

1 MARK S. ADAMS, SBN 68300
California Receivership Group
2 2716 Ocean Park Blvd., Suite 3010
Santa Monica, CA 90405
3 Tel. (310) 471-8181
Fax (310) 471-8180
4 madams@calreceivers.com
Court-Appointed Receiver

5
6 SUPERIOR COURT OF THE STATE OF CALIFORNIA
7 IN AND FOR THE COUNTY OF MENDOCINO

8
9 CITY OF UKIAH, a municipal corporation,
10 Petitioner,

11 v.

12 QUESTEX, LTD., a revoked Nevada
Corporation; PETER SAL FAZIO and
13 SHARI ANNE FAZIO, husband and wife;
ELADIA LAINES GANULIN and MARTY
14 R. GANULIN, husband and wife; HENRY
GARDELLA, an individual; THOMAS J.
15 VUYOVICH, an individual; HEADLANDS
PRESS, LTD., a permanently revoked
16 Nevada Corporation; BURT OLHISER dba
VANTAGE POINT CONSULTING;
17 UNIQUE PROPERTIES, a Nevada
Corporation formerly known as Questex,
18 Ltd.; NORMAN HUDSON dba WINDSOR
STUCCO CO., a suspended California
19 Corporation; AIR & WATER SCIENCES;
and DOES 1 - 100, inclusive,

20 Respondents.
21
22
23

Case No. SCUJ-CVPT-15-66036

**FOURTH REPORT OF RECEIVER AND
DECLARATION OF MARK ADAMS**

NO HEARING SCHEDULED

24 I, Mark Adams, declare as follows:

25 1. The following is true and correct to the best of my knowledge. If called upon to
26 do so, I could and would testify competently thereto in a court of law. I am the appointed
27 Receiver on this Property.
28

1 2. This Fourth Report is intended as an update on some major negative
2 developments since I filed my Third Report on April 2, 2018 as well as providing my
3 recommendations as to future actions. I have been in communication with all parties at various
4 times and in various manners since that Third Report and all parties are aware that I am filing
5 this Report with the Court (although I do not represent that any party is in accord with my
6 recommendations at least at this point).

7 3. The good news is that the City has approved our basic architectural and
8 engineering plans so the predevelopment work is essentially complete. The bad news is that out
9 of the blue and without warning GCCI, the contractor, advised that the projected seismic retrofit
10 cost more than doubled from the original \$2-3 million to approximately \$7 million. I
11 commissioned a second opinion from another engineering firm and contractor. That second
12 opinion estimated the cost (on a substantially revised scope of work) at \$4.5 million but even that
13 figure makes it impossible for me to arrange financing to perform the work. With the
14 receivership certificate lender intending to commence a nonjudicial foreclosure on the super
15 priority deed of trust, I believe exposing this Property to the market via a listing agreement with
16 Todd Schapmire's firm is the best solution. Any such sale will be submitted to the Court for
17 review and approval before escrow is closed.

18 4. By way of background, I elected to use the team Ms. Laines assembled (at least
19 for the most part) for the work of this receivership. The theory being that her architect, engineer
20 and contractor already knew the property which would speed up the remediation process. For the
21 most part that theory was borne out with the architects, AXIA, and the engineers, ZFA, both out
22 of Santa Rosa. I also accepted GCCI as the general contractor for the same reason.

23 5. In both my Second and Third Reports I referenced GCCI's original estimate of
24 remediation costs in the \$2 to \$3 million range. As noted in my Third Report (page 2 line 17) if
25 and as the cost increased above \$2 million, the project became less and less financially feasible.¹

26 6. Almost unbelievably, and without any prior warning or even an alert, I received
27

28 ¹ GCCI in our early meetings indicated that \$3 million was an outer estimate and they expected to be closer to \$2 million when all was said and done.

1 the email attached as **Exhibit 1** from GCCI on April 5, 2018 indicating that the estimated cost
2 had now risen to “the upper \$6 million or low \$7 million mark...” As evidence that the news was
3 a total surprise I point to the fact that just 3-4 days earlier I had filed and served my relatively
4 rosy Third Report. Needless to say, I would not have said what I said in the Third Report had
5 GCCI alerted me that its estimate was off by more than 100%.

6 7. I and my local representative Todd Schapmire immediately began work on a
7 damage control effort. That effort included conference calls with the City’s attorney as well as a
8 lengthy telephone call with Ms. Laines’ attorneys. I advised all parties that our first step was to
9 seek out a second opinion from a San Francisco-based engineering firm with more experience
10 than ZFA on old, unretrofitted buildings. I also asked Miken Construction, a contractor I have
11 used on some very challenging receivership projects, to participate in this second opinion. As
12 noted above this second opinion brought the price tag down to \$4.5 million for a substantially
13 revised project. But even that amount is not fundable from traditional sources in my opinion.
14 And the current receivership lender declined to advance any additional funds on this project
15 because of this news.

16 8. I am aware that Ms. Laines is making efforts to find an equity investor to step into
17 this transaction. But based on the reaction I’ve gotten from various financier sources, I am
18 doubtful that her efforts will be successful. And with the specter of a foreclosure pending I do
19 not consider it prudent to simply wait and see whether and how her efforts may produce results.

20 9. After careful deliberations with Mr. Schapmire, I’ve concluded that an effort must
21 be made to find a buyer for the Property, one with the financial wherewithal to complete the
22 retrofit and a desire to return the Palace Inn to productive use. At this point, we have no real idea
23 what price the market will offer and of course any such offer cannot be completed without the
24 Court’s future approval. But unless otherwise directed by the Court I intend to test that market
25 through Mr. Schapmire’s skills.

26 10. While such a sale is not the preferred result to such a health and safety
27 receivership, it is also the case that the costs of all of the effort over its term must also be paid if
28

1 this receivership is to be discharged. The major items are: receivership certificate principal
2 balance \$577,000; Garavaglia Architects \$11,724; ZFA Engineers \$13,200; Axia Architects
3 \$60,507; other consultants \$17,300; GCCI \$14,167; Ukiah city attorney fees \$75,000; CRG
4 unpaid fees \$46,804; and insurance \$5,172. The total is \$855,509, see **Exhibit 2** attached.

5 11. Again, at this point it is not known what offers, if any, might come in. But if the
6 sale price is insufficient then I will be making recommendations to the Court regarding which
7 creditors have higher priority than others.

8 12. I understand that one or more of the interested parties might want to litigate the
9 recommendations presented herein. But I've noted to the parties, and ask the Court to note, that
10 the more useful time for such litigation will be if and when we receive a legitimate offer to buy
11 the Property. What recommendations I would make at that time depend on what the sale
12 proceeds will be and who all the creditor claimants are.

13 13. Notwithstanding what I consider to be GCCI's feeble attempts to explain its over
14 100% cost overrun estimate, I do not consider there to be any legitimate explanation either for
15 the huge overrun or GCCI's hiding of that bombshell news for so long. I do not see how there
16 would be legal culpability for GCCI since we all knew we were dealing with estimates, not firm
17 numbers. But even with estimates, another more professional firm would have alerted us all to
18 the problem far earlier than GCCI did. I would say Ms. Laines first and then me mistakenly put
19 our trust in the skill and professionalism of the firm. As a result of what has happened here I
20 have withdrawn my offers to allow GCCI to handle other projects for me in northern California.

21 14. I declare under penalty of perjury under the laws of the State of California that the
22 foregoing is true and correct.

23 Executed this 20th day of June, 2018, in Santa Monica, California.

24
25
26 
27 Mark Adams, Receiver for 272 State St.
28

Exhibit 1



Mark Adams <madams@calreceivers.com>

Palace Hotel - Seismic Upgrades

1 message

Brandon <brandon@gcciinc.com>

Thu, Apr 5, 2018 at 8:57 AM

To: Todd Schapmire <toddschapmire@gmail.com>

Cc: Mark Adams <madams@calreceivers.com>, Jason Weaver <jweaver@axiaarchitects.com>, Mike Gentry <Mike@gcciinc.com>

Good morning Todd,

I just wanted to give you an update on the price for the Palace Hotel. The micropile contractor that was quoting the job has just decided (last night) that they do not want to take this on so we are actively looking for another contractor. They are a specialty item and hard to find, but we are actively working.

I wanted to let you know that we have done everything we can to try and get the price down, but this project is trending toward the upper \$6 million or low \$7 million mark as we currently speak. Below are a list of some items that have added to the increased cost:

- Significant deterioration of the building since the last pricing
- Major changes to the design of the building
- Discovery of the major voids under the building slabs which need to be infilled
- Repointing of all the masonry
- Addition of the new roofing to the project scope.
- Need to scaffold the entire structure to access work
- Significant increase in steel and lumber cost (over double for steel and near double for lumber)
- Significant decrease in the availability of labor due to recent events and the increase in the construction activity in the North Bay

Please let me know your thoughts, questions or concerns. Should we keep pursuing this or is this project going to be so far over budget that we need to reconsider our approach?

Let me know if you have any questions.

Thank you,

Brandon Gentry, LEED AP

Max 1

Project Manager
GCCl, INC.
www.gcciinc.com
PO Box 11039
Santa Rosa, CA 95406
Phone 707-545-2134
Fax 707-545-2156

Palace Hotel - Seismic Improvements

Category/Task	Subcontractor	Location	Total	Original	Notes
Div. 1 - General Conditions					
Travel	GCCI, Inc.	Santa Rosa	\$ 13,200	\$ 25,000	
Supervision	GCCI, Inc.	Santa Rosa	\$ 221,760	\$ 75,000	Increase because of scope and duration
Safety Coordinator	GCCI, Inc.	Santa Rosa	\$ 70,000	\$ 0	Added because of scope change and building condition
General Laborer	GCCI, Inc.	Santa Rosa	\$ 83,160	\$ 0	Increase because of scope and duration
Interior Surveyor	GCCI, Inc.	Santa Rosa	\$ 5,120	\$ 0	Required to rebuild existing floors now being demo'ed
Traffic Control	GCCI, Inc.	Santa Rosa	\$ 12,000	\$ 12,000	No change
Temporary Electrical and Safe-Off	GCCI, Inc.	Santa Rosa	\$ 45,000	\$ 10,000	Increase scope requires power at all corners all floors
Temporary Plumbing and Safe-Off	GCCI, Inc.	Santa Rosa	\$ 3,800	\$ 3,800	No change
Temporary Sanitary Facilities	GCCI, Inc.	Santa Rosa	\$ 4,000	\$ 1,800	Increase because of scope and duration
Temporary Interior Scaffolding	Platinum Scaffold	Martinez	\$ 72,281	\$ 0	Added demo and shotcrete requires scaffold for access
Temporary Exterior Scaffolding	Platinum Scaffold	Martinez	\$ 158,766	\$ 0	Required for added demo, roofing and repointing
Temporary Debris Netting	Platinum Scaffold	Martinez	\$ 8,378	\$ 0	Required for safety and because of falling debris
General Debris	GCCI, Inc.	Santa Rosa	\$ 30,000	\$ 0	Increase because of scope and duration
<i>General Conditions Subtotal</i>			\$ 727,464.74	\$ 127,600.00	
Div. 2 - Demolition					
Demo (e) Concrete for Footings	GCCI, Inc.	Santa Rosa	\$ 25,000.00	\$ 25,000.00	No change
Demo Framing	GCCI, Inc.	Santa Rosa	\$ 366,020.00	\$ 9,500.00	Increase because of scope change and demo for access
Debris Removal	GCCI, Inc.	Santa Rosa	\$ 40,500.00	\$ 0.00	Increase because of scope and duration
Safety and Supervisions	GCCI, Inc.	Santa Rosa	\$ 72,000.00	\$ 0.00	Increase because of scope and duration

Demo slab for void infill	GCCI, Inc.	Santa Rosa	\$ 31,600.00	\$ 0.00	Allowance - Unquantifiable; Originally unknown
<i>Demolition Subtotal</i>			<i>\$ 535,120.00</i>	<i>\$ 34,500.00</i>	
Div. 3 - Concrete					
Micropiles	TBD	Santa Rosa	\$ 265,000.00	\$ 115,000.00	Allowance - Change in pier/pile type
Concrete and Shotcrete	Devincenzi Concrete	Santa Rosa	\$ 1,149,112.00	\$ 431,380.00	Increased quantity and scope
Void infills	Devincenzi Concrete	Santa Rosa	\$ 137,500.00	\$ 0.00	Allowance - Unquantifiable; Originally unknown
Shoring for Shotcrete	GCCI, Inc.	Santa Rosa	<i>In Rough Carp</i>	\$ 15,000.00	
Backboards at Shotcrete Walls	GCCI, Inc.	Santa Rosa	<i>In Rough Carp</i>	\$ 15,000.00	
<i>Concrete Subtotal</i>			<i>\$ 1,551,612.00</i>	<i>\$ 576,380.00</i>	
Div. 3 - Masonry					
Retesting of Brick, Full Wall	Testing Lab	TBD	\$ 0.00	\$ 10,000.00	
Repoint of Existing Brick	MCI	Santa Rosa	\$ 480,000.00	\$ 0.00	Allowance - Unquantifiable. Not specifically required but anticipated
Brick Opening Infills	MCI	Santa Rosa	\$ 80,000.00	\$ 70,592.00	
Sidewalk and Parking Control	GCCI, Inc.	Santa Rosa	<i>In Ext. Scaff.</i>	\$ 5,000.00	
<i>Masonry Subtotal</i>			<i>\$ 560,000.00</i>	<i>\$ 85,592.00</i>	
Div. 4 - Metals					
FOB Misc Steel; F&I Brace Frames	Windsor Fabrication	Windsor	\$ 586,500.00	\$ 221,000.00	Significant change in scope and steel cost
Misc. Steel Install	GCCI, Inc.	Santa Rosa	<i>In Rough Carp</i>	<i>In Rough Carp</i>	
<i>Metals Subtotal</i>			<i>\$ 586,500.00</i>	<i>\$ 221,000.00</i>	

Div. 6 - Wood and Plastics					
Rough Carpentry	GCCI, Inc.	Santa Rosa	\$ 1,539,741.00	\$ 1,124,487.00	Increase in scope and lumber cost
<i>Carpentry Subtotal</i>			<i>\$ 1,539,741.00</i>	<i>\$ 1,124,487.00</i>	
Div. 7 - Thermal and Moisture					
Demo and Reroofings	Alton and Company	Santa Rosa	\$ 350,780.00	\$ 0.00	Added scope of work
<i>Thermal and Moisture Subtotal</i>			<i>\$ 350,780.00</i>	<i>\$ 0.00</i>	
Div. 31 - Sitework					
Demo and Remove of Debris at Pit	GCCI, Inc.	Santa Rosa	<i>In Demolition</i>	\$ 5,800.00	
Pit Infill with Class II Baserock	GCCI, Inc.	Santa Rosa	<i>In Concrete</i>	\$ 30,000.00	
Relocate/Demo Fire Riser	GCCI, Inc.	Santa Rosa	\$ 20,000.00	\$ 20,000.00	Allowance - No change
<i>Sitework Subtotal</i>			<i>\$ 20,000.00</i>	<i>\$ 55,800.00</i>	
Subtotal			\$ 5,871,217.74	\$ 2,225,359.00	
Overhead and Profit			\$ 880,682.66	\$ 254,599.00	
Totals (rounded to nearest thousand)			\$6,760,000.00	\$2,480,000.00	
<u>Special Notes:</u>					
- 2/AS5.1 state to use thru bolts where where rod anchors fail. This is unquantifiable and will be performed on T&M as required					
- We have proposed using shotcrete walls in lieu of concrete walls where shown					

- We exclude delays caused by the design team, Owner, Representative, City of Ukiah or other jurisdiction having authority. We anticipate that inspections and SEOR review will be near a full time requirement.

- We exclude any under slab drainage. A soils engineer may need to review the proposed concrete/dirt infill at the existing under slab voids

Palace Hotel Seismic Upgrades

In general the scope of the work has changed since GCCI initially gave an estimate in February of 2017. Please remember that the budget was based off of an initial cost model, not the permit submittal set of plan. The scope of work between these are different. Below is intended to be a brief explanation of changes involved.

Roofing:

Roofing was added to scope. This was not anticipated or requested at initial pricing. The cost of the roofing itself, excluding the additional scaffolding now required, is 350,780 plus GC mark up for a total of **\$403,397**.

Underslab Voids:

Over the last year it was discovered that there were significant voids underneath the buildings slab. The slab over these voids need to be demolished, the voids exposed, filled with concrete and the slab replaced. The cost for this work, not including the additional safety protocols required by this work, is approximately \$225,350 plus GC mark up for a total of **\$259,153**

Repointing Allowance:

This is not specifically called for in the plans, but due to the deterioration of the building and the fact that we anticipate this being requested by the historical architect we have included an allowance for this work. The cost for this work, not included the added scaffolding required for this scope, is \$ 480,000 plus GC mark up for a total of **\$552,000**

Scaffolding:

Interior and exterior scaffolding will be required now to access the work above. This also includes the pedestrian canopy to protect the public from debris caused by the reroof, demolition and potential falling debris. The cost for for this work is 239,425 plus GC mark up for a total of **\$275,339**

Material Cost Increase:

The initial budget was provided to the client 14 months ago in February of 2017. Since then there has been material increases due to several factors. Those factors include, but are not limited to: general yearly increases, newly enacted tariffs on steel, and the Northbay wildfires causing lumber shortage. This is difficult to quantify however I anticipate this cost as no less than \$400,000 plus GC mark up for a total of **\$460,000**.

Supervision and Safety:

As mentioned before, the scope of the work has increased significantly resulting in added project duration and other general conditions. The cost increase for the general conditions due to this increase is \$297,120 plus GC mark up for a total of **\$341,668**.

Deterioration of the Building:

The building has deteriorated since the last budget proposal resulting in added demolition of building materials that were originally anticipated to be left in place. In addition we need to have a designated safety individual continuously monitoring the condition of the structure as the work progresses. The added cost for this work is approximately \$470,000 plus GC mark up for a total of **\$540,500**

Piles and Piers

The concrete piers have changes in design and are now micropiles. The anticipated cost for this change is approximately \$150,000 plus GC mark up for a total of **\$172,500**

The total for the above is \$3,004,557. These are just the cost for the easily quantifiable items. It does not include added cost for labor shortages which is significant but not easily quantifiable.

Respectfully,

Brandon Gentry
GCCl, Inc.

Exhibit 2

272 N. State St., Ukiah 6/20/18	TOTAL		BY ENTITY
Receivership Certificate Balance	\$ 577,575.00		\$ 577,575.00
Todd/101 Property Management	\$ 15,000.00		\$ 15,000.00
Garavaglia Architecture Invoice	\$ 4,398.65		
Garavaglia Architecture Invoice	\$ 4,646.25		
Garavaglia Architecture Invoice	\$ 2,679.99		\$ 11,724.89
ZFA Structural Engineers Contract Balance	\$ 13,200.00		\$ 13,200.00
AXIA Roofing Contract balance	\$ 9,044.00		\$ 60,507.00
AXIA Roofing Invoices	\$ 34,048.00		
AXIA demo contract balance	\$ 7,825.00		
AXIA demo invoice	\$ 9,590.00		
GCCI invoice	\$ 14,167.34		\$ 14,167.34
SHN Consulting Engineers & Geologists-contract balance	\$ 3,517.34		\$ 3,517.34
PJC & Associates invoice balance	\$ 7,229.50		\$ 13,841.50
PJC & Associates invoice	\$ 3,869.00		
PJC & Associates invoice	\$ 2,743.00		
City of Ukiah-water and electric			
Scott Huber - city attorney	\$ 75,000.00		\$ 75,000.00
Loan interest 6/30/18	\$ 19,000.00		\$ 19,000.00
CRG Account Receivable	\$ 46,804.00		\$ 46,804.00
Insurance-monthly payments	\$ 5,172.00		\$ 5,172.00
	\$ 855,509.07		\$ 855,509.07

Ex 2

1 **PROOF OF SERVICE**

2 F.R.C.P. 5 / C.C.P. 1013a (3)/ Rules of Court, Rule 2060

3 I am a resident of, or employed in the County of Los Angeles, State of California. I am
4 over the age of 18 years old and not a party to the within action. My business address is 2716
5 Ocean Park Blvd., Suite 3010, Santa Monica, California 90405.

6 On **June 20, 2018** I served the following listed document(s), by method indicated below,
7 on the parties in this action: **Fourth Report of Receiver and Declaration of Mark Adams**

8 *****SEE ATTACHED SERVICE LIST*****

9 **BY U.S. MAIL**

10 By placing the original / a true copy thereof enclosed in a sealed
11 envelope(s), with postage prepaid, addressed as per the attached
12 service list, for collection and mailings at Santa Monica, California
13 following ordinary business practices. I am readily familiar with the
14 firm's practice for collection and processing of the document for
15 mailing. Under that practice, the document is deposited with the
16 United States Postal Service on the same day in the ordinary course
17 of business. I am aware that upon motion of any party served,
18 service is presumed invalid if the postal cancellation date or postage
19 meter date on the envelope is more than one day after date of deposit
20 for mailing contained in this affidavit.

21 **BY ELECTONIC SERVICE**
22 **(via electronic filing service provider)**

23 By electronically transmitting the document(s) listed above to
24 LexisNexis File and Serve, an electronic filing service provider, at
25 www.fileandserve.lexisnexis.com pursuant to the Court's _____
26 _____ Order mandating electronic service. *See*
27 Cal.R.Ct.R. 2053, 2055, 2060. The transmission was reported as
28 complete and without error.

BY OVERNIGHT DELIVERY

By delivering the document(s) listed above in a sealed envelope(s) or
package(s) designated by the express service carrier, with delivery
fees paid or provided for, addressed as per the attached service list, to
a facility regularly maintained by the express service carrier or to an
authorized courier or driver authorized by the express service carrier
to received documents.

BY ELECTRONIC SERVICE
(to individual person)

By electronically transmitting the document(s) listed above to the
email address(es) of the person(s) set forth on the attached service
list. The transmission was reported as complete and without error.
See Rules of Court, rule 2060.

BY PERSONAL SERVICE

By personally delivering the document(s) listed above
to the offices at the addressee(s) as shown on the attached service
list.

By placing the document(s) listed above in a sealed
envelope(s) and instructing a registered process server to personally
deliver the envelope(s) to the offices at the address(es) set forth on
the attached service list. The signed proof of service by the
registered process server is attached.

BY FACSIMILE

By transmitting the document(s) listed above from Mark Adams,
Esq., facsimile (310) 471-8181 to the facsimile machine telephone
number(s) set forth on the attached service list. Service by facsimile
transmission was made pursuant to agreement of the parties,
confirmed in writing.

STATE I declare under penalty of perjury under the laws of the State of California that the above
is true and correct.

FEDERAL I declare under penalty of perjury under the laws of the United States that I am employed
in the office of a member of the bar of this court at whose direction the service is made.

26 Christmas Myers
27 Type or Print Name

28 
Signature

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

SERVICE LIST

City of Ukiah v. Questex, LTD., et al.; Case No. SCUK-CVPT-15-66036

Attorneys for Petitioner, City of Ukiah

Scott E. Huber
Sean D. De Burgh
COTA COLE & HUBER, LLP
2261 Lava Ridge Court
Roseville, CA 95661
Tel: (916) 780-9009
Fax: (916) 780-9050
shuber@cotalawfirm.com
sdeburgh@cotalawfirm.com

**Attorneys for Respondent, Unique
Properties formerly known as Questex, Ltd.
and Eladia Lains Ganulin**

Robert F. Epstein
Julia C. Butler
EPSTEIN LAW FIRM
369-B 3rd Street, #182
San Rafael, CA 94901
Tel: (415) 755-2625
Fax: (415) 482-7542
rob@epsteinlawyer.com
jbutler@epsteinlawyer.com

Attorneys for Petitioner, City of Ukiah

David J. Rapport
RAPPORT & MARSTON
405 W. Perkins Street
Ukiah, CA 95482
Tel: (707) 462-6846
Fax: (707) 462-4235
drapport@pacbell.net

**Attorney for Pamela Rollo, as Successor In
Interest to Henry Gardella**

William P. Lynch, Jr.
Attorney at Law
950 Northgate Drive, Suite 200
San Rafael, CA 94903
Tel: (415) 491-9500

Attorney for Respondent, Marty R. Ganulin

Robert Green
GREEN & NOBLIN, P.C.
2200 Larkspur Landing Circle, Suite 101
Larkspur, CA 94939
Tel: (415) 477-6700
Fax: (415) 477-6710
rsg@classcounsel.com

Courtesy Copy

Todd Schapmire
c/o 101 Property Management
390 W. Standley Street
Ukiah, California 95482
toddschapmire@gmail.com