



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



5

April 12, 1988

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Budget & Finance Committee of
the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Retention of Brokerage Services to Assist in the Public
Housing Site Selection Process

SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the Housing Authority of the City of Sacramento. A similar report will be submitted to the Housing Authority of the County of Sacramento.

RECOMMENDATION

The staff recommends approval of the attached resolution authorizing execution of the contract and loan funding.

Respectfully submitted,

William H. Edgar
WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:

Jack R. Crist
JACK R. CRIST
Deputy City Manager

Attachment:



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



April 11, 1988

Housing Authority of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Retention of Brokerage Services to Assist in the
Public Housing Site Selection Process

SUMMARY

This report recommends retention of Coldwell Banker Commercial Real Estate Services to assist the Agency in obtaining purchase options on and, if approved by the Housing Authority, purchasing of sites for use in the Public Housing construction program. Funding for the obtaining of purchase options is also included.

BACKGROUND

The Agency is currently seeking sites for location of 96 new three-bedroom public housing units (48 City/48 County) allocated by the federal Department of Housing and Urban Development last year for construction in Sacramento. (This is in addition to the 50 units for which sites were recently approved by the Board.)

Considerable discussion at the Board in the recent round of site selections focused on the need for presentation of viable alternative sites and especially on the need for time within the process to discuss site options prior to being faced with federal funding deadlines.* Past experience in site search

*At the Board's direction, we are currently reanalyzing the entire citizen's participation process as it pertains to site selection. That report will be presented separately. The recommendations in this report would be the same regardless of the ultimate modifications to the current process.

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Housing Authority of the City of Sacramento

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activities has resulted in the knowledge that few appropriately zoned sites of the proper size are available within the fair share areas most in need of housing.

Traditional approaches to real estate services (i.e., contingent brokerage fees) have not proven effective in providing for an optimum mix of site alternatives. We have found that the risks inherent to the public approval process have discouraged brokers from providing the full level of attention we need on a purely contingent basis. Given the fact that we are once again facing short deadlines for selection of the next round of sites (the current deadline is May 2nd, although we have requested and hope to receive an extension), the Agency, within my \$20,000 authority limit, has contracted with Coldwell Banker to provide additional assistance in the selection process. Under that contract, Coldwell Banker has been instructed, subject to our site by site approval, to obtain options on up to 15 appropriately sized, appropriately zoned sites throughout the City and County which could be used in the public housing program. At the time we entered that contract, I indicated to them that I would follow through with a recommendation to you to provide some assurance that their efforts would not go unrewarded from a brokerage fee perspective.

I am therefore recommending the attached contract which provides for a minimum brokerage fee of \$54,000 provided that they deliver at least six acceptable, optioned sites which we subsequently do not purchase due to no fault of the brokers or the sellers. Slightly higher fees are paid if they deliver more than 13 successfully optioned sites. The \$54,000 is reduced by \$9,000 for each site we actually purchase. (At the current time, we need eight sites but would like to actually purchase more in order to "land bank" for the future.)

Again, while we know that it is unusual to vary from a pure contingent fee basis for real estate brokerage services, I believe that this is necessary to garner the brokerage attention we need in this process. The financial risk to the Agency is minimized by the fact that if we get successfully optioned sites which are acceptable to staff and meet all of the development and fair share requirements of the program, it is likely that we will in fact carry through with the purchase of several. Again, for each site actually purchased, the actual commission is substituted for \$9,000 of the \$54,000 fee. If we buy six sites, the special fee is reduced to zero.

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FINANCIAL DATA

Funding for this contract, as well as for the option fees, will come from the allocation of local funding approved by the Board and Council in conjunction with acceptance of the current allocations of public housing units. The source of those funds is Section 108 loan proceeds against future Block Grant funds. Since applications for those loans are still in progress, interim loans from the Downtown Housing Replacement fund (in the City) and from the Mortgage Revenue Bond fund (in the County) will be made.

Maximum funding recommended is:

Services Contract

Up to 13 Sites Optioned:	\$54,000
If 14 Sites Optioned:	\$63,000
If all 15 Sites Optioned:	\$72,000

Option Fees

Up to \$75,000 (Maximum \$5,000 per site)

ENVIRONMENTAL REVIEW

None required at this stage.

POLICY IMPLICATIONS

Explained in Background section.

VOTE AND RECOMMENDATION OF COMMISSION

It is anticipated that at its regular meeting of April 11, 1988, the Sacramento Housing and Redevelopment Commission will adopt a motion recommending approval of the attached resolution. In the event they fail to do so, you will be notified prior to your meeting of April 12, 1988.

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RECOMMENDATION

Staff recommends that you adopt the attached resolution which:

1. Authorizes the Executive Director to execute the attached contract with Coldwell Banker Commercial Real Estate Services for brokerage services related to the Public Housing site acquisition process.
2. Approves the interim loans from the Downtown Housing Replacement Fund and the Mortgage Revenue Bond Fund as cited in this report with the knowledge that the funding for the contract and options will eventually come from Section 108 funds and/or other funds allocated for the public housing development program.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: John Molloy
440-1360

2410WPP2(209)

RESOLUTION NO.

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF

VARIOUS MATTERS RELATED TO ACQUISITION OF PUBLIC HOUSING SITES,
COLDWELL BANKER COMMERCIAL REAL ESTATE SERVICES AGREEMENT
AND RELATED AGENCY BUDGET AMENDMENTS

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO:

Section 1: The Executive Director is authorized to obtain options for the purchase of not more than 15 parcels of real property at a cost not to exceed \$5,000 per parcel for potential construction of current and future public housing and other assisted housing allocations.

Section 2: The Executive Director is authorized to execute a brokerage service agreement ("Service Agreement") with Coldwell Banker Commercial Real Estate Services in an amount not to exceed \$72,000 to be paid as set forth below.

Section 3: Funds for both the options and purchases shall be allocated from local funding approved by the Board and Council upon acceptance of the current allocations for public housing units. Such fund source shall be Section 108 loan against future Block Grant funds. Until such loan application is processed, interim loans from the Downtown Housing Replacement fund (in the City) and from the Mortgage Revenue Bond fund (in the County) shall be made for such funding.

Section 4: The expenditure of said funding shall be subject to the following limits:

a. For real estate services under the service agreement:

Up to 13 Sites Optioned:	\$54,000
If 14 Sites Optioned:	63,000
If all 15 Sites Optioned:	72,000

b. For option fees as described in this resolution:

Up to \$75,000 (Maximum \$5,000 per site)

Section 5: The Agency budget is amended to reflect the above funding sources for said real estate services contract and option fees.

CHAIR

ATTEST:

SECRETARY

1100WPP2(115)

COLDWELL BANKER COMMERCIAL
REAL ESTATE SERVICES

SCOPE OF SERVICES

The purpose of this Agreement is to provide for the provision of intensive brokerage services by Consultant for and on behalf of the Housing Authority of the City and the Housing Authority of the County of Sacramento (Agency).

Under a separate Agreement, dated March 5, 1988, for consideration, Consultant has agreed to put forth its best efforts to locate and negotiate purchase options on up to fifteen (15) appropriately zoned, small multifamily parcels throughout the City and County of Sacramento on behalf of Agency, and subject to review and approval of Agency. That Agreement called for a great deal of concentrated time, effort, and attention on the part of Consultant in a very short time period, far beyond that expected under normal contingent fee brokerage services contracts.

In recognition of this effort and in recognition that the executed purchase options, once delivered, may never be exercised by Agency for reasons totally external to the best efforts of Consultant, thereby denying Consultant whatever commissions might normally be derived therefrom, Agency wishes to provide some assurance that the efforts of Consultant in locating and securing these properties shall not go totally unrewarded.

In this regard, therefore, Agency makes the following statements and commitments:

1. As established in the March 5th contract, the target figure for properties to be optioned is fifteen (15), as evenly distributed between the City and unincorporated County of Sacramento as possible.
2. Of the properties optioned, it is Agency's intention to follow through with the purchase of as many as possible, subject to approval by the Sacramento County Board of Supervisors, Sacramento City Council, and U. S. Department of Housing and Urban Development. [At the current time, Agency requires eight (8) sites for immediate development but would like to "land bank" additional sites for future use as well.] However, Agency cannot commit to actual purchase of any of the optioned sites.

3. For the purpose of the computations set forth below under this Agreement only, the projected value of each site shall be ONE HUNDRED EIGHTY THOUSAND (\$180,000.00) DOLLARS and the projected sales commission shall be ten (10) percent of that amount or EIGHTEEN THOUSAND (\$18,000.00) DOLLARS which is to be divided one-half [NINE THOUSAND (\$9,000.00) DOLLARS] to the buyer's broker and one-half [NINE THOUSAND (\$9,000.00) DOLLARS] to the seller's.
4. Regardless of how many of the optioned sites are actually purchased, Agency agrees to pay the buyer's portion only of the projected sales commission (i.e., \$9,000.00 per site) to Consultant on a minimum of six (6) sites provided that at least that many sites, but less than fourteen (14) sites, are optioned, and provided that at least six (6) of the optioned sites could have been purchased but were not through no fault of the broker and/or seller. (No commitment is made or implied regarding the seller's portion.) The maximum guaranteed payment under this arrangement therefore is FIFTY-FOUR THOUSAND (\$54,000.00) DOLLARS. For each site actually purchased the projected commission shall be supplanted by the actual commission. Under this system, for each site actually purchased, the \$54,000.00 will be reduced by NINE THOUSAND (\$9,000.00) DOLLARS, with the actual commission substituted for the projected. For example, if Agency actually purchases four sites, Consultant would receive the actual commission on those sites [not to exceed ten (10) percent per site divided between buyer's and seller's broker as separately agreed to by Consultant and seller's broker] plus EIGHTEEN THOUSAND (\$18,000.00) DOLLARS (two times \$9,000.00 per site not purchased up to six). Should six (6) sites be purchased, the projected commission shall be reduced to zero, having been totally supplanted by actual commissions. Should fourteen (14) sites be successfully optioned, Agency will pay the projected commission for seven (i.e., up to \$63,000.00) under this arrangement. Should all fifteen (15) be optioned, Agency will pay the projected commission for eight (i.e., up to \$72,000.00). The same payment reduction formula based on actual sales will apply in these latter two instances as well.
5. Any amount due Consultant pursuant to this Agreement for anything other than an actual sale shall be due and payable six months from the execution date of this Agreement. (Commissions for actual sales shall be paid in the usual way, at close of escrow.) However, if Agency pays any projected commissions due at the end of six months and the purchase of one or more sites optioned is consummated after that date, the actual commission paid to the Consultant (i.e., buyer's broker) upon close of actual sale will be reduced by NINE THOUSAND (\$9,000.00) DOLLARS per site until the cumulative reductions(s) equals the amount paid at the six month point.

6. Notwithstanding any of the above stipulations, and regardless of the amount received from actual or projected sales commissions, Consultant agrees to continue to act on behalf of Agency in securing any of the optioned properties for up to one year from the date of this Agreement or to assist the Agency as otherwise possible throughout that period.