



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



12

February 16, 1988

Budget & Finance Committee of
the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Leasing Agent - Riverview Plaza Commercial/Office Space

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the attached resolution approving the Request for Qualifications for a leasing agent, approving the general terms of the agent's contract, authorizing the Executive Director to select a leasing agent and authorizing the Executive Director to enter into leases with tenants.

Respectfully submitted,

William H. Edgar
WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:

Jack R. Crist
JACK R. CRIST
Deputy City Manager

Attachment

MAILING ADDRESS: P.O. BOX 1834, Sacramento, CA 95809
OFFICE LOCATION: 630 I Street, Sacramento, CA 95814 (916) 444-9210



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



February 9, 1988

Housing Authority of the
City of Sacramento
Sacramento, California

Honorable Members in Session

SUBJECT: Leasing Agent - Riverview Plaza Commercial/Office Space

SUMMARY

The Housing Authority of the City of Sacramento is requested to: (1) approve the "Request for Qualifications" attached to this staff report, for a leasing agent for Riverview Plaza; (2) approve the general terms of the contract; (3) authorize the Executive Director of Sacramento Housing and Redevelopment Agency or his designee with the advice of a member of the Sacramento Housing Redevelopment Commission, County Real Estate Division and a representative from Capital Area Development Authority Management or the State General Services Department to select a Leasing Agent; and (4) authorize the Executive Director to enter into leases for the office commercial space.

BACKGROUND

Riverview Plaza, a 124 unit congregate care facility developed, owned and operated by the City of Sacramento Housing Authority, will be available for occupancy in June/July 1988. In addition to 124 units of low and moderate income housing, the building contains approximately 21,000+/- net sq. ft. of office/commercial space. On the first floor of the building 5,000+/- sq. ft. is reserved for a child care. A lease with Little People, to provide space for childcare services is currently under negotiation. In addition, because of office space problems at 630 I Street and the Ping Yuen Center, staff proposes that 3,400+/- sq. ft. be reserved for possible occupancy by Sacramento Housing and Redevelopment Agency staff. The balance of the square footage, 12,600+/- sq. ft., will be available for lease by the selected lessees. A drawing of the available space is provided for in Attachment A-I.

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Given limited staff resources, the relatively soft market for commercial/office space in the downtown*, and our desire to attract businesses that complement the building's use, staff recommends retaining a real estate brokerage firm with expertise in downtown commercial/office leasing to assist the Housing & Redevelopment Agency (SHRA) in marketing and leasing the space.

SEVERAL LEASING APPROACHES CAN BE TAKEN

a. EXCLUSIVE LISTING, SINGLE AGENT

The property is listed with one agent who also has exclusive leasing rights. This option provides a strong incentive for the agent to lease the property.

b. MULTIPLE LISTING, MULTIPLE AGENTS

This option provides broader circulation of the listing than in option "a," but enables more than one agent to lease space. This arrangement provides less incentive to the leasing agent to aggressively pursue tenants, since other agents have the right to lease the space as well.

Staff recommends contracting with a single brokerage firm. To hire a firm, staff recommends issuing a Request for Qualifications. A copy of the Request for Qualifications can be found in Attachment A. The Request for Qualifications explains the marketing goals of the Housing Authority, sets forth criteria for selection and a time frame for hiring the agent or firm. The Request for Qualifications shall be issued by the Sacramento Housing and Redevelopment Agency on behalf of the City Housing Authority.

Staff proposes that the following terms be included in the contract with the selected leasing agent(s):

* Coldwell Banker indicates vacancies for office/commercial space in the downtown is approximately 12.6% year-end 1987, increasing from 8% in 1986.

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(1) the Agent(s) be paid six percent of the gross rent (assuming a triple net lease) for a lease period of a minimum of two years or maximum of five years. The agent's fee shall be paid by Sacramento Housing Redevelopment Agency within 30 days after each lease is signed. Staff proposes an alternative pay plan be offered in the Request for Qualifications. Under the alternate pay plan the Agent will receive a 6% fee to be paid out over three years, with simple interest of 8% to be paid annually on the unpaid balance.

SCENARIO I:
6% UPFRONT FEE
(All Office)

Sq. ft. rented 12,600
Rent (triple net) \$1.05
Term of Lease 5 years

Amount of Fee 47,628

SCENARIO II: 6% FEE,
3-YEAR PAYMENT, 8% INTEREST
(All Office)

12,600
\$1.05
5 years

1st year \$15,876
2nd year 18,416
3rd year 17,146
TOTAL \$51,438

2. The term of the contract with the leasing agent(s) shall be for 90 days with the option to renew for up to two years.
3. The Agent(s) shall aggressively market the property to tenants that will complement the buildings use as elderly housing. A priority listing of acceptable and unacceptable uses can be found in Attachment A-II. Favorable uses would include: doctors offices, pharmacy, deli type restaurant, small grocery store, beauty salon, mailing center, cleaners or seamstress. These uses are based on the results of two surveys. One survey involved 170 potential residential tenants who contacted Sacramento Housing and Redevelopment Agency to express an interest in renting a unit at Riverview Plaza, and a second survey comprised of tenants currently living at Ping Yuen, Riverview Apartments and the Wong Center.

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4. Agent(s) shall provide Sacramento Housing and Redevelopment Agency a monthly report describing actions taken with respect to marketing the building, number of contacts made, number of inquiries responded to, types of businesses and needed square footage.
5. Agent(s) shall market the property to acceptable, reliable financially secure tenants, and shall negotiate leases on behalf of Sacramento Housing and Redevelopment Agency.
6. Agent(s) shall advise Sacramento Housing and Redevelopment Agency with respect to ways to best market the property and establishment of marketable rents. Marketing of the space may require Sacramento Housing Redevelopment Agency install or agree to pay for a portion or all of tenant improvements. Discounting of rent may also be necessary to be facilitate the leasing of space.
7. With respect to rental space leased to tenants who made initial contact with the Sacramento Housing and Redevelopment Agency prior to February 1, 1988, the Agent(s) shall receive a fee for negotiating the lease of 3% to be paid upfront or 3%, paid out over three years, plus interest on the unpaid balance to be paid at a rate of 8%. Currently eight businesses have expressed an interest in leasing space at Riverview Plaza. We are in contact with these individuals and are monitoring their interest in the project.

The building will be available for occupancy in June. To facilitate the hiring of an agent, staff proposes streamlining the selection process. Staff requests that the Executive Director or his designee with the advise of a Sacramento Housing and Redevelopment Commission member, County Real Estate Division representative and a representative from Capital Area Development Authority Management or State General Services review the Request for Qualifications and select a leasing agent(s).

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FINANCIAL DATA

The Leasing Agent(s) will be paid a lump sum amount upfront at a rate of 6% of the gross rent within 30 days from the execution of each lease, or paid at a rate of 6% of the gross rent to be paid in three even installments over a three year period, plus simple interest at 8% on the unpaid balance. The amount to be paid will depend on the square footage of space rented and rental rate but in no event should exceed \$60,000 (assuming all office, rental at \$1.05 sq. ft., five year lease and at 6% commission paid over three years at 8% interest). This amount shall be taken from the Riverview Plaza budget.

Tenant improvements should cost \$8.50 - \$10.00 sq. ft. for retail space and \$20 sq. ft. for office space. Assuming the Agency must pay the full amount for tenant improvements and the first floor is leased as retail and the second floor as office, the budget for tenant improvements would cost up to \$200,000. If all the space is rented for office use, tenant improvements will run up to \$300,000. Payment for this space will come from \$658,000 in 1988 Tax Increment funds currently budgeted to pay debt service. Because permanent loan funding will not occur until mid 1988, only \$325,000 of these tax increment funds will be needed for debt service.

To cover the debt service on the Riverview Plaza loan from CHFA, \$45,000 in revenue from the commercial/office space is needed. The balance of the debt service is to be paid from income from residential rents and an annual tax increment pledge of \$658,000. Any excess office/commercial revenue above \$45,000, will offset operating expenses and the dedication of tax increment funds to Riverview Plaza.

ENVIRONMENTAL REVIEW

Environmental review is not applicable to this staff report.

POLICY IMPLICATIONS

Several policy considerations are raised in this report. First, that the marketing of Riverview Plaza be oriented first towards attracting financially secure businesses that complement the building's use as elderly housing and second, to obtaining the highest possible rents for the space. Third, that the Executive Director be authorized to select and appoint a leasing firm. The

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Executive Director shall seek the advice and assistance of a Sacramento Housing and Redevelopment Commission (SHRC) member, County Real Estate Division representative and Capital Area Development Authority Marketing Director or State General Services Department representative in selecting an agent and signing a contract. Fourth, that the Agency consider leasing office space in Riverview Plaza in order to address office space problems at Ping Yuen and 630 I Street.

VOTE AND RECOMMENDTION OF COMMISSION

At its regular meeting of February 8, 1988 the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Amundson, Glud, Moose, Pettit, Sheldon, Simpson,
Wiggins, Wooley, Yew
NOES: None
NOT PRESENT TO VOTE: Simon
ABSENT: None

RECOMMENDATION

The Housing Authority of the City of Sacramento is asked to: (1) approve the "Request for Qualifications" attached to this staff report, for a leasing agent for Riverview Plaza; (2) approve the general terms of the Agent's contract; (3) authorize the Executive Director of Sacramento Housing and Redevelopment Agency or his designee with the advise of a Sacramento Housing and Redevelopment Commission member, County Real Estate Division representative and representative from Capital Area Development Authority Management or the State General Services Department to select a Leasing Agent; and (4) authorize the Executive Director to enter into leases with tenants.

Respectively submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL::

WALTER J. SLIPE
City Manager

Contact Person: John Molloy 440-1357
0882D

RESOLUTION NO.

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF

Section 7: The Executive Director shall study the space needs of the Sacramento Housing and Redevelopment Agency staff and determine the feasibility and acceptability of leasing office space at Riverview Plaza.

Section 8: This resolution shall be effective immediately.

CHAIR

ATTEST:

SECRETARY

1100WPP2(59)

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

ATTACHMENT A

REQUEST FOR QUALIFICATION

Riverview Plaza Commercial/Office
Leasing Agents

PURPOSE

The Sacramento Housing and Redevelopment Agency (SHRA) acting on behalf of the City Housing Authority is accepting applications from qualified real estate firms specializing in commercial/office real estate leasing on projects located in the downtown area. The SHRA has 12,600 sq. ft. (more or less) of office/commercial space available for lease in Riverview Plaza, a 124 unit congregate care facility located at the Southwest corner of 6th and I street in downtown Sacramento. Space will be available for occupancy in mid June 1988.

BACKGROUND

Riverview Plaza is a 16 story highrise, 124 unit SHRA owned and operated congregate care facility for senior citizens. The project was carefully designed to accomodate the needs of both active and more frail senior citizens. SHRC hopes to create an environment that supports a life style of safety, comfort, activity and independence for its residents. Service packages will range from meal services, housekeeping and social and recreational support services. In addition, the residential rent structure will make the building affordable to a wide range of income groups. Forty percent of the units will be affordable to very low income households, while the remaining units will be rented at market rates. The building also contains 21,000 (more or less) sq. ft. of office/commercial space.

OBJECTIVE

Sacramento Housing and Redevelopment Agency seeks a real estate brokerage firm with specific expertise in leasing office/commercial space in buildings located in downtown Sacramento. It is Sacramento Housing and Redevelopment Agency's primary goal to locate financially secure tenants that complement the buildings major purpose of serving the senior citizens residing at the facility and those who live within proximity to the building. Within this parameter, Sacramento Housing and Redevelopment Agency seeks the highest rent and desires to lease the space as quickly as possible.

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DESCRIPTION OF SPACE TO BE LEASED

Attachment A-I provides a schematic drawing of the available rental space. Total leasable space is 12,600 - 16,000 sq. ft (more or less). This is comprised of the following spaces:

FIRST FLOOR

3,406 sq.ft.

2,265 sq.ft.

3,454 sq.ft.

5,100 sq. ft. child care center.

This Lease is currently under negotiation.

SECOND FLOOR

3,393 sq.ft. This space is being considered for use by SHRA.

3,520 sq.ft.

Nineteen spaces of covered and secured parking are available under the building for office/commercial tenants and their patrons. Access to the office/commercial space is provided by elevator. Access from the parking lot to the residential portion to the building is separate from the office/commercial space access.

The office/commercial space occupies the first two floors of the building. The space surrounds an agora/creating an open airy atmosphere. The offices will have heat and air equipment with utilities paid by the tenant. The building is handicapped accessible and meets Title 24 energy conservation standards. Public restrooms are provided on the first and second floors of the building.

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY EXPECTATIONS OF AGENT

The firm or agent selected will be expected to:

1. Aggressively market the office/commercial space to tenants, who complement the buildings use and who are acceptable to Sacramento Housing Redevelopment Agency (See Attachment III).

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2. Provide Sacramento Housing and Redevelopment Agency a written marketing plan. Issues to be addressed in the plan shall include but are not limited to, proposed rent structure, level of tenant improvements needed to adequately market the space, property management considerations, marketing strategy and methods etc.
3. Negotiate the terms and language of each lease on behalf of Sacramento Housing and Redevelopment Agency including credit checks on each tenant.
4. Attend meetings with Sacramento Housing and Redevelopment Agency staff or commission members when necessary.
5. Monthly provide Sacramento Housing and Redevelopment Agency a written status report on activities taken in marketing the space. The report should include information on contacts made, advertising efforts, and level of interest of potential tenants.
6. Lease the space to acceptable tenants, at the most secure terms, at the earliest possible date.

CONTRACT TERMS

1. Leasing agent will be paid: (a) a 6% commission based on gross rents (assuming triple net leases) to be paid upfront 30 days after a lease is signed. Lease terms shall not exceed five years; or, (b) a 6% commission based on gross rents (assuming triple net leases) to be paid annually in even installments over a three year period, with simple interest earned at 8% on the unpaid balance.
2. The agent's commission shall be 3% if paid upfront or 3% plus interest if paid over three years, to negotiate leases for tenants who before February 1, 1988, contacted Sacramento Housing and Redevelopment Agency expressing an interest in leasing the property
3. Contract with agent shall be for a term of 90 days with an option to renew for up to two years.
4. Agent's standard form of contract will be incorporated into Sacramento Housing and Redevelopment Agency's standard professional services contract (See Attachment A-III).

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QUALIFICATION STATEMENT

To be considered for the contract please submit a marketing proposal to Sacramento Housing and Redevelopment Agency. Although we are not prescribing a specific format for the proposal, the following points or items must be covered in the proposal.

1. CONTACTS

Name of Agents who will lease the space, Firm Name, Business Address, Phone Number(s).

2. EXPERIENCE

- (a). Describe your firm's general professional experience and expertise in real estate leasing (e.g. number of years in business, licenses, certificates, area(s) of speciality, number of employees).
- (b). Describe your firm's experience and expertise in leasing office and commercial space in the downtown area. How many listings of properties located in the downtown do you currently have? How many leases have been placed by your firm in the downtown in the last six months?
- (c). Describe the resources available through the firm to assist the leasing agent(s) market the space at Riverview Plaza.
- (d). With respect to the individual or persons who will be leasing the space for the Agency, please provide a resume, and a statement of his/her experience and expertise in leasing office and commercial space in the downtown. Also, provide a detailed listing with respect to leases the person was responsible for placing in the downtown over the past six months. Please include the following information: lease space location (building address), type of space leased (office, retail, etc...), sq.ft. of space leased, and length of time to lease space.

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3. MARKETING PLAN

Provide a marketing plan for the space available at Riverview Plaza. The plan should include your marketing strategy and process, suggested rent levels, necessary tenant improvements, management considerations and other issues related to the marketing of the space. Keep in mind the Agency's goal to (a) attract tenants that will complement the building use, (b) attract secure and reliable tenants; and (c) lease the space as quickly as possible, at the highest possible rent.

4. Indicate how many months one would reasonably expect it to take to lease the space.

5. PAYMENT

Indicate which fee option would be acceptable to you (if any) 6% up front or 6% paid annually over three years with interest of 8% paid on the unpaid balance. You may offer an alternative payment option.

APPLICATION SUBMITTAL

Applications should be kept as brief as possible and be typed. Five copies of each application should be submitted to Sacramento Housing and Redevelopment Agency, 630 I Street, Sacramento, California, 95814, Attention Joan Roberts. Applications are due to Joan Roberts by: March 18, 1988 by 5:00 p.m. Post marks not acceptable.

Sacramento Housing and Redevelopment Agency retains the right to reject any and all applications and request clarification of information submitted. Late applications will not be accepted. All applications become the possession of Sacramento Housing and Redevelopment Agency, and will be kept confidential.

PROTESTS

Appeals regarding the proposal process and selection of a provider are to be directed to:

Joan Roberts
Agency Clerk
Sacramento Housing and Redevelopment Agency
630 "I" Street
Sacramento, CA 95814

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Appeals must be in writing and filed within thirty days of the announcement of the award of the contract.

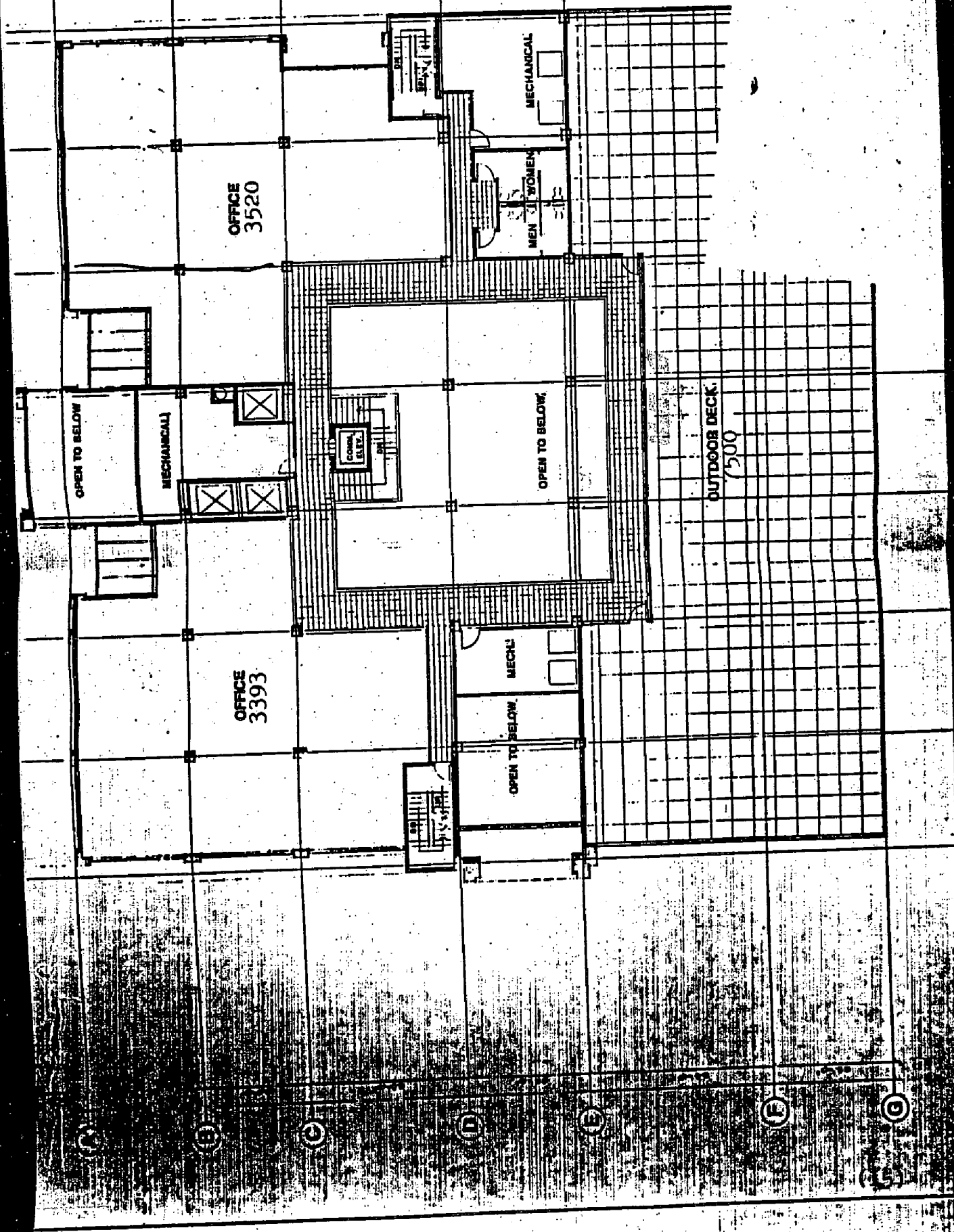
TIME FRAME

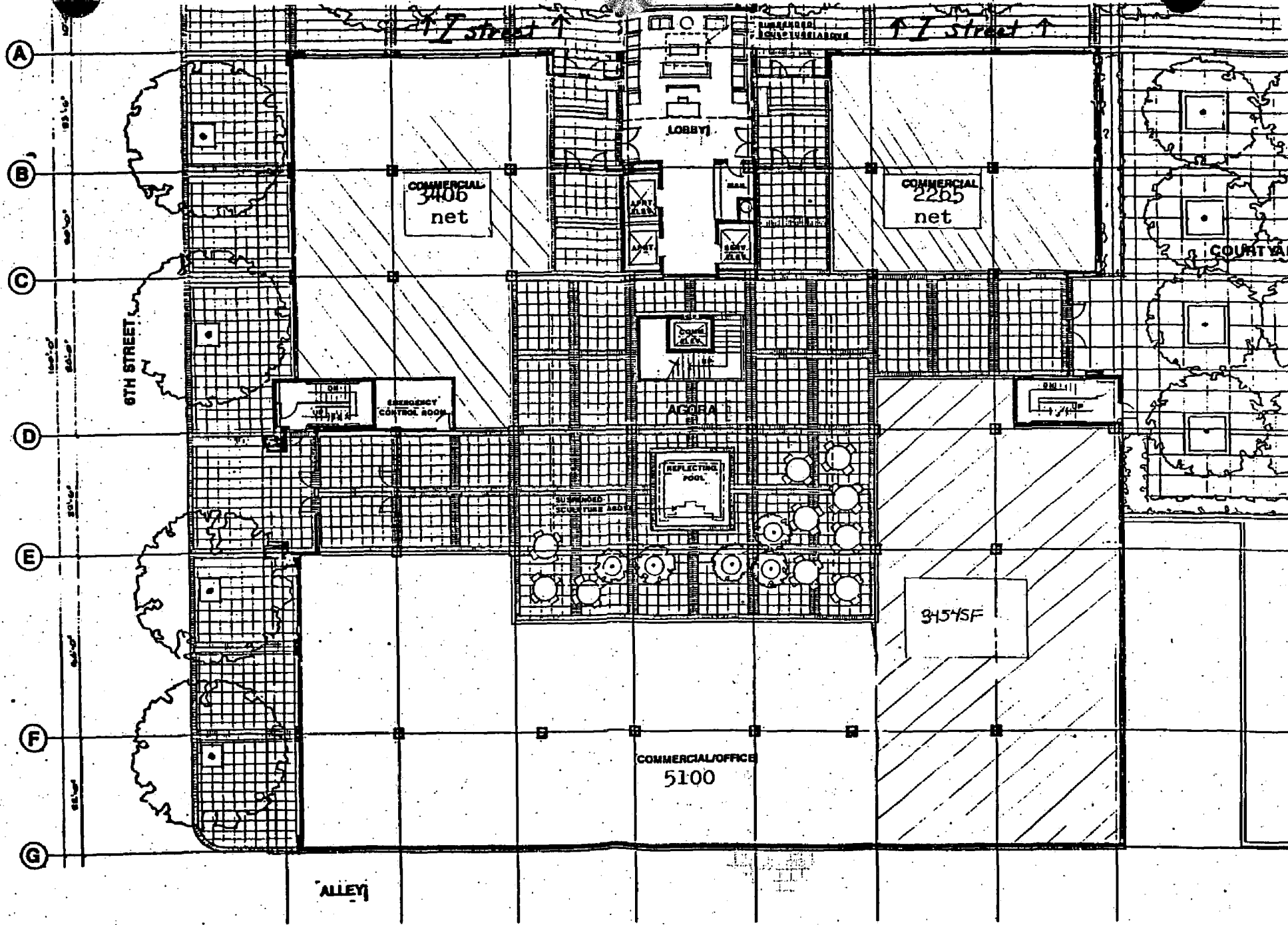
February 8, 1988	Sacramento Housing and Redevelopment Commission Approval
February 16, 1988	City Council Approval
February 19, 1988	Notification of commercial leasing firms with respect to the availability of the Request for Qualifications
February 19, 1988	Advertisement published in Sacramento Bee and Board of Realtors Publication
March 18, 1988	Applications Due
March 25, 1988	Internal Review of Applications
April 5-7, 1988	Interviews held, if necessary
April 15, 1988	Contract Awarded

CRITERIA FOR REVIEW

1. Firm and Agent have demonstrated strong experience leasing office/commercial space in the downtown area. (10 Points)
2. Agent has a strong track record and successfully leased office and commercial space in the downtown. (20 Points)
3. Level of resources available to Agent to assist him/her in successfully leasing space. (10 Points)
4. Evaluation of marketing ideas and commitment to the project. (40 Points)
5. Fee agent will charge. (20 Points)

FOR FURTHER INFORMATION CONTACT BINA LEFKOVITZ, 440-1328.





RIVERVIEW PLAZA

COMMERCIAL SPACE

DESIRABLE

- | | | | |
|---|------------------------|---|---------------------|
| o | grocery store | o | pharmacy |
| o | hair salon | o | medical offices |
| o | cleaners | o | alterations |
| o | bakery | o | delicatessan |
| o | pie shop | o | social service org. |
| o | chiropractic | o | health providers |
| o | restaurant/cafe | o | medical offices |
| o | home health services | o | vision care |
| o | weight control fitness | o | dental care |
| o | medical health equip. | o | counselling |
| o | psychotherapy | o | physical therapy |
| o | arts & crafts shop | o | hobby shop |
| o | ice cream/yogurt shop | | |

ACCEPTABLE

- | | | | |
|---|---|---|---------------------|
| o | travel | o | clothing store |
| o | toy store | o | children's garments |
| o | video | o | health food |
| o | law enforcement | o | apt.finding rental |
| o | legal services
(elderly handicapped) | o | ombudsman |

NOT ACCEPTABLE

- | | | | |
|---|-------------------|---|-----------------|
| o | bail bonds agency | o | liquor store |
| o | cocktail lounge | o | adult bookstore |

CONTRACT FOR PROFESSIONAL SERVICES
PART I - AGREEMENT

THIS AGREEMENT, entered into as of 31st day of March, 1988, by and between the HOUSING AUTHORITY OF THE CITY, a public body, corporate and politic (hereinafter referred to as the "Agency"), and _____ (hereinafter referred to as the "Contractor").

IT IS MUTUALLY AGREED, as follows:

1. SCOPE OF SERVICES

The Agency hereby engages the Contractor and Contractor agrees to market and lease commercial/office space in Riverview Plaza under the parameters as set forth in Exhibit I and made apart hereto.

2. AGENCY INFORMATION DATA

The Agency shall furnish to Contractor any and all pertinent data, information, plans, etc., which the Agency may possess during the time of performance under this Agreement.

3. TIME OF PERFORMANCE

The services of the Contractor shall commence upon execution of this Agreement and shall be undertaken and completed in a timely manner. Contract shall be in effect for a 90 day period. Agency and Contractor shall have the right to renew contract for up to two years, until March _____, 1990.

4. COMPENSATION AND METHOD OF PAYMENT

(a). Agency shall pay contractor...(to be completed upon receipt of Request for Proposal).

(b). It is expressly understood and agreed that in no event will the total compensation and reimbursement, if any, to be paid under this Agreement exceed the maximum sum of _____ for all of the services required.

5. SUBCONTRACTS

Contractor shall not execute an agreement with any subcontractor or permit any subcontractor to perform any work included in this Agreement until it has received from the Agency written approval of such agreement or permission.

Contractor shall indemnify and save harmless the Agency from liability for any injury or damages to persons or property resulting from the Contractor's negligence in the provision of work under this Contract.

7. OWNERSHIP OF PROFESSIONAL AND TECHNICAL INFORMATION DEVELOPED UNDER THIS CONTRACT

- (a). All parties hereto mutually understand and agree that all professional and technical information, in the form of original drawings, developed and undeveloped photographs, scripts and drafts, data, computations, specifications, report texts, and any and all other material, data and information collected or developed in connection with the work under this contract, and all original documents shall be forwarded to and become sole property of the Agency, and neither the Contractor nor any and all of his associates and/or consultants shall have rights in interest thereto.
- (b). The Contractor and/or his associates and consultants may retain such copies and/or reproductions, at their expense, or the original documents as necessary for their files, records and/or references.

8. TERMS AND CONDITIONS

This Agreement is subject to and incorporates the provisions attached hereto as Part II - Terms and Conditions (Forms SHRA 8/83).

Marketing Plan as submitted by Agent