

**Meeting Date:** 4/1/2014

**Report Type:** Consent

**Report ID:** 2014-00220

**Title: First Amendment to Lease Agreement: 1013 L Street, Cafe Roma**

**Location:** District 4

**Recommendation:** Pass a Motion authorizing the City Manager to execute a first amendment to the current lease agreement with Abe Saadeh for his restaurant, Café Roma located at 1013 L Street in the City's Capitol Parking Garage for payment of arrears.

**Contact:** Sabrina Tefft, Project Manager, (916)808-3789, Economic Development Department

**Presenter:** None

**Department:** Economic Development Dept

**Division:** Citywide Development

**Dept ID:**

**Attachments:**

1-Description/Analysis

2-Cafe Roma Lease Amendment

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### **City Attorney Review**

Approved as to Form

Gerald Hicks

3/24/2014 10:41:25 AM

### **Approvals/Acknowledgements**

Department Director or Designee: Jim Rinehart - 3/17/2014 11:17:37 AM

## Description/Analysis

**Issue Detail:** Abe Saadeh is currently leasing space in the City's Capitol Parking Garage at 1013 L Street and operating the restaurant, Café Roma. Mr. Saadeh has accrued almost eight months of unpaid rent. The City negotiated a payment schedule addendum to the lease allowing Mr. Saadeh to pay the balance of the arrears, as well as the lease payments negotiated in his current lease.

**Policy Considerations:** The recommendation is consistent with the City's strategic plan and the goal of the City Council to expand economic development throughout the City.

**Economic Impacts:** None.

**Environmental Considerations:** This project is exempt from the California Environmental Quality Act (CEQA) under Section 15301, "Operation of existing public structures or facilities involving no expansion of use."

**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** The operator, Abe Saadeh, became delinquent in meeting monthly lease obligations in July of 2013. As of March 1, 2014, Mr. Saadeh was behind \$24,857.95. Mr. Saadeh approached City staff proposing a restructured payment schedule. He has made changes to his operations for increased efficiency, has started on new promotions as part of his marketing strategy, will be offering catering and has made changes to staff, that will improve business and allow him to make the monthly lease payments, along with payments to the arrears. The City has worked with Mr. Saadeh on a payment plan to pay off the arrears over the next fourteen months. The proposed addendum will enable the City to retain a quality and successful tenant and to place Mr. Saadeh on a payment schedule that will allow the City to collect the full rent as stipulated in the lease.

**Financial Considerations:** The alternative to approving the terms in this addendum to the lease is for the tenant to close operations, necessitating the City to seek formal legal action to recover past due funds of \$24,857.95. These new lease terms will keep a tenant in the space, allow us to collect the arrears through a payment plan, and also provide revenues to the City.

**Local Business Enterprise (LBE):** Not applicable.

**FIRST AMENDMENT TO LEASE BETWEEN CITY OF SACRAMENTO AND CAFÉ ROMA, LLC**

THIS FIRST AMENDMENT is made at Sacramento, California, as of \_\_\_\_\_, 2014, by and between the CITY OF SACRAMENTO, a municipal corporation (“Lessor”), and CAFÉ ROMA, LLC (“Lessee”).

**RECITALS**

- A. On March 22, 2012, Lessor and Lessee executed a lease (“Lease”) for a portion (“Premises”) of the Capitol Garage specifically described in the Lease, which is denominated city agreement number 2012-0269.
- B. Lessor provided a “Build-out Period” after which rent was to commence at the Rent Commencement Date at a rate of \$3,019.50 per month. The “Build-out Period” was one hundred and eighty (180) days under the terms of the Lease.
- C. In addition to the “Build-out Period,” rent charges were also abated for an additional period of ten (10) months.
- D. The Rent Commencement Date was September 19, 2012. Lessee has failed to stay current on rent and as of March 1, 2014, owes to the Lessor, the sum of \$24,857.95.
- E. Lessee desires to an opportunity to pay and Lessor desires to provide an opportunity for Lessee to pay, all rent and other amounts due.

**AGREEMENT**

THEREFORE, THE PARTIES AGREE AS FOLLOWS:

- 1. **Payment Schedule:**
  - a. **March 2014 Payment.** The rental payment for the month of March 2014 shall be \$4,129.89. This amount includes payment of the current rent then due of \$3,129.89 plus \$1,000 that will be applied to the past due amount.
  - b. **April 2014 through May 2014 Payments.** The rental payments for the months of April and May 2014 shall be \$4,191.49 per month. This amount includes payment of the current rent then due of \$3,191.49 plus \$1,000 that will be applied to past due amounts.
  - c. **June 2014 through March 2015 Payments.** The rental payments for the months of June 2014 through March 2015 shall be \$5,191.49 per month. This amount includes payment of the current rent then due of \$3,191.49 plus \$2,000 that will be applied to past due amounts.
  - d. **April 2015 Payment.** The rental payment for the month of April 2015 shall be \$5,112.27. This amount includes the current rent then due of \$3,254.32 plus \$1857.95 that will be applied to past due amounts.
- 2. **Annual Increase.** The amounts set forth in paragraph 1 above, remain subject to an annual increase pursuant to paragraph 5(d) of the Lease.

3. **Place and Time for Payback of Rent Plus Interest; Additional 10% Penalty if Overdue.** All Payback of Rent Plus Interest under this First Amendment shall be paid to Lessor at City of Sacramento, Revenue Division, 915 I Street, Sacramento, California 95814, or any other place or places that Lessor may designate by written notice to Lessee. If Lessee fails to make any payment to the Lessor required of it under this First Amendment within ten (10) days when due, interest shall accrue on the overdue amount, from the date overdue until the date paid, at the rate equal to ten percent (10%) per annum.

4. **Automatic Termination of Lease; Any Payment More Than 30 Days Overdue.** The Lease will terminate automatically, if any payment due under the Lease or this First Amendment is more than ninety (90) days overdue. Upon automatic termination, Lessee shall have no right to retain possession of the Premises and the Premises must be surrendered no later than the following calendar day. Any notice, including, but not limited to, a three (3) day notice to pay or quite, required by any statute or law now or hereafter in force, being hereby waived, by Lessee.

5. **Payments Applied to the Earliest Arrears.** All payments are applied to Lessee’s earliest arrears.

6. Except as specifically amended by this First Amendment, all terms and conditions of the Lease remain in full force and effect.

Executed as of the day and year first above stated.

LESSEE:

Café Roma, LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

LESSOR:

City of Sacramento

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

APPROVED AS TO FORM:

By: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_