



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



9

November 25, 1985 .

Budget & Finance Committee  
of the City Council  
Sacramento, CA

Honorable Members in Session:

SUBJECT: Intent to Issue Industrial Development Revenue Bonds  
to Finance a Proposed "Sacramento Hotel"

SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the Sacramento City Council.

RECOMMENDATION

The staff recommends approval of the attached resolution approving the bond issue.

Respectfully submitted,

*William H. Edgar*  
WILLIAM H. EDGAR  
Executive Director

TRANSMITTAL TO COMMITTEE:

*Solon Wisham Jr*  
\_\_\_\_\_  
SOLON WISHAM, JR.  
Assistant City Manager



# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



Sacramento City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** Intent to Issue Industrial Development Revenue Bonds  
to Finance a Proposed "Sacramento Hotel"

## SUMMARY

The City Council is requested to adopt the attached resolution expressing City Council intent to issue up to \$7.0 million in industrial development revenue bonds to assist in the financing of a proposed 100-room Sacramento Hotel. This resolution does not authorize bond-issuance, but rather permits the developer to incur costs that are reimbursable from bond proceeds, if and when bonds are later issued and sold. In addition, inducement at this time maintains maximum flexibility to the city to proceed with this bond issue in view of pending 1986 federal tax-reform legislation.

## BACKGROUND

### The Current City IDB Program

Under existing law, the City of Sacramento, using its Charter City powers granted by the state Constitution, is authorized to issue industrial development revenue bonds (IDBs) to provide financial assistance to certain industrial, commercial or business projects. The City of Sacramento Economic Development Revenue Bond Law (Ordinance No. 83-022) established a program administered by the staff of the Housing and Redevelopment Agency to finance the acquisition, construction or installation of eligible facilities and projects.

In May 1985, the local ordinance was amended by Resolution No. CC 85-373, which added conditions to the types and locations of projects that qualify for IDB-financing. Among the changes was a provision that any proposed project located in a Redevelopment

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Project Area would qualify for financing under the city's IDB Program so long as all environmental requirements are satisfied and all fees are paid.

Pursuant to federal and state restrictions, the city's IDB Program is authorized to issue up to \$15 million in IDBs during 1985. No IDBs have been issued by the city in 1985.

## The Proposed Sacramento Hotel

In June 1975, city and agency staff met with representatives of Jay-Cal, Ltd. (San Diego) to discuss a proposal to erect a 100-room hotel on the north side of J Street, between 12th and 13th Streets. This site, current a vacant facility, is located across from the Sacramento Community Convention Center and within the boundaries of Redevelopment Project Area No. 8 ("Uptown Development Project"). A preliminary project description as well as schematic diagrams, is included in Attachment A.

As indicated in the Attachment, the proposed facility would feature

- . 13 levels (including basement and lobby)
- . 100 guest rooms
- . 400 square feet of meeting and banquet facilities
- . small all-purpose restaurant with liquor service

The smaller scale of the hotel is intended to provide an alternative to the larger lodging facilities in the downtown area (Capitol Holiday Inn, Clarion Hotel, Hyatt).

## Progress to Date

The proposed project has received initial approval from the Agency's Bond Counsel as qualifying for IDB-financing.

Since June 1985, the developers of the Sacramento Hotel have been securing the necessary project appraisals (from Laventhol and Horvath) and consulting with Sutro and Company, Inc., San Francisco, as underwriter for the bond issuance. In addition, the underwriters have been interviewing interested lenders and letter-of-credit institutions to participate in this project. These negotiations are all still underway. It is unlikely that they will be settled prior to the end of 1985. Consequently, issuance during 1985 of IDBs for this project is not expected.

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## Pending Federal Tax Reform Legislation Could Hinder City's IDB Program

As proposed, current federal tax reform legislation would eliminate the City's ability to issue IDBs to finance projects such as the "Sacramento Hotel". The final form and enactment of this pending federal legislation, however, is still uncertain and will not likely be determined until early- or mid-1986. Consequently, the city's ability to do projects under this program will remain unclear indefinitely.

## Staff Proposal

In order to protect the city's option and ability to complete the "Sacramento Hotel", staff recommends that the Council adopt an "inducement resolution" indicating that the city's intent (if permissible under federal and state laws) to provide financing under the local IDB Program to the "Sacramento Hotel". This action does not obligate the City to sale of bonds to finance the hotel at this time but is strictly a precautionary measure. Bonds cannot be issued prior to subsequent City Council consideration of the structure of financing and adoption of an approving resolution. If the inducement resolution is adopted now, in 1985, it could retain the city's authority to do the project should the federal legislation only affect projects that were initially induced after January 1, 1986. In this manner, the could could proceed with its consideration of this project in 1986 when more details become available regarding the project's construction and plans.

The resolution also authorizes the City Manager to execute a Preliminary Agreement (see Attachment B) between the City and the developer. The Preliminary Agreement defines the responsibilities of the developer and the City with respect to the proposed bond financing prior to execution of final bond documents. Among other conditions, the agreement states that the developer is responsible for all costs incurred by the City in connection with the proposed issuance of the bonds whether or not the bonds are issued.

Finally, the attached resolution designates the law firm of Stradling, Yocca, Carlson & Rauth as bond counsel to the City for the financing and authorizes the City Manager to execute an agreement for such services. Bond counsel is responsible for drafting required resolutions, agreements, bond documents and, most importantly, providing the opinion that interest on the bonds is exempt from taxation.

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## ENVIRONMENTAL IMPLICATIONS

Adoption of the attached resolution would require no environmental review at this time.

## FINANCIAL IMPLICATIONS

### Fees

Pursuant to the revised policies adopted by the City Council, the developer has submitted an application fee of \$5,000 with the filed application. This fee is intended cover the city's pre-issuance administrative costs. A second fee, equivalent to 0.5 of one percent (approximately \$25,000) would be collected by the city at the time of the bond issuance. All fees and expenses of bond counsel incurred in connection with the bond issuance are recovered from the developer.

### No Financial Risk to the City

Neither the adoption of the inducement resolution, nor the potential subsequent issuance of IDB's create any financial risk to the City because the City is not liable for debt service responsibility of the developers. Under this form of financing, the developer is exclusively responsible for all debt service payments.

## POLICY IMPLICATIONS

Adoption of the attached resolutions is consistent with City community development objectives and the ordinances governing the issuance of industrial development revenue bonds.

## VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of December 12, 1985, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolutions. The votes were as follows:

AYES:

NOES

ABSENT:

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## RECOMMENDATION

Staff recommends adoption of the attached resolutions (1) expressing the intent to issue industrial development revenue bonds to help finance the development of a "Sacramento Hotel" facility on J Street between 12th and 13th Streets; (2) authorizing the City Manager to execute a Preliminary Agreement between the City and the developer and authorizing the City Manager to execute an agreement with the law firm of Stradling, Yocca, Carlson and Rauth for bond counsel services for the proposed financing.

Respectfully submitted,

*William H. Edgar*

WILLIAM H. EDGAR  
Executive Director

Contact Person: John Molloy  
440-1360

TRANSMITTAL TO COUNCIL

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WALTER J. SLIPE  
City Manager

HS:j  
Sacto Hotel IDB  
11/15/85

## RESOLUTION No.

Adopted by The Sacramento City Council on date of

RESOLUTION CONCERNING THE ISSUANCE OF  
INDUSTRIAL DEVELOPMENT REVENUE BONDS  
FOR JAY-CAL, LTD. FOR THE DEVELOPMENT  
OF A "SACRAMENTO HOTEL" FACILITY

WHEREAS, the City Council of the City of Sacramento (the "City") has, by Ordinance No. 83/022 (the "Ordinance") adopted by the City Council on February 15, 1983, and as amended by Resolution No. CC 85-373 adopted on May 14, 1985, authorized and established procedures for the sale and issuance of revenue bonds by the City for the purpose of providing financing to participating parties for economic development purposes, and authorized the appropriate officers of the City to take any and all actions and execute and deliver any and all agreements and documents necessary or advisable to consummate the lawful issuance and delivery of the bonds authorized by the Ordinance; and

WHEREAS, Jay-Cal, Ltd. (the "Participating Party") has requested the financial assistance of the City in connection with the acquisition and construction of a "Sacramento Hotel" facility on J Street between 12th and 13th Streets in the City (the "Facility") and has presented to the City a general description of the Facility; and

WHEREAS, the City desires to assist the Participating Party in the financing of the Facility; and

WHEREAS, the Participating Party requires satisfactory assurance from the City that the proceeds of the sale of bonds of the City will be made available to it to assist in the financing of the Facility, and the City requires satisfactory assurance from the Participating Party that certain costs of issuing such bonds will be paid by the Participating Party; now, therefore,

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

Section 1. The City Council finds and determines that the financing of the Facility will be in furtherance of the public purposes set forth in the Ordinance by constructing a new commercial and public building; and by lowering the cost to City residents of necessary services; and by promoting the growth of

the City's tax base through increased property values; and the enhancement of the health, safety and welfare of the residents of the City; and by promoting the full and gainful employment of residents of the City; and that it is necessary and essential and a proper public purpose that the facility be financed at the earliest practicable date.

Section 2. The City shall proceed to prepare, or cause to be prepared, the documentation necessary for the City to issue, at one time or from time to time, economic development revenue bonds of the City (the "Bonds") in an aggregate principal amount not to exceed \$7,000,000 for the Participating Party to finance the Facility; provided that, prior to commencing such preparation, the City and the Participating Party shall have entered into a preliminary agreement in substantially the form attached hereto, with such additions or deletions as are considered necessary or appropriate by officers of the City and the Participating Party. The City Clerk of the City is hereby directed to transmit said preliminary agreement in substantially the form attached hereto to the Participating Party, and the City Manager of the City (or his deputy) is hereby authorized to execute said preliminary agreement and all other necessary implementation documents for and in the name and on behalf of the City.

Section 3. The Bonds shall be payable solely from the revenues to be received by the City pursuant to loans or other agreement(s) to be entered into by the City and the Participating Party in connection with the financing of the Facility, and shall not be deemed to constitute a debt or liability of the City under any constitutional, charter or statutory debt limitation. Neither the faith and credit nor the taxing power of the City shall be pledged to the payment of the principal of or premium, if any, or interest on the Bonds.

Section 4. Issuance of the Bonds shall be subject to the following conditions: (a) the City and the Participating Party shall have first agreed to mutually acceptable terms for the bonds and the sale and delivery thereof and mutually acceptable terms and conditions for the loans or other agreement(s) for the financing of the Facility.

Section 5. The enactment of this Resolution shall not be construed in any way as a preliminary determination or commitment by the City to issue or grant any permit or approval necessary for the construction of the Facility, and this Resolution may not be used or cited in any proceedings relating to the granting of any such permit or approval.

Section 6. The law firm of Stradling, Yocca, Carlson and Rauth, A Professional Corporation, is hereby designated as bond counsel to the City with respect to the Bonds, and the City Manager is hereby authorized to enter into an agreement with said firm for such bond counsel services.



Section 7. It is the purpose and intent of the City that this Resolution constitute official action toward the issuance of obligations by the City for the Facility in accordance with Section 1.103-8(a)(5)(iii) of the Regulations promulgated by the United States Department of the Treasury under Section 103 of the Internal Revenue Code of 1985, as amended.

Section 8. This Resolution shall take effect immediately upon its passage and shall remain in effect for two years, unless extended by further action of this Council. This Resolution shall terminate if, without the prior approval of this Council, there is a more than 50% change in the ownership of the Participating Party.

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MAYOR

ATTEST:

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CITY CLERK

z:ccSactoHotelIDB

PROJECT DESCRIPTION

The proposed hotel will include the following:

- 100 guest rooms with one king or two queen-size beds
- approximately 400 square feet of meeting and banquet facilities
- a 50-seat all-purpose restaurant with liquor service.

We believe this type of hotel will offer an alternative to the larger, busier hotels in downtown Sacramento. The proposed hotel's small, intimate character will make it appealing to convention guests wanting accommodations away from large convention groups or commercial travelers desirous of utilizing a different, while still proximate, lodging facility. Preliminary drawings indicating the nature of the hotel are presented on the following pages.

The proposed hotel will have the following competitive advantages:

- a location in the center of the Sacramento Central Business District
- proximity to the Sacramento Community/Convention Center
- proximity to the State Capitol

The proposed hotel's major disadvantage to larger groups will be its small size compared to the competitive properties.

TOP OF BLDG.

TOP OF PARAPET

11TH F.L.R.

10TH F.L.R.

9TH F.L.R.

8TH F.L.R.

7TH F.L.R.

6TH F.L.R.

5TH F.L.R.

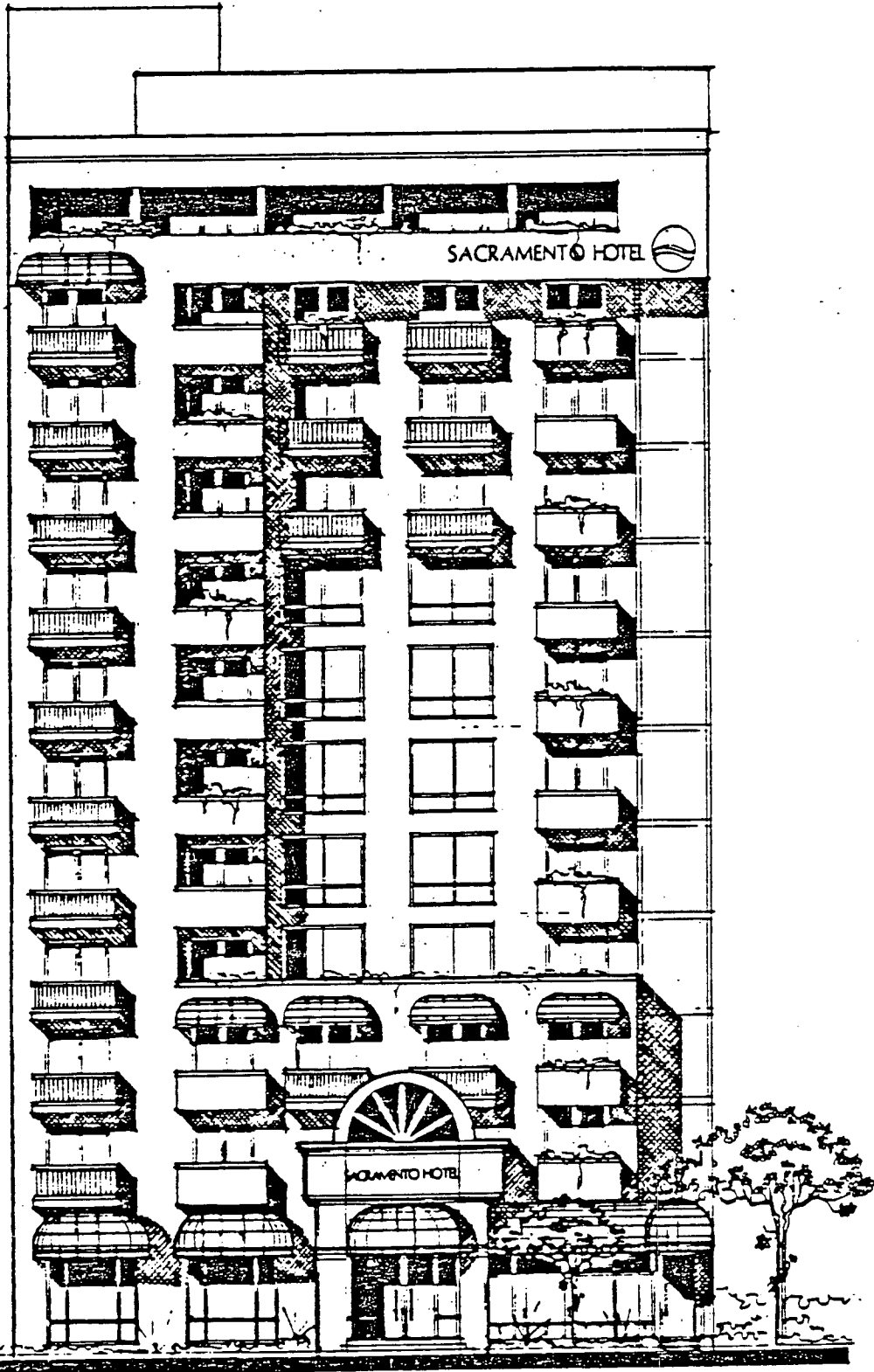
4TH F.L.R.

3RD F.L.R.

2ND F.L.R.

GROUND F.L.R.

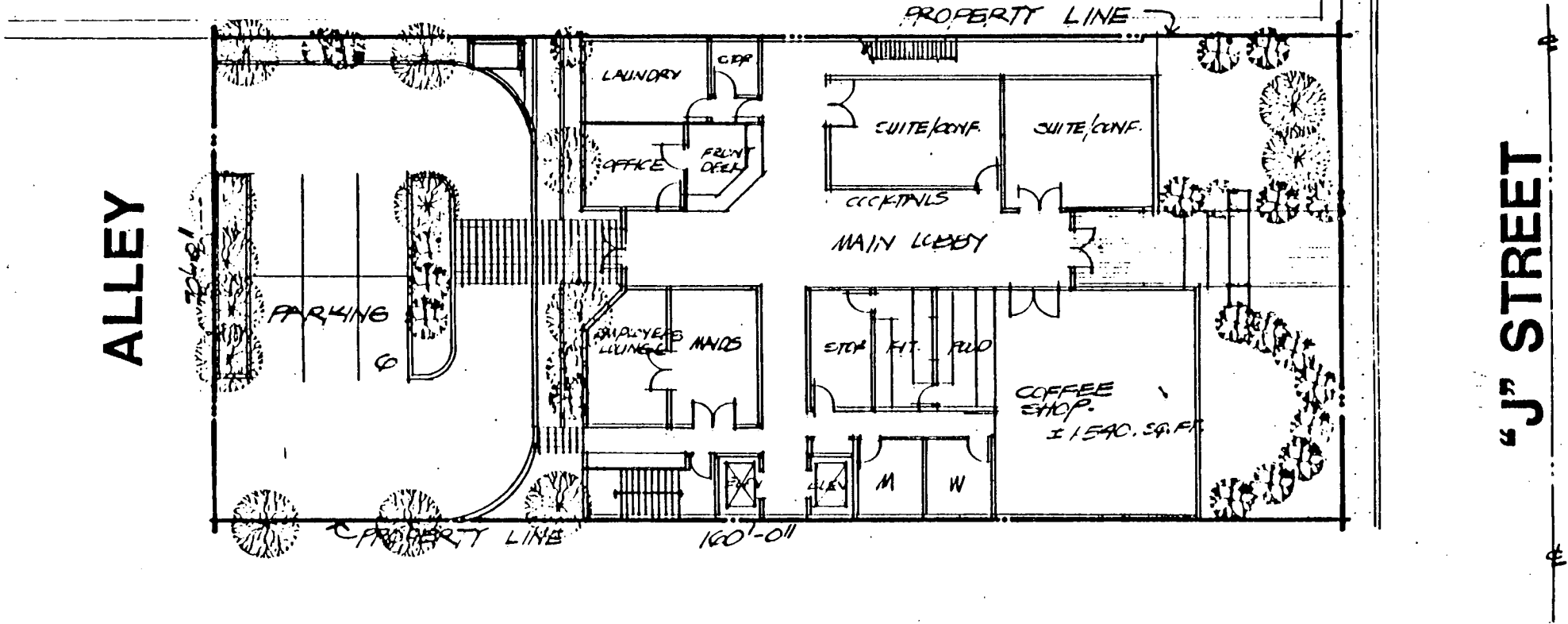
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FRONT ELEVATION - "J" STREET

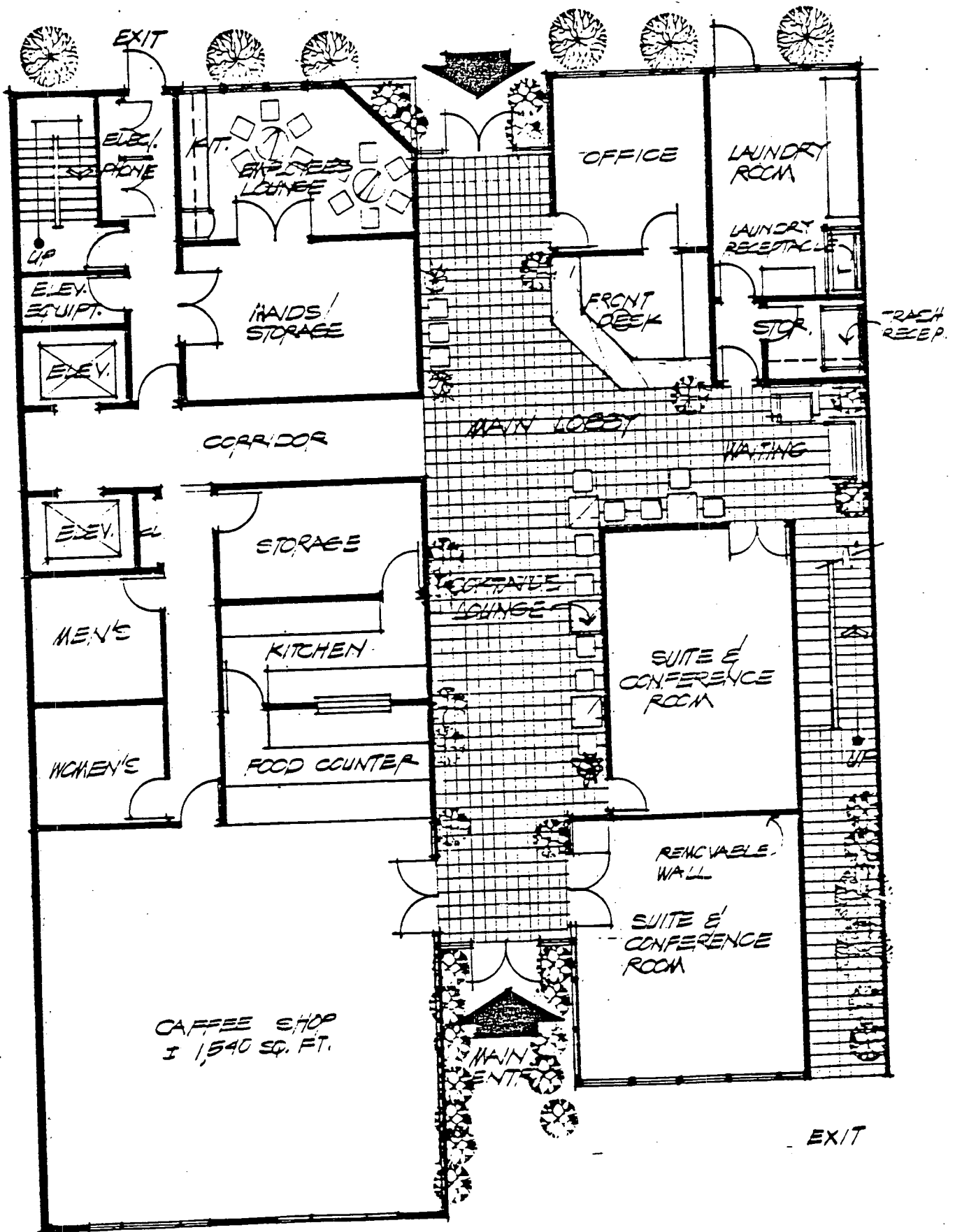
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EXISTING PARKING BLD'G. STRUCTURE.



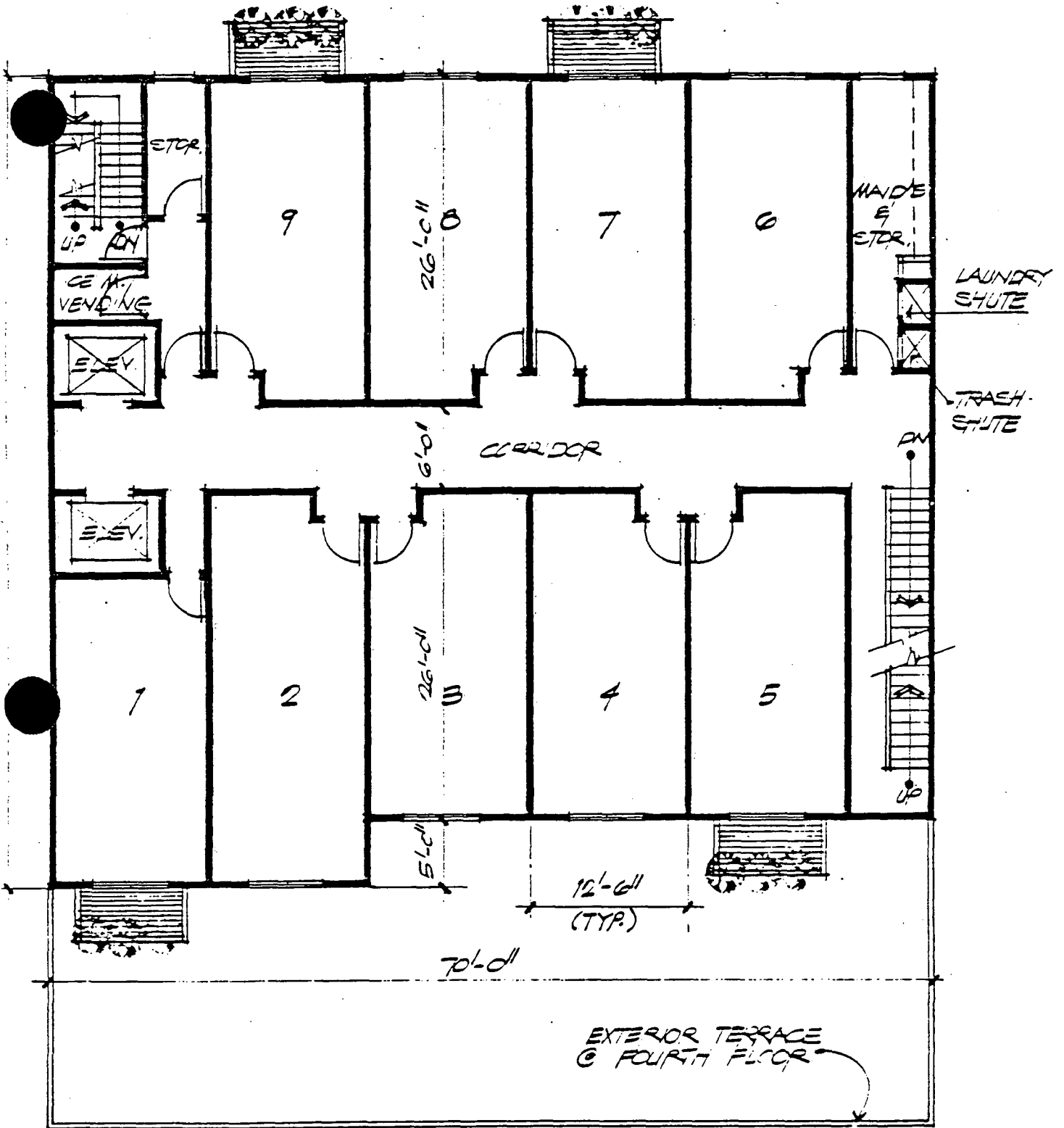
SITE PLAN





# GROUND FLOOR PLAN

SCALE: 1/8" = 1'-0"



# TYPICAL FLOOR PLAN

SCALE: 1/8" = 1'-0"

PRELIMINARY AGREEMENT

THIS PRELIMINARY AGREEMENT is between the City of Sacramento (the "Issuer"), a municipal corporation and charter city in the State of California, and Jay-Cal, Ltd. (the "Applicant"), a limited partnership duly qualified to conduct business in the State of California.

1. Preliminary Statement. Among the matters of mutual inducement which have resulted in this Agreement are the following:

(a) The Issuer is authorized pursuant to the Charter of the City of Sacramento and Ordinance No. 83-022 adopted February 15, 1983 as amended by Resolution CC 85-373 adopted on May 14, 1985, (the "Ordinance"), to issue its revenue bonds to finance certain facilities.

(b) The Applicant intends to construct facilities for use as a "Sacramento Hotel" (the "Facility"), located within the City. The cost of the Facility, including financing and incidental costs, is expected to be approximately \$7,000,000 and the Facility is further described in Attachment A attached hereto. The Applicant has requested that the Issuer assist the Applicant in defraying all or a portion of the costs of the Facility by issuing its revenue bonds in an amount not to exceed \$7,000,000.

(c) The Issuer has determined that the use of the Facility is in accord with the Ordinance and that the proposed financing will produce a public benefits as contemplated by the Ordinance.

(d) The revenue bonds of the Issuer shall be special obligations of the Issuer payable solely out of the revenues and receipts derived with respect to the Facility; and the Facility shall be financed for the Applicant under an agreement pursuant to which the Applicant will pay an amount sufficient to pay the principal of, premium if any, and interest on such revenue bonds. No holder of any such bonds shall have the right to compel any exercise of the taxing power of the City of Sacramento to pay any amounts due on such bonds, and such bonds shall not constitute a debt or liability of the City.

(e) Subject to due compliance with all requirements of law, by virtue of such authority as may now or hereafter be conferred, and subject to receipt of adequate assurance from the Applicant that there are one or more purchasers for the bonds, the Issuer will issue and sell its revenue bonds in an amount sufficient to finance the Facility, or such portion thereof as shall be determined by the Applicant and the Issuer, but not to exceed \$7,000,000, to pay costs of the Facility, including expenses incidental to the issuance of the bonds.

2. Undertakings on the Part of the Issuer.

Subject to the conditions above stated, the Issuer agrees as follows:

(a) That it intends to authorize the issuance and sale of the bonds pursuant to its lawful authority at one time or from time to time.

(b) That it intends to enter into a loan agreement, lease agreement or installment sale agreement with the Applicant whereby the Applicant will pay to or on behalf of the Issuer such sums as shall be sufficient to pay the principal of and interest and redemption premium, if any, on the bonds as and when the same shall become due and payable.

3. Undertakings on the Part of the Applicant.

Subject to the conditions above stated, the Applicant agrees as follows:

(a) That it will use all reasonable efforts to find one or more purchasers for the bonds.

(b) That contemporaneously with the delivery of the bonds it will enter into a loan agreement (as borrower) a lease agreement (as lessee) or an installment sale agreement (as purchaser) with the Issuer, under the terms of which the Applicant will obligate itself to pay to or on behalf of the Issuer sums sufficient in the aggregate to pay the principal of and interest and redemption premium, if any, on the bonds as and when the same shall become due and payable and to pay all expenses of the Issuer in connection with the financing, and when agreement shall contain such other provisions as shall be mutually acceptable or as shall be required by the Ordinance.

4. General Provisions.

(a) All commitments of the Issuer under paragraph 2 hereof and of the Applicant under paragraph 3 hereof are subject to the conditions that (1) on or before two years from the date hereof (or such other date as shall be mutually satisfactory to the Issuer and the Applicant), the Issuer and the Applicant shall have agreed to mutually acceptable terms and conditions of the financing agreement and of the bonds and other instruments of proceedings relating to the bonds and (2) not more than 50% of the ownership of the Applicant is changed, without prior approval of the Issuer's City Council, before the sale of the bonds.



(b) If the events set forth in (a) of this paragraph do not take place within the time set forth or any extension thereof and the bonds in an amount of approximately the amount stated above are not sold within such time, the Applicant agrees that it will reimburse the Issuer for all reasonable and necessary expenses which the Issuer may have incurred at the request of the Applicant arising from the execution of this Agreement and performance by the Issuer of its obligations hereunder, and will pay the fees and expenses of such counsel, including counsel for the Issuer and bond counsel, as may have been retained in connection with the proposed financing, and this Agreement shall thereupon terminate.

IN WITNESS WHEREOF, the Issuer and the Applicant have entered into this Agreement by their duly authorized officers as of the \_\_\_\_\_ day of \_\_\_\_\_, 1985.

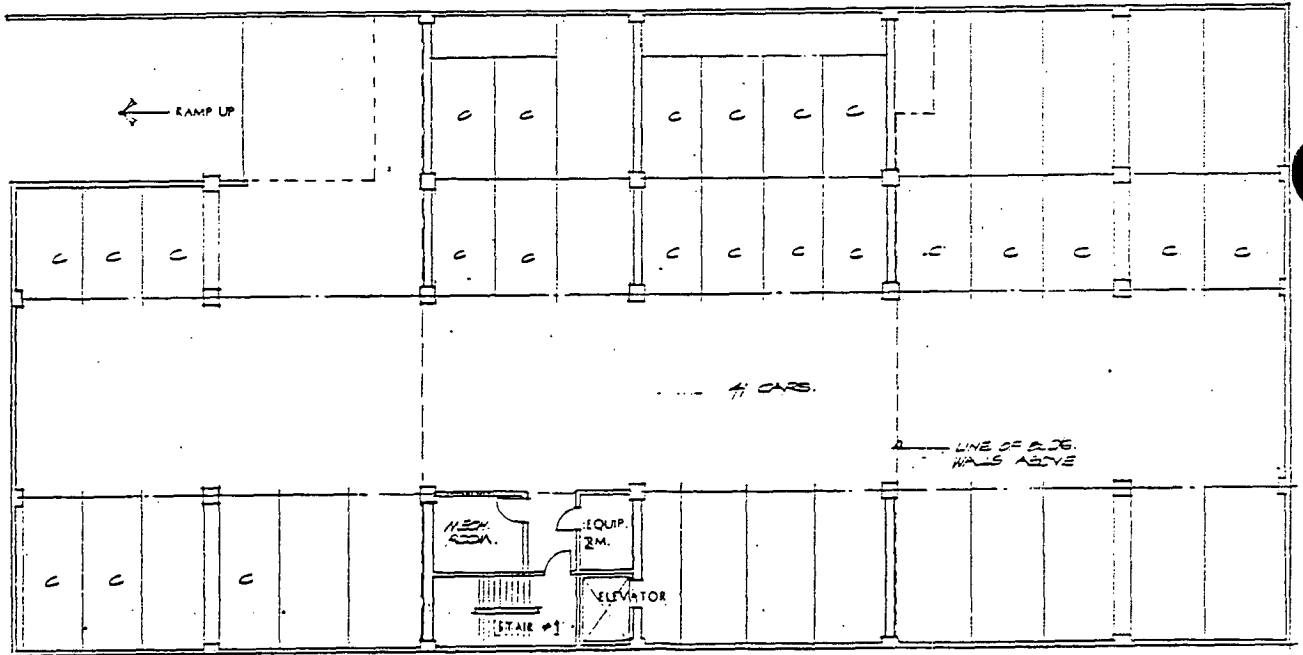
CITY OF SACRAMENTO

By \_\_\_\_\_  
City Manager

JAY-CAL, LTD.

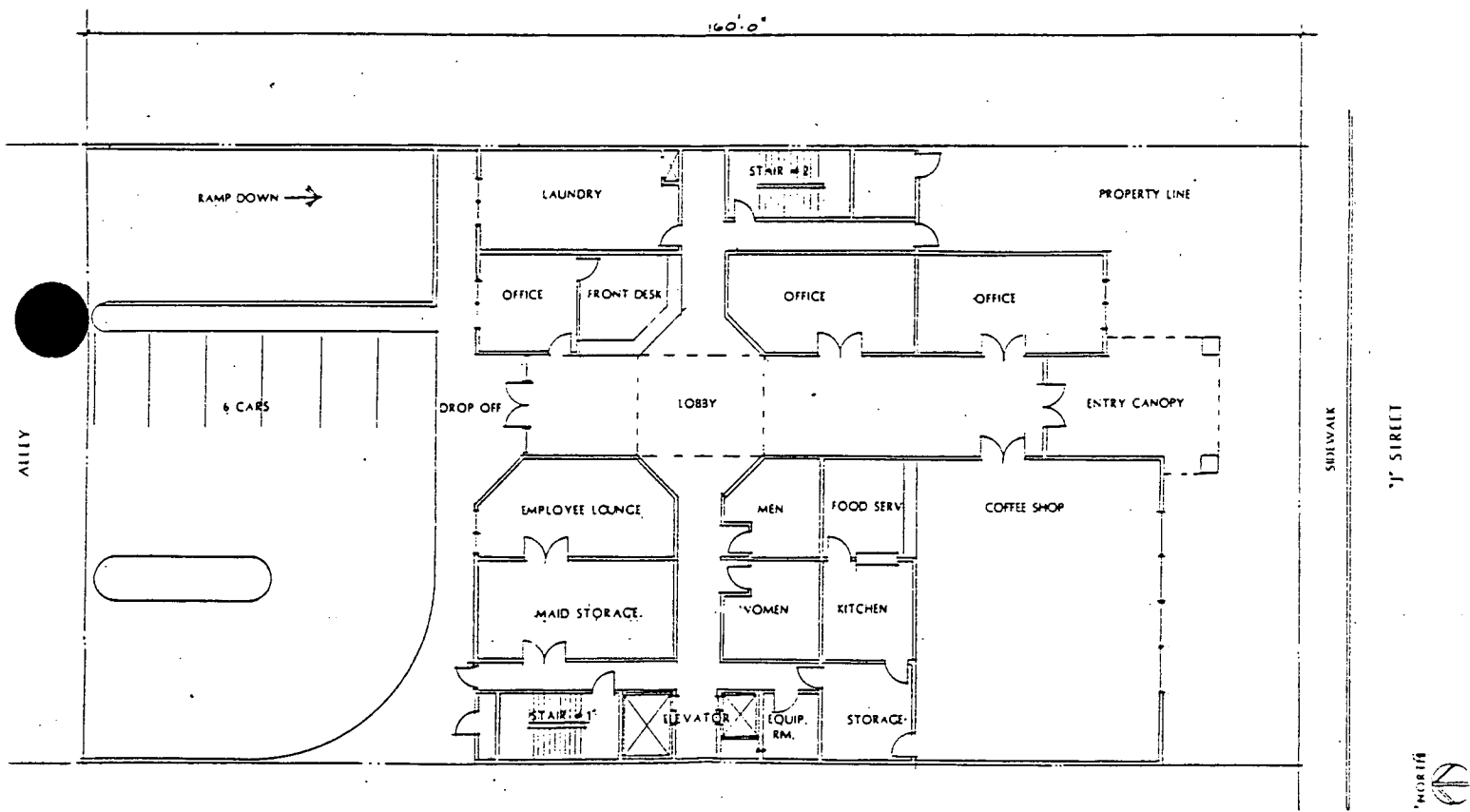
By \_\_\_\_\_  
General Partner

ALLEY

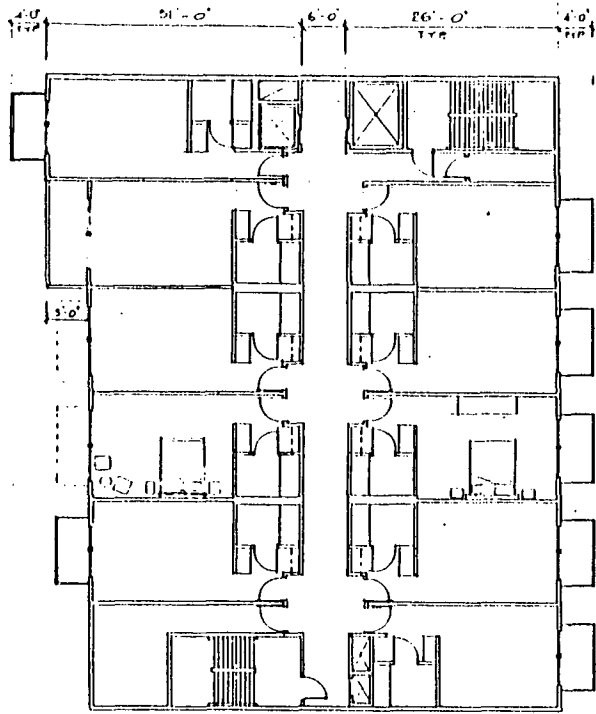


STREET

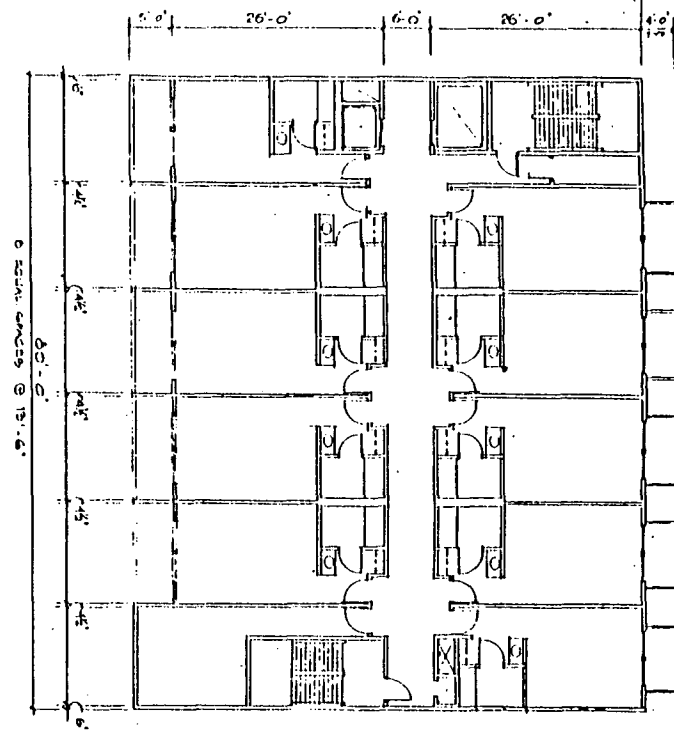
BASEMENT LEVEL PARKING GARAGE



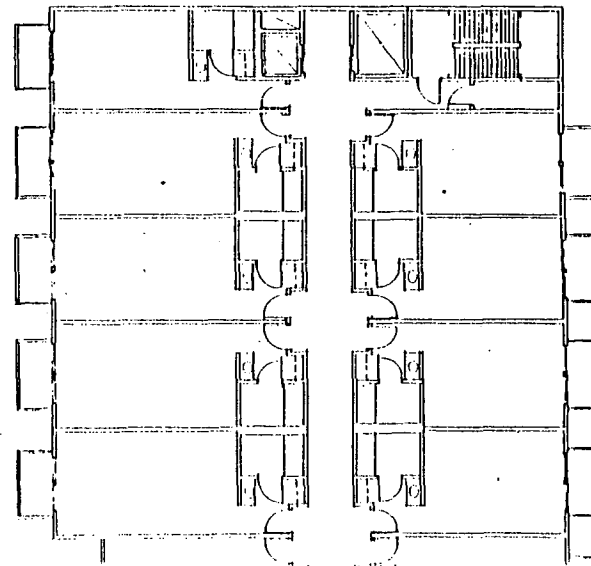
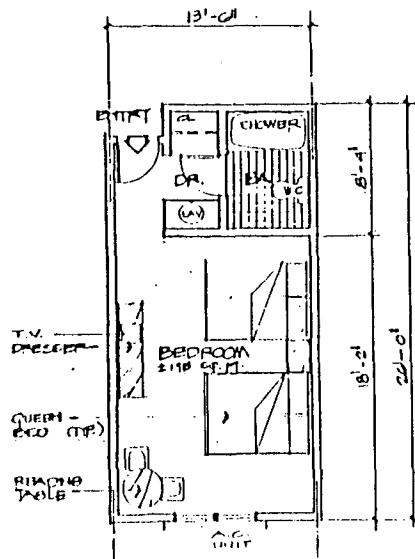
SITE PLAN

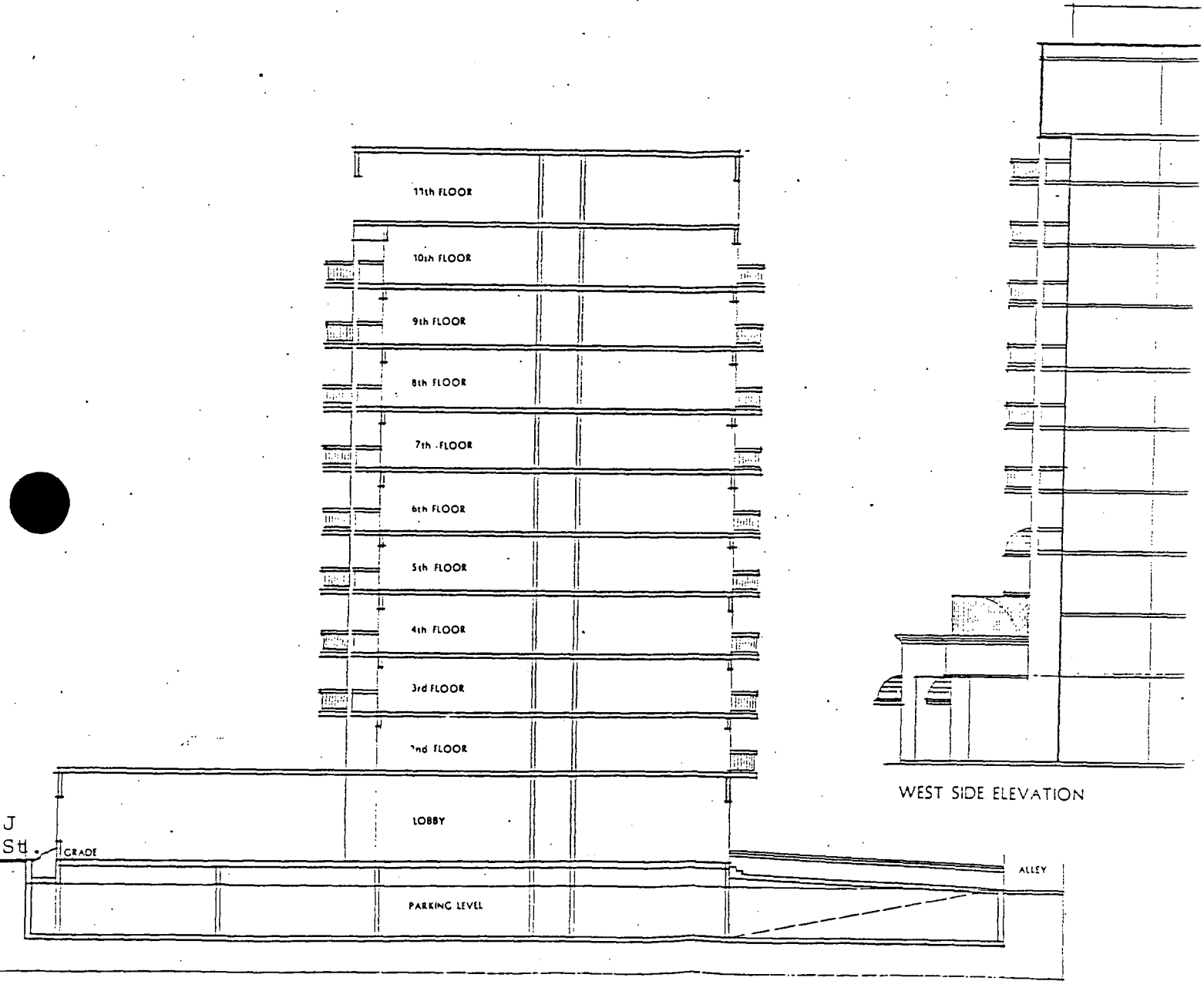


THIRD - SEVENTH FLOOR TYPICAL

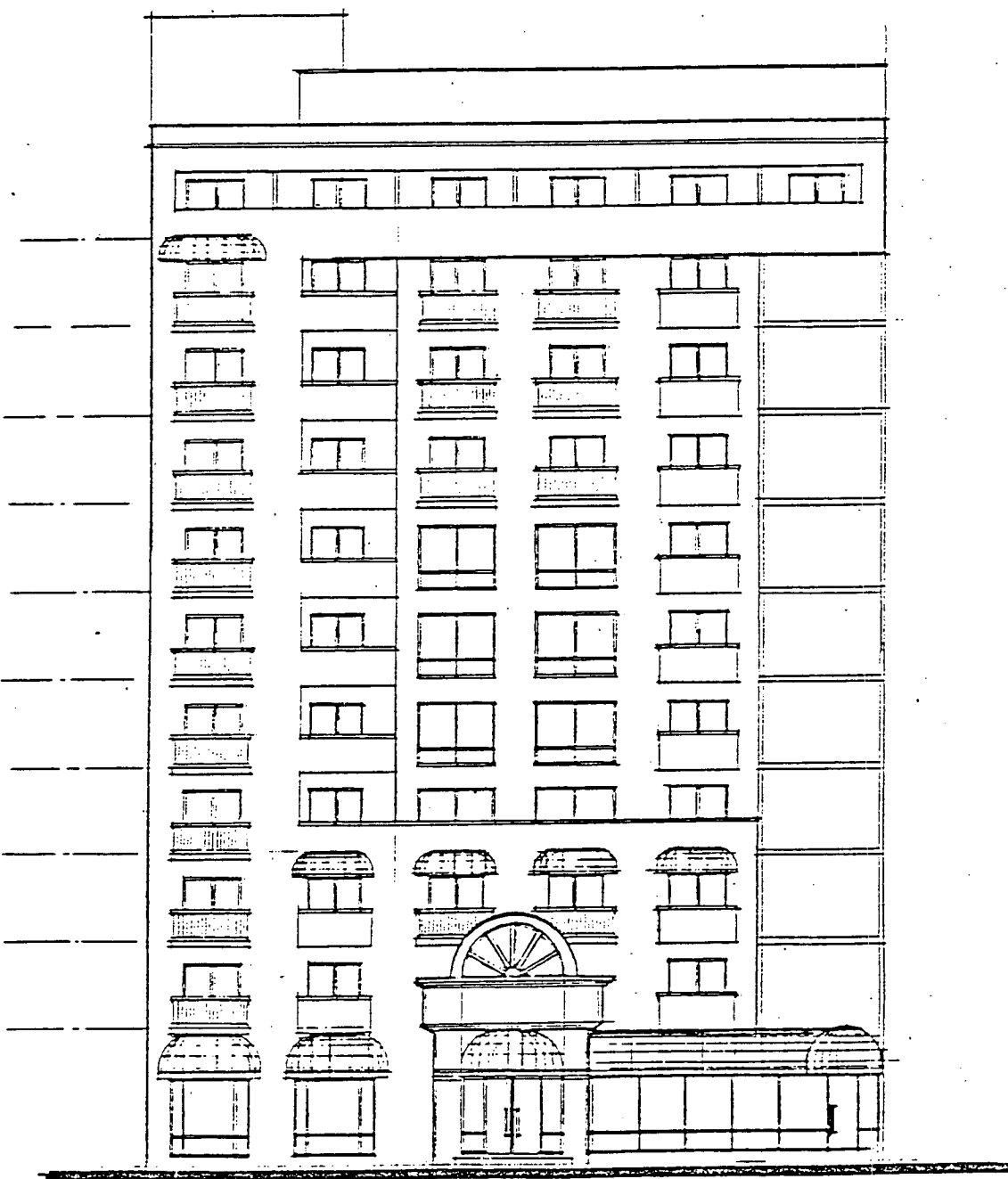


ELEVENTH FLOOR





BUILDING SECTION LOOKING WEST



FRONT ELEVATION 'J' STREET

REVISIONS

DATE  
SCALE  
DRAWN BY  
CHECKED BY  
DATE  
NO. **5**  
BY

HEDENKAMP & ASSOCIATES • ARCHITECTURE • PLANNING  
1530 B STREET, SAN DIEGO, CALIFORNIA 92101  
619 232 9034