglect for any reason whatsoever to select such an appraiser or to give proper notice of such selection to Agency within the prescribed period,

Owner shall be deemed to have waived its rights to select such an appraiser. In the event of such a waiver, Agency shall select a second independent fee appraiser.

- C. The two appraisers selected pursuant to subparagraphs A and B of this Paragraph shall confer and cooperate in an attempt to reconcile any difference which may occur in their respective estimates of fair market value. If the aforesaid two appraisers shall fail to agree upon a single fair market value as of the relevant date, the two appraisers shall mutually select a third appraiser, who having access to all of the data, materials and conclusions of the first two, shall conclusively establish the fair market value of the building. If the two appraisers shall fail to agree upon a mutually agreeable third appraiser, they shall mutually request the local chapter of the American Institute of Real Estate Appraisers, or any successor organization, to select a third such appraiser. That appraiser shall then proceed to conclusively establish the fair market value of the building.
- D. When the fair market value has been established in accordance with the foregoing, either by agreement of the first two appraisers or by the resolution of a third, said established value shall be deemed conclusively established as the fair market value of the building as of the relevant date as between the parties.
- E. The Agency may then tender to the Owner the conclusively established fair market value, less the amount of any outstanding liens of record and Owner shall convey to Agency a fee simple interest by warranty deed.
- F. The parties shall each bear the cost of the appraisers they select, except if the Agency selects the second appraiser under the procedures of subparagraph B above, the Agency shall pay the cost thereof and deduct such amount from the amount tendered to Owner pursuant to subparagraph E hereof. The cost of the third appraiser shall be shared equally, except that if the Owner should fail, neglect or refuse to pay his pro rata share of such cost, the Agency may pay the entire amount and deduct the Owner's pro rata share from the amount tendered pursuant to subparagraph E hereof.
- G. Agency and Owner, for themselves and their respective successors or assigns, do hereby waive any and all defenses they may have relative to the procedure employed to establish fair market value to the extent that the procedure employed complies with the provisions of this section.

8. All provisions of the aforementioned Owner Participation Agreement of August 28, 1961 except those expressly amended or modified herein, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Owner Participation Agreement as of the date first above written.

REDEVELOPMENT AGENCY OF THE CITY  
OF SACRAMENTO

By \_\_\_\_\_  
Executive Director

APPROVED AS TO FORM:

\_\_\_\_\_  
Chief Counsel

TRAVELERS ASSOCIATES, a California  
partnership

By \_\_\_\_\_  
Donald Barclay, Partner



STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF SACRAMENTO )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1980, before me, the undersigned, a Notary Public in and for said County and State, personally appeared \_\_\_\_\_, known to me to be the \_\_\_\_\_ of the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, that executed the within instrument, and known to me to be the person who executed the within instrument on behalf of said Agency, and acknowledged to me that such Agency executed the same, and acknowledged to me that such Agency executed the same pursuant to a resolution of the Members thereof.

WITNESS my hand and official seal.

[S E A L]

\_\_\_\_\_  
Notary Public in and for said  
County and State.

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF SACRAMENTO )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1980, before me, the undersigned, a Notary Public in and for said County and State, personally appeared \_\_\_\_\_, known to me to be \_\_\_\_\_ of TRAVELERS ASSOCIATES, the partnership that executed the within instrument, and known to me to be the person(s) who executed the within instrument on behalf of said partnership therein named, and acknowledged that such partnership executed the same.

WITNESS my hand and official seal.

[S E A L]

\_\_\_\_\_  
Notary Public in and for said  
County and State.

EXHIBIT "A"

DESCRIPTION OF OWNER'S PROPERTY

All that certain real property situate in the City of Sacramento, County of Sacramento, State of California, particularly described as follows:

Lot 4 in Block bounded by J and K, Fourth and Fifth Streets of the City of Sacramento, according to the official map or plan thereof.

AMENDED EXHIBIT "B"

WORK TO BE PERFORMED BY OWNER

A. EXTERIOR

- 1.0. Refurbish the lower exterior of the building on the J Street and 5th Street elevations from sidewalk grade to a height just under the existing projecting lower belt cornice at the ceiling of the mezzanine floor level and do the following other work:
  - 1.01. Remove pipe awning frame from sidewalk and building at 5th Street entrance to the existing restaurant.
  - 1.02. Remove all advertising signs visible from the sidewalks and design new sign space into modernized fronts (Item 1.0 above) as integral part of such modernization.
  - 1.03. Refurbish or replace as necessary existing disappearing awnings, mechanisms and recesses.
  - 1.04. Remove or completely renovate the two (2) existing marquees at the 5th Street and J Street entrances to the hotel lobby.
  - 1.05. Refurbish or remove the existing revolving doors at the two (2) street entrances to the hotel lobby so as to comply with the requirements of the Building Code of the City of Sacramento.
  - 1.06. Plant and maintain street trees in permanent planters around property in the sidewalk space in back of the street curbs on J and 5th Streets.
- 2.0. Clean, point, waterseal and paint and where appropriate parget and paint, and/or veneer all exterior brickwork above the lower belt cornice on the J and 5th Streets elevations of the building and above grade on the alley (south) and west elevations of the building, and do the following other work:
  - 2.01. Replace all window sash with metal sash in connection with Item 2.0 above, and replace all windows in outer courts and on west elevation with steel sash and reinforced glass in accordance with the Building Code requirements of the City of Sacramento, except as to the north and east facades wherein the requirements of the State Office of Historic Preservation shall be followed.

AMENDED EXHIBIT "B" (Continued)

- 2.02. Scale and paint all ironwork on existing fire escapes and remove the ladders.
- 2.03. Remove large vertical corner sign on northeast corner of building.
- 2.04. Remove the existing exterior metal duct stack flues on the alley (south) elevation of the building.
- 2.05. Clean and repair main cornice; plug old electric bulb outlets on under side and paint under side of main cornice.
- 3.0. Remove and relocate the utility penthouses above the roof and do the following other work:
  - 3.01. Remove large structural steel frame signs from the roof.
  - 3.02. Refurbish or replace flagpole on roof and fly flag.
  - 3.03. Replace existing miscellaneous television antennas on roof with one (1) master antenna.

B. INTERIOR

- 4.0. Perform the following work to conform to the Building and Fire Codes of the City of Sacramento:
  - 4.01. Remove the existing main stairway above the mezzanine level.
  - 4.02. Remove existing stairway on the west side of the building (south of lobby).
  - 4.03. Provide a new stairway at each end of the building from the basement to the top floor with at least one of the foregoing stairways extending to the roof level.
  - 4.04. Provide automatic fire extinguishing system for entire basement floor.
  - 4.05. Install new fire hose lines throughout entire building, including the basement.
  - 4.06. Remove dumbwaiter and trash chute shafts.
  - 4.07. Replace existing main electrical service equipment.

AMENDED EXHIBIT "B" (Continued)

- 4.08. Replace existing electrical distribution panels on each floor with modern dead front panels, and replace any defective wiring throughout the system.
- 4.09. Remove all interior walls except those on the main floor and those on the mezzanine level which are visible from the main floor.

EXHIBIT "C"

DECLARATION OF RESTRICTIONS

[To be inserted]

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

October 29, 1980

TO: Sacramento Housing and Redevelopment Commission  
FROM: Brenton A. Bleier, Chief Counsel  
SUBJECT: Proposed Rehabilitation of the Travelers Hotel

## INTRODUCTION

At its regular meeting of Tuesday, October 28, 1980, the Budget and Finance Committee of the City Council considered the Amendment to the Owner Participation Agreement recommended for adoption by your Commission on October 20, 1980. At that time Mr. Cameron Doyel appeared before the Committee and urged the Committee to recommend adoption of the agreement subject to an amendment changing the name of the owner from Travelers Associates, a California partnership (hereinafter "Associates"), to Travelers Hotel Group, a California partnership (hereinafter "Group"). Executive Director Edgar, Assistant City Manager Mailes and I appeared before the Committee and argued against acceptance of such an amendment. After giving full hearing to staff and Mr. Doyel, the Committee offered Mr. Doyel the option of recommending approval of the agreement between the Agency and Associates, or referring the matter back to your Commission to allow Mr. Doyel the opportunity to argue for the substitution of Group in lieu of Associates. When Mr. Doyel failed to indicate his choice as between these two options, the Committee unanimously referred the matter back to your Commission for further review and consideration of Mr. Doyel's request. The Committee expressly urged the Executive Director to allow Mr. Doyel to have his request considered by the Commission at the earliest possible date.

## BACKGROUND

In late June of this year Associates, by means of a letter dated June 25, 1980 addressed to Chairman Miller of your Commission, initiated negotiations relating to potential concessions by the Agency related to the possible rehabilitation of the old Travelers Hotel. Associates' letter, signed by Mr. Donald Barclay, set forth several specific requests and requested specific approval of each of several "components of owners' development plan for the property". At that time, Mr. Barclay indicated that "the City's expeditious approval of the foregoing plan is a material condition to the eventual development of the property."

On July 2, 1980, Deputy Director Roche submitted a memorandum to

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your Commission in which he noted

"The developers have completed structural analysis and preliminary plans and wish to proceed with the preparation of final construction plans and the sale of the building from the present partnership to Donald Barclay. Mr. Barclay cannot proceed until he has some assurance that development is feasible and that the Agency and the City will cooperate to the extent possible."

In an attempt to provide Mr. Barclay with the assurance he desired, the Agency entered into negotiations, which were conducted primarily with Mr. Barclay's Attorney, Scott Jeffrey Putnam, of Marina del Rey, California, toward the development of a Memorandum of Understanding between the City, Agency and Associates. Several drafts of the Memorandum were prepared and negotiations ensued throughout July. These negotiations were complicated by the uncertainty surrounding the possible use by the Agency of a portion of the Travelers block for a parking structure at some time in the future. After extensive negotiations, the final Memorandum of Understanding as agreed upon was forwarded to Mr. Putnam by the Agency staff on August 13, 1980 and he was informed that the agreement would be presented to your Commission on August 18, 1980 and to the City Council acting as the Governing Body of the Redevelopment Agency on August 19, 1980. That Memorandum of Understanding, as approved by your Commission and the Governing Body of the Agency, was by and between Associates and the Agency. In an attempt to aid Mr. Barclay, the Memorandum of Understanding was presented to the City Council for approval upon the oral assurances of Mr. Barclay and Mr. Putnam, his Attorney, that it was in a form agreeable to them. However, to date, the Agency has not received an executed copy of the Memorandum of Understanding from Associates.

Within a day or two after the approval by the Governing Body of the Memorandum of Understanding, Agency staff was contacted by Mr. N. Cameron Doyel who indicated that Group and Associates had held a meeting, which he described as a "partnership meeting", contemporaneously with the approval of the MOU. Mr. Doyel indicated that Associates had established as a condition precedent to Associates' purchase of a substantial majority of the partnership interest of Group, the approval by the Governing Body of the Agency in legally binding form of those items covered by the MOU in non-binding fashion which Mr. Doyel described as "affecting title". Mr. Doyel elaborated that in the judgment of Associates,



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this meant (1) the formal waiver of the parking requirement as set forth in the July 1961 Owner Participation Agreement, and (2) the resolution of the party wall issue. After some discussion with Assistant City Manager Mailes, it was agreed that these two items would be accomplished forthwith in an effort, again, to bring Associates into the project at the earliest possible date. Staff agreement with this very limited request of Mr. Doyel was confirmed in a letter to Mr. Doyel from myself dated August 26, 1980. Pursuant to that agreement work was undertaken by Agency legal staff to determine the necessary content of these two documents (an Amendment to the Owner Participation Agreement related to the parking requirement and an updating of the renovation work to be done to the building, and a quitclaim deed relative to the party wall). It became clear that the party wall matter was not as straightforward as the parties had earlier envisioned. There was some difficulty in establishing the exact extent of the present and prospective encroachment. Mr. Doyel eventually presented the Agency Legal Department with a revised engineering drawing relating to the prospective encroachment and that drawing is dated September 8, 1980. By September 15, 1980, the Agency Legal staff had completed a draft of an Amendment to the Owner Participation Agreement dealing with the limited areas mentioned above.

Upon presentation of this draft to Mr. Doyel, he indicated that Associates was now demanding that all documents envisioned by the Memorandum of Understanding be approved by the Governing Body of the Agency in legally binding form prior to their purchase of Group's interest. It was explained to Mr. Doyel that there would be considerable difficulty in attempting to draft final documents relating to easements of light and air and/or disposition agreements relating to the twenty foot strips of land along the southerly and westerly sides of the existing building in advance of a final determination by the Agency of its precise needs relative to the prospective parking structure on that block. At this time Mr. Doyel indicated that Associates would be satisfied if these matters were covered in a recordable Amendment to the Owner Participation Agreement which would then have the binding approval of the Governing Board. After further discussion with Assistant City Manager Mailes, this course was agreed upon.

Thereafter, Mr. Doyel entered into extensive discussions with Mr. Beattie of my staff who was assigned to develop the necessary documentation for the Amendment to the Owner Participation Agreement. At all times throughout the relevant period, Mr. Doyel

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presented the necessity for additional documentation in general and the Amendment to the Owner Participation Agreement in particular as being a specific and express requirement of Associates as a condition precedent to the purchase of Group's interest.

On October 20, 1980, the proposed Amendment to the Owner Participation Agreement was presented to your Commission for its consideration. At that time, Mr. Doyel appeared before your Commission to urge its adoption.

As part of his remarks to the Commission at that time, Mr. Doyel made the following statement:

"We have been negotiating with a prospective joint venture for a number of months. The most recent revision of documents from that joint venture offer took place August the 15th, the same day that you passed the MOU. One of the conditions or a condition precedent to concluding a deal with that joint venture was that these items in question be answered with some specificity from the Agency so that the joint venture would know what it's dealing with, how much it would have to pay for the ground in order to build the sheer walls, that there would be a light and air easement on the west side so that the building could function properly. All of these have been dealt with over the period of the last two months. Some question arose as to why the Agency should proceed to pass these items in advance of our joint venture being formed. We were stuck with a condition precedent ourselves."

Subsequent to these statements Mr. Doyel went on to explain that Group had had several offers of which Associates was only one. It should be noted that throughout the relevant period, Mr. Doyel, on behalf of Group, consistently admitted that Group had no intention of undertaking the rehabilitation of the building by itself. Throughout the period, and including the remarks set forth above, Mr. Doyel indicated that these documents were required as a "condition precedent" of the agreement with Associates. For the first time, at the meeting of October 20, 1980, Mr. Doyel indicated that Group was now considering the sale of the building to joint venturers other than Associates. On October 29, 1980 I spoke by telephone to Mr. Charles Martinez, an associate and partner of Mr. Donald Barclay in the proposed Associates partnership. I asked Mr. Martinez for a report on the status of their

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involvement in the Travelers Hotel rehabilitation and specifically whether they were "in" or "out". Mr. Martinez indicated to me that they were very much in the dark as to their status. He indicated that they had been negotiating for well over a year and a half with Group. However, he indicated that Group did not have agreement among themselves. He indicated that a limited partner in Group, a certain Mr. Glicksman, had a right to convert his limited partnership interest into that of a general partner and thus exercise an effective veto over any agreements that the general partners, Mr. Jacobson and Mr. Doyel, may have made. Mr. Martinez indicated that at the time of the passage of the Memorandum of Understanding, he and Mr. Barclay met with Mr. Doyel and Mr. Jacobson in Sacramento with regard to a binding purchase offer. Mr. Martinez indicated they presented Mr. Doyel and Mr. Jacobson with an offer which they had been led to believe was acceptable. However, the offer was to be countersigned by Group's limited partners. Subsequently Mr. Martinez learned from Mr. Doyel that the limited partners had refused to countersign the agreement. Mr. Martinez indicated that they (Associates) had been assured by Mr. Doyel on behalf of Group, on four separate occasions that an amendment agreeable to all the partners of Group would be in the mail to Associates. Mr. Martinez indicated that that agreement was first promised a month and a half ago. Mr. Martinez indicated that no such agreement has ever arrived. Mr. Martinez indicated that Associates had established a meeting with Group one and a half weeks ago but that meeting was cancelled by Group. Mr. Martinez indicated that he had been informed that the individual partners in Group had each retained separate counsel and were attempting to work out their difficulties among themselves. Mr. Martinez indicated that Associates continued to have an interest in the Travelers building, had expended a great deal of money in initial work on the building but was having a great deal of difficulty in negotiating any type of agreement with the partners of Group. Mr. Martinez indicates that he believes that Group is presently "shopping" the building to other prospective joint venturers as he has heard directly from two developers who have been approached by Group. Mr. Martinez stressed to me that while they continue to have an interest in rehabilitating the building, they have no agreement with Group at this time. Mr. Martinez indicated in summary that their primary difficulties at this time were with the individual partners of Group and not with the City or Agency.

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RECOMMENDATION

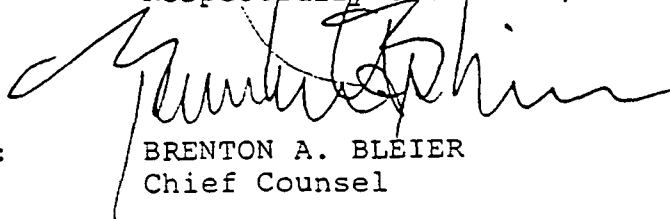
In view of the foregoing, it would seem futile to recommend the Amendment to the Owner Participation Agreement at this time in its present form. It is rather clear, based upon my telephone conversation with Mr. Martinez, that Associates' level of involvement with the rehabilitation of the property is far from that previously understood by the Commission or the staff. A range of possible approaches is available to the Agency relative to the implementation of the substance of the proposed Amendment to the Owner Participation Agreement:

1. The Agency could execute the Amendment with Group, but in so doing would completely lose control of the selection of a new developer for the Hotel;
2. The Agency could approve the agreement in a blank format subject to the approval of some future purchaser of the building and execution at that time; or
3. The Agency could simply hold the prospective agreement in abeyance until such time as a new owner is brought forward and a suitable agreement then negotiated with the new owner.

Agency staff would recommend the third approach in that it grants maximum flexibility to the Agency and allows the Agency to "fine tune" its response to the needs of the investment group which actually intends to undertake the rehabilitation of the building.

Accordingly, it is recommended that the proposed Amendment to the Owner Participation Agreement relating to the Travelers Hotel Building be returned to the staff of the Agency with instructions to negotiate such an amendment with any owner of the building present or potential who demonstrates a reasonable probability of accomplishing the rehabilitation of the building.

Respectfully submitted,



BRENTON A. BLEIER  
Chief Counsel

TRANSMITTAL TO COMMISSION:

William H. Edgar

WILLIAM H. EDGAR  
Interim Executive Director