Meeting Date: 12/9/2014  
Report Type: Consent  
Report ID: 2014-00919  

Title: First Amendment to Lease Agreement: 1122 11th Street, La Bou International Bakery/Café  

Location: District 4

Recommendation: Pass a Motion authorizing the City Manager to execute a first amendment to the current lease agreement with Trong Nguyen for his restaurant, La Bou International Bakery/Café located at 1122 11th Street in the City’s Capitol Parking Garage.

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

Presenter: None  
Department: Economic Development Dept / Parking Services  
Division: Citywide Development  
Dept ID:  
Attachments:  
1-Description/Analysis  
2-Addendum  

City Attorney Review  
Approved as to Form  
Gerald Hicks  
12/2/2014 2:09:50 PM  

Approvals/Acknowledgements  
Department Director or Designee: John Dangberg - 12/2/2014 9:21:40 AM  

City of Sacramento  
915 I Street, 1st Floor  
www.CityofSacramento.org

04  
1 of 4
Description/Analysis

**Issue Detail:** On May 9, 2012, Trong Nguyen renewed a lease for La Bou International Bakery/Café in the City’s Capitol Parking Garage at 1122 11th Street. In an effort to reduce his rent, he agreed to relinquish 1,163 square feet of storage space in the back of the premises. Lessee vacated the storage space, except for 340 square feet, which currently holds the café’s built-in refrigeration unit. Lessee has made numerous attempts to relocate the unit, but has found the relocation to be difficult and expensive. Lessee would like to add the 340 square feet to the current lease and desires to repay the City for the accrued rent on the 340 square feet.

**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:** This report does not address any sustainability issues.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** The tenant has made numerous efforts to relocate the refrigeration unit for the café, without success. The City has worked with Lessee, understanding that access to the unit is imperative to the success of the operation. Lessee now desires an opportunity to add the storage space to his current lease and pay the City the accrued rent on the 340 square feet. The proposed addendum enables the City to retain a long-standing tenant and local business, recuperate the accrued rent on the space and accommodate the Lessee’s needs.

**Financial Considerations:** The First Amendment addresses the additional rent for the storage space, arrears payments for that space, and arrears payments for the rent. Based on the current lease rate of $1.76 per square foot, monthly rent payments for the additional 340 square feet of storage space will be $598.40. The accrued rent for the storage space is $18,142.40. Each month of the remaining initial Term, the Lessee will pay an additional monthly payment that will be applied to the total balance of the arrears. Lessee had a balance with the renewal of the current lease and has been making monthly payments towards the arrears balance. In addition, the total balance of the base rent arrears is $140,900.11. With the execution of the lease addendum, lessee will begin paying monthly rent plus the additional 340 square feet as well as monthly payments of $1,583.15 towards the total balance of the arrears.

Should any payment due under the lease or the First Amendment be more than thirty days overdue, the lease will be automatically terminated.

**Local Business Enterprise (LBE):** Not applicable.
FIRST AMENDMENT TO LEASE BETWEEN CITY OF SACRAMENTO AND

TRONG D. NGUYEN dba LA BOU INTERNATIONAL BAKERY/CAFE

THIS FIRST AMENDMENT is made at Sacramento, California, as of ____________________ 2014, by and between the CITY OF SACRAMENTO, a municipal corporation ("Lessor"), and Trong D. Nguyen dba La Bou International Bakery/Cafe ("Lessee").

BACKGROUND

A. On May 9, 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 2012-0379.

B. The Rent Commencement Date was June 1, 2012. Rent was set at the rate of $4,686.90 per month based on a rent of one dollar and seventy cents ($1.70) per square foot, times two thousand seven hundred fifty seven (2,757) square feet. Pursuant to section 5(d) of the Lease, rent was increased on an annual basis based on the Consumer Price Index such that rent is currently $4,854.16.

C. In addition to the amount set forth in section B above, pursuant to section 5(c) of the Lease, Lessee paid one thousand three hundred forty nine dollars and five cents ($1,349.05) per month as reimbursement for rents due.

D. On or about May 9, 2012, Lessee began occupying an additional 340 square feet that was not part of the leased Premises. The rental value for the additional space, based upon one dollar and seventy cents ($1.70) per square foot, times 340 square feet, is $578. With the annual rent increase applied, Lessee is in arrears $18,142.40 for rental of the additional space.

E. Lessee desires an opportunity to pay and Lessor desires to provide an opportunity for Lessee to pay, all rent and other amounts due.

F. Lessee desires to increase their current rental space by three hundred and forty (340) square feet, times the current rental rate of one dollar and seventy-six cents ($1.76) per square foot.

AGREEMENT

THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Amount due for Additional Space.** Lessee shall pay the amount owed for the additional space through December 1, 2014 in the amount of $18,142.40. This amount shall be added to the past due balance owed by Lessee, such that as of December 1, 2014, Lessee owes back rent in the amount of $140,900.11.

2. **Additional Amount due to pay off Arrears.** The amount Lessee shall pay every month in addition to the monthly rent shall be increased from $1,349.05 to $1,583.15.

3. **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 quit, 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:

Trong D. Nguyen

By: [Signature]

Its: [Position Title]

Date: 11-18-2014

LESSOR:

City of Sacramento

By: [Signature]

Its: [Position Title]

Date: ____________________________

APPROVED AS TO FORM:

By: ____________________________

ATTEST:

By: ____________________________