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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

Case No. SCUk-CVPT-15-66036

**FIRST REPORT OF RECEIVER RE  
IMMEDIATE ACTION ITEMS,  
REHABILITATION PLAN AND  
INCREASED FUNDING;  
(PROPOSED) ORDER**

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## I. INTRODUCTION AND SUMMARY

My appointment order, dated January 9, 2017, directed me to prepare a rehabilitation plan for the Palace Hotel, 252 State St., Ukiah CA (“Property”).<sup>1</sup> I was directed at the hearing to circulate to the parties a draft report by February 10, 2017 for commencement of a two week comment period ending on February 28, 2017. If the parties agree to my report and recommendations an appropriate stipulation and order may be submitted to the Court. Otherwise the Court set a hearing to hear objections for March 13, 2017. This First Report is being submitted in furtherance of those directives.<sup>2</sup>

For the Court’s information, I received three sets of comments on the draft report I circulated to the parties on February 13, 2017. To assure that there is no issue regarding me inadvertently mischaracterizing any comment, I’ve elected to attach them as Exhibits 1, 2, and 3 to this First Report. Exhibit 1 is a letter dated February 27, 2017 from the Epstein Law Firm on behalf of the Owner. Exhibit 2 is an email I received on February 24, 2017 including comments from the Fire Marshall of the City of Ukiah.<sup>3</sup> Exhibit 3 is an email I received on February 28, 2017 containing some comments by City Councilmember Doug Crane. Exhibit 4 is a my responsive email on the issues raised in Exhibit 1. Where appropriate I have edited my text in this Report to reflect those comments and, in some cases, where I do not accept the proposed changes to this First Report, I will so note in the text or in footnotes.

This process has resulted in some constructive changes to my initial findings and recommendations. I hope to continue the give and take prompted by this process in the hopes that a stipulated plan can be agreed to and thereby avoid the need for the March 13, 2017

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<sup>1</sup> The exact language is the direction to me to: “Rehabilitate the Property consistent with the rehabilitation plan submitted to the Court, put the Property into compliance with all applicable state and local codes, including the State Housing Law, the California State Buildings Standards Code, and the Ukiah Municipal Code, and otherwise render the Property as a whole inhabitable as decent, safe, and sanitary housing”.

<sup>2</sup> For the parties’ information and as referenced below, John Donley prepared a thick notebook of documents re this project, including old reports, appraisals and the like. Due to size constraints, I have elected not to include all of that in this report but will be happy to provide a link to anyone requesting his information.

<sup>3</sup> Fire Marshall Jennings thought that the fire portion of the report “...looks very good. Perhaps changing the wording just a bit”. This Report responds to that concern.



1 hearing. But for now the Court should assume that hearing should remain calendared.

2  
3 In summary, I recommend that several matters be addressed immediately: (a) shoring of  
4 at least portions of the first floor joists and elsewhere to protect against further deterioration and  
5 possible collapse of any floors or ceilings; (b) installation of an early warning fire alarm system  
6 connected via a third party vendor to the Ukiah Fire Dept.; (c) commission of a comprehensive  
7 asbestos abatement inspection; (d) obtain a bid for seismic retrofitting based on the structural  
8 engineer's report referenced below and based on my own assessment also as stated below; and  
9 (e) approval of an increase in the super priority funding from the current \$35,000 to \$438,000. <sup>4</sup>

10 I also ask the Court to give preliminary approval to my proposed design concept.  
11 Realizing that there is considerable work remaining in the analysis of my recommendations, the  
12 fact is that no lender would even consider funding the above-referenced immediate actions  
13 without confidence that the Court is supportive of the basic rehabilitation plan for the Property. <sup>5</sup>

14 The plan will be discussed thoroughly below but in summary is this: develop a hotel  
15 usage for the 1929 concrete structure and retail/restaurant and bar usage for the entire first floor  
16 of all 3 buildings (approx. 20,000 square feet); and seismically retrofit all 3 structures but limit  
17 the retrofitting at this time to assure that the 2<sup>nd</sup> and 3<sup>rd</sup> floors of the 1891 and 1921 structures  
18 would not "pancake" onto the first floor during a significant seismic event. <sup>6</sup> In other words,  
19 development of the 2<sup>nd</sup> and 3<sup>rd</sup> stories of the two older buildings is not contemplated at least at

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<sup>4</sup> See further discussion of funding arrangements either against the Property or against the Owner below.

21 <sup>5</sup> See Exhibit 1. Owner objects to this amount of funding without considerable further study by the receivership. As  
22 stated in the text, there is no chance, based on my experience, of finding a lender for any amount unless the lender is  
23 confident that the Court is supportive of the basic plan. So if the Court agrees with the Owner I ask that the Court  
24 assess all costs approved by the Court against the Owner so that the further work of this receivership can begin  
25 immediately before further damage is done by the elements to the Property.

26 <sup>6</sup> Councilmember Doug Crane, in Exhibit 3, argues that my recommendation is more like shoring than seismic  
27 retrofitting. As discussed in more detail below, any seismic retrofitting plan will have to be approved by the City's  
28 Building Official. The Building Official will undoubtedly require proper steps be taken so that walls will not fall  
onto the streets below in the event of a seismic event and I certainly didn't mean to imply that I was unconcerned  
with that pedestrian safety issue. At this early stage it is premature to speculate as to the cost of a plan which will be  
acceptable to the Building Official. But I do not believe a full seismic retrofit so as to make the top 2 stories of the 2  
older buildings is financially feasible and in any case I do not believe converting those upper 2 stories to housing or  
hotel usage is warranted economically. I certainly hope that Councilmember Crane's fear that the cost of this project  
will be twice what I am estimating is unwarranted but again, we are at a very early stage of this project and I believe  
such concerns are premature.

1 this time.

## 2 3 **II. POST APPOINTMENT PROCESS**

4 After my appointment on January 9, 2017, my first action was to retain the services of  
5 local Realtor and property manager Todd Schapmire, Jr., as my local agent and representative.<sup>7</sup>  
6 Todd's office is just down the street from the Property and he has resources available to secure  
7 and maintain the Property during this transition period. He is billing me for his time and on a  
8 time and materials basis for work his crews do. Todd's crews have worked hard from Day 1 to  
9 mitigate the further damage to the Property caused by the recent devastating rains and has  
10 bolstered the external securing of the windows and doors so unwanted vagrants cannot enter. He  
11 has also handled all inspections and has met with the various consultants discussed below.

12 On January 16, 2017, I went to Santa Rosa to meet with Doug Hildebrand of Axia  
13 Architecture, whose firm had been retained by Ms. Laines as architect for the Property. I am  
14 considering that firm for the same work on behalf of the receivership. Axia is well-regarded and  
15 Mr. Hildebrand appears both knowledgeable and quite interested in the project.<sup>8</sup>

16 I also met that day with Dennis Fagent, of ZFA Structural Engineers, another  
17 professional who had provided services to Ms. Laines. Because seismic retrofitting is such an  
18 important and time sensitive matter, I retained Mr. Fagent to provide some specifications for the  
19 seismic bidding in time for this report.<sup>9</sup> He submitted that report when promised and a copy is  
20 attached as Exhibit 7. More discussion about seismic retrofitting is below in the budget section.

21 Thereafter on January 19, 2017 I met in San Francisco with Mike Garavaglia of  
22 Garavaglia Architecture, a specialist in historic preservation and historic tax credits. Because  
23 possible usage of the historic tax credit could become vital to the long term plan on this Property,  
24 I commissioned his firm to provide a report in time for the filing of this report.<sup>10</sup> I thereafter met  
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26 <sup>7</sup> A copy of his contract is attached as Exhibit 5.

27 <sup>8</sup> The other candidate is Garavaglia Architecture, see below.

28 <sup>9</sup> A copy of his contract is attached as Exhibit 6.

<sup>10</sup> A copy of the contract is attached as Exhibit 8.



1 Mr. Garavaglia on site on February 1, 2017 for a tour/inspection. Regrettably I did not receive  
2 Mr. Garavaglia's report until after I circulated my draft First Report to the parties. I have  
3 attached a copy of his report as Exhibit 9. Mr. Garavaglia believes that the project remains  
4 eligible for the historic preservation tax credit and I believe I can implement all of his  
5 recommendations relating to preservation of materials stated in the Exhibit 9 report. <sup>11</sup>  
6

7 On that same date, February 1, 2017, I met with representatives of GCCI in Santa Rosa.  
8 GCCI is a general contracting firm retained by Ms. Laines. I checked their references and appear  
9 well regarded by all relevant parties re this Property and so am currently planning to utilize their  
10 services. <sup>12</sup>

11 I met with John Donley at my office on February 2, 2017. I appreciated his preparation of  
12 a very thick notebook of materials on this project. I have advised him that his services will no  
13 longer be needed at least on behalf of the receivership. I am informed, though, that Ms. Laines  
14 has retained him as her representative for the project and that is certainly fine by me. <sup>13</sup>

### 15 III. RECOMMENDED IMMEDIATE ACTIONS

16 a. The ceiling joists in several areas of the Property are in imminent danger of  
17 falling through and all construction professionals have recommended immediate shoring of the  
18 ceiling joists at least on the first floor and perhaps above. Many have rotted away and pose a  
19 serious danger of the ceiling collapsing. I plan to commission GCCI to perform that work and  
20 expect the cost to be in the range of \$11,000-\$15,000. <sup>14, 15</sup>  
21

22 <sup>11</sup> The historic preservation tax credit could provide up to 20% of the construction capital needed for this project. On  
a multimillion dollar remediation, that capital is possibly vital to the project's viability.

23 <sup>12</sup> I have retained Miken Construction, a firm I have worked with extensively, as construction advisors to me.  
Miken will serve truly as advisors and not as construction managers.

24 <sup>13</sup> In short, I have tried to retain the professionals initially retained by Ms. Laines. They all know the Property, have  
analyzed various alternatives and have all acknowledged my requirement that they now work for the receivership  
and not Ms. Laines. She and they all seem willing to respect that new fact but based on experience I also know how  
25 to deal with professionals who forget who they work for. Mr. Donley, while knowledgeable, in my view didn't have  
skills needed by the receivership at this time.

26 <sup>14</sup> GCCI also recommends the prompt installation of a pedestrian canopy for the Property at a cost of \$1,956 per  
month. Indeed they believe full scaffolding is needed if workers are actually working at the site. I've discussed that  
27 proposal with city representatives and expect an agreement on what is needed when shortly. If overall scaffolding is  
needed I will commission it before my next funding request as necessary. Owner correctly points out that an  
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1           b.       In the short term I intend to commission a fire alarm system connected to the  
2 Ukiah Fire Department via a third party vendor. Mr. Schapmire has met with city fire officials  
3 and I understand their view to be: if the building is an inferno, understandably firefighters will  
4 not be allowed to enter the premises and fight the fire. Long term of course we'll need some sort  
5 of sprinkler system. But in the short term I am advised that firefighters will enter the building if  
6 an early warning fire system is installed which is also connected via a third party vendor to the  
7 Fire Department. I estimate the cost of that alarm system to be in the range of \$25,000.

8           c.       Asbestos abatement has been a troubling matter over the last 30 days. I have  
9 received many assurances and partial reports from Ms. Laines and her representatives that the  
10 Property is fully abated. But for whatever reason no comprehensive certification of that has been  
11 provided by the Owner, by the contractor Blue Water, or anyone else. And several of the  
12 construction professionals who have been in the building believe that there is asbestos in the  
13 rubble lying on the 2<sup>nd</sup> and 3<sup>rd</sup> floors. <sup>16</sup> I remain of the opinion that no lender will lend against  
14 this Property without such a comprehensive certification. See Exhibit 1 for Owner's  
15 disagreement with that recommendation. I continue with my recommendation that I commission  
16 a new abatement study and, if the abatement representations turn out not to be true, I will have to  
17 authorize my own abatement work. At this time I am seeking \$12,000 for this work and, of  
18 course, if there is abatement to be done that could require hundreds of thousands of dollars in  
19 additional funding in the future.

20           d.       Seismic retrofitting is probably the largest question mark on this project. Based  
21 on everything I've reviewed and heard, there will be little seismic retrofitting to do in the  
22 concrete, 1929 structure. But the other 2 buildings will require substantial retrofitting. The full  
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24 encroachment permit was applied for. I believe it was left pending at the City because such a canopy unrelated to  
25 immediate commencement of construction raised several issues. But now that work is set to begin forthwith,  
assuming this Report is approved, I understand that such an encroachment permit will be issued.

26 <sup>15</sup> See further comments by Owner in Exhibit 1, p. 1 about the history and context.

27 <sup>16</sup> I am advised that there is no urgent need, at least architecturally, to remove the possibly hundreds of tons of  
rubble immediately. That rubble came off the walls and ceiling (a decision by current ownership that one has to  
question) but has not increased the weight load on the floors and ceilings). So rubble removal may become a  
question at the time of my next funding request.



1 cost will depend on whether the cost is the same or lower for retrofitting of the 2 structures to  
2 avoid pancaking (but not occupancy of the 2<sup>nd</sup> and 3<sup>rd</sup> floors). Even with more limited retrofitting  
3 the cost of the 2 structures could be around \$1 million. And I am concerned about the structures'  
4 collapse in the event of a seismic event during the short term. Accordingly I ask for \$150,000 to  
5 commence (but certainly not to complete) the remediation as is required to preserve all buildings  
6 in the short term and to begin work on the long term plan. <sup>17</sup>

7 e. My construction advisor has recommended immediate protection of the roof of  
8 the buildings. Of course it would have been preferable to get the roof protected before the recent  
9 torrential rains but that could not be accomplished. The City obtained a roofing recommendation  
10 in 2015 calling for a temporary roofing membrane (TPO) and I am advised the cost of that will  
11 be in the neighborhood of \$100,000. While I want to do some further due diligence on this  
12 analysis, including assessing the cost of a more permanent solution, I do want to factor that  
13 amount into this budget. And I do agree, as requested by Owner, that all parties should see that  
14 scope of work before the work is commenced. The Owner has also requested that this Report  
15 note the preparation of work orders on this issue by GCCI before my appointment.

16 f. Another issue which needs immediate attention is property insurance for the  
17 building. I was surprised to learn that there was no such insurance at the time of my takeover.  
18 Ms. Laines has worked with an insurance broker since my appointment as has my internal  
19 operations person. But our inquiry has not yet yielded results due to the severely compromised  
20 condition of the building and I have not heard from Owner since February 1, 2017 on the subject.  
21 Mr. Schapmire has contacted a local insurance agent who we hope can do better. But I will not  
22 be able to arrange the larger financing until property insurance is in place and so request \$15,000  
23 for that budget item.

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26 <sup>17</sup> As can be seen in the Exhibits, this seismic retrofitting issue has prompted the most comments and discussion by  
27 the parties. It is my view that the issues being raised are premature. I have recommended commencement of this  
28 work. It is perfectly appropriate for the parties to be fully informed as the process unfolds and if in the future one or  
both parties disagree with the path I'm taking they can always seek appropriate relief from the Court at that time.

1 g. I was able to arrange financing of the initial \$35,000 approved by the Court.<sup>18,19</sup>  
2 Owner has requested an accounting for funds spent. As the Court may be aware I am required by  
3 the California Rules of Court to circulate a monthly accounting. The 25 page January 2017  
4 Accounting has been filed with the Court and served on the parties so I will not attach another  
5 copy to this Report. The February expenses will be included in that month's accounting.  
6 Virtually all of those funds have been expended already for the reasons stated herein and in the  
7 January monthly accounting. Outstanding receivership costs include: \$16,000 in current accounts  
8 receivable to CRG, \$5,000 due to Garavaglia Architecture; \$15,000 for ZFA Engineers, and  
9 estimated fees and reserves to Todd Schapmire of \$15,000. I estimate that at least another  
10 \$15,000 in time will be required during the next phase of this project. So total receivership  
11 request is \$56,000.  
12

#### 13 IV. LONG TERM PLANS FOR THE PROPERTY

14 a. There are many, many ideas circulating about the long term plans for the Palace  
15 Hotel ranging from creation of a high-end hotel to demolition of all the structures. I have  
16 approached the question first and foremost taking into account my role as a health and safety  
17 receiver. I am not a proposed developer and indeed I was recommended for this project because  
18 of the role I played re a similar building: the Oroville Inn.<sup>20</sup> On that project, I conceived a reuse  
19 plan, cleared the legal and other obstacles to accomplishment of that plan and then turned the  
20 plan over to a local developer who implemented the plan and made the property something to be  
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22 <sup>18</sup> Due to extreme lender nervousness about the condition of the property, the likely costs of environmental  
23 abatements and ultimate plan for the property, I anticipate even more challenges in finding a lender for the next  
24 round of financing. I am anticipating that one or more private individuals with an interest in the future of Ukiah  
25 may very well be the final source of funds for this project.

26 <sup>19</sup> In case my footnote 15 is at all unclear, no one should think that any additional funding can be obtained unless a  
27 lender has confidence that this Court is backing the work of the receivership and has in mind a step by step  
28 methodical process for completing the analysis and remediation work described herein. That does not mean that the  
work of this receivership is "moot" (sic). As noted in my emailed response to Owner, the only alternative to seeking  
such additional financing against the Property would be for the Court to assess that \$403,000 request against Owner  
and insist on immediate payment so that the work that prompted this receivership can be completed. I would submit  
the path recommended herein is better for all parties concerned about the health and safety dangers that currently  
exist at the Property.

<sup>20</sup> See <https://www.facebook.com/orovilleinn/>



1 proud of (with great assists from the City of Oroville). I come to this project with the same  
2 mentality: conceive a plan, clear out logjams and then set things up for a private developer or a  
3 public/private partnership to complete the job.<sup>21</sup>

4           b.       The impediments to a high end hotel for all 60,000 square feet of this site are  
5 immense. First, it would require a full seismic retrofit for all three buildings to full habitability  
6 standards. Some years ago an appraisal of the property estimated that cost to be at least \$1.3  
7 million. In my view, that cost would be substantially higher today. I do not believe such a  
8 financing is financially feasible at least at this time. The other issue is that the hotel rooms in the  
9 older buildings are more like single room occupancy (SRO) rooms than modern hotel rooms  
10 (especially high end ones) and even that retrofit would also not be financially feasible.<sup>22</sup> It does  
11 appear that the 1929 concrete structure would need little seismic retrofitting. Also the rooms in  
12 that addition are larger, more like modern hotel rooms, and there was plumbing in the rooms  
13 (again more like modern hotels). Hence, my conclusion that a hotel usage in the 1929 structure is  
14 feasible.<sup>23</sup>

15           c.       I also am assuming that the seismic retrofitting costs for the two older buildings  
16 will be lower if designed simply to assure the upper two floors won't "pancake" onto the first  
17 floor in the event of a seismic event.<sup>24</sup> No corners would be cut, of course, but it would seem  
18 that simple retrofitting would cost less if not tied to habitability. The goal would be to do  
19 retrofitting which could possibly make residential reuse available later. But all of that will  
20 include planning by our team and interaction with the City's building staff.

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23 <sup>21</sup> Owner asserts that what I have recommended here exceeds the scope of my authority and the law, see Exhibit 1 at  
24 5. I will of course abide by the Court's direction in that regard but it is my view that everything done and proposed  
25 to be done is within the scope of my appointment order.

26 <sup>22</sup> Indeed, SRO rooms could possibly be used for things like senior housing but again the seismic retrofit costs  
27 would appear to make that reuse infeasible.

28 <sup>23</sup> I am advised the Ukiah City Council will be considering soon a consultant's report on the need and feasibility for  
a high end hotel in downtown Ukiah. It is not clear whether any government funding would be available for such a  
project but that will certainly be explored in the coming months.

<sup>24</sup> Please note the earlier footnote in which I assured the parties and the Court that whatever retrofitting that is done  
would have to be approved by the City's Building Official based on his full understanding of the overall plan stated  
herein.

1 d. Demolition does not seem to be a feasible option. I am opposed to demolition of  
2 any building except as a last resort. But my feasibility analysis is not based on that. The same  
3 appraisal report from 2006 estimated the land value at \$300,000 not including demolition costs.  
4 On a 60,000 square foot building the demolition cost (based on my experience with the  
5 Saddleback Inn in Santa Ana) will exceed \$400,000. And so demolition costs will exceed the so-  
6 called “dirt” value of the property. Beyond all that, the arrangement of financing based on land  
7 value is virtually impossible on any basis. So for all these reasons I reject the demolition idea.

8 e. Downtown Ukiah appears to be able to incorporate another 20,000 of  
9 retail/restaurant/bar/banquet room space. Many people with roots in the community remember  
10 when the bar and restaurant last operated at the Property in the early 1980s. I was surprised to  
11 see a large banquet room behind the former restaurant and subsequently learned that many  
12 weddings, proms and graduation parties took place there over the years. I was impressed, the day  
13 of my appointment hearing, that the street to the south of the Property has restaurants and retail  
14 that were there at the time of the original appointment hearing last year.<sup>25</sup> And the consultant’s  
15 report referenced in footnote 20 certainly is optimistic about the retail economics in the Ukiah  
16 downtown area.

17 f. I asked Todd Schapmire to prepare some pro forma number-crunching based on  
18 market data. That pro forma will be circulated to the parties in the near future. But based on  
19 what I consider conservative assumptions,<sup>26</sup> I believe the stabilized net income for the Property  
20 would be in the range of at least \$250,000. Assuming a very conservative debt coverage ratio  
21 (DCR) of 1.40 and a higher than market 8% mortgage rate (stabilized) that would equal a  
22 “borrowing power” of the property over \$2 million, an amount I believe could cover the  
23 construction costs discussed herein.<sup>27</sup>  
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26 \_\_\_\_\_  
27 <sup>25</sup> Certainly that is not the case in other old downtown areas I’m familiar with all over California.

28 <sup>26</sup> \$1 per square foot rent rates for the first floor as well as the hotel, and a 28% operating expense ratio

<sup>27</sup> I stress just how preliminary all of these numbers are but I think they are strong enough for planning purposes.



1 g. Again, it is not my purpose to become the developer on this project. My main  
2 purpose in laying this plan out in any detail is because any lender will want to know that the  
3 parties and this Court have approved a plan going forward. Without such agreement and plan, no  
4 lender will lend even the interim funding I've proposed here.<sup>28</sup>  
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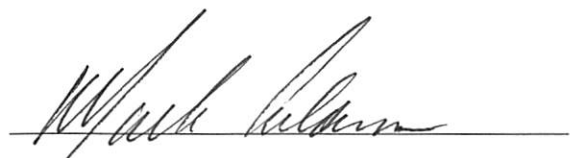
6 **V. NEXT FUNDING REQUEST**

7 a. I request that the Court approve a \$403,000 increase to the current super priority  
8 receivership certificate so that the total outstanding will be \$438,000 which will be expected to  
9 be used as follows: \$15,000 for joist shoring; \$25,000 for fire alarm system; \$12,000 for further  
10 asbestos abatement; \$150,000 for initial seismic retrofitting; \$100,000 for temporary roof  
11 installation; \$15,000 for property insurance; \$56,000 for outstanding and projected receivership  
12 costs over the next 3-6 months; and a 6 month interest reserve of \$30,000. Those amounts plus  
13 the current certificate of \$35,000 equals \$438,000.  
14

15 b. I recommend that the Court set another hearing in approximately thirty days (or  
16 approximately March 27, 2017) for consideration of issues not currently resolved above.

17 Respectfully submitted,

18  
19 Dated: March 1, 2017

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21 Mark Adams, Receiver, 272 State St. Ukiah

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26 <sup>28</sup> In Exhibit 1 at 5 Owner asserts that that "Under no circumstances should such a plan be pursued before a detailed  
27 feasibility study with complete market analysis, as the Owner planned to undertake". I ask the Court to note that  
28 there is no funding suggestion attached to that demand. And all parties no doubt wish that such a feasibility study  
had been commissioned before my appointment. But it was not and so we are where we are.

Exhibit 1





Robert F. Epstein

Julia C. Butler

Megan H. Acevedo

Emily B. Longfellow

Robyn B. Christo

Elizabeth J. Serres

February 27, 2017

*Via E-mail and U.S. Mail*

Mark S. Adams, Esq.  
President  
California Receivership Group, PBC  
2716 Ocean Park Blvd, Suite 3010  
Santa Monica, CA 90405

**Re: *City of Ukiah v. Unique Properties, et al.*: Receiver's Draft First Report**

Dear Mr. Adams:

We received your draft First Report on February 13, 2017 and provide the following response, which includes additional information, requests for clarification, and questions. We hope that you will incorporate the additional information as requested, answer our questions by appropriately clarifying your report, and take our comments into consideration as you prepare your final report for submission to the Court.

**Receiver's Recommended Immediate Actions**

**a. Temporary Shoring, \$11,000 to \$15,000**

The Owner agrees that this amount is appropriate to perform temporary immediate shoring of ceiling joists, assuming this work is recommended by the construction professionals. As you know, the Owner previously requested GCCI to perform reconnaissance regarding the safety of the floors and railings/walls for the purpose of utilization as a construction site for its own crews and subcontractors. GCCI provided a price on Work Order 2 for \$4,882 to perform this reconnaissance. The Owner recommends that GCCI perform that work as planned to enable a precise design of any work to immediately shore ceiling joists and to prevent waste. Thus, the Owner requests that you include this history and request in your report.

*Ref 1*

**b. Fire Alarm System, \$25,000**

The Owner agrees with this approach and expenditure assuming the Fire Marshall also agrees. The Owner notes that it proposed and planned to fast-track the skeleton sprinkler system because the Fire Marshall requested a fire suppression system in addition to monitoring as soon as possible.

**c. Asbestos Abatement Testing, \$12,000**

The Owner has the asbestos abatement and other environmental testing reports, and was informed by her environmental consultants that all asbestos has been abated from the building. We previously offered to provide you with the relevant testing reports to satisfy your concerns, but you declined our offer. Despite your refusal, we believe the only way to satisfy your concerns is to provide you with the relevant reports and so Mr. Donley provided you with a report reflecting the testing done on the second floor materials you were concerned about. Because the necessary abatement work already has been performed, the Owner believes that any additional asbestos testing would be wasteful. In addition, the Owner requests that you include its offer to provide the testing reports to you in your report.

**d. Seismic Retrofitting, \$150,000**

The Owner agrees that \$150,000 is a reasonable amount for a preliminary budget for seismic retrofitting. As you acknowledge, however, you have not yet provided a scope of work. Thus, the Owner requests the ability to review and comment upon a Scope of Work, as requested or approved by the Structural Engineer, and requests that you include a statement in your report about providing such scope of work to all interested parties, including the Owner.

In footnote 7 of your draft report, you note that GCCI recommends the prompt installation of a pedestrian canopy around the majority of the Property. As you may be aware, through GCCI, the Owner submitted an encroachment permit to the City to protect the perimeter sidewalks surrounding the 1891 building, but it was rejected by the City, days before the Receiver was appointed. The Owner continues to believe that a pedestrian canopy is the most cost-effective and immediate public protection possible and we hope that the Receiver seriously considers this option. Work Order #3 from GCCI, which we already forwarded to you, includes the cost of the scaffolding and window covers for approximately \$21,000. The Owner requests that you include the history of this issue in your report.



**e. Roofing, \$100,000**

The Owner agrees that the \$100,000 preliminary budget is sufficient for the mid-range roofing on 1929 building and the low south roof. The 1914 building does not need a temporary roofing program. The 1891 building might be the most cost efficient to have a new roof structure to be built under a longer-term plan. Temporary roofing (mechanically fastened, not fully adhered) on the 1891 building might be appropriate (to last a year or two) and still fit into the \$100,000 preliminary budget. The Owner requests that you provide it with a scope of work for the use of this preliminary budget for roofing for review and comment by all interested parties, including the Owner, and requests that you include a statement about the provision of the scope of work to all interested parties in your report.

As you know, the Owner received two Work Orders from GCCI for roofing, which we previously forwarded to you. They were both for foam roofing that provides three distinct advantages: 1. Insulation and solar reflectance; 2. Slope to drain; and, 3. Middle range durability of 10 years. These proposals were \$64,000 for the 1929 building, and \$21,000 for the low roof at the south property line. With those two proposals, three quarters of the building would be protected. A number of additional activities were included in those proposals.

Importantly, the roof on the 1914 building is steel and is not leaking. The roof on the 1891 building is leaking and the roof framing structure is uneven and difficult to form into a structural diaphragm, so the Owner planned to remove the roof framing from the 1891 building and install new spanning roof joists for the purpose of providing a dependable diaphragm for the out-of-plane bolting of the brick parapet.

A temporary roof (TPO) is usually a single sheet either mechanically attached or fully adhered to the substrate. It can have insulation or not, depending on the design of the assembly. If fully designed with insulation, slope and proper adherence, it can be comparable to a foam roof in terms of cost, durability and function. The Owner's consultants determined that the slope augmentation available with foam was the deciding factor. Note that downspouts and rainwater dispersal need to be addressed in the long term solutions.<sup>1</sup>

---

<sup>1</sup>The Atrium "roof" is badly deteriorated and it is appropriate to remove it until a design is completed for the first floor. The Owner agrees that it is not reasonable to spend roofing funds on this element.



The Owner requests that you include a statement in your report about the preparation of work orders related to the roof by GCCI prior to your appointment.

**f. Property Insurance, \$15,000**

The Owner and the Receiver are both working on developing property insurance for the building. The Owner agrees that a preliminary budget of \$15,000 is reasonable to get the correct policy engaged. The Owner suggests coordinating this effort to avoid duplicate payments.

**Outstanding Receivership Costs, \$56,000**

The Receiver listed the outstanding fees owed as follows:

- Receiver Fees, \$6,000
- Garavaglia Architecture \$5,000
- ZFA Engineers, \$15,000
- Todd Shapmire, \$15,000
- Projected Contingency, \$15,000

**Comments from the Owner's Representative**

Question/Request for Clarification re Fees Due to Garavaglia Architecture: Doug Hilberman and John Donley met with Mike Garavaglia on January 9, 2017 in San Rafael. At that meeting, Mr. Garavaglia was paid in full and he agreed that the provision of the final Core Historic Structures Report was included in his fully paid fees. To date, the Owner has not received the final Core Historic Structures report. Significant to that final report will be the best quality prints of photographs shown. The Owner requests clarification of the \$5,000 due to Garavaglia Architecture and the services performed for that amount. The Receiver states that a report is expected from Garavaglia Architecture and the Owner requests a copy of such report.

Request Relating to Fees Due to ZFA Structural Engineers: The Receiver states that there is a ZFA report and the Owner requests a copy of that report.

Request Relating to Fees Due to Mr. Schapmire: The Owner requests a scope of work from Mr. Schapmire for work performed and, in the future, for the projected contingency actual expenses as the funds are used.

Question re Initial Funding of \$35,000: Has the \$35,000 already been spent? Or will the \$35,000 be used to pay the total receivership request of \$56,000? If the

\$35,000 already has been spent, please provide an itemization of bills paid and services performed.

Summary of Materials Requested by the Owner:

- Garavaglia Report and final Core Historic Structures report
- ZFA Report
- Seismic Scope of Work report, when developed
- Roofing Scope of work report, when developed
- Mr. Schapmire's scope for work performed
- Projected Contingency report when expenses are known
- The uses for the original \$35,000

Long Term Plans for the Property

In your draft report, you request that the Court grant preliminary approval of a proposed design concept for the building; the Owner objects to any such request because it exceeds the scope of your authority and the law, and such a request is inappropriate and premature because of the issues and unknown factors discussed below. As you know, you were appointed receiver pursuant to California Health and Safety Code sections 17980.6 and 17980.7, and those sections limit the scope of the receiver's authority to perform work on the Property to "correct the conditions cited in the notice of violation." Thus, the Owner opposes any request to the Court to approve a "proposed design concept" as well as any request for funding related to preparing any such design.

The proposed design concept is approximately 37,000 SF out of the entire building's 60,000 SF. The Owner's planned development envelope was 15,000 SF. The Receiver's program is **more than twice as large** as the Owner's plan. The Receiver's plan would have some economy of scale and efficiencies captured in the development of the entire first floor. The Owner believes, however, that this plan would be a very large delivery of real estate property into a town with a population of 16,000. Under no circumstances should such a plan be pursued before a detailed feasibility study with complete market analysis, as the Owner planned to undertake.

On Page 9 of the Receiver's draft report, the Receiver gives an estimate for the "borrowing power" of the developed plan for the hotel: if the hotel produces \$250,000 net Operating Income, a loan at 8% for a 30 yr term, could be \$2,000,000. The construction renovation cost of 37,000 SF of modern hotel, entertainment and even shell retail space would be many times the cost of \$2,000,000. We ask the Receiver to clarify the scope of the construction costs referenced in lines 20 through 22 on page 9 of the draft report.

In footnote 9 on page 7, the Receiver states:

Due to extreme lender nervousness about the condition of the property, the likely costs of environmental abatements and ultimate plan for the property, I anticipate even more challenges in finding a lender for the next round of financing. I am anticipating that one or more private individuals with an interest in the future of Ukiah may very well be the source of funds for this project.

This statement indicates that funding of even the immediate costs requested in this first report is going to be difficult, if not unlikely. If the Receiver cannot obtain financing even to address the immediate needs of the project, then the function of the receiver appears moot. With respect to identifying private individuals who may be willing to provide funding, the Owner requests that the Receiver identify the persons and terms being discussed, if any, regarding this project funding. If there is any concern regarding confidentiality, then the Owner would be willing to consider entering into a confidentiality stipulation and order.

Thus, the Owner request the Receiver to remove any request to the Court for preliminary approval of a proposed design concept.

#### **Outstanding Requests from the Owner to the Receiver**

Because of the request to cease speaking with the professionals whom the Owner had previously retained to perform work on the building, the Owner has requested the following item from you, and requests that these items be provided to the Owner as soon as possible:

The Owner has previously paid for digital base drawings resulting from extensive scanning of the building. The Owner, through Mr. Donley, requested a copy of the digital base drawings from you; AXIA Architects or ZFA Structural Engineers should be able to easily provide this to you to pass along to the Owner.

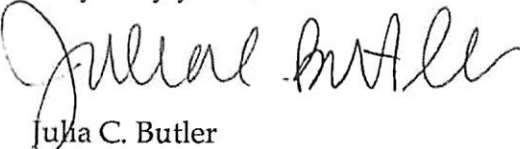


Mark S. Adams, Esq.  
February 27, 2017  
Page 7 of 7

**Conclusion**

The Owner appreciates your consideration of our comments and looks forward to receiving the requested information as soon as possible.

Very truly yours,



Julia C. Butler

JCB:ap

cc: Scott Huber, Esq.  
David Rapport, Esq.

Exhibit 2



Mark Adams &lt;madams@calreceivers.com&gt;

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**FW: Rehabilitation Plan**

2 messages

**David Rapport** <drapport@pacbell.net>

Fri, Feb 24, 2017 at 11:19 AM

To: Mark Adams &lt;madams@calreceivers.com&gt;

Cc: Scott Huber &lt;shuber@cotalawfirm.com&gt;, Sean De Burgh &lt;sdeburgh@cotalawfirm.com&gt;

Mark – I will forward any comments from the City as I receive them. Here is the first one.

Dave

David J. Rapport

Rapport and Marston

An Association of Sole Practitioners

405 W. Perkins Street

Ukiah, CA. 95482

Tel: 707-462-6846

Cell: 707-972-4944

Fax: 707-462-4235

Coast: 707-937-0785

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---

**From:** Kevin Jennings [mailto:kjennings@cityofukiah.com]**Sent:** Friday, February 24, 2017 9:21 AM**To:** David Rapport**Subject:** RE: Rehabilitation Plan

Good Morning David,

A handwritten signature in blue ink that reads 'Rx 2'.



The fire portion of this looks very good. Perhaps changing the wording just a bit. Alarm systems are monitored by a service and not the Fire Department, such as Deep Valley Security for example, the alarm notifies them and they call it in. In our area they would call it into Cal Fire Dispatch at Howard Forest (top of the Willits grade), then the dispatch center will dispatch us to the call.

Part of our ability to reach the call is to be able to enter the building through existing doors, and leave the door undamaged and lockable when we leave. We will need keys to those doors. We already have a Know Box on the State Street entrance, however the key that is, or was in there does not work!

Whoever installs the alarm system may have issues with the leaks, within the building and keeping their system up and running. Nuisance calls may become an issue for the Fire Department. We may want to address that up front.

Thanks, Kevin

---

**From:** David Rapport [mailto:drapport@pacbell.net]

**Sent:** Thursday, February 23, 2017 4:54 PM

**To:** David Willoughby <dwilloughby@cityofukiah.com>; Kevin Jennings <kjennings@cityofukiah.com>; Tim Eriksen <teriksen@cityofukiah.com>; Doug Crane <doug.crane@craneofukiah.com>; Jim O. Brown <jimobrown@pacific.net>; Kevin Doble <kdobleukiah@gmail.com>; Maureen Mulheren <themoyouknow@gmail.com>; Steve Scalmanini <sscalmanini@yahoo.com>

**Subject:** Rehabilitation Plan

<<...>>

This is a reminder that I need any comments you may have on the attached draft plan from the Palace Hotel receiver Mark Adams by end of this week or Monday at the latest. Comments on the plan are required to be filed by February 28 and the parties are required to discuss whether they can agree to a plan before then.

If you have no comments, I would appreciate a brief note to that effect.

Thanks,

Dave

David J. Rapport

Rapport and Marston

An Association of Sole Practitioners

405 W. Perkins Street

Ukiah, CA. 95482

Tel: 707-462-6846

Cell: 707-972-4944

Fax: 707-462-4235

Coast: 707-937-0785

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---

**Mark Adams** <madams@calreceivers.com>  
To: Todd Schapmire <toddschapmire@gmail.com>

Fri, Feb 24, 2017 at 5:37 PM

FYI

Sent from my iPad

Begin forwarded message:

**From:** "David Rapport" <drapport@pacbell.net>  
**Date:** February 24, 2017 at 11:19:16 AM PST  
**To:** "Mark Adams" <madams@calreceivers.com>  
**Cc:** "Scott Huber" <shuber@cotalawfirm.com>, "Sean De Burgh" <sdeburgh@cotalawfirm.com>  
**Subject:** FW: Rehabilitation Plan

[Quoted text hidden]

Exhibit 3





Mark Adams &lt;madams@calreceivers.com&gt;

---

## Comments

1 message

---

**David Rapport** <drapport@pacbell.net>

Tue, Feb 28, 2017 at 8:59 AM

To: Mark Adams &lt;madams@calreceivers.com&gt;

Cc: Scott Huber &lt;shuber@cotalawfirm.com&gt;, Sean De Burgh &lt;sdeburgh@cotalawfirm.com&gt;, Julia Butler &lt;jbutler@epsteinlawyer.com&gt;, Robert Epstein &lt;rob@epsteinlawyer.com&gt;

Mark – Below are comments from Councilmember Doug Crane. I apologize for the delay in submitting them, but I just received them last night.

Pg. 2 ~ line 13, and Pg.5 ~ lines 8-14. I believe the city would require the alarm signal be sent to a 3rd party alarm service who would then contact Ukiah dispatch.

Pg. 3 ~ lines 4-5, and Pg. 8 lines 14-20. The remarks addressing pancaking but do not mention walls likely falling out onto the sidewalks and streets which I believe is the greater risk to public safety.

Pg. 4 ~ lines 19-22, looks like the last line third word should be he rather than her?

Pg.8 ~ lines 14-20. The receiver is saying the cost of retrofit is less if it is simply to "assure the upper 2 floors won't pancake" ...". I believe the receiver is speaking of shoring rather than seismic retrofitting. It seems to me desirable that whatever shoring or seismic retrofit is done be an element of an overall seismic solution where practical. To shore up the 2nd and 3rd floors without that work being a component of the long term seismic retrofit is not in my opinion seismic retrofit but temporary shoring and will likely lead to duplicate efforts and costs.

Pg. 9 lines 17-22. The \$2 million divided by 60,000 square feet equates to ~\$33 per square foot to do the items listed by the receiver, presuming those funds are available and adequate for the tasks. That does not accomplish enclosing and seismically stabilizing the 3 buildings that comprise the Palace. My sense is that is less than half of what is needed to accomplish the task set the city declared as necessary.

David J. Rapport

Rapport and Marston

An Association of Sole Practitioners

405 W. Perkins Street

Ukiah, CA. 95482

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Fax 3

Exhibit 4



Mark Adams &lt;madams@calreceivers.com&gt;

## Ukiah v. Unique Properties: UP's comments to draft first report

3 messages

**jbutler@epsteinlawyer.com** <jbutler@epsteinlawyer.com>

Mon, Feb 27, 2017 at 1:10 PM

To: Mark Adams &lt;madams@calreceivers.com&gt;

Cc: Scott Huber &lt;shuber@cotalawfirm.com&gt;, David Rapport &lt;drapport@pacbell.net&gt;, Robert Epstein &lt;rob@epsteinlawyer.com&gt;


Mark,

Attached is correspondence of today's date containing comments on your draft first report.

### Julia C. Butler

Epstein Law Firm | 181 Third Street, Suite 200 | San Rafael, CA 94901 | 415.755.2625  
 Mailing Address | 369-B Third Street, #182 | San Rafael, CA 94901

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 **0415\_001.pdf**  
369K

**Mark Adams** <madams@calreceivers.com>

Mon, Feb 27, 2017 at 3:48 PM

To: Julia Butler &lt;jbutler@epsteinlawyer.com&gt;

Cc: Scott Huber &lt;shuber@cotalawfirm.com&gt;, David Rapport &lt;drapport@pacbell.net&gt;, Robert Epstein &lt;rob@epsteinlawyer.com&gt;, Todd Schapmire &lt;toddschapmire@gmail.com&gt;

Thanks Julia. Getting such a comprehensive list of "to dos" the day before I have to file my final report puts me in a pretty tight time crunch. I'm going to do what I can to plow through all your points and get your further comments before I have to file by close of business tomorrow.

1. Re asbestos abatement, what I've been asking for all along is very simple: a certification in writing by the asbestos contractor that ALL asbestos has been removed from the entire building. What I've gotten is one report that some pipes were remediated and then a later report that the debris on the 2nd floor has been abated.

Respectfully, that seems analogous to a report that asbestos has been removed from my kitchen and my bathroom. That doesn't mean its been abated throughout the house. That's what I'm looking for: a simple, clear certification that all abatement has been accomplished.

I will accept a blanket report of no asbestos anywhere on the site or I will continue with my recommendation that I contract for my own asbestos report.

2. re seismic retrofitting, it may be simple linguistics but my report referred to the initial funding for "commencement" of the work, not a preliminary budget. As long as we don't have different understandings of "commence" then there is no problem.

3. Re the pedestrian canopy, I'm happy to reference the fact that the owner applied for an encroachment permit. At that time there were no immediate plans for commencement of the work that pedestrians would be protected from. But under my plan there would be such work commencing.

4. You cover a lot of ground in your letter re roofing which to me is premature. I need a budget and then can shop for the best plan. Your thoughts may indeed be correct. But I cannot accept them without further study.

5. Re insurance, I am not aware that the owner ever even got a bid for insurance and was quite frankly surprised to find that no such insurance existed even before my appointment. But if she can do better than the bid I obtain, I'm happy to be included under her insurance.

Ex 4



6. Reports-all of the work (Garavaglia, ZFA, Todd Schapmire) was within the mandates of my appointment order. I'll try to provide additional clarification of same by tomorrow's filing.

7. Without a long term plan approved by the Court, no legitimate lender would advance additional funds to this project. That doesn't mean such a plan is set in stone.

My advice to the Court will be this: if the Court wants to abide by Ms. Laines request for further studies and reports that she be ordered to promptly advance the full \$438,000 requested in my report so that the immediate work can be commenced while I conduct the further studies she is requesting. I will remind the Court of just how much additional damage was done to the building by the recent rainstorms, for example, all of which could have been avoided had the remediation been done prior to my appointment.

FYI, the City sent along some comments too none of which are as monumental as the issues raised in your letter. You'll see my comments on the city comments sometime tomorrow.

Best regards.

[Quoted text hidden]

--

\*Mark S. Adams, Esq.\*  
President  
California Receivership Group, PBC  
2716 Ocean Park Blvd, Suite 3010  
Santa Monica, CA 90405  
Telephone: (310) 471-8181  
Facsimile: (310) 471-8180  
E-mail: madams@calreceivers.com

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---

David Rapport <drapport@pacbell.net>

Mon, Feb 27, 2017 at 4:57 PM

To: jbutler@epsteinlawyer.com, Scott Huber <shuber@cotalawfirm.com>

Cc: Robert Epstein <rob@epsteinlawyer.com>, Mark Adams <madams@calreceivers.com>, David Willoughby <dwilloughby@cityofukiah.com>

Julia – Bellow is the comment from Kevin Jennings. I have submitted no other comments to Mark Adams:

Good Morning David,

The fire portion of this looks very good. Perhaps changing the wording just a bit. Alarm systems are monitored by a service and not the Fire Department, such as Deep Valley Security for example, the alarm notifies them and they call it in. In our area they would call it into Cal Fire Dispatch at Howard Forest (top of the Willits grade), then the dispatch center will dispatch us to the call.

Part of our ability to reach the call is to be able to enter the building through existing doors, and leave the door undamaged and lockable when we leave. We will need keys to those doors. We already have a Know Box on the State Street entrance, however the key that is, or was in there does not work!

Whoever installs the alarm system may have issues with the leaks, within the building and keeping their system up and running. Nuisance calls may become an issue for the Fire Department. We may want to address that up front.

Thanks, Kevin

Additional comment from me:

With respect to seismic retrofitting, the referee's proposal for the initial funding for "commencement" of seismic safety work will require a determination by a structural engineer and the City's Building Official that the proposed design meets the applicable code requirements for seismic safety as the rehabilitation of the building progresses.

David J. Rapport

Rapport and Marston

An Association of Sole Practitioners

405 W. Perkins Street

Ukiah, CA. 95482

Tel: 707-462-6846

Cell: 707-972-4944

Fax: 707-462-4235

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**From:** jbutler@epsteinlawyer.com [mailto:jbutler@epsteinlawyer.com]  
**Sent:** Monday, February 27, 2017 4:16 PM  
**To:** Scott Huber  
**Cc:** David Rapport; Robert Epstein  
**Subject:** [FWD: Re: Ukiah v. Unique Properties: UP's comments to draft first report]

Scott,

Would you please send me the City's comments to the Receiver's draft report?

Thank you,

Julia

**Julia C. Butler**

Epstein Law Firm | 181 Third Street, Suite 200 | San Rafael, CA 94901 | 415.755.2625

Mailing Address | 369-B Third Street, #182 | San Rafael, CA 94901

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----- Original Message -----

Subject: Re: Ukiah v. Unique Properties: UP's comments to draft first report

From: Mark Adams <madams@calreceivers.com>

Date: Mon, February 27, 2017 3:48 pm

To: Julia Butler <jbutler@epsteinlawyer.com>

Cc: Scott Huber <shuber@cotalawfirm.com>, David Rapport <drapport@pacbell.net>, Robert Epstein <rob@epsteinlawyer.com>, Todd Schapmire <toddschapmire@gmail.com>

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Respectfully, that seems analogous to a report that asbestos has been removed from my kitchen and my bathroom. That doesn't mean its been abated throughout the house. That's what I'm looking for: a simple, clear certification that all abatement has been accomplished.

I will accept a blanket report of no asbestos anywhere on the site or I will continue with my recommendation that I contract for my own asbestos report.

2 re seismic retrofitting, it may be simple linguistics but my report referred to the initial funding for "commencement" of the work, not a preliminary budget. As long as we don't have different understandings of "commence" then there is no problem.

[Quoted text hidden]

[Quoted text hidden]

Exhibit 5

## Independent Contractor Agreement

THIS INDEPENDENT CONTRACTOR AGREEMENT (the "Agreement") is made effective as of the 18th day of January, 2017 (the "Effective Date") between California Receivership Group PBC ("CRG"), a California Public Benefit Corporation, having its principal place of business at 2716 Ocean Park Blvd., Suite 3010, Santa Monica, CA 90405 and Todd Schapmire ("Contractor"), having as his principal place of business 101 Property Management, 390 W. Standley Street, Ukiah, California 95482 relating to the Palace Inn in Ukiah CA("Property").

### WITNESSETH:

WHEREAS, CRG is a firm which provides Health and Safety Receivership services for governmental agencies throughout the State of California ("Receivership Services"); and

WHEREAS, Contractor is engaged in the business of providing services related to property oversight, caretaking, and real estate sales ("Professional services");

WHEREAS, Contractor wishes to provide Professional services to CRG as further described herein, and CRG wishes to have Contractor provide such services;

NOW THEREFORE, in consideration of the mutual promises and covenants herein provided, the parties hereto, intending to be legally bound, hereby agree as follows:

### 1. CONTRACTOR SERVICES

1.1 **Services.** CRG agrees to, and hereby does, appoint Contractor as its representative for the purpose of performing some or all of the professional services described above on behalf of CRG regarding the Property. It is understood and agreed by the parties that all services to be provided by Contractor in connection with this Agreement shall be performed by Contractor. It is also understood that the Contractor will be doing business as an agent of 101 Property Management for purposes of oversight and caretaking; and that Contractor will be doing business as an agent of W Real Estate for purposes of any real estate transactions.

1.2 **Term.** The term of this Agreement shall begin on the Effective Date and shall continue until terminated in accordance with the provisions of Section 6.

1.3 **Limitation of Authority.** The relationship created by this Agreement with respect to Contractor is one of independent contractor, and Contractor shall have no authority to bind CRG either in respect to agreements with any property of CRG for whom Contractor provides services, or in any other matter whatsoever. Contractor agrees to neither represent nor otherwise hold itself out as having authority to consummate any transaction whatsoever on behalf of CRG without CRG's prior approval.



## **2.COMPENSATION**

### **2.1Fees and Expenses.**

2.1.1 In consideration of Contractor's satisfactory performance (as determined in CRG's sole discretion) of its contractual obligations created under this Agreement, Contractor shall initially receive a sum equal to \$100 an hour for all work billed and approved by CRG. The fees payable to Contractor shall be paid monthly by CRG. It is contemplated by the parties that the hourly fee will be increased if and as additional funds become available for such purposes during the course of the project. It is also contemplated that Contractor shall be offered first right to list and sell the Property in the event such a sale is authorized by the Court.

2.1.2 Contractor will be reimbursed by CRG for Contractor's direct out-of-pocket expenses incurred in performing Contractor's obligations under this Agreement consistent with CRG's policies and practices, as determined in CRG's sole discretion, providing all out-of-town travel by Contractor has been approved by CRG in advance. Expenses to be reimbursed by CRG shall be paid within approximately 15 days of tender by Contractor of an expense statement, accompanied by copies of the relevant receipts and/or invoices.

**2.2Outside Employment.** Contractor is free to contract and to provide similar business services for other entities while under this Agreement with CRG, provided that, in the sole and absolute discretion of CRG, such services for other entities do not compete nor are in conflict with the services to be rendered for and property operated by CRG, and provided further that Contractor's performance of such services for other entities is not likely to result in the breach of any provision of this Agreement. During the period in which this Agreement is in effect, prior to engaging in the provision of future business services of any kind to an entity other than CRG, Contractor shall advise CRG in writing as to the nature of such services and all the names of entities and parties involved therewith.

**2.3 Taxes and Insurance.** CRG shall not be responsible for paying any social security, withholding tax, unemployment insurance, medical insurance, liability insurance, worker's compensation insurance or any other type of similar expense by reason of fees and expenses paid by CRG to Contractor pursuant to this Agreement. With respect to the fees and expenses paid by CRG to Contractor pursuant to this Agreement, Contractor agrees to be totally responsible for the payment of all federal, state and local income taxes, including social security, unemployment insurance and worker's compensation insurance expenses and to timely file applicable returns. Contractor agrees to indemnify and hold CRG harmless against any and all loss, damage, expense, claims and liabilities resulting from Contractor's failure to timely pay same.

## **3.CONDUCT OF BUSINESS**

**3.1Duties of Contractor.** Contractor shall, at all times, operate Contractor's business and perform its contractual obligations to CRG in a satisfactory (as determined in CRG's sole discretion) and lawful manner, and in accordance with good business ethics, so as not to prejudice the professional reputation of CRG including but not limited to assuring that Contractor is always properly licensed to perform the type of services stated herein.

3.2 **Services of CRG.** CRG will provide Contractor with administrative services, as are necessary, in the sole judgment of CRG, in order for Contractor to perform services hereunder.

3.3 **Invoicing and Collections.** CRG will invoice all Properties of CRG serviced by Contractor, and CRG will collect all fees and expenses due to CRG from its Properties.

3.4 **Release and Indemnification.** CRG will make best efforts to obtain from each of its constituents a form of indemnification which covers Contractor at least as fully as it covers CRG. If such indemnification is not secured, CRG will indemnify Contractor to the same extent that CRG is itself indemnified by the CRG's appointing judge.

3.5 **Understanding Specific Engagement.** Contractor agrees that it will read engagement agreements related to case assignments on which it provides services and make such inquiries of CRG as Contractor considers helpful to understand and evaluate the duties and responsibilities required of CRG thereunder. Contractor further agrees and represents that it is fully capable of performing such duties and responsibilities.

#### **4. PROPRIETARY INFORMATION**

4.1 **Clients.** Contractor and CRG each understand that the properties and governmental entities for which Contractor will provide services are, and remain, the property of and contacts of CRG, and not of Contractor.

#### **5. CRG PROPERTY**

5.1 **Nondisclosure.** Contractor agrees that it will not, during the Term hereof and at all times thereafter, make use of, exploit, disclose or divulge to any other person, firm or corporation any trade or business secret, invention, confidential research, customer information, data, marketing information, process, method or means, or any other confidential (i.e., not already otherwise generally known to others in the trade other than through dissemination by Contractor) information concerning the business or policies of CRG that Contractor learned as a result of, in connection with or through Contractor's engagement by, or association with CRG, whether or not pursuant to this Agreement. CRG and Contractor will have authority to enforce this section through appropriate legal action, and the costs of those enforcement actions will be paid per the terms of section 8.1.3.

5.2 **Return of Material.** All material resulting or derived from any of the services performed under this Agreement, including but not limited to, all files, reports, analyses, studies, recommendations, surveys, manuals, listings, data bases, or other documentation and any other material developed or prepared by the Contractor and its personnel pursuant to this Agreement, whether in hard copy or electronic media, and all intellectual property rights in such material and the use of such material, including but not limited to patent, copyright, trademark and servicemark rights, and any and all trade secrets, inventions, ideas, know-how and confidential information embodied in any material or documentation, shall be the sole and exclusive property of CRG.

5.3 **Survival.** The provisions of Sections 4 and 5 shall survive the

termination, for any reason, of this Agreement. Upon the termination of this Agreement, Contractor shall deliver to CRG all memoranda, books, papers, letters, and other data, and all copies of same, which were made by Contractor or otherwise came into his possession or under his control at any time prior to the expiration or termination of this Agreement, and which in any way relate to the business of CRG as conducted or as planned to be conducted on the date of the termination.

## **6.TERMINATION**

**6.1 Termination.** Either party may terminate this Agreement immediately upon written notice. Such notice shall be effective upon receipt.

### **6.2 Rights and Duties of Contractor upon Termination**

6.2.1 Subject to Contractor fulfilling all of its obligations hereunder, Contractor shall be entitled to fees earned to the effective date of termination, to be paid in accordance with Paragraph 2.1.1 above.

6.2.2 Contractor shall not use CRG names, trade symbols, forms, supplies, and literature after termination.

6.2.3 Contractor shall surrender and deliver to CRG, upon termination and upon demand, everything of whatever nature, including but not limited to, items supplied by CRG, or records, files, mailing lists and other related items accumulated by Contractor while serving in the capacity of a Contractor.

6.2.4 Contractor shall execute whatever documents and perform any and all acts that are or may become necessary to comply with the obligations outlined in this Section.

### **6.3 Rights and Duties of CRG upon Termination**

6.3.1 All work in progress shall become the sole property of CRG.

6.3.2 Subject to Contractor fulfilling all of its obligations hereunder, CRG shall pay to Contractor all compensation earned and due Contractor up to the date of Termination.

6.3.3 CRG shall cease to make reference to Contractor in any marketing materials.

6.3.4 CRG shall promptly notify all Clients for whom Contractor was performing services that the Contractor is no longer affiliated with CRG.

## **7.DEFAULT**

7.1 **Default.** Any one, or more, of the occurrences set forth immediately below shall constitute a default:



7.2 Failure of either party to this Agreement to satisfactorily perform any of the promises or representations contained in this Agreement.

7.3 Failure of either party to this Agreement to make due and punctual payments on any indebtedness or obligation of the other party to this Agreement,

7.4 Any representations or statements made by any party to this Agreement to the other party to this Agreement , including, but not limited to, financial statements, which are false or misleading.

7.5 Failure of Contractor to comply with operating practices and procedures reasonably established by CRG and disclosed to Contractor

7.6 If the reputation of either party to this Agreement for honesty, integrity, fair dealing or good moral, character shall become impaired through adverse publicity or notoriety.

7.7 If any party to this Agreement or its approved assignee shall be declared bankrupt or make an assignment for the benefit of creditors.

## **8.MISCELLANEOUS**

8.1 **Construction.** This Agreement, and all transactions hereunder, and all rights of the parties hereto, shall be governed as to the validity, construction and all other respects by the laws of the State of California.

8.2 **Governing Law.** This Agreement will be construed and interpreted in accordance with the laws of the State of California. This Agreement shall be arbitrated, mediated or litigated only in Los Angeles County.

8.3 **Dispute Resolution and Attorneys' Fees.** Should any litigation arise from the agreement between Contractor and CRG, the prevailing party in any action to enforce this Agreement shall recover its reasonable attorneys' fees and costs incurred in such action.

8.4 **Assignment.** Each party to this Agreement agrees that this Agreement may not be assigned without the prior written consent of both parties.

8.5 **Illegality.** The illegality, or non-enforceability of any provision of this Agreement shall not invalidate the remaining provisions of this Agreement, which shall remain in full force and effect without said invalid or unenforceable provision.

8.6 **Modifications.** This Agreement shall not be modified except by written agreement executed by both parties hereto.

8.7 **Entire Agreement.** This Agreement is intended by the parties hereto as the final expression of their Agreement and in the complete and exclusive statement of the terms thereof, any representation, promise or warranty not set forth herein shall not be binding on either party.

8.8 **Status of Contractor.** Each party to this Agreement shall be solely liable for all indebtedness or obligations incurred by it in the operation of his business under the terms of this Agreement, except for those costs to be paid by CRG as outlined herein above.

8.9 **Reimbursement.** Should CRG overpay Contractor, Contractor shall reimburse CRG immediately upon demand thereof.

8.10 **Waiver of Rights.** The failure to immediately enforce any provision or right under this Agreement shall not constitute an irrevocable waiver of that provision or right.

8.11 **Notices.** Any notice that may or must be given under the terms of this Agreement may be given by either party to the other in person, through an acknowledged exchange of faxes or emails, or by depositing same in the United States mail, postage prepaid registered or certified, and addressed as follows:

If to CRG:                    Mr. Mark Adams  
                                      President  
                                      2716 Ocean Park Blvd., Suite 3010  
                                      Santa Monica, CA 90405

If to Contractor:            Mr. Todd Schapmire  
                                      101 Property Management  
                                      390 W. Standley Street  
                                      Ukiah, CA 95482

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, themselves or by their duly authorized representatives, under seal, the day and year first above written.

California Receivership Group, PBC:

By: Mark Adams

Sign: 

Title: President

Date: 2/27/17

By: Todd Schapmire

Sign: 

Title: Independent Contractor

Date: 2/27/17



Exhibit 6

# ZFA STRUCTURAL ENGINEERS

1212 fourth street | suite z | santa rosa ca 95404 | 707.526.0992 | zfa.com

# AGREEMENT

FOR PROFESSIONAL SERVICES

Mark Adams  
**CALIFORNIA RECEIVERSHIP GROUP PBC**  
2716 Ocean Park Blvd., Suite 3010  
Santa Monica, CA 90405

Project Number:  
Project Name: Palace Hotel – Seismic Retrofit  
Cost Model  
Location: Ukiah, CA

Email: madams@calreceivers.com  
Phone: (310) 471-8181                      Mobile:

**PROJECT DESCRIPTION:** The project involves the seismic/structural retrofit of the Palace Hotel. The overall structure was constructed in 3-phases. The original building was constructed in 1891 and is a 3-story unreinforced brick structure and has a footprint of 60'x100'. A 3-story unreinforced brick addition was added in 1914 and has a footprint of 35'x100'. In 1929, a new L-shaped 3-story reinforced concrete structure with a 36'x200' footprint was added. The structures have been unoccupied since about 1990 and suffer from neglect and some deterioration. The intent is to improve the safety of the building to current acceptable standards as agreed upon with the City of Ukiah while a new and sustainable use for the building is determined.

## SCOPE OF SERVICES:

- Coordination meetings
- Site Visit (2) max
- Structural calculations as needed
- **Structural drawing plans and details to be used to prepare a cost model for the structural retrofit work.**
- REVIT Model of existing building to be provided

## SPECIAL CONDITIONS:

### ACKNOWLEDGMENT OF EXISTING CONDITIONS

It is important to acknowledge that remodeling requires that certain assumptions be made regarding existing conditions and may not be verifiable without destroying otherwise adequate or serviceable portions of the structure. This analysis does not make any guarantee to the adequacy of the structural design of the existing building not specifically addressed in the structural calculations. Minimum Code Soil values will be used for this phase of the analysis. Existing brick mortar values from previous tests will also be used for this analysis. No additional testing is proposed for this cost model design.

### SEISMIC STRENGTHENING PROVISIONS FOR UNREINFORCED MASONRY BEARING WALL BUILDINGS

Standards for the retrofit of URM buildings are minimum standards for structural seismic resistance established to reduce the risk of life loss or injury and will not necessarily prevent loss of life, injury or prevent earthquake damage to the building.

### LIMITED SCOPE OF STRUCTURAL WORK

The structural information provided for this model is only for the seismic retrofit work and does not include any structural remodeling or future architectural modifications or improvements.

**CONSTRUCTION DOCUMENT FEE: \$15,500** plus reimbursable expenses

REX6

Please sign and return to authorize work.

**Risk Allocation:** In recognition of the relative risks and benefits of the project to both the Client and ZFA, the risks have been allocated so that the Client agrees that to the fullest extent permitted by law, ZFA's total liability to the Client, for any and all injuries, claims, losses, expenses, damages or claim expenses arising out of this agreement from any cause or causes, shall not exceed the total amount of **\$50,000** (see Terms and Conditions). Such causes include, but are not limited to, ZFA's negligence, errors, omissions, strict liability, and breach of contract or warranty.

Offered by:

**ZFA STRUCTURAL ENGINEERS**



Dennis A. Fagent, SE 2777

Principal

Date: January 16, 2017

Accepted by:

**CALIFORNIA RECEIVERSHIP GROUP PBC**

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

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

The following detailed Terms and Conditions on the accompanying pages are hereby incorporated by reference in the entirety as an integral part of this Agreement. Client's acceptance of this Agreement includes full acceptance of all Terms and Conditions without condition or reservation.

Please Initial \_\_\_\_\_



# ZFA STRUCTURAL ENGINEERS TERMS AND CONDITIONS

1. **BILLINGS/PAYMENTS**

Invoices will be submitted monthly for labor charges and reimbursable expenses and are due when rendered. Invoices shall be considered PAST DUE if not paid within 30 days after the invoice date and ZFA Structural Engineers may without waiving any claim or right against Client, and without liability whatsoever to the Client, terminate the performance of the service. In addition, a service charge of 1.5 percent per month on the past due principal balance may be charged. In the event any portion or all of an account remains unpaid 90 days after billing, the Client will be liable for any costs of collection if necessary, including reasonable attorney's fees plus court and related costs. All late payments will be applied first to interest, then to attorneys' fees and costs, and lastly to principal.

2. **REIMBURSABLE EXPENSES**

Expenses other than labor charges that are directly attributed to our professional services are invoiced at our cost plus 20 percent. Reimbursable expenses typically include: 1) extra prints and reproductions, 2) special delivery (e.g. overnight) costs, 3) sub-consultants hired for the project by ZFA Structural Engineers with Client's authorization and 4) any and all work, fees, expenses and costs that are not specifically listed and identified in the Agreement, Description, and Scope of Services.

3. **SUSPENSION OF ENGINEERING SERVICES**

If the Client fails to make payments when due or otherwise is in breach of *this Agreement or any other Agreements* Client has made with ZFA Structural Engineers, ZFA may suspend performance of *all* services entailed by these agreements upon five (5) calendar days' notice to the Client. In such instances, ZFA Structural Engineers shall have no liability whatsoever to the Client for any costs or damages as a result of such suspension caused by any breach of the Agreement(s) by the Client. In such instances, ZFA Structural Engineers shall also have the right, at its sole discretion, to apply any payment(s) under any one Agreement, to the balance owed under any of the Agreements between parties. Notwithstanding any of the foregoing the obligations of the Client under any Agreement(s) with ZFA Structural Engineers, remain separate and independent obligations of the Client, and nothing herein shall be construed to invalidate any portion of any of the respective Agreement(s).

4. **INDEMNIFICATION**

To the fullest extent permitted by law, the undersigned Client shall indemnify and hold ZFA harmless from any and all actions, causes of action, damages, claims, costs, demands and expenses including attorneys' fees, that result from injuries to and/or deaths to any and all persons, including but not limited to, ZFA and its employees, arising out of or connected in any manner with the performance or purported performance of the construction work specified or referenced in this Agreement; and for any and all destruction, including loss of use of any property, arising out of or in connection with the work specified or referenced in this Agreement, except when such actions, causes of actions, damages, claims, costs, demand, and expenses including attorneys' fees are due to the sole active negligence of ZFA.

5. **STATUTE OF LIMITATIONS**

As to acts or failures to act occurring prior to the relevant date of Substantial Completion, any applicable statute of limitations shall commence to run and any alleged cause of action shall be deemed to have accrued in any and all events not later than such date of Substantial Completion.

6. **TERMINATION**

This agreement may be terminated by either party within five (5) days of written notice to the other in the event of a substantial failure of performance by the other party through no fault of the terminating party. If this agreement is terminated, ZFA Structural Engineers shall be paid for services performed through the termination notice date, including reimbursable expenses due.

7. **EXPIRATION**

This Proposal and Agreement will expire automatically within 90 days from the date this document is issued and signed by ZFA, unless accepted and signed by Client within 90 days thereof, without modification.

8. **ACCESS TO SITE**

Unless otherwise stated, ZFA Structural Engineers will have access to the site for activities necessary for the performance of the services.

9. **HIDDEN CONDITIONS**

If ZFA Structural Engineers has reason to believe that such a condition may exist, the Client shall authorize and pay for all costs associated with the investigation of such a condition and, if necessary, all costs necessary to correct said condition. If 1) the Client fails to authorize such investigation or correction after due notification, or 2) ZFA Structural Engineers has no reason to believe that such a condition exists, the Client is responsible for all risks associated with this condition, and ZFA Structural Engineers shall not be responsible for the existing condition or any resulting damage to persons or property.

10. **CONSTRUCTION MEANS & METHODS**

ZFA Structural Engineers shall neither have control over or charge of, nor be responsible for, the construction means, methods, techniques, sequences or procedures, or for safety precautions and programs in connection with Work, since these are solely the Contractor's rights and responsibilities under the Contract Documents.

11. **OTHER PROVISIONS**

Please Initial \_\_\_\_\_



ZFA Structural Engineers will prepare drawings and specifications in a timely manner, but ZFA Structural Engineers is not responsible for delays occasioned by factors beyond its control, nor by factors which could not reasonably have been foreseen at the time this agreement was executed. Unless a specific deadline or schedule is agreed to under the Description and Scope of Services, then all work under this Agreement shall be performed in a reasonable time as determined by ZFA Structural Engineers. If Client suspend(s) and restart(s) the work or project, ZFA will be entitled to bill Client for any remobilization and extra costs as agreed upon with client.

One or more waivers by either or both parties of any provision, part of any provision, term condition, or covenant of this agreement shall not be construed as a waiver by either party of any other provision, part of any other provision, term, condition or covenant of this agreement.

Any opinion of construction cost offered by ZFA Structural Engineers represents the judgment of a design professional and is supplied for your general guidance, but ZFA Structural Engineers does not guarantee the accuracy of its opinion as compared to actual contractor bids or actual cost to the owner.

**12. OWNERSHIP OF DOCUMENTS, MODELS, AND ELECTRONIC FILES**

All computer analysis and building information models (BIM), drawings, plans, calculations, and specifications are instruments of service and shall remain the property of ZFA Structural Engineers, whether the project for which they are made is executed or not. They are not to be used on other projects or extensions to this project except by agreement in writing and with appropriate compensation to ZFA Structural Engineers.

BIM model, CADD files, PDF documents, Digital Images, Scans, data, etc in any form of electronic media shall herein be referred to as "Electronic Files." Electronic files shall not be considered to be Contract or Construction Documents. Electronic Files do not in any way supersede or supplement the information included in the plans and specifications. Use of Electronic Files is not mandatory. Unless specifically noted in this agreement, an approved recipient, having the capability, may use the file as an added resource for conceptual understanding only. Transfer of Electronic Files is subject to all provisions of ZFA's Indemnification Agreement for Computer-Based Information.

**13. VENUE**

This agreement shall be interpreted and enforced in accordance with the laws of the State of California. The venue of any action brought to interpret or enforce any of the terms of this agreement or otherwise adjudicate the rights or liabilities of the parties hereto shall be laid in County of work.

**14. DISPUTE RESOLUTION**

At the discretion of ZFA Structural Engineers, all claims, counterclaims, disputes or other matters in question between the parties hereto arising out of or in relation to this Agreement or the breach thereof will be presented to non-binding mediation, subject to the parties agreeing to a mediator(s).

**15. ENTIRE AGREEMENT**

This Agreement is solely for the benefit of the signatories hereto and represents the entire and integrated agreement between the parties, and unless specifically referenced herein, supersedes all prior negotiations, representations or proposals, either written or oral. If any term of this Agreement is held by a court of competent jurisdiction to be void or unenforceable, the remainder of the Agreement's terms shall remain in full force and effect and shall not be affected thereby. This Agreement or any part thereof shall not be assigned or transferred by Client, without the prior consent of ZFA Structural Engineers.

**16. CONTINGENT GUARANTEE**

The representative of Client, who executes this Agreement, hereby represents and guarantees that Client is financially solvent and an ongoing business concern, and has the necessary resources to fulfill all obligations, including all financial obligations, of this Agreement. In the event that Client is unable to fulfill any of the obligations under this Agreement, within the timeframe called for in the Agreement or on demand, then said representative shall, on demand, be deemed personally liable to ZFA Structural Engineers, for any and all such obligations. In addition to the foregoing, during the existence of this Agreement, this contingent guarantee shall be binding on the following: as to a corporate Client, on all officers and shareholders; as to a limited liability company Client, on all members; as to any partnership Client, on all partners.

If Client or its representatives object to any of the foregoing, then Client must present to ZFA Structural Engineers at the time of execution of this Agreement, in writing, evidence of financial credit worthiness. Such evidence shall include, but not be limited to: current Dun & Bradstreet Report, current annual and quarterly Financial Statements, a current Credit Line Statement, current list of ongoing construction projects, and the last three banking statements for Client.

**17. PROJECT INFORMATION**

Upon execution of this Agreement by Client, Client will provide ZFA Structural Engineers, the physical address and legal description of the project property, and will identify by name, address and telephone number, the owner, architect, construction lender and/or surety for the project, including the reference number(s) for any loan and/or surety bond.

**18. BILLING RATES**

Executive Principal .....	\$190.00 per hour	Engineer / Project BIM Mgr .....	\$110.00 per hour
Senior Principal .....	\$175.00 per hour	Designer .....	\$100.00 per hour
Principal .....	\$160.00 per hour	BIM Project Manager .....	\$110.00 per hour
Senior Associate .....	\$145.00 per hour	Senior BIM / Draftsperson .....	\$100.00 per hour
Associate .....	\$135.00 per hour	BIM Technician / Drafter .....	\$95.00 per hour
Senior Engineer .....	\$120.00 per hour	Engineer/Const Support .....	\$60.00 per hour

Please Initial \_\_\_\_\_

Exhibit 7



# ZFA STRUCTURAL ENGINEERS

san francisco  
silicon valley  
sacramento  
santa rosa  
napa

February 8, 2017

Mark Adams  
**California Receivership Group**  
2716 Ocean Park Blvd., Suite 3010  
Santa Monica, CA 90405

RE: Palace Hotel Seismic Retrofit Cost Model  
ZFA# 17043.00

Mark,

I'm sending you this written summary along with the plans we prepared. Our plans and details should provide enough information to prepare an anticipated cost evaluation for the proposed retrofit work. There are definitely alternatives to the proposed seismic bracing. During our investigation we made certain assumptions that I wanted to make you aware of.

## Building Scan

The building was scanned and the provider created a REVIT model from the scan. During this process they made assumptions to clean up the model from the field scan. In this process they made some assumptions that were not correct.

1. The REVIT Model shows that the brick walls are 13" thick from the first floor to the roof. This is not true. The wall thickness changes at the ceiling of the 3<sup>rd</sup> floor from 13" to 9".
2. The floor is level across the width of the transverse width of the building. There is up to 4" of elevation change from the perimeter to the center. This will need to be dealt with as final use of the building is developed.
3. There are some areas at the intersection of the concrete building to the brick buildings that were hidden and we needed to make assumptions regarding the support of the concrete floor in these areas. These areas will need to be opened up for further investigation before the plans are finalized.

## Structural Assumptions

1. We were working within a very limited time allotment to create our preliminary package. We used existing brick and concrete walls, where possible, to provide lateral bracing. You will see in our drawings that the buildings have very little solid wall in the transverse direction. We added concrete and steel bracing lines near existing wall lines where practical. The negative effect of this option is requiring shoring of the existing brick/concrete walls above the new foundations. These locations can be moved into the interior of the space, but they will place limitations on the use of the interior space.

Ex 7

2. The code requires that URM walls at the 3<sup>rd</sup> level have a height to thickness ratio of 9. We discovered that the 3<sup>rd</sup> floor walls change from 13" to 9". To correct this deficiency we need to add steel vertical posts at approximately 8' o.c. along the entire perimeter wall length of the 3<sup>rd</sup> floor. It is possible that these steel posts could be changed to 6x6 wood posts, but we did not have time to evaluate that option.
3. The mortar stress from lateral forces in the 1<sup>st</sup> floor walls exceeded the capacity determined from the previous test data that was taken. To provide enough strength we chose to in-filling 50% of the openings. One option is to have the lower walls repointed and retested to see if the increase in mortar strength can meet the required demand. Another option would be to add shotcrete shear walls along portions of the interior of this wall line.
4. Since we did not have a geotechnical report, we used code minimum values to determine a portion of our footing widths along with needed dead weight for uplift needs. A geotechnical report may help in reducing some of the sizes.
5. For lateral force requirements and with a minimum of transverse bracing walls, we needed to add plywood to the all the wood floors and roofs.
6. All exterior URM walls need to be anchored to the floor and roof diaphragms
7. All the exterior walls are not brick, some are wood. Wood stud walls cannot be used as bracing walls in combination with brick walls. Steel strapping was added between the wood walls and the brick to transfer lateral forces to the brick walls.
8. The adequacy of the vertical load carry capacity of the existing floor and roof framing was not evaluated. It was assumed that their adequacy has been verified with the test of time. However, increased loading for material to level floors and improve sound ratings for future uses will probably require additional investigation to verify their structural adequacy.

Please contact us if you have any questions.

Regards,



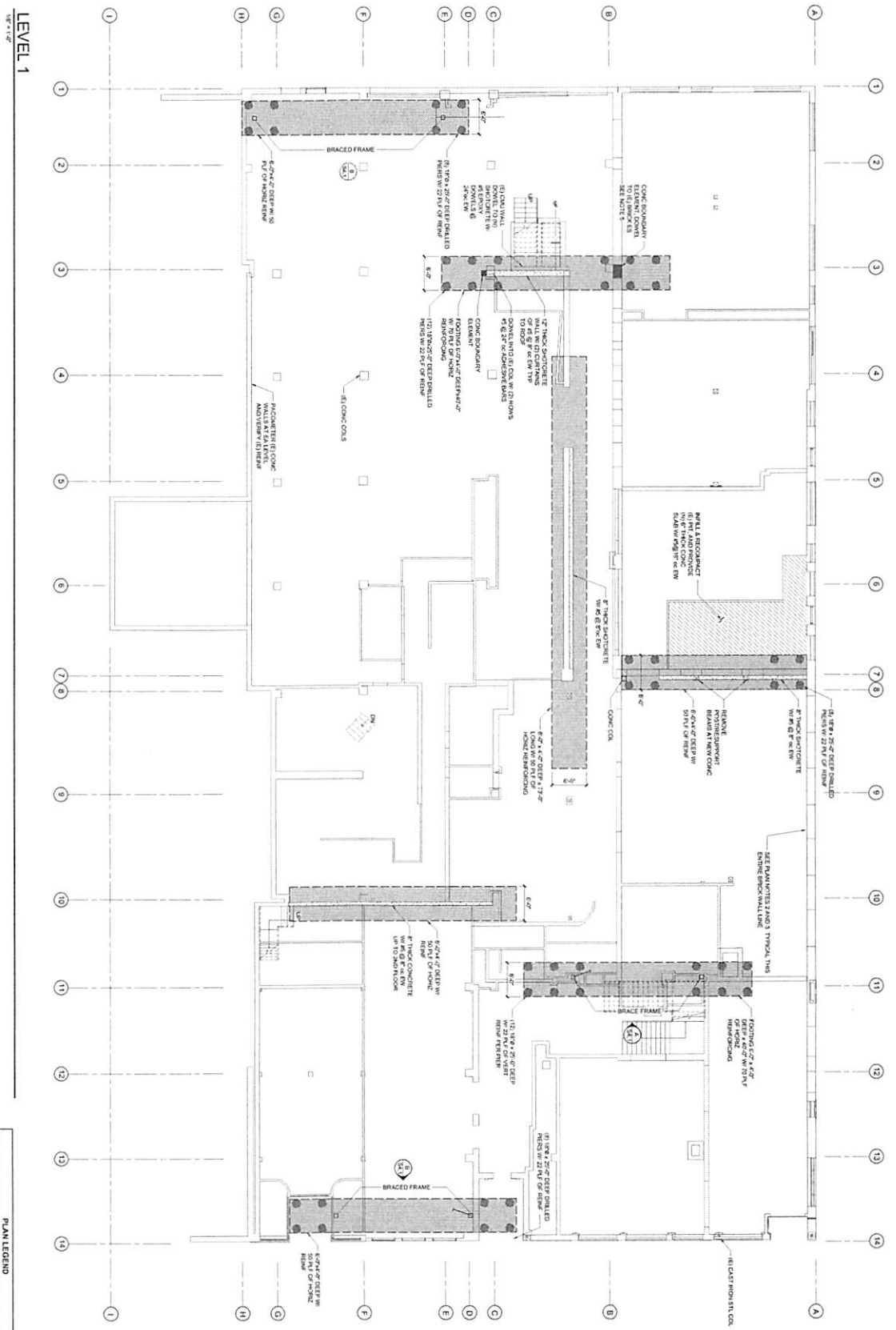
Dennis Fagent, SE  
**ZFA STRUCTURAL ENGINEERS**  
Principal











LEVEL 1  
1/8" = 1'-0"

- PLAN NOTES**
1. REFER TO SHEETS S2.1 AND S2.2 FOR GENERAL NOTES AND TYPICAL DETAILS.
  2. INSTALLION OF BRICK OPENINGS ALONG THIS LINE. MATCH TO BRICK.
  3. REINFORCING OF BRICK SHOULD BE DONE. THE ANALYSIS OF THE BRICK WALLS CONSIDERED WHITE LIME MORTAR. SEE TO THE COMMENTS ON THE DISCUSSION OF THE ANALYSIS. THE REINFORCING OF A CONCRETE BRICK SHOULD BE DONE AND TO ORIGINAL CONDITION.
  4. ALL REINFORCING OR DAMAGED STRUCTURAL MEMBERS SHALL BE REPAIRED IN LINE AND TO ORIGINAL CONDITION.
  5. ALL BRICK AND CONCRETE WALLS THAT ARE NEW SPOT-CRETE WALLS SHALL BE DOWNLOADED TO ORIGINAL CONDITION AND REINFORCED AND/OR BRICK SHALL BE REPAIRED IN LINE AND TO ORIGINAL CONDITION.

SYMBOL	REFERENCE	DESCRIPTION
	B	INDICATES STRUCTURAL WALL
	D	INDICATES INVOID POST
	C	INDICATES STEEL COLUMN
	F	INDICATES BRICK FOUNDATION
	E	INDICATES BRICK ELEVATION
	I	INDICATES INVOID LINE

SYMBOL	REFERENCE	DESCRIPTION
	B	INDICATES STRUCTURAL WALL
	D	INDICATES INVOID POST
	C	INDICATES STEEL COLUMN
	F	INDICATES BRICK FOUNDATION
	E	INDICATES BRICK ELEVATION
	I	INDICATES INVOID LINE

SHEET DESCRIPTION  
FIRST FLOOR  
FOUNDATION  
PLAN

PALACE HOTEL SEISMIC  
RETROFIT COST MODEL  
UKIAH, CA

PROJECT

**ZFA STRUCTURAL ENGINEERS**  
1212 fourth street | suite z  
santa rosa ca 95404  
zfa job no. #17043

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NO.	REVISION	DATE	BY	CHKD

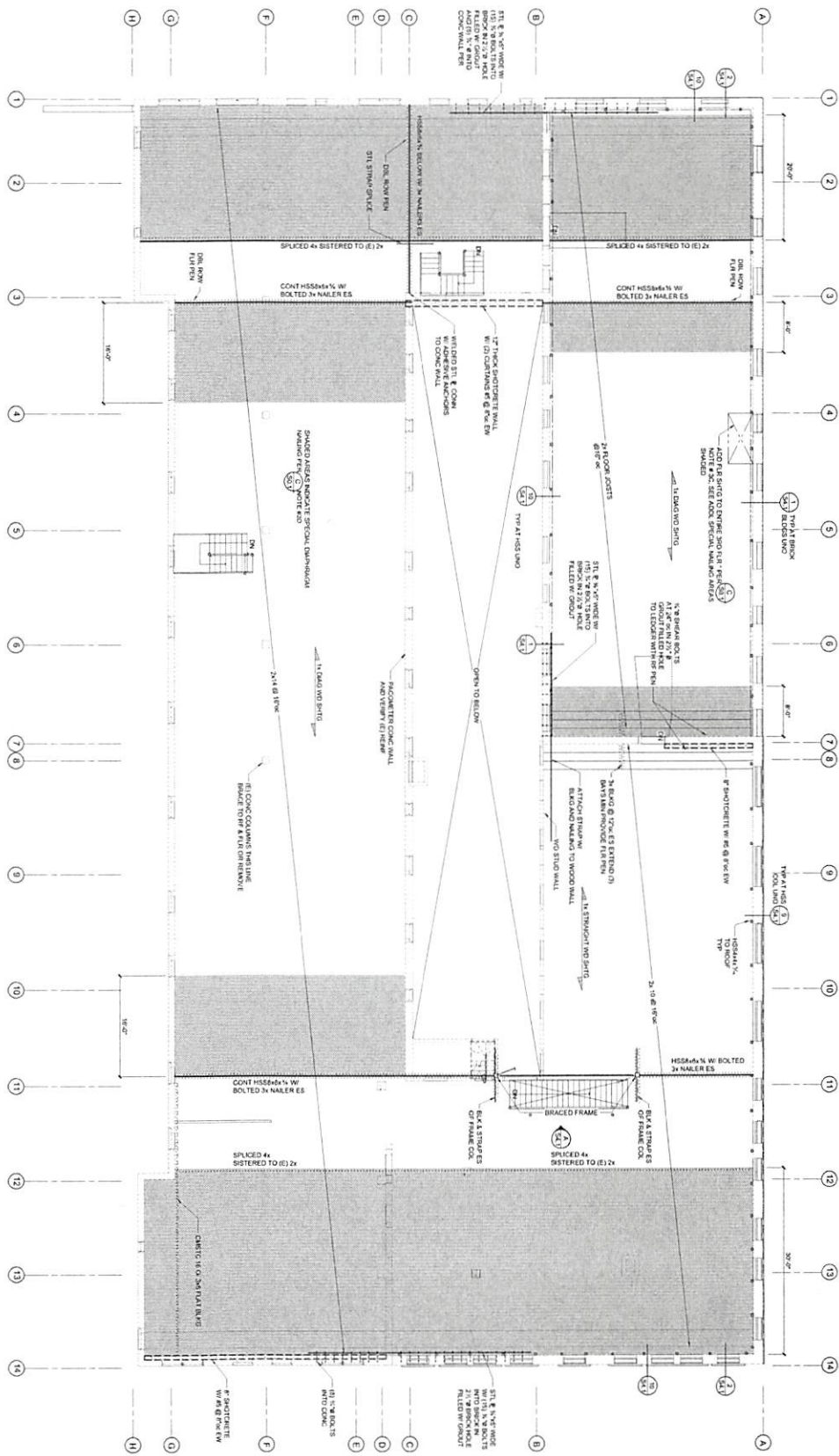
LEVEL 2  
1/8" = 1'-0"



<p><b>SHEET INFORMATION</b></p> <p>PROJECT: PALACE HOTEL SEISMIC RETROFIT COST MODEL UKIAH, CA</p>	<p><b>SECOND FLOOR</b></p> <p>DATE: FEB 8, 2017</p> <p>DRN: S2.2</p>	<p><b>ZFA STRUCTURAL ENGINEERS</b></p> <p>1212 fourth street   suite z santa rosa ca 95404 zfa job no. #17043</p> <p style="text-align: right;">zfa.com 707.526.0992 copyright © 2017</p>
--	--	---



LEVEL 3  
1/8" = 1'-0"



DATE	2/8/2017
DESIGNED BY	ALM
CHECKED BY	CON
PROJECT	S2.3

SHEET DESCRIPTION  
THIRD FLOOR

PALACE HOTEL SEISMIC RETROFIT COST MODEL  
UKIAH, CA

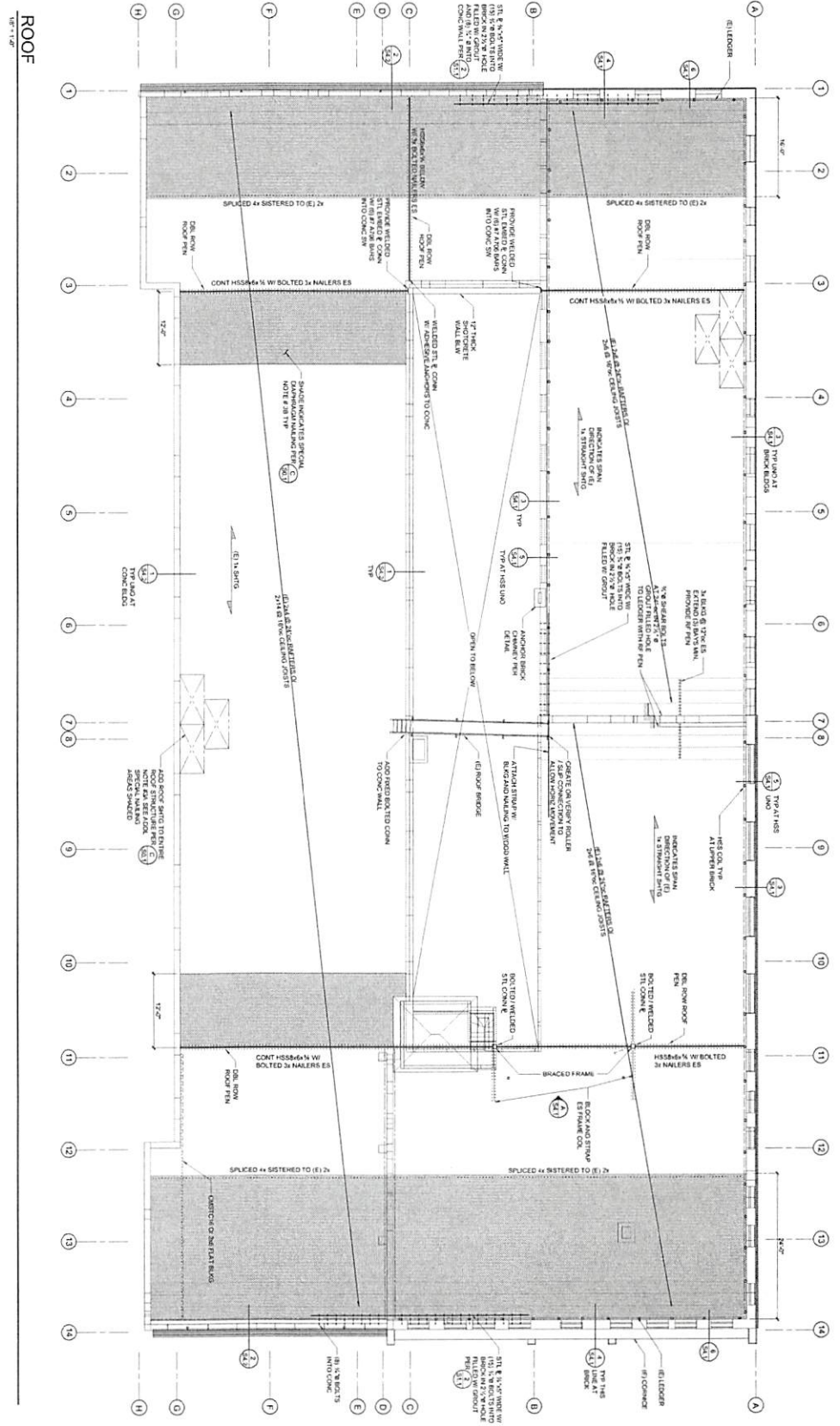
PROJECT

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santa rosa ca 95404  
zfa job no. #17043

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REVISION	DATE	DESCRIPTION

ROOF



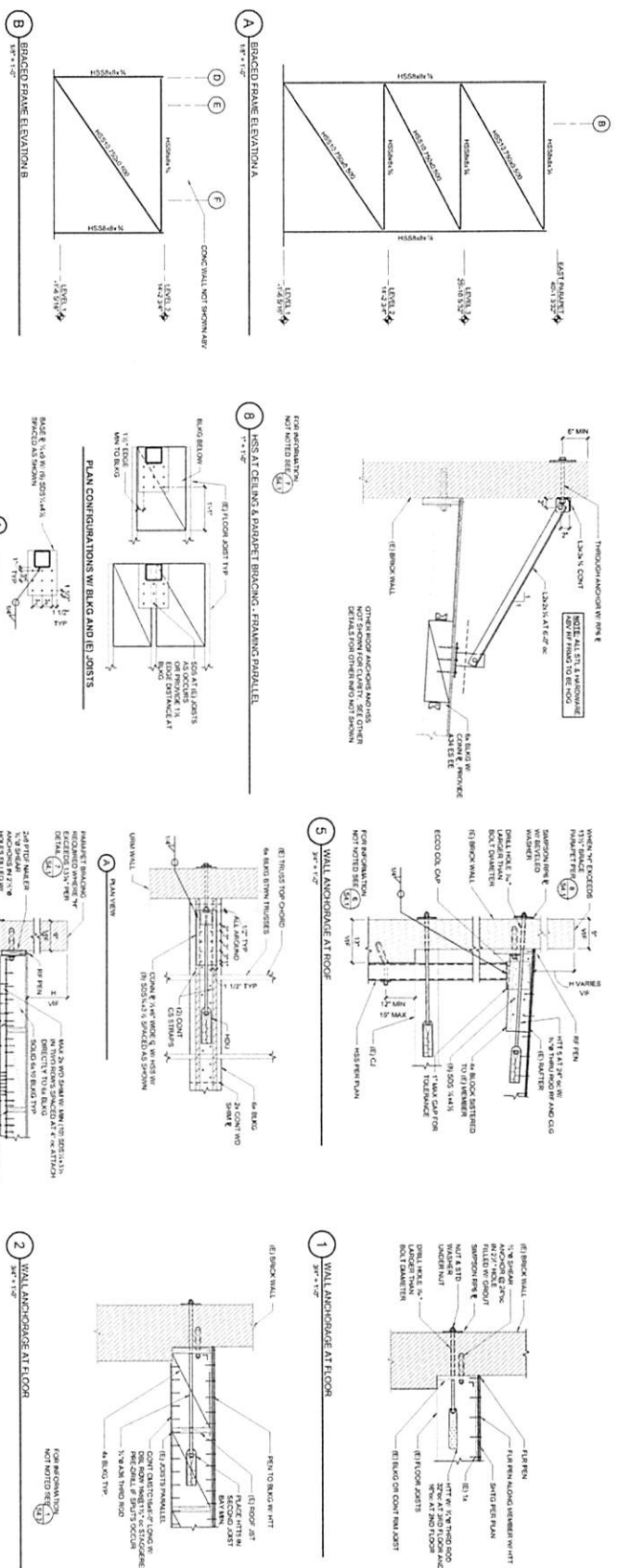
<p>PROJECT</p> <p>PALACE HOTEL SEISMIC RETROFIT COST MODEL</p> <p>UKIAH, CA</p>	<p>SHEET DESCRIPTION</p> <p>ROOF</p>	<p>DATE</p> <p>FEB. 8, 2017</p>	<p>DRN: Alan</p> <p>CHKD: Omer</p>
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**S2.4**

**ZFA STRUCTURAL ENGINEERS**

1212 fourth street | suite z  
 santa rosa ca 95404  
 zfa job no. #17043

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Project: Palace Hotel Seismic Retrofit Cost Model

Author: ZFA Structural Engineers

Checked: [Name]

Date: Feb 8, 2017

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**PALACE HOTEL SEISMIC RETROFIT COST MODEL**  
 UKIAH, CA

SHEET DESCRIPTION  
**DETAILS**

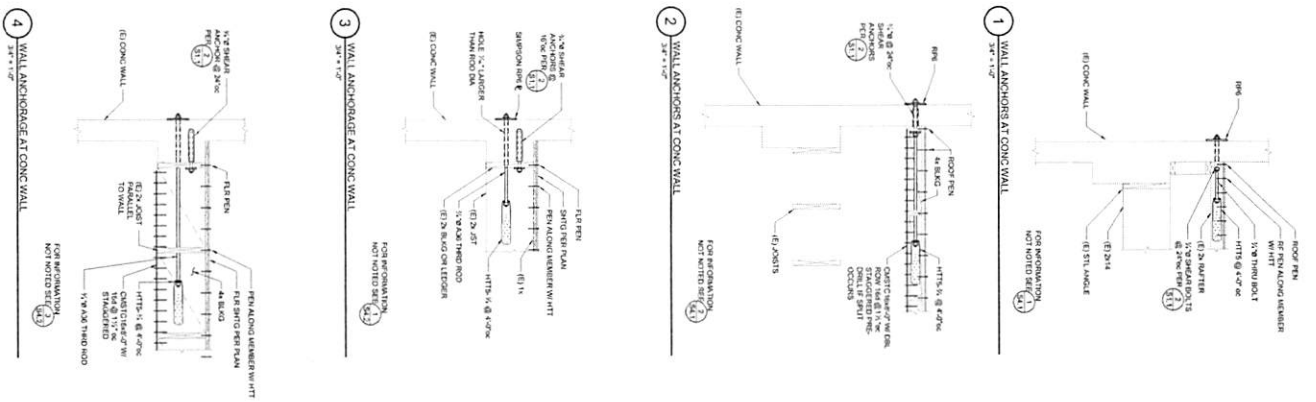
PROJECT: S4.1

DATE: FEB 8, 2017

CHD: CS/BLM

SHEET NO. S4.1





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NO.	REVISION	DATE						

**PALACE HOTEL SEISMIC  
RETROFIT COST MODEL**

UKIAH, CA

SHEET DESCRIPTION  
**DETAILS**

Exhibit 8



582 MARKET ST. SUITE 1800  
SAN FRANCISCO, CA 94104

T: 415.391.9633

F: 415.391.9647

www.garavaglia.com

January 23, 2017

Mr. Mark S. Adams  
California Receivership Group, PBC  
2716 Ocean Park Boulevard, Suite 3010  
Santa Monica, CA 90405  
(310) 471-8181 tel (310) 471-8180 fax  
madams@calreceivers.com

Project #: 2017007

Re: Palace Hotel Consulting

Dear Mr. Adams,

We are pleased to submit this proposal to you for architectural preservation consulting services for the Palace Hotel in Ukiah, California. You have requested this report in connection with verification of the historical integrity of the property to determine if historic preservation tax credits can be used.

No specific outcome of this evaluation is guaranteed.

#### WORK PLAN / FEE PROPOSAL

The suggested work plan and associated fees for our understanding of this project is as follows:

##### 1. Project Planning / Organizing Management

This phase includes initial preparation to begin work on the project.

- a. Prior to starting the work, a consultation by phone or email with the Client will be scheduled with the appropriate project representatives to identify, verify, and prioritize the project goals, review schedules, and discuss the project issues.
- b. Each party will appoint one point of contact for the project.
- c. The Client, or client representative will provide all documentation (if any) available from the City of Ukiah for the property regarding historic resource issues and previous projects at the site. This includes any permit history, available plans, previously prepared reports, historical maps, chain of previous ownership, etc.
- d. Garavaglia Architecture, Inc. will review all background data from the Client, City, and other sources. All materials must be received before the review can begin.
- e. Ongoing reasonable Client communications and coordination is included.

RCX 8

Innovating Tradition



Our fee for this task: \$1,125.00

**2. Site Visit**

This task focuses on preparation and implementation of the site visit and field assessment of the building.

- a. A site visit shall be arranged with the Client to access all exterior elevations and interior spaces of the building. Access will be coordinated and arranged by the Client.
- b. Findings will be recorded with field notes and digital photographs.

Our fee for this task: \$1,800.00

**3. Data Analysis**

This task includes the analysis of the Client-provided data and field assessments for the project. The following items need to be completed:

- a. Preliminary determination of character-defining features and spaces, and historical integrity.
- b. Telephone call to Office of Historic Preservation regarding historical integrity issues.

Our fee for this task: \$900.00

**4. Memo**

- a. Create, as a part of these determinations and findings, a memo of findings for review. The draft report will include an evaluation of the property for national, state and local listing criteria based on the results of the historical research and an evaluation of historical integrity.

Our fee for this task: \$900.00

**Reimbursable Expenses**

We estimate reimbursable expenses of \$250.00. This is to cover transportation, reproduction costs and other incidental project-related costs.

Garavaglia Architecture, Inc. will provide electronic (PDF) copies of all memos/reports. All hard copy production of final reports beyond any quantity identified in this proposal will be the responsibility of the Client. Garavaglia Architecture, Inc. will not be responsible for additional reimbursable expenses if the stated amount is exceeded. Any additional provisions to cover expenses will be the responsibility of the client. There is a 1.15 multiplier for all reimbursable expenses.

**TOTAL FEE FOR THE REQUESTED SCOPE: \$4,975.00**  
(Including Reimbursable Expenses)



**Meetings and Coordination with City Staff**

If desired, Garavaglia Architecture, Inc. may communicate directly with the City regarding the findings of the HRE. This could be required to answer any questions, to aid in the preparation of staff reports, or for presentations to the appropriate City boards and reviewing entities. Such services must be authorized by the Client prior to contact with City representatives and will be billed according to the hourly rates below, on a Time-and-Materials basis in addition to the fixed fee stated above.

**Fee Information**

**A. Schedule of Payments**

We request a \$1,500.00 deposit prior to beginning work along with the signature of the contract. This initial payment will be applied to the your final account statement. Payments on monthly invoices are due 21 days after the date of the invoice. Interest in the amount of 1% per month, or 12% per annum, will be added to any amounts past due. Work will stop when payments are overdue more than 21 days from the date of the invoice.

Reimbursable expenses such as computer plots, plan copies, delivery, photographs, copies, consultants contracted through our firm, permit submittal fees paid by us, etc. will be charged back to you as they occur on a monthly basis.

**B. Fee Schedule (2017 rates)**

If additional services are desired, our hourly fees are broken into rates as follows:

Principal	\$220.00
Senior Project Manager	\$160.00
Preservation Services Manager	\$140.00
Project Manager	\$135.00
Architectural Conservator	\$125.00
Senior Architectural Historian	\$122.50
Job Captain	\$127.50
LEED AP	\$120.00
Designer	\$120.00
Architectural Historian	\$112.50
Senior Drafter	\$112.50
Intermediate Drafter	\$100.00
Jr. Drafter	\$95.00
Research Assistant	\$95.00
Administrative Assistant	\$75.00

The Architect reserves the right to annually review the fee rates and increase them accordingly.

**Additional Services**

We have found that some clients desire additional services once the project begins, such as changes in project scope or service level and/or additional historic research. These services will

---



be billed as an additional service. It is our intent to notify you of the cost implications of any requested additional service before we proceed.

**Outside Consultants**

Our firm uses the services of a variety of consultants and engineers for the completion of all projects. Utilizing outside service firms with expertise in a specialized field on an as-needed basis allows us to successfully address the sometimes very specific needs which arise within the scope of project's development while keeping your costs and expenditures to a minimum. All consultants required will be under separate contracts and are not included in our fee estimates.

We do not anticipate the need for any consultants on this portion of the project. However, should the project require the need of a specialty consultant at a later date, we will notify you and make arrangements for a proposal from the required consultants to contract directly with you. All consultants required will be under separate contracts and are not included in our fee estimates.

**Agreement Information**

If you are in agreement with this proposal please sign and return one copy along with the initial payment check. This agreement may be terminated upon 10 days written notice by either party should the other fail to perform his or her obligations hereunder or without cause. In the event of termination, the Client shall pay Garavaglia Architecture, Inc. (GA) for all services rendered to the date of termination, all reimbursable expenses, and reimbursable termination expenses.


The services described above will be performed in accordance with our General Conditions, which are attached hereto and are a part of this agreement. If there are any questions or observations please call me so that we can discuss them. We feel it is very important to discuss all issues openly.

Sincerely,  
Garavaglia Architecture, Inc.  
A California Corporation

---

Michael A. Garavaglia, A.I.A., LEED AP  
President, Garavaglia Architecture, Inc.  
CA Lic. C14833

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

  
Mr. Mark S. Adams, President  
California Receivership Group, PBC

Date: 1/25/17





#### GENERAL CONDITIONS

1. The Architect shall perform its services as expeditiously as is consistent with professional skill and care, in the orderly progress of the work.
2. The Owner shall furnish to the Architect surveys describing the physical characteristics, legal limitation and utility locations for the site of the Project, and written legal description of the site. The Owner shall provide the services of a geotechnical engineer or other consultants as such may be reasonably necessary for the project.
3. Neither the Architect nor the Owner has control over the cost of labor, materials or equipment, over the contract or a method of determining good prices, or over competitive bidding, market for negotiation conditions. Accordingly, the Architect cannot and does not warrant that bids or negotiated prices will not vary from any estimate of construction cost or evaluation prepared or agreed to by the Architect.
4. The Architect and the Architect's consultants shall have no responsibility for the discovery, presence, handling, removal or disposal of or exposure of persons to hazardous material in any form at the Project site, including but not limited to, asbestos, asbestos products, PCB'S or other toxic substances, and other materials not yet known to be hazardous.
5. The Drawings, Specifications and other documents prepared by the Architect for this Project are instruments of the Architect's services for use solely with respect to this Project. The Architect is the author of these documents and retains all common law, statutory and other reserved rights, including the copyright.
6. This Agreement shall be governed by the laws of the State of California.
7. The Architect is not responsible for construction means, methods, techniques or job site safety, these being solely the responsibility of the Contractor.
8. The Architect is not responsible for identifying, locating, discovering, removal or treatment (remediation) of any hazardous waste or materials, known or unknown, at the Project site or any damages, of any type, arising out of or related in any way to the presence of hazardous material at the Project site, including, but not limited to, asbestos and PCB'S, as well as materials not yet identified as hazardous.
9. Any additional services requested by the Owner shall be compensated on an hourly basis in accordance with the rate schedule set out in this Agreement.
10. Should any legal proceeding be commenced between the parties to this Agreement seeking to enforce any of its provisions, including, but not limited to, fee provisions, the prevailing party in such a proceeding shall be entitled, in addition to such other reliance's as may be granted, to a reasonable sum for attorneys' and expert witnesses' fees which shall be determined by the court or forum in such a proceeding or in a separate action brought for that purpose. For purposes of this provision, "prevailing party" shall include a party that dismisses an action for recovery hereunder in exchange of payment of the sum allegedly due, performance of covenants allegedly breached, or consideration substantially equal to the relief sought in the action or proceeding.
11. The Owner understands and acknowledges that in the remodeling or rehabilitation of existing structures, certain design and technical decision are made based on assumptions that are based upon readily available documents and visual observations of existing conditions. Unless specifically directed in writing by the Owner, the Architect shall not perform or have performed any destructive testing or open any concealed portions of the Project in order to ascertain its actual condition. In the event that the Architect's assumptions, made in good faith, prove to be incorrect, the Owner agrees that the Architect shall not be held responsible for any additional work or costs required to correct any ensuing problems based upon such assumptions. The Owner further agrees to indemnify, defend and hold the Architect and its consultants harmless from and against any and all claims, liabilities, suits, demand, losses, costs and expenses, including, but not limited to, reasonable attorneys' fees and all legal expenses and fees incurred through appeal, and all interest thereon, accruing or resulting to any and all persons, firms or any other legal entities, on account of any damages or losses to property or person, including injuries or death, or economic losses, arising as a result of concealed or unknown conditions, except where the Architect is found to be solely liable as between the parties hereto as well as between any other persons, firms or legal entities for such damages or losses by a court or forum of competent jurisdiction.
12. The Owner and Architect, respectively, bind themselves, their partners, successors, assigns and legal representatives to the other party to this Agreement and to the partners, successors, assigns and legal representatives of such other party with respect to all covenants of this Agreement. Neither the Owner nor the Architect shall assign this Agreement without the written consent of the other.
13. Outcomes of reports cannot be predetermined or modified. Valid sources of information and resulting research undertaken within the context of professional practices lead to verifiable conclusions and stand as independent assessments.
14. Project approvals issued by the City are not predictable. Community input and code interpretations by the various City departments can vary and therefore project outcome
15. The written agreement supersedes all other previous communications.

Exhibit 9



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## FIELD REPORT

**Date:** February 13, 2017

**To:** Mark Adams  
California Receivership Group, PBC

**From:** Mike Garavaglia

**Project:** Palace Hotel, Ukiah, CA  
Architectural Preservation Consulting Services  
2017007

**Via:** Email

On January 23, 2017, the California Receivership Group (CRG) finalized an agreement with Garavaglia Architecture, Inc. (GA) for GA to provide architectural preservation consulting services for the Palace Hotel in Ukiah, California, in order to verify the historical integrity of the property to determine if historic preservation tax credits can be used for the project. On February 1, 2017, GA conducted a site visit at the Palace Hotel to review the integrity of the Palace Hotel as it undergoes emergency repairs to address deferred maintenance issues.

### **Historical Overview of the Palace Hotel**

The Palace Hotel is a National Register-listed building complex at the corner of North State and West Smith Streets in Ukiah, California. The hotel was constructed shortly after the railroad came to Ukiah in 1899, connecting it to the urban areas around San Francisco Bay. It replaced an earlier, wood-frame hotel and was originally called the Curtis House. Over the years it has come to figure in many accounts of daily life in Ukiah, either as a favorite watering hole, restaurant, or gathering place for the local people. During its period of significance (1891–1966) it was often considered the most luxurious lodging option in the area and attracted a clientele that included movie stars and local celebrities. It was officially listed on the National Register of Historic Places in 1979.

### **Character-Defining Spaces and Features of the Palace Hotel**

In 2008, GA prepared a Core Historic Structure Report (CHSR) for the Palace Hotel that identified the interior and exterior character-defining spaces and features of the building, based on a review of the building at that time as well as the 1979 National Register nomination for the building. The CHSR identified the lobby and the circulation corridors on the second and third floors as premier spaces; the first-floor central corridor and hotel rooms on the second and third floors as important spaces; the first-floor retail space in the 1922 addition, second- and third-floor bathrooms, NE apartment spaces at the second and third floors, and the elevator as contributing spaces; and highly altered spaces at the first floor as non-contributing spaces. A

Rec 89



full list of the interior and exterior character-defining features is appended to this memo as Appendix A.

### **Site Visit Observations**

The Palace Hotel is currently undergoing emergency repairs to address deferred maintenance issues at the hotel. This work involves removing materials from later renovations to the hotel in order to expose original interior elements, as well as removing damaged materials. On February 1, 2017, GA conducted a site visit at the Palace Hotel in order to review the work done to date and determine what historic features remained at the hotel. Select photographs from this site visit are included in this memo as Appendix B.

#### First Floor

- The hotel lobby and its grand staircase are generally intact, with some more recent non-contributing elements still extant to be removed at a later date
- Finishes within the commercial spaces have been removed
- The historic garage has had later finishes removed, revealing its original finishes

#### Second Floor

- The rooms in the oldest wing of the hotel still have their historic plaster, while rooms in the newer portions of the hotel at the north wing have had damaged plaster removed
- Historic doors and trim of the rooms where plaster has been removed are being stored on site

#### Third Floor

- The majority of the finishes and wall material at the corridors and rooms has been removed, while the wall framing and roof configurations remain
- Historic doors and trim of the rooms where plaster has been removed are being stored on site.

#### Roof

- No rooftop work is currently in progress
- The hotel is in need of a new roof and repairs to its parapet

### **Preliminary Recommendations**

On February 10, 2017, GA spoke with the California Office of Historic Preservation (OHP) about the firm's preliminary findings from the site visit. In this discussion, OHP stated that the building appears to retain sufficient integrity to remain listed on the National Register, and would still be eligible to receive historic tax credits. OHP will provide more input once Part 1 of the Federal Historic Rehabilitation Tax Credit Application has been submitted.

To ensure that the building retains sufficient integrity to qualify for the historic tax credit program, GA has the following preliminary recommendations for ongoing work at the Palace Hotel:

- Demolition work should be halted until a clear plan for protecting historic materials has been prepared.
- The piles of demolished plaster should be carefully sorted through before removal to ensure that there are no historic doors or trim elements underneath the piles.

- The locations of historic finish elements to be reinstalled should be thoroughly documented to ensure that salvaged finishes will be reinstalled in their original locations.
- All historic interior finish materials—such as doors, trim, partially demolished ornamental plaster elements (none of which should be further demolished or thrown out)—should be reinstalled as part of the project.
- Part 1 of the Federal Historic Rehabilitation Tax Credit Application should be submitted to formalize the historic status of the building for utilization of the tax credit.

Sincerely,



Michael A. Garavaglia, A.I.A., LEED AP  
President, Garavaglia Architecture, Inc.  
CA Lic. C14833

## APPENDIX A: CHARACTER-DEFINING SPACES AND FEATURES

This appendix establishes the character-defining features (CDFs) of the Palace Hotel. First listed are the interior spaces of the building. Listed second are the exterior features of the building, followed by a room-by-room assessment of the fixtures and objects found on the interior. All are presented in a prioritized list according to their historical and architectural significance. Each element and interior space is listed as premier (P), important (I), contributing (C), or non-contributing (NC). If the element or space cannot be listed, then it is unknown (UK), either because there is no valid historical research to verify its importance or it was not accessible for visual inspection. Some spaces, despite alteration over time, may retain original elements that should be retained and preserved. See below for identification and prioritization of extant character-defining features.

### Character-Defining Spaces

#### *Premier Spaces*

- Lobby
- Circulation corridor (2<sup>nd</sup> and 3<sup>rd</sup> floors)

#### *Important Spaces*

- Central corridor (1<sup>st</sup> floor)
- Hotel rooms (2<sup>nd</sup> and 3<sup>rd</sup> floors)

#### *Contributing Spaces*

- Retail spaces (1922 addition—1<sup>st</sup> floor)
- Bathrooms (2<sup>nd</sup> and 3<sup>rd</sup> floors)
- NE apartment spaces (2<sup>nd</sup> and 3<sup>rd</sup> floors)
- Elevator

#### *Non-contributing Spaces*

- Highly altered 1<sup>st</sup> floor spaces (various—see diagram)

Premier spaces are those areas that are directly associated with the identified period of significance and whose contribution to the interpretation and communication of a historic resource is of primary importance. Those spaces identified as Premier contain a significant number of character-defining features and/or retain their historic configuration; if these areas are removed or inappropriately altered, the historic integrity of the resource will be highly compromised. Important spaces are also directly associated with the identified period of significance, though they differ from premier elements because they embody, to a lesser degree, historic aspects of the resource. The removal or alteration of these elements should be done only when other options have been exhausted, or to protect items given a premier rating. Contributing spaces are those that augment the interpretation of historic significance but do not hold a high level of historic value in and of themselves. They could be items that have been previously compromised or simply related to the period of significance but not of primary historic importance. The loss of, or modification to, contributing elements lessens the overall level of integrity of the historic resource, but not to a level where its interpretation of significance or historical importance is severely compromised. Non-contributing areas are typically from outside the period of significance, are of poor quality, or are not related to the



period of significance. When possible, alterations and modifications should be undertaken within areas that only affect non-contributing elements or spaces, or that limit their disruptions to mostly non-contributing elements. Modifications undertaken in these areas will retain the maximum level of historic integrity and result in the least amount of damage and disruption to the resource as a whole.

In general, it appears that much of the 1929 lobby space remains intact, complete with decorative finishes, though some infill walls will need to be removed. The decorative features and finishes are in relatively sound condition and are fully capable of restoration to their original appearance. The physical evidence, coupled with historic photographs of the interior, should be sufficient for a highly accurate rehabilitation and recreation of this significant public space. Most of the rest of the first floor interior dates to the 1979 renovation, and is therefore not considered historic. Development of these spaces can take a much more extensive level of change and can be utilized for a variety of uses and configurations.

The upper floors retain many essential decorative details such as trim, doors, windows, and bath fixtures. Where such details are missing in individual rooms, there is enough evidence in other rooms to accurately recreate these features where desired. Certain areas of the upper floors are more conducive to certain types of uses and can accommodate various needs.

### Exterior Character-Defining Features

#### *Premier Elements*

- Building envelope (height, configuration)
- Prismatic glass (1922 building)
- Cast iron columns (1891 building—more may exist behind the current storefront)
- Engaged column capital ornament (at least one extant on front facade, may be more)
- Storefront configuration (1922 building—materials require further analysis since they were not available for inspection at the time of surveying)
- Batchelder tile frieze (1922 building)
- Bracketed cornice with bull's-eye details and paneled frieze
- Segmental-arched, brick-hooded window openings / ornamental pediment (1891 building)
- Arched window openings (1914 building)
- Corbelled brick cornice (side elevation) and stringcourses (1891 / 1914 buildings)
- Wood double-hung windows with ogee lugs (1891 section)
- Wood stacked awning windows (1914 section)
- Steel stacked awning windows (1929 section)

#### *Important Elements*

- Escutcheon plate locations for early awning (1891 building)

## Interior Character-Defining Features

### *Premier Elements*

#### First Floor

- Earth-tone tile floor (lobby, bar, and into the arcade)
- Plaster decorative details at stairs, including twisting columns (lobby)
- Plaster column capitals and brackets at the ceiling / column locations (lobby)
- Fireplace mantle brackets and twisting columns (lobby)
- Ceiling beam locations (lobby)
- Plaster wall finishes, including scored baseboards, rusticated base, and texturized upper section (lobby)

#### Upper Floors

- Corridor (2nd and 3<sup>rd</sup> floors—all sections)

### *Important Elements*

#### First Floor

- Decorative ceiling finish (stenciling—lobby)
- Exposed concrete and archways (banquet room / parking garage)

#### Upper Floors

- Deeply profiled wood window and door trim with bulls-eye detailing (1891 section)
- Wood panel doors with transom windows (1891 section)

### *Contributing Elements*

#### First Floor

- Elevator cab with decorative metalwork (vintage of decorative painting unknown)

#### Upper Floors

- Flat-sawn wood baseboards, wood window / door trim (hotel rooms and corridors—all sections)
- Plaster and wood lath walls (1891, 1914 sections)
- Wood five-panel doors with transom windows (1914 section)
- Wood panel doors with metal vents (1929 section)
- Three-lite steel casement windows (1929 section—bathrooms)
- Bathrooms with colored tile / bathroom fixtures (c. 1930—all sections)
- Decorative stenciling (corridor—all sections)

### *Non-Contributing Elements*

#### First Floor

- Wood paneling / wainscot / ceiling beam casings / door and window trim
- Wood signage with gold paint
- Wood shelving / display areas (1922 building)
- Bar

- Wood/brick fireplace surround
- Hexagonal/square ceramic floor tiles (maroon, blue, and white tiles)
- Light well (1929 building—2<sup>nd</sup> and 3<sup>rd</sup> floors, currently used as plumbing chase)

Upper Floors

- Finishes (dark paint/varnish on wood trim, wall paper in corridors/hotel rooms)
- picture rail (corridor—all sections)

**Unknown**

- “Palace Hotel 1891” sign (reproduction of original?)



## APPENDIX B: EXISTING CONDITIONS PHOTOGRAPHS

All photographs taken by Garavaglia Architecture, Inc., February 2017



Figure 1: Overall view of the Palace Hotel, looking southwest



Figure 2: View of the Palace Hotel from North State Street, looking northwest



Figure 3: Exterior corner of the Palace Hotel with historic cast-iron column at the ground floor



Figure 4: Detail view of prismatic glass transom at the exterior of the Palace Hotel



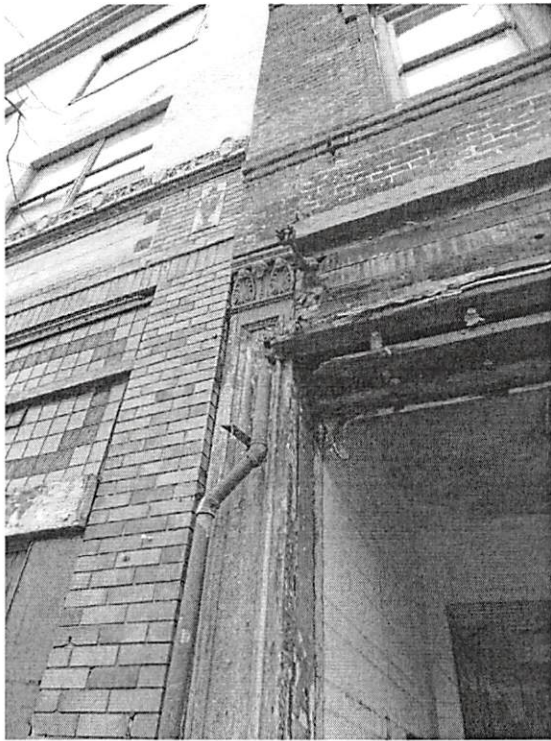


Figure 5: Detail view of engaged column capital ornament at the exterior of the Palace Hotel

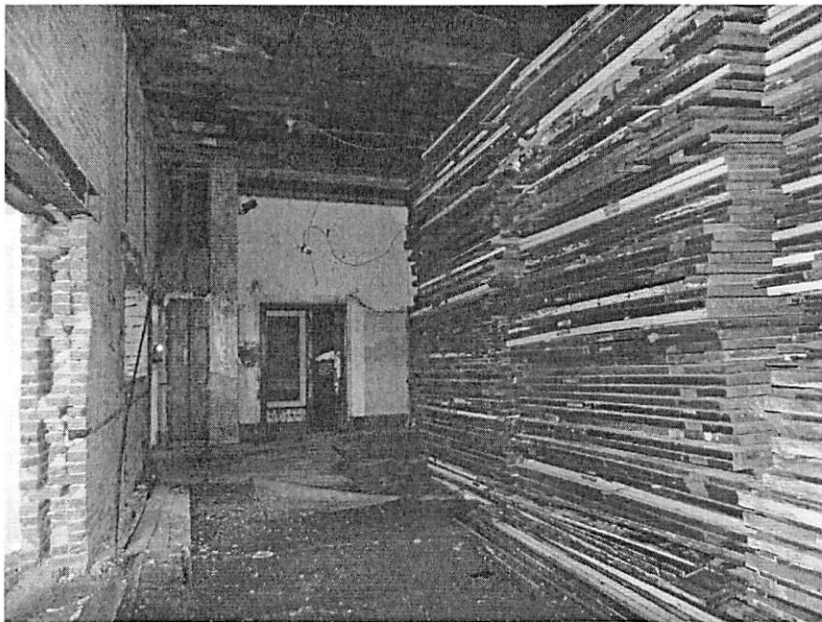


Figure 6: View of doors and trim removed from second and third floors of the Palace Hotel, currently being stored at the first floor of the hotel



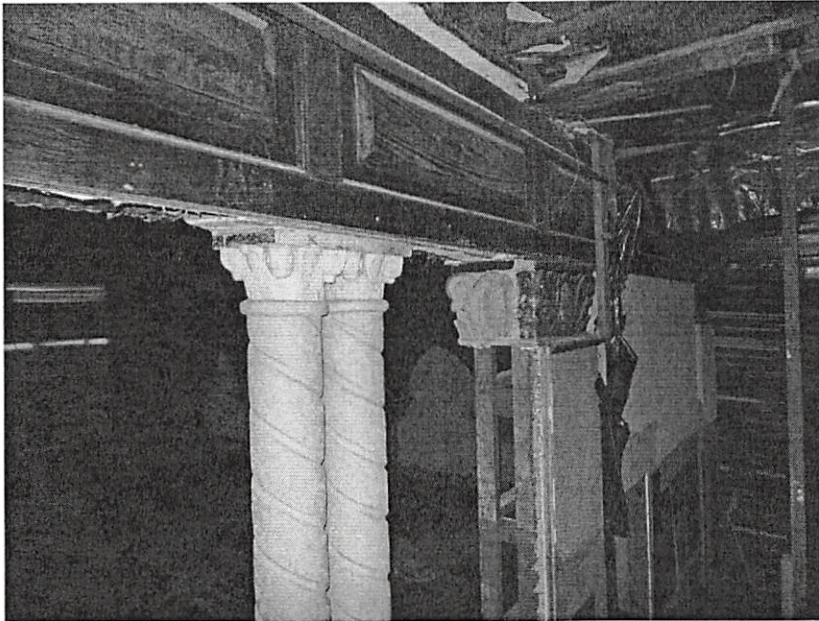


Figure 7: Historic Tuscan columns at the first-floor lobby of the Palace Hotel

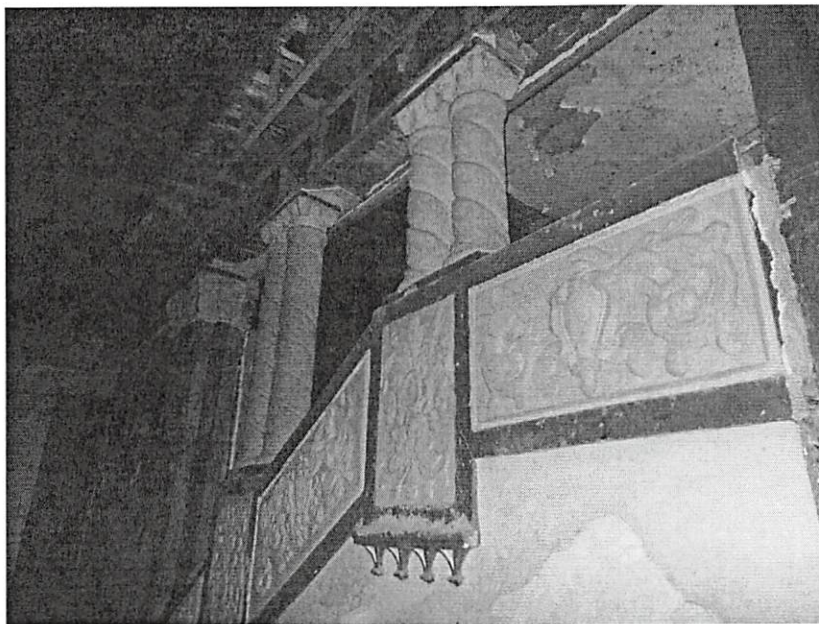


Figure 8: Historic plaster decorative details at first-floor lobby stairs of the Palace Hotel

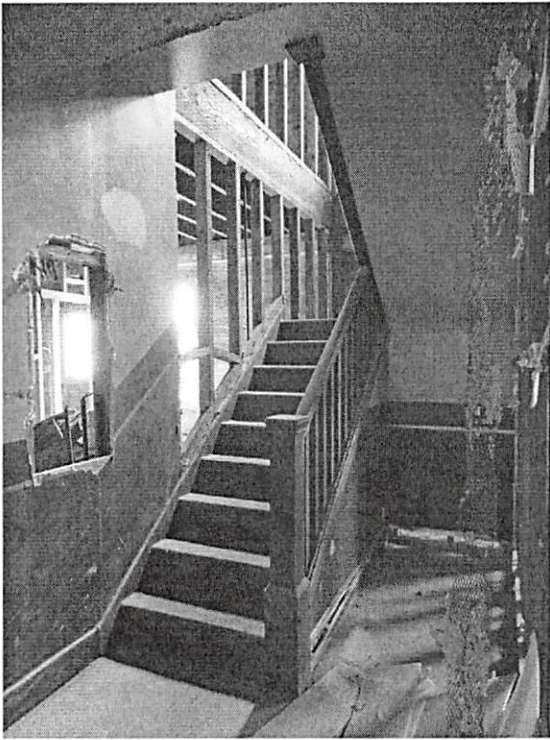


Figure 9: Staircase at the second floor of the Palace Hotel



Figure 10: View of second-floor corridor of the Palace Hotel with partially removed plasterwork and non-contributing wallpaper



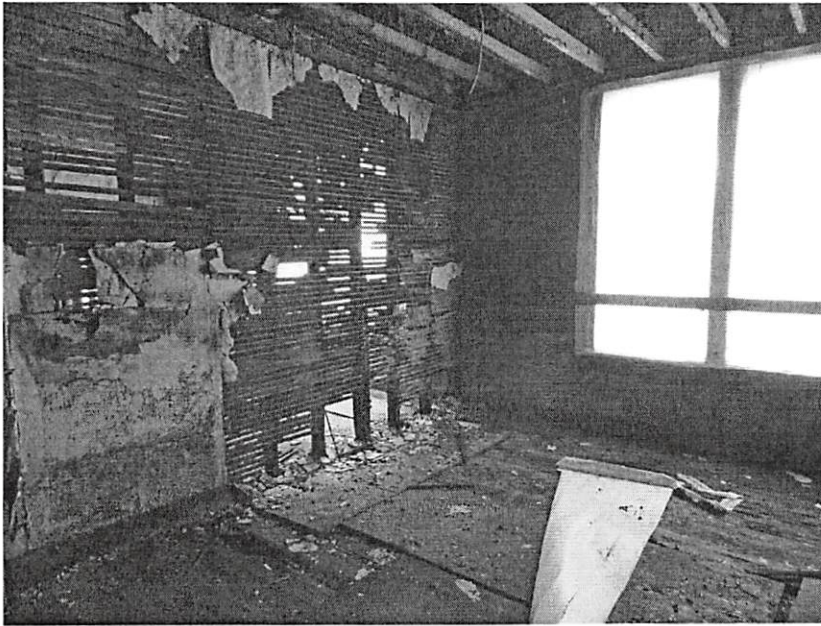


Figure 11: Partially demolished hotel room at the second floor of the Palace Hotel, revealing original lath

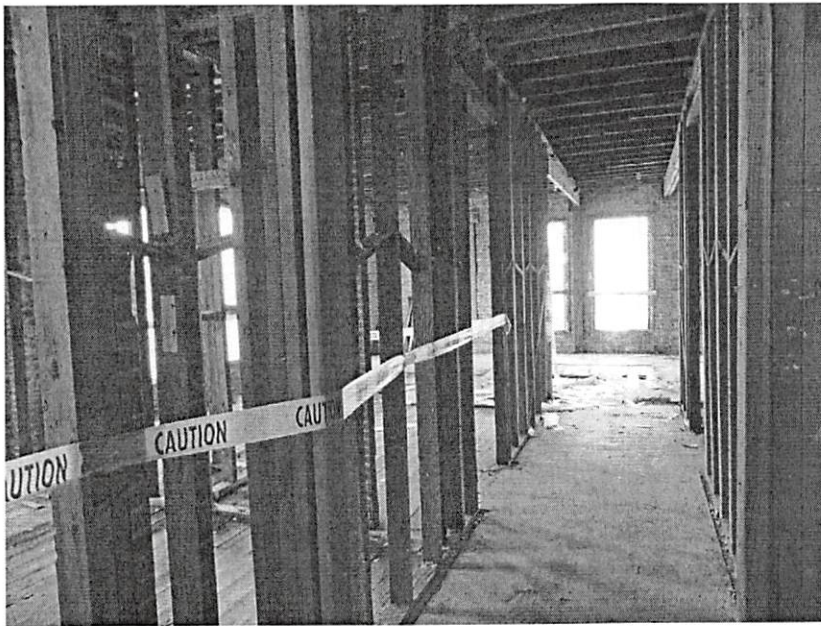


Figure 12: View of current conditions at third floor of the Palace Hotel with original wall framing and hallway/room configurations



**PROOF OF SERVICE**  
F.R.C.P. 5 / C.C.P. 1013a (3)/ Rules of Court, Rule 2060

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

On **March 1, 2017** I served the following listed document(s), by method indicated below, on the parties in this action: **First Report of Receiver Re Immediate Action Items, Rehabilitation Plan and Increased Funding; (Proposed) Order**

\*\*\*SEE ATTACHED SERVICE LIST\*\*\*

**BY U.S. MAIL**

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

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

By electronically transmitting the document(s) listed above to LexisNexis File and Serve, an electronic filing service provider, at [www.fileandserve.lexisnexis.com](http://www.fileandserve.lexisnexis.com) pursuant to the Court's \_\_\_\_\_ Order mandating electronic service. See Cal.R.Ct.R. 2053, 2055, 2060. The transmission was reported as 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.

Christmas Myers  
Type or Print Name

  
\_\_\_\_\_  
Signature

1  
2  
3  
4 **SERVICE LIST**

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

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4 [madams@calreceivers.com](mailto: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  
11 Petitioner,

12 v.

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

21 Respondents.  
22

Case No. SCUK-CVPT-15-66036

**(PROPOSED) ORDER APPROVING  
IMMEDIATE PLANS AND  
REHABILITATION PLAN AND  
AUTHORIZING INCREASE TO  
SUPER PRIORITY RECEIVER'S  
CERTIFICATE**

23 The Court, having considered the First Report of Receiver and good cause appearing  
24 therefor,  
25  
26  
27



1 NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

2 1. The First Receiver's Report Authorizing Increase to Receiver's Certificate, and  
3 the actions described therein, are hereby approved and ratified including but not limited to the  
4 remediation projects and the long term rehabilitation plan preliminarily proposed by the  
5 Receiver.

6 2. The Receiver, Mark Adams, is authorized to increase the preexisting Receiver's  
7 Certificate by \$403,000 to a total amount of \$438,000, secured by the property at 272 N. State  
8 Street, Ukiah, California (APN 002-224-13) ("Property") in his official capacity as Receiver with  
9 first lien (super-priority) status over any and all other liens other than property taxes.

10 3. The Receiver is authorized to sign any receiver's certificate and accompanying  
11 deed of trust with power of sale that he deems complies with the terms of this Order. The  
12 Certificate shall be executed in favor of any lender as may willing to finance such a receiver's  
13 certificate on such terms as are commercially reasonable and acceptable to the Receiver and as  
14 are subsequently reported to the Court.

15 4. The sums due under the increased Certificate shall be due and payable at such  
16 time as the Receiver and the lender shall agree and subsequently report to the Court but in no  
17 case later than the date on which the Court approves the Receiver's final accounting.

18 5. The Certificate and Deed of Trust shall be a lien having priority over any and all  
19 existing liens or encumbrances (including the existing first trust deed on the property) other than  
20 any lien recorded by a governmental entity for taxes on the property.

21 6. The Certificate, the accompanying Deed of Trust and this Order shall be recorded  
22 with the Office of the Mendocino County Recorder.

23  
24 IT IS SO ORDERED.

25  
26 DATED: \_\_\_\_\_

27 \_\_\_\_\_  
Judge of the Superior Court