

Carmichael

RECREATION AND
PARK DISTRICT

Memo

To: Advisory Board of Directors

From: Mike Blondino, District Administrator
Ingrid S. Penney, Administrative Services Manager

Date: May 21, 2020

Subject: La Sierra Community Center Leases –
A. Chautauqua Playhouse
B. Sacramento Fine Arts Center
C. Living Smart Foundation
D. MCS Preschool

Background:

The global COVID-19 pandemic has had widespread, sudden and devastating impacts on the park and recreation industry and the nation as a whole. The COVID-19 pandemic has also resulted in a significant negative economic impact to tenants whose revenues are directly tied to ticket and subscription sales, grants and donations, and program service fees.

Because of these extraordinary circumstances, tenants have requested CRPD assistance, in the form of temporary rental adjustment of payment of rents/fees owed to the CRPD.

At the April 16, 2020 Regular Meeting, the Advisory Board voted to support the recommendations of staff and proposals from District tenants; directing staff to prepare Addendums to the Leases.

Discussion:

The Addendums for Living Smart Foundation and MCS Preschool involve adjustment and/or deferral of the total monthly rent and are executed by the Advisory Board. The

Addendums for Chautauqua Playhouse and Sacramento Fine Arts Center involve waiver or rental forgiveness and are executed by the Board of Supervisors.

When staff approached County Counsel to suggest language for the Addendums, County Counsel offered another approach for the approval process. Instead of taking the Addendums to the Board of Supervisors, the Advisory Board could recommend approval to grant temporary authority to the District Administrator to negotiate and approve short-term retroactive amendments (180 days or less) that adjust operating requirements, and/or abate or defer fees and rents payable to the District. This would streamline the process of taking the item first the Advisory Board and then the minimum six-week timeline to take it to the Board of Supervisors.

The District Administrator evaluation would be based the following:

CRPD's intent is to evaluate all requests to provide assistance to the tenants. The CRPD would evaluate the impact of such requests and determine whether to make short-term adjustments retroactively, that may include possible rent relief and/or reduction. Any financial relief the CRPD may be able to provide would be available to (1) eligible tenants *that apply for* CARES Act grants and/or loans which among other provisions include workforce retention requirements, and/or (2) tenants that were current on their FY2019-20 rent and fee payments through March 31, 2020. If applicable, any *deferred* fees or rents would be repaid to the CRPD at a future time and at an interest rate specified by the CARES Act.

Tenant Background and Addendums:

Living Smart Foundation – Lease executed by the District

- Non-profit, providing community Farmers Markets
- Tenant of office and storage space since 2018; CP rental - Sunday Farmers Market over past 8 years
- Monthly Lease rent: \$592.90
- *Delay Addendum – pending, under review to defer monthly rent for April, paying 1/3 over the next three months in addition to June, July, and August. – Report back at a later date.*

MCS Preschool – Lease executed by the District

- CA Corporation, providing licensed preschool services
- Since December 2018, Tenant of classroom space with adjacent asphalt space and land for a modular classroom/trailer and shared outdoor space. Purchased the business from a former tenant.
- Monthly Lease Rent: \$5,779.14
- Addendum: Monthly rental reduction of 30% from \$5,779.14 to \$4,045.39 for April and May.

Chautauqua Playhouse – Lease executed by the County of Sacramento

- Non-profit, providing adult and children’s community theatre
- Tenant since 1985, lent support for the purchase of the La Sierra Community Center by the County of Sacramento for the District.
- Monthly Lease rent: \$2,510.02
- Addendum: The Advisory Board has already supported the proposal for rent relief; therefore, the District Administrator would evaluate the impact of the request and determine the short-term adjustments to the lease retroactive to April 1, 2020.

Sacramento Fine Arts Center – Lease executed by the County of Sacramento

- Non-profit, providing fine art shows, events and classes
- Tenant since 1985, lent support for the purchase of the La Sierra Community Center by the County of Sacramento for the District.
- Monthly Lease rent: \$2,909.77
- Addendum: The Advisory Board has already supported the proposal for rent relief in concept; therefore, the District Administrator would evaluate the impact of the request and determine the short-term adjustments to the lease retroactive to May 1, 2020.

Budget and Cash Flow

The FY2019-20 Budget includes projections of total monthly lease revenue of \$98,583.02, effective January 1, 2020; annual projection: \$1,157,221. The Lease Addendums will affect the last quarter revenues for the District. To address the challenges of the COVID-19 outbreak, the CRPD is proactively implementing measures to mitigate operational and financial impacts, including instituting a hiring freeze on positions that are not critical to operations, eliminating all travel, and deferring non-essential discretionary spending. These expenditure savings help to offset the building rental and program revenue losses.

RECOMMENDATION:

Staff recommends that the Advisory Board approve the Lease Addendum for MCS Preschool, as presented; for the Lease Addendums normally approved by the Board of Supervisors, recommend delegation authority to the District Administrator of the Carmichael Recreation and Park District granting temporary authority to approve short-term retroactive amendments (180 days or less) to tenant agreements that adjust operating requirements, and/or abate or defer fees and rents payable to Carmichael Recreation and Park District, on the basis recommended, as deemed practicable and necessary, to assist tenants that are suffering material financial losses as a result of the recent Coronavirus (COVID-19) pandemic.