



4

DEPARTMENT OF  
FINANCE

BUDGET DIVISION

CITY OF SACRAMENTO  
CALIFORNIA

November 21, 1988  
FA:88190:CB:KMF

CITY HALL  
ROOM 14  
915 I STREET  
SACRAMENTO, CA  
95814-2696

916-449-5845

Budget and Finance Committee  
Sacramento, California 95814

Honorable Members in Session

**SUBJECT:** MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF  
SACRAMENTO AND THE REDEVELOPMENT AGENCY REGARDING  
HYATT REGENCY HOTEL PARKING GARAGE

**SUMMARY**

On September 16, 1986, the City of Sacramento, acting as the Redevelopment Agency approved a Disposition/Development Agreement with JB and LE Regency Venture for the Hyatt Regency Hotel which included a ground lease delineating financial obligations on the part of the City and Agency for the Hyatt Regency Hotel Parking Garage. The attached Memorandum of Understanding (MOU) between the City and the Agency outlines these lease payment obligations. Staff recommends approval of this Memorandum of Understanding. Details on the financial aspects of the MOU are provided in the following report.

**BACKGROUND**

On September 16, 1986 the City Council acting as the Redevelopment Agency of the City of Sacramento approved a Disposition/Development Agreement (DDA) with JB and LE Regency Venture for the Hyatt Regency Hotel Project. The DDA included a ground lease which set forth the provisions of a ground lease and operating agreement between the Agency and the developer. Article 12, Section 12.03 of the ground lease sets forth the obligation of the Agency to pay an annual amount to developer for leasing of the developer owned parking spaces in the subject garage, as indicated in the Financial Data section of this report.

The 631 space Hyatt Regency Hotel Parking Garage was completed and opened for business on April 1, 1988. The payment obligations noted above began on that date.

In summary, the Agency will pay on an annual basis, an amount of \$1,475,000 to meet subject payment obligations. As an offset to this payment obligation, the Agency will receive two payments from the developer: 1) for the developer owned spaces an annual amount equal to \$150,000 or 25% of the hotel pre-tax cash flow whichever is greater; and 2) for the Agency owned spaces an annual amount equal to actual gross revenue (based on City established public parking rates) less a pro-rata share of operating costs. These two payments began on April 1, 1988. A third payment to be received by the Agency will be a fixed annual public parking assurance payment of \$320,000 to begin in the sixth operating year and continue for thirty years. These payments are included in the calculations labeled Hyatt Revenue on Table 1, Exhibit 1.

#### FINANCIAL

According to the terms of Article 12, Section 12.03 of the Ground Lease Agreement the annual lease payment is \$1,475,000. Funding for this annual payment was identified in the September 16, 1986 staff report as Agency parking facility funds and City parking facility funds. Agency parking funds include proceeds from the Hyatt Garage operations. As such, it is expected that the Hyatt Regency Parking Garage will generate a majority of the debt service needs and that only the shortfall between revenues and payment obligations will be paid from the cash balance of the Agency and City Parking Funds. Projected shortfalls towards meeting the \$1,475,000 are presented in Table 1, Exhibit 1, attached to this report.

The City Parking Fund has a sufficient fund balance to pay the projected gap outlined in Exhibit I. The City Parking Fund presently has an available fund balance of \$747,000.

#### RECOMMENDATION

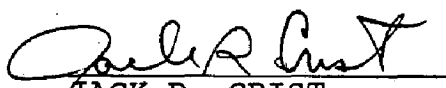
It is the recommendation of staff that the attached Memorandum of Understanding be recommended for approval by the Budget and Finance Committee and forwarded to the Council for approval and that an amount necessary to meet payment obligations be appropriated from the City Parking Fund contingency to pay the City's share, if necessary, of the Hyatt Regency Parking Garage payment obligation on an annual basis.

Respectfully submitted,

Attachments

  
CAROL BRANAN  
Senior Management Analyst

RECOMMENDATION APPROVED:

  
JACK R. CRIST  
Deputy City Manager

All Districts

# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

## RESOLUTION APPROVING THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF SACRAMENTO AND THE REDEVELOPMENT AGENCY REGARDING HYATT REGENCY HOTEL PARKING

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO AS  
FOLLOWS:

WHEREAS, on September 16, 1986 the City Council, acting as the  
Redevelopment Agency, approved the Disposition and Development  
Agreement and Ground Lease with JB and LE Regency Venture regarding  
the Hyatt Regency Hotel; and

WHEREAS, on November 17, 1987 the City Council, acting as the  
Redevelopment Agency, approved an amendment to the  
Disposition/Development Agreement and Ground Lease with JB and LE  
Regency Venture; and

WHEREAS, Article 12, Section 12.03 of the Ground Lease  
provides that the Agency shall lease back the Hotel Garage for a  
sum of \$1,475,000 annually paid in quarterly installments (\$368,750  
per quarter) for the term of the lease; and

WHEREAS, the staff report approved by the City Council and the  
Agency, dated September 16, 1986, regarding the above lease  
payments stated that the source of revenue for the annual payment  
per Article 12, Section 12.03 of the proposed Ground Lease would  
be the Agency Parking Facility Fund and City Parking Facility Fund.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY OF SACRAMENTO  
(CITY) AND REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO (AGENCY)  
HEREBY AGREE THAT:

### Section 1.

The Agency shall first utilize Agency Parking Facility Fund  
cash proceeds (excluding any Agency proceeds utilized for  
capital improvements, maintenance or other activities by the  
City) actually received by the Agency from the agreements with  
the City for operation of Garages G, K, P, R and U; and

revenue from the Public Garage and Hotel Garage pursuant to Article 13, Section 13.02 (1) and (2) of the Hyatt Ground Lease towards the payments required in Article 12, Section 12.02. In the event such actual cash proceeds on a quarterly basis are less than the \$1,475,000 annual payment obligation, the City shall provide the Agency with City Parking Facility Funds for the subject shortfall.

**Section 2.**

The Agency shall provide the City in March of each year with an annual and quarterly estimated calculation of City Parking Facility funds required to meet this payment obligation and shall provide actual calculations in the form of a quarterly invoice for such payments.

**Section 3.**

The City shall make prompt payment to the Agency within thirty (30) days of receipt of a quarterly invoice.

**Section 4.**

The Agency and City agree that this Memorandum of Understanding shall stay in effect for the term of Article 12 and 13 of the Ground Lease or until such time that the subject Articles would be terminated pursuant to Section 12.10 or Section 13.0 of the Ground Lease.

**Section 5.**

The Agency and City agree that this Memorandum of Understanding shall be in effect for any calendar year, during the term defined above in Item No. 4, during which cash proceeds received by the Agency are not sufficient to meet the \$1,475,000 obligation.

**Section 6.**

The City Manager and the executive Director of the Redevelopment Agency are hereby authorized to execute the subject Memorandum of Understanding and to take all necessary actions to implement the MOU.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

TABLE 1

**Projected Parking Facility Fund Deficit  
(000's omitted)**

| <b>Year</b> | <b>Lot<br/>Revenue</b> | <b>Hyatt<br/>Revenue</b> | <b>Hyatt<br/>Payment</b> | <b>Net<br/>(Deficit)</b> |
|-------------|------------------------|--------------------------|--------------------------|--------------------------|
| 87/88(1)    | 244                    | 65                       | 369                      | -60                      |
| 88/89(2)    | 1193                   | 150                      | 1475                     | -132                     |
| 89/90(2)    | 1252                   | 167                      | 1475                     | -56                      |
| 90/91(2)    | 1315                   | 184                      | 1475                     | 24                       |
| 91/92(2)    | 1381                   | 201                      | 1475                     | 107                      |
| 92/93(2)    | 1450                   | 218                      | 1475                     | 193                      |
| 93/94(2)    | 1522                   | 555                      | 1475                     | 602                      |
| 94/95(2)    | 1598                   | 582                      | 1475                     | 705                      |
| 95/96(2)    | 1678                   | 736                      | 1475                     | 939                      |
| 96/97(2)    | 1762                   | 754                      | 1475                     | 1041                     |
| 97/98(2)    | 1850                   | 770                      | 1475                     | 1145                     |

- (1) Hyatt agreement in effect for last quarter of the year.
- (2) Lot revenue calculated from a base of \$1136 received for 87/88 increased by 5% per year.
- (3) Lot revenue does not include any reductions for capital improvement/replacement costs required by the City Parking Division.

MEMORANDUM OF UNDERSTANDING BETWEEN THE  
CITY OF SACRAMENTO AND THE REDEVELOPMENT AGENCY  
REGARDING HYATT REGENCY HOTEL PARKING

AGREEMENT

WHEREAS, on September 16, 1986 the City Council, acting as the Redevelopment Agency, approved the Disposition and Development Agreement and Ground Lease with JB and LE Regency Venture regarding the Hyatt Regency Hotel; and

WHEREAS, on November 17, 1987 the City Council, acting as the Redevelopment Agency, approved an amendment to the Disposition/Development Agreement and Ground Lease with JB and LE Regency Venture; and

WHEREAS, Article 12, Section 12.03 of the Ground Lease provides that the Agency shall lease back the Hotel Garage for a sum of \$1,475,000 annually paid in quarterly installments (\$368,750 per quarter) for the term of the lease; and

WHEREAS, the staff report approved by the City Council and the Agency, dated September 16, 1986, regarding the above lease payments stated that the source of revenue for the annual payment per Article 12, Section 12.03 of the proposed Ground Lease would be the Agency Parking Facility Fund and City Parking Facility Fund.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY OF SACRAMENTO (CITY) AND REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO (AGENCY) HEREBY AGREE THAT:

1. The Agency shall first utilize Agency Parking Facility Fund cash proceeds (excluding any Agency proceeds utilized for capital improvements, maintenance or other activities by the City) actually received by the Agency from the agreements with the City for operation of Garages G, K, P, R and U; and revenue from the Public Garage and Hotel Garage pursuant to Article 13, Section 13.02 (1) and (2) of the Hyatt Ground Lease towards the payments required in Article 12, Section 12.02. In the event such actual cash proceeds on a quarterly basis are less than the \$1,475,000 annual payment obligation, the City shall provide the Agency with City Parking Facility Funds for the subject shortfall.
2. The Agency shall provide the City in March of each year with an annual and quarterly estimated calculation of City Parking Facility funds required to meet this payment obligation and shall provide actual calculations in the form of a quarterly invoice for such payments.
3. The City shall make prompt payment to the Agency within thirty (30) days of receipt of a quarterly invoice.

4. The Agency and City agree that this Memorandum of Understanding shall stay in effect for the term of Article 12 and 13 of the Ground Lease or until such time that the subject Articles would be terminated pursuant to Section 12.10 or Section 13.0 of the Ground Lease.
5. The Agency and City agree that this Memorandum of Understanding shall be in effect for any calendar year, during the term defined above in Item No. 4, during which cash proceeds received by the Agency are not sufficient to meet the \$1,475,000 obligation.

REDEVELOPMENT AGENCY

CITY OF SACRAMENTO

---

WILLIAM H. EDGAR  
Executive Director

---

WALTER J. SLIPE  
City Manager

APPROVED AS TO FORM:

---

DWIGHT MOORE  
Agency General Counsel

Attachments:  
Article 12 Ground Lease  
Article 13 Ground Lease