

Meeting Date: 4/17/2014

Report Type: Consent

Report ID: 2014-00222

Title: First Amendment to Lease Agreement: 1007 L Street, Cafe Connection

Location: District 4

Recommendation: Pass a Motion authorizing the City Manager to execute a first amendment to the current lease agreement with Shewkali Rajkumar and Chaitra Prashad for their restaurant, Café Connection located at 1007 L Street in the City's Capitol Parking Garage for payment of arrears.

Contact: Sabrina Tefft, Project Manager, (916) 808-3789, Economic Development Department; Matt Eierman, Parking Manager, (916) 808-5849, Department of Public Works

Presenter: None

Department: Economic Development Dept

Division: Citywide Development

Dept ID:

Attachments:

1-Description/Analysis

2-Cafe Connection Lease Amendment

City Attorney Review

Approved as to Form

Gerald Hicks

4/3/2014 10:24:26 AM

Approvals/Acknowledgements

Department Director or Designee: Jim Rinehart - 4/1/2014 12:11:29 PM

Description/Analysis

Issue Detail: Shewkali Rajkumar and Chaitra Prashad currently lease space in the City's Capitol Parking Garage at 1007 L Street and operate the restaurant, Café Connection. In May of 2012, Café Connection pursued a renewal of its lease and at that time had fallen behind on its rent payments. Operator, Shewkali Rajkumar, sought a workout plan that was written into the renewed lease to pay the arrears. The City Council approved that new lease in June of 2012. Subsequently, Ms. Rajkumar has fallen behind on that repayment plan, as well as on her current lease payments, by approximately seven months. The City has renegotiated a consolidated payment schedule addendum to the lease, allowing Ms. Rajkumar to pay the balance of the arrears, as well as the lease payments negotiated in her workout plan under the current lease, within a twenty-five month period.

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 lease 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 tenant became delinquent in meeting monthly lease obligations in August of 2013 and approached the City proposing a restructured payment schedule. Ms. Rajkumar has revised her marketing plan and expects that the enhancements will improve business and allow her to make regular monthly lease payments, along with payments to the arrears. Her new marketing plan provides for off-premise catering, as well as an increase in her marketing efforts through a variety of social media platforms. The City has worked with Ms. Rajkumar on a payment plan that consolidates the balance of her current payment plan, along with the arrears, and allows the total balance to be paid off within twenty-five months. The proposed addendum enables the City to retain a quality tenant and places Ms. Rajkumar on a payment schedule that permits the City to collect the full rent as stipulated in the lease, plus the arrears in an acceptable time frame.

Financial Considerations: The alternative to approving the consolidated payment schedule addendum to the lease is for Ms. Rajkumar to shut down operations. Such action would

necessitate the City to seek formal legal action to recover past due funds. Her current outstanding balance is \$24,865.22. These new lease terms will keep a tenant in the space, while also providing ongoing revenues to the City.

The base rent (\$2,502.47) is subject to annual increases pursuant to 5(d) of the lease. The repayment will be included as an additional monthly amount (\$1,000) from April 2014 through March 2016. In April 2016, the additional monthly amount will decrease (865.22). There is a 10% penalty if any payments are overdue and an automatic termination of the lease if any payment is more than 30-days overdue.

Local Business Enterprise (LBE): Not applicable.

**FIRST AMENDMENT TO LEASE BETWEEN CITY OF SACRAMENTO AND
SHEWKALI RAJKUMAR/CHAITRA PRASHAD DBA CAFÉ CONNECTION**

THIS FIRST AMENDMENT is made at Sacramento, California, as of _____, 2014, by and between the CITY OF SACRAMENTO, a municipal corporation (“Lessor”), and Shewkali Rajkumar and Chaitra Prashad dba CAFÉ CONNECTION (“Lessee”).

RECITALS

- A. On June 26, 2012, Lessor and Lessee executed a lease (“Lease”) for a portion of the Capitol Garage specifically described in the Lease (“Premises”), which is denominated city agreement number 2012-0480.
- B. The Rent Commencement Date was July 1, 2012. Rent was set at the rate of \$2,465.00 per month.
- C. Rent charges were abated for a period of three (3) months. Rent payments commenced on October 1, 2012.
- D. On July 1, 2013, rent was increased to \$2,502.47 per month as a result of the application of a Consumer Price Index increase as required by section 5(d) of the Lease.
- E. Lessee has failed to stay current on rent payments and as of March 1, 2014, owes to the Lessor, the sum of \$24,865.22.
- F. Lessee desires 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. **April 2014 through March 2016 Rent.** Commencing April 1, 2014 and continuing through March 2016, Lessee shall pay a monthly rental amount of \$3,502.47. This amount includes the current monthly rental amount of \$2,502.47 and an additional monthly payment of \$1,000 which will be applied to the past due balance.
- 2. **April 2016 Rent.** The rental payment for the month of April 2016 shall be \$3,367.69. This amount includes the current monthly rental amount of \$2,502.47 and an additional monthly payment of \$865.22 applied to past due balance.
- 3. The amounts set forth in paragraphs 1 and 2 above remain subject to an annual increase pursuant to paragraph 5(d) of the Lease.
- 4. **Place and Time for Payback of Rent Plus Interest; Additional 10% Penalty if Overdue.** All Payment of Rent and past due amounts under this First Amendment shall be paid to Lessor at 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 thirty (30) 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:

Shewkali Rajkumar and Chaitra Prashad

By: _____

Its: _____

Date: _____

LESSOR:

City of Sacramento

By: _____

Its: _____

Date: _____

APPROVED AS TO FORM:

By: _____

ATTEST:

By: _____