



1

OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

April 30, 1991

CITY HALL
ROOM 101
915 I STREET
SACRAMENTO, CA
95814-2684

916-449-5704
FAX 916-449-8618

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: PURCHASE AND LEASE OF OFFICE CONDOMINIUM AT 1421 K
STREET, UNIT 1A

SUMMARY

This report recommends adoption of the attached resolution which:

1. Approves the terms and conditions of a purchase agreement with Panattoni, Farrell, and Fraulob, General Partnership for Unit 1A, a 5,402 square foot office condominium at 1421 K Street;
2. Appropriates \$975,000 plus closing costs and prorations not to exceed \$10,000; and
3. Approves the terms and conditions of a Lease Agreement of Unit 1A to the Sacramento Convention and Visitors Bureau.

This item is scheduled to be heard by the Budget and Finance Committee and City Council on the same day.

BACKGROUND INFORMATION

See attached report to City Council.

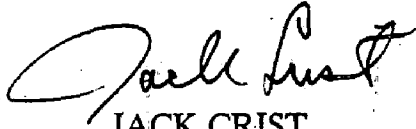
FINANCIAL DATA

See attached report to City Council.

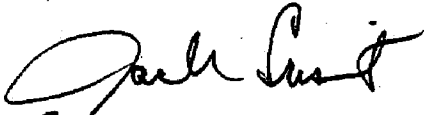
RECOMMENDATION

This report recommends adoption of the attached resolution acquiring real property at 1421 K Street, Unit 1A and leasing said real property to the Sacramento Convention and Visitors Bureau.

Respectfully submitted,


JACK CRIST
Deputy City Manager

RECOMMENDATION APPROVED:


~~W~~ WALTER J. SLIPE
City Manager

Contact Person:
Jack Crist
Deputy City Manager
449-5704

April 30, 1991
All Districts

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION ACQUIRING REAL PROPERTY AT 1421 K STREET, UNIT 1A AND LEASING SAID REAL PROPERTY TO THE SACRAMENTO CONVENTION AND VISITORS BUREAU

WHEREAS, the City has previously purchased the entire second floor of the 1421 K Street Condominium Office Building; and

WHEREAS, the City Council in Executive Session April 2, 1991, authorized purchasing the first floor of the 1421 K Street Office Building from Panattoni, Farrell, and Fraulob.

IT IS HEREBY RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. The terms and conditions of purchase detailed in Appendix A attached and incorporated herein by reference are hereby approved and the City Manager and City Clerk are authorized to execute said agreement; and
2. The City Budget is amended by \$975,000 plus closing costs and normal prorations not to exceed \$10,000. This amount is appropriated from Community Center Fund Contingency as follows:

To: 419-430-43XX-4XXX

From: 419-710-7012-4999; and
3. The terms and conditions of a Release Agreement of Unit 1A to the Sacramento Convention and Visitors Bureau in accordance with Appendix C attached and incorporated herein by reference are hereby approved, and the City Manager and City Clerk are hereby authorized to execute said Agreement.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

April 30, 1991

CITY HALL
ROOM 101
915 I STREET
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95814-2684

916-449-5704
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City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: PURCHASE AND LEASE OF OFFICE CONDOMINIUM AT 1421 K STREET, UNIT 1A

SUMMARY

This report recommends adoption of the attached resolution which:

1. Approves the terms and conditions of a purchase agreement with Panattoni, Farrell, and Fraulob for Unit 1A, a 5,402 square foot office condominium at 1421 K Street;
2. Appropriates \$975,000 plus closing costs and prorations not to exceed \$10,000; and
3. Approves the terms and conditions of a Lease Agreement of Unit 1A to the Sacramento Convention and Visitors Bureau.

BACKGROUND INFORMATION

This matter has previously been discussed with the City Council on April 2, 1991, in Executive Session, pursuant to California Government Code Section 54956.8. The City Council authorized purchase of the first floor of the 1421 K Street Office Building. The City previously acquired the entire second floor units as follows:

- Unit 2A; 4,131 square feet; \$690,000;
\$167/per square foot; 8-9-89
- Unit 2B; 5,676 square feet; \$890,000;
\$154/per square foot; 11-16-88

The first floor Unit 1A is currently occupied by the Sacramento Convention and Visitors Bureau and has been placed on the open market for sale.

The owner's asking price was \$1.1 million and the final negotiated price recommended for City Council approval is \$975,000 or \$180/square foot. This amount will be paid for by the Community Center Fund.

FINANCIAL DATA

The \$975,000 purchase price will initially be paid for from available Community Center Contingency funds. Permanent financing will be secured at the time of the City's next bond issue. For conservative estimating purposes, staff has assumed a 7 1/4% interest rate over a 22-year term. This would result in monthly mortgage payments of \$8,500. Initial monthly operating costs are estimated to be \$3,104 while rental income from leasing the space to the Convention Bureau will begin at \$9,000 month in year one with an annual escalation provision of from 4% to 8% based on Bay Area Consumer Price Index. Operating costs will slightly exceed income in the early years, but this will reverse after year seven.

The Lease Agreement between the City and the Sacramento Convention and Visitors Bureau will be a ten-year lease with a Convention Bureau option to renew in 2001 for another ten years.

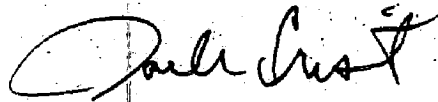
RECOMMENDATION

It is recommended that the City Council approve:

1. Terms and conditions of a Purchase Agreement for real property located at 1421 K Street, Unit 1A;
2. Appropriate \$975,000 plus closing costs and prorations not to exceed \$10,000 to the Community Center Fund; and

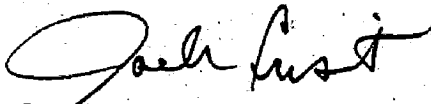
3. Approve the terms and conditions of a Lease Agreement of Unit 1A to the Sacramento Convention and Visitors Bureau.

Respectfully submitted,



JACK CRIST
Deputy City Manager

RECOMMENDATION APPROVED:



For WALTER J. SLIPE
City Manager

Contact Person:
Jack Crist
Deputy City Manager
449-5704

April 30, 1991
All Districts

APPENDIX A: Purchase Agreement
APPENDIX B: Assumed Cash Flow Analysis
APPENDIX C: Lease Terms

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION ACQUIRING REAL PROPERTY AT 1421
K STREET, UNIT 1A AND LEASING SAID REAL
PROPERTY TO THE SACRAMENTO CONVENTION
AND VISITORS BUREAU

WHEREAS, the City has previously purchased the entire second floor of the 1421 K Street Condominium Office Building; and

WHEREAS, the City Council in Executive Session April 2, 1991, authorized purchasing the first floor of the 1421 K Street Office Building from Panattoni, Farrell, and Fraulob.

IT IS HEREBY RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. The terms and conditions of purchase detailed in Appendix A attached and incorporated herein by reference are hereby approved and the City Manager and City Clerk are authorized to execute said agreement; and
2. The City Budget is amended by \$975,000 plus closing costs and normal proration not to exceed \$10,000. This amount is appropriated from Community Center Fund Contingency as follows:

To: 419-430-43XX-4XXX

From: 419-710-7012-4999; and
3. The terms and conditions of a Release Agreement of Unit 1A to the Sacramento Convention and Visitors Bureau in accordance with Appendix C attached and incorporated herein by reference are hereby approved, and the City Manager and City Clerk are hereby authorized to execute said Agreement.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

CONTRACT OF SALE

1421 K Street, Unit 1A
Sacramento, California 95814
APN 006-0115-016-0001

Preamble

CONTRACT OF SALE entered into _____, 19____,
by and between PANATTONI, FARRELL, and FRAULOB, a California General
Partnership (hereafter referred to as "Seller"), and the CITY OF
SACRAMENTO, a Municipal Corporation (hereafter referred to as "Buyer").

Seller agrees to sell and convey, and Buyer agrees to purchase,
the real property situated in the City of Sacramento, Sacramento County,
California, hereafter referred to as "Property" known as 1421 K Street,
Unit 1A, as more particularly described in Exhibit "A", attached hereto
and incorporated herein by reference, on the following terms and
conditions:

ARTICLE 1: PURCHASE PRICE

Section 1.01. The total purchase price of the Property is Nine
Hundred Seventy-Five Thousand Dollars (\$975,000.00), payable by Buyer to
Seller at close of escrow.

ARTICLE 2: ESCROW**Opening of Escrow**

Section 2.01. An escrow shall be opened to consummate the sale of
the Property according to the terms of this Contract at the office of
Stewart Title Company (hereafter referred to as the "Escrow Holder"),
555 Capitol Mall, Suite 280; Sacramento, CA 95814. The escrow shall be
opened within two (2) workdays after clearance of all contingencies
specified in Section 5.12 of this Contract. Written escrow instructions
in accordance with the terms of this Contract shall be prepared by each
party, and the instructions shall be signed by the parties and delivered
to the Escrow Holder, within five (5) workdays after escrow is opened.

Buyer and Seller shall also deposit with the Escrow Holder, at the time specified in the escrow instructions, all instruments, documents, and other items (i) identified in the escrow instructions or (ii) reasonably required by the Escrow Holder to close the sale on the closing date specified below.

Closing Date

Section 2.02. The escrow shall be closed on the date the deed is recorded. The escrow must be closed no later than May 31, 1991, unless the closing date is extended pursuant to the terms of this Contract.

Prorations

Section 2.03. The following shall be prorated between the Seller and Buyer on the basis of a 30-day month as of the date on which escrow closes: real property taxes (all delinquencies incurred prior to date of closing to be paid by Seller), 15th & K Street Owners' Association monthly fee, utilities, and any maintenance contracts.

Closing Costs

Section 2.04. Seller shall pay all personal property taxes, one-half of the escrow fee, cost of a standard CLTA title policy, the reconveyance fees charged for the reconveyance any deed of trust, the recording fees for the reconveyance of that deed of trust, and the cost of preparing, executing, and acknowledging the grant deed and all other instruments necessary to convey title to Buyer. Buyer shall pay one-half of the escrow fee and any transfer taxes.

ARTICLE 3: ADDITIONAL TERMS AND CONDITIONS

Preliminary Title Report and State of Title

Section 3.01. Seller shall convey title to the property to Buyer by grant deed subject only to the approved exceptions to title shown on the Preliminary Report, and to any additional exceptions approved by Buyer as provided herein. Should a supplemental or amended Preliminary Report be issued prior to the closing which discloses any additional exceptions not previously disclosed, Buyer shall have ten (10) days after the receipt of same to approve or disapprove such additional

exceptions in a writing delivered to the Escrow Holder and the Seller. Any exception not disapproved within such ten-day period shall be deemed approved. If Buyer disapproves any such exception not previously disclosed, Seller shall have until the closing date to cure or remove any disapproved exception or exceptions. Buyer shall notify the Escrow Holder in writing in the event such disapproved exceptions are cured and Buyer approves the conditions of title to the property. If Seller notifies the Escrow Holder that Seller is unwilling or unable to cure any disapproved exceptions, or in the event such exceptions cannot be cured by the closing date, then Buyer may either waive such exceptions, or this escrow shall terminate without liability of any kind to either party and the Escrow Holder shall return to the parties the respective documents and funds deposited into escrow by each. The foregoing notwithstanding, Seller agrees to remove the lien of any existing mortgages or deeds of trust from the Property at closing.

Miscellaneous Conditions

Section 3.02 The close of escrow opened pursuant to Section 2.01, and Buyer's obligation to purchase the Property pursuant to this Contract, are subject to the satisfaction of the following conditions, which are solely for Buyer's benefit:

Marketable Title

(a) The conveyance to Buyer of good and marketable title to the Property, as evidenced by a California Land Title Association standard coverage title insurance policy issued by Stewart Title Company in the full amount of the purchase price insuring that title to the Property is vested in Buyer free and clear of all title defects, liens, encumbrances, conditions, covenants, restrictions, and other adverse interests of record, subject only to those exceptions approved by Buyer in writing.

Delivery of Possession

(b) The delivery of possession of the Property (with all keys to locks) to Buyer immediately on the close of escrow, free and clear of all uses and occupancies except those approved in writing by Buyer.

**Failure of Condition and
Seller's Breach of Warranty**

Section 3.03. Except as provided in Section 3.04, if any of the conditions set forth in this Contract fails to occur, or if Buyer notifies Seller in writing prior to the close of escrow, of Seller's breach of any of Seller's warranties set forth in this Contract, then Buyer may cancel the escrow, terminate this Contract, and recover the amounts paid by Buyer to the Escrow Holder toward the purchase price of the Property. Buyer shall exercise this power to terminate by complying with any applicable notice requirements specified in the relevant condition and, in all other cases, by providing written notice to Seller and the Escrow Holder within ten (10) days of the failure or breach. The exercise of this power shall not waive any other rights Buyer may have against Seller, or Seller may have against Buyer, for breach of this Contract. Seller shall instruct the Escrow Holder, in the escrow instructions delivered pursuant to Section 2.01, to refund to Buyer all money and instruments deposited in escrow by Buyer pursuant to this Contract upon failure of a condition or conditions or breach of a warranty or warranties and receipt of a termination notice. This instruction shall be irrevocable.

Seller's Obligation to Cure Defects

Section 3.04. Notwithstanding any provision of this Contract to the contrary, Buyer shall immediately notify Seller in writing of Buyer's discovery, prior to the close of escrow, of a violation of any of the following provisions of this Agreement: Sections 3.02(a), 4.02., 5.12. For these purposes, the foregoing matters shall be referred to as "defects". The notice shall set forth the particular matter disapproved of or breached. If Seller does not remedy the defect within ten (10) days of the receipt of Buyer's notice, then Buyer shall have the right to elect to terminate the contract without any liability on the part of Buyer.

Seller shall instruct the Escrow Holder, in the escrow instructions delivered pursuant to Section 2.01, immediately to refund to Buyer all money and instruments deposited in escrow by Buyer pursuant to this Contract on termination of this Contract pursuant to this

Section, and on receipt of notice of that termination from Buyer. In the event of such a termination, Seller shall bear any costs and expenses of the escrow.

ARTICLE 4: RIGHTS AND WARRANTIES

Right of Buyer to Enter Property

Section 4.01. Seller grants to Buyer, to Buyer's agents, the right, at any time and from time after opening of the escrow for this transaction, to enter onto the Property to inspect the Property, provided that:

- (a) The inspection shall be conducted at the sole cost and expense of Buyer;
- (b) The inspection shall not unreasonably interfere with Seller's possession;
- (c) Buyer shall indemnify and hold Seller harmless from any costs or liability resulting from the inspection; and
- (d) Buyer shall give Seller notice of the intention to enter one (1) day prior to the date of the planned entry.

Warranties of Seller

Section 4.02. Seller warrants that:

- (a) Seller owns the Property, free and clear of all liens, licenses, claims, encumbrances, easements, encroachments on the Property from adjacent properties, encroachments by improvements on the Property onto adjacent properties, and rights of way of any nature, not disclosed by the public record.
- (b) Seller has no knowledge of any pending litigation involving the Property.
- (c) Seller has no knowledge of any violations of, or notices concerning defects or noncompliance with, any applicable building code or other code, statute, regulation, ordinance, judicial order, or judicial holding pertaining to the Property.
- (d) Seller is not in default under any contract, note, or encumbrance relating to the Property.
- (e) The Property and the improvements on the Property are in good condition, reasonable wear and tear excepted, and Seller has no knowledge of any material defects in the property.

(f) From and after execution of this Agreement, Seller will maintain the Property in good repair, reasonable wear and tear excepted, until the date of close of escrow or change of possession, whichever is later.

Survival of Warranties

Section 4.03. All warranties, covenants, and other obligations described in this Article and elsewhere in the Contract shall survive delivery of the deed.

ARTICLE 5. MISCELLANEOUS PROVISIONS

Loss, Destruction, and Condemnation

Section 5.01. The parties agree that the following provisions shall govern the risk of loss:

(a) If, before Seller transfers legal title or possession of the Property to Buyer, all or a material part of the Property is destroyed without fault of Buyer, or is taken by eminent domain by any government entity, Buyer shall be entitled to recover any portion of the price Buyer has paid, and Seller shall not, except as to any sums due Seller pursuant to Section 3.02(b) herein, have the right to enforce this Contract. For these purposes, "material part of the Property" means any portion of the Improvements that would cost Twenty Thousand Dollars (\$20,000.00) or more to replace or to restore to their conditions as of the date of execution of this Contract.

(b) If, after Seller transfers legal title or possession of the Property to Buyer, all or any part of the Property is destroyed or is taken by eminent domain by any governmental entity, Buyer is not relieved from Buyer's obligation under this Contract to pay the full price for the Property, nor is Buyer entitled to recover any portion of the price Buyer has paid.

Insurance

Section 5.02. Seller shall cancel all policies of insurance on the Property as of the close of escrow, and shall be entitled to retain any premium refund. Buyer shall be responsible for obtaining insurance on the Property as of the close of escrow.

Time of Essence

Section 5.03. Time is of the essence in this Contract.

Notices

Section 5.04. Any notice, tender, delivery, or other communication pursuant to this Contract shall be in writing and shall be deemed to be property given if delivered, mailed, faxed, or sent by wire or other telegraphic communication in the manner provided in this Section, to the following persons:

(a) If to Seller:

Leonard C. Panattoni
Panattoni, Farrell, and Fraulob
2200 X Street, Suite 205
Sacramento, CA 95818

(b) If to Buyer:

Real Property Supervisor
City Real Property Section
927 10th Street, Room 200
Sacramento, CA 95814

Either party may change the party's address for these purposes by giving written notice of the change to the other party in the manner provided in this Section. If sent by mail, any notice, delivery, or other communication shall be effective or deemed to have been given when received.

Entire Agreement

Section 5.05. This Contract and the attached exhibits constitute the entire agreement between the parties relating to the sale of the Property. Any prior agreements, promises, negotiations, or representations not expressly set forth in this Contract are of no force and effect. Any amendment to this Contract shall be of no force and effect unless it is in writing and signed by Buyer and Seller.

Arbitration

Section 5.06. Any controversy or claim arising out of this Contract or a breach thereof shall be settled by arbitration in accordance with the Rules of the American Arbitration Association, and judgement on the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction.

Attorney's Fees

Section 5.07. If any action, proceeding, or arbitration arising out of or relating to this Contract is commenced by either party to this

Contract or by the escrow holder, then as between Buyer and Seller, the prevailing party shall be entitled to receive from the other party, in addition to any other relief that may be granted, the reasonable attorney's fees, costs, and expenses incurred in the action, proceeding, or arbitration by the prevailing party.

Binding Effect

Section 5.08. This Contract shall be binding on and inure to the benefit of the parties to this Contract and their heirs, personal representatives, successors, and assigns, except as otherwise provided in this Contract.

Governing Law

Section 5.09. This Contract and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of California.

Headings

Section 5.10. The headings of the articles and sections of this Contract are inserted for convenience only. They do not constitute part of this Contract and shall not be used in its construction.

Waiver

Section 5.11. The waiver by any party to this Contract of a breach of any provision of this Contract shall not be deemed a continuing waiver or a waiver of any subsequent breach of that or any other provision of this Contract.

Contingencies

Section 5.12. This Contract is contingent on Buyer's review of additional information. Within fourteen (14) days after Seller's execution of this Contract, Seller shall provide to Buyer the Preliminary Report from Stewart Title, property information, maintenance contracts, financial information, and condominium association information, all of sufficient scope and detail to allow Buyer to fully understand all aspects of the property. Buyer shall have fourteen (14) days, after the receipt of all such information, to review the information, specify title exceptions which are approved, and notify Seller, in writing, of any defects, as provided in Section 3.04.

Executed on the day and year first above written.

SELLER: PANATTONI, FARRELL, and FRAULOB,
a general partnership

LEONARD C. PANATTONI

EDWARD J. FARRELL

DONALD W. FRAULOB

BUYER: CITY OF SACRAMENTO,
a municipal corporation

BY: _____
WALTER J. SLIPE,
City Manager

ATTESTING:

ORIGINAL APPROVED AS TO FORM:

CITY CLERK

DEPUTY CITY ATTORNEY

EXHIBIT A

A Condominium Estate consisting of:

- (1) Unit No. 1-A as shown on the "Condominium Plan 1421 K Street" attached to the Declaration of Restrictions for 15th and K Office Building. An Office Condominium Project, dated February 13, 1984, recorded March 2, 1984, in Book 840302 of Official Records, Page 280, as amended by the First Amendment thereto recorded March 16, 1984, in Book 840316 of Official Records, Page 2059, by the Second Amendment thereto recorded July 23, 1984, in Book 840723 of Official Records, Page 1033, and by the Third Amendment thereto recorded December 17, 1985, in Book 851217 of Official Records, Page 942, and being within Lot A of 1421 "K" Street, A Condominium, according to the Official plat thereof, filed in the Office of the Recorder of Sacramento County, California, on February 29, 1984, in Book 156 of Maps, Map No. 15; and
- (2) An undivided 20.17 per cent of the Common Area as defined in said Declaration as amended.

PANATTONI PURCHASE ANALYSIS
CASH FLOW ANALYSIS

	ANNUAL SC&VB LEASE REVENUE	DEBT SERVICE	OPERATING COSTS *	POSSESSORY TAX	ANNUAL NET	CUMMULATIVE NET
Year 1	108,000	102,000	27,053	10,200	(31,253)	(31,253)
Year 2	112,320	102,000	28,135	10,404	(17,815)	(49,068)
Year 3	116,813	102,000	29,264	10,612	(14,452)	(63,520)
Year 4	121,485	102,000	30,240	10,824	(10,755)	(74,274)
Year 5	126,345	102,000	31,255	11,041	(6,910)	(81,184)
Year 6	131,399	102,000	32,310	11,262	(2,911)	(84,096)
Year 7	136,654	102,000	33,407	11,487	1,247	(82,848)
Year 8	142,121	102,000	34,548	11,717	5,572	(77,276)
Year 9	147,805	102,000	35,735	11,951	10,070	(67,206)
Year 10	153,718	102,000	36,970	12,190	14,748	(52,458)
Year 11	159,866	102,000	38,254	12,434	19,613	(32,845)
Year 12	166,261	102,000	39,589	12,682	24,672	(8,173)
Year 13	172,911	102,000	40,977	12,936	29,934	21,761
Year 14	179,828	102,000	42,421	13,195	35,407	57,168
Year 15	187,021	102,000	43,923	13,459	41,098	98,265

Current Operating Costs:

* Taxes	10,200 (Currently 6,954. --- \$10,200 assumes reassessment)
* Insurance	1,308
* SMLD	10,740
* PG&E	4,847
* Janitorial	5,619
* Misc Maint	1,000
* Assoc Dues	4,847

	38,561
	(10,200)(Separately stated)
	(1,308)(Assumed cost will be absorbed by Risk Management)

	27,053

Debt Financing Assumptions:

- 22 Year Term
- 7.25% annual average interest rate
- No capitalized interest
- Full purchase amount refinanced with next City Financing

bm: Panattoni
4/22/1991

LEASE AGREEMENT TERMS AND CONDITIONS

- **1421 K Street, Unit 1A will be leased to the Sacramento Convention and Visitors Bureau.**
- **Terms of the Lease Agreement will be:**
 - a. **10 years with a Convention Bureau option for a second 10 year period**
 - b. **Fully serviced initial monthly lease rate of \$9,000**
 - c. **Annual rent escalator clause providing for rent increases of between 4% and 8% based on the Bay Area All Urban Consumers Price Index**
 - d. **Provision for market price adjustments at the end of year 7 and year 14.**
 - e. **Effective concurrent with closing of purchase escrow**