



**Sacramento  
Housing &  
Redevelopment  
Agency**

**REPORT TO REDEVELOPMENT AGENCY  
City of Sacramento  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)**

Consent  
December 1, 2009

**Honorable Chair and Members of the Redevelopment Agency Board**

**Title: Buyout of Master Lease for Pioneer Hall**

**Location/Council District:** 1011 & 1013 7<sup>th</sup> Street, Council District 1

**Recommendation:** Adopt a **Redevelopment Agency Resolution** a) authorizing the Executive Director, or her designee, to execute all agreements necessary to buyout the master lease with the Sacramento Pioneer Association for the building known as Pioneer Hall located at 1011 & 1013 7<sup>th</sup> Street, and b) authorizing the Executive Director, or her designee, to execute documents necessary to assign the existing sublease to the landlord and c) authorizing the Executive Director, or her designee, to amend the budget to appropriate funding of \$95,000 from the Pioneer Hall fund and \$59,000 from the Mortgage Revenue Bond fund to be used to buyout the master lease with Pioneer Hall Association.

**Contact:** Nick Chhotu, Assistant Director of Public Housing, 440-1334, Mike Wonderly, Real Estate Manager, 440-1399- Ext 1232

**Presenters:** N/A

**Department:** Sacramento Housing and Redevelopment Agency (Agency)

**Description/Analysis**

**Issue:** Pioneer Hall, located at 1011 and 1013 7<sup>th</sup> Street, is a historic building consisting of 5,680 square feet of commercial space and is currently owned by the Sacramento Pioneer Association. 1,500 square feet on the first floor is subleased to G. Rossi Florist, and the Agency currently leases 3,200 square feet on the second floor for the Homeownership Services division. These staff will be relocating to the new Agency building located at 801-12<sup>th</sup> Street in December 2009.

In May 1994, the Agency executed a twenty-one year master lease agreement with the Sacramento Pioneer Association, Inc. (SPA). The purpose of the master lease was to: (1) prevent potential default by SPA on three existing loans; (2) permit the Agency to receive sufficient revenue to manage and maintain the property; (3) service all existing loans until the property is debt free and can be

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returned to SPA; and (4) aid in preserving and protecting a significant historical landmark representing Sacramento's history and settlement of the west.

Pioneer Hall is currently debt free and the Agency has met the purpose and intent of the master lease agreement. Therefore, staff is recommending a buyout of the remaining six years and four months. Agency staff has negotiated a master lease buyout price of \$154,000. On September 30, 2009, the Sacramento Pioneer Association Board approved the master lease buyout. The buyout will allow SPA to have sufficient funds and time to find tenants or a replacement master lease tenant, and assist the Agency to focus its resources on its core missions.

**Policy Considerations:** The recommended actions in this report assist in saving an essential building on the City's Historic Preservation List, and are consistent with previous actions that have allowed modification of loan terms in order to maintain the viability of projects in which the Agency has participated. The actions are also consistent with the Merged Downtown Redevelopment Plan.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed action to buyout the master lease is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Section 15301.

**National Environmental Policy Act (NEPA):** Not applicable.

**Committee/Commission Action:** *Sacramento Housing and Redevelopment Commission:* At its meeting on November 4, 2009, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Burruss, Chan, Dean, Fowler, Gore, Morgan, Morton, Rosa, Shah

NOES: None

ABSTAIN: Otto

ABSENT: Stivers

**Rationale for Recommendation:** By ensuring the stabilization of the building both fiscally and structurally, the Agency has met the purpose and the intent of the Pioneer Hall master lease agreement. The termination of the master lease will allow the Agency to continue to increase operational efficiencies by consolidating personnel and equipment located at Pioneer Hall into the 801-12th Street headquarters building.

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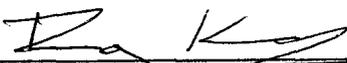
The \$154,000 buyout price includes funds for projected building operating expenses, repairs and capital expenditures over the remaining six year, four month lease term. These funds will cover a needed roof replacement, demolition and removal of the Agency second floor improvements, leasing commissions, tenant improvement expenditures, and funds for the period that will occur while SPA markets the vacant spaces in an unfavorable economic environment. The buyout and assignment of subleases terminate the lease and all obligations for the Agency effective December 24, 2009.

**Financial Considerations:** This report recommends appropriation of \$95,000 in Pioneer Hall funds and \$59,000 in Mortgage Revenue Bond fund to be used for the buyout of the Pioneer Hall Master Lease.

**M/WBE Considerations:** Federal funds are not involved in the recommend action; therefore, M/WBE considerations do not apply.

Respectfully Submitted by:   
LASHELLE DOZIER  
Executive Director

Recommendation Approved:

  
RAY KERRIDGE  
City Manager

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### **BACKGROUND**

Pioneer Hall is located in a designated City of Sacramento Preservation Area, and is listed on the City's Essential Structures list. The estimated age of the building is 135 years and it is owned by Sacramento Pioneer Association (SPA), a private non-profit corporation organized for the purpose of collecting and preserving historical artifacts related to the earliest days of Sacramento.

In September 1987, the Agency approved an Owner Participation Agreement (OPA) with SPA for the rehabilitation of the structure, including restoring the façade to its original design. The OPA committed \$379,000 to the Pioneer Hall rehabilitation as a loan from the Downtown Developer Assistance Program. Additional funding for the project included a \$400,000 construction loan from Wells Fargo Bank and approximately \$215,000 in cash from SPA.

Subsequently, in August 1991, the Agency approved an additional loan of \$69,000 for the purpose of installing an elevator to provide public and handicapped access to the second floor. Though the City of Sacramento's building code provides an exemption to elevator improvements or access in historic buildings, the elevator improvements were necessary to market the second floor office space. In October 1991, the Agency leased the space for its Downtown Development Division.

In December 1993, representatives of SPA approached Agency staff regarding financial difficulties in servicing the debt on the three outstanding loans (Wells Fargo Rehabilitation Loan, Redevelopment Agency Rehabilitation Loan, and the Agency Elevator Loan). These payments totaled \$56,000 annually and required balloon payments in either 1996 or in 2002. SPA specifically requested that the Agency master lease all of the space in the building, thereby assisting the private non-profit in an effort to consolidate all debts and maintain a significant historic structure in the downtown area. SPA also requested that the corporation be permitted to retain title to the building because of previous efforts as well as name association.

Agency reviewed this request and reported back to SPA the terms and conditions under which it would consider such a lease agreement. The terms and conditions of the lease agreement are summarized below:

1. Lease Term: Twenty-one years from the execution date of the lease.
2. Rent: Five thousand four hundred dollars (\$5,400) monthly, or sixty-eight thousand eight hundred dollars (\$68,000) annually. This rent will be used for servicing the loans on the premises.
3. Operations: The Agency will collect all rental income during the term of the master lease.
4. Retail Space: The Agency will collect all rental income during the term of the master lease.

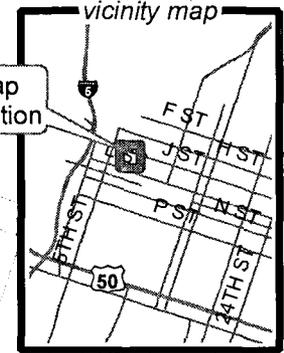
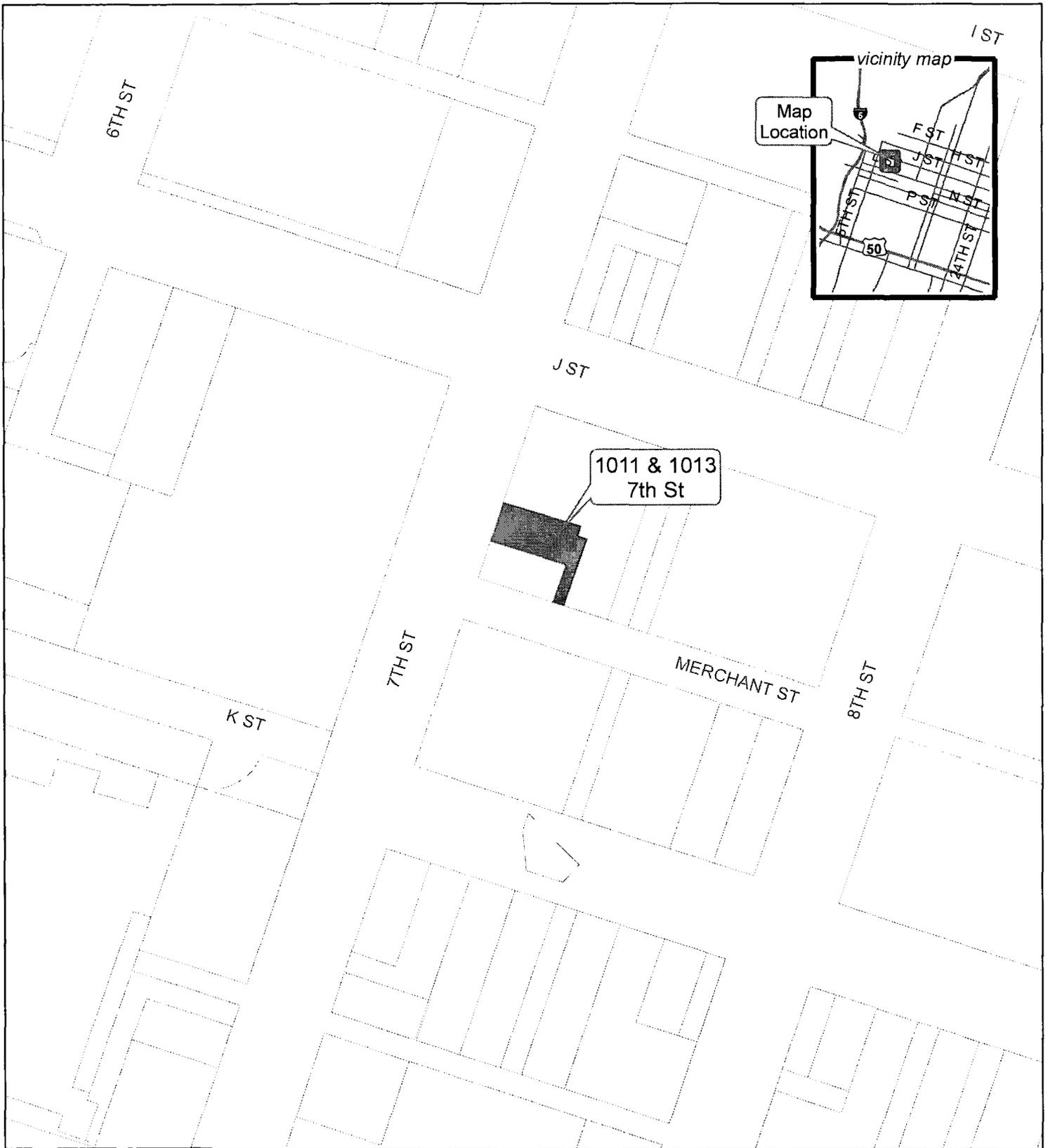
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5. Wells Fargo Loan: The Agency will service this loan, including final payoff.
6. Redevelopment Agency Loans: The Agency will service these loans, including payoff
7. Occasional Use of Facility: The Agency will honor the prior lease agreement to permit SPA's use of the meeting room and to conduct tours for the public at such times as are mutually agreeable.

The current use of the building is retail and office. The building contains 5,700 square feet on two floors, and has 1,200 square foot basement. The first floor is divided into two areas of 1,500 square feet and 1,000 square feet net leaseable space. The 1,500 square foot area was leased effective May 1, 1994 to Pioneer Espresso Café but is currently vacant. The remaining 1,000 square foot space was vacated by Capitol Plaza Florist in January, 1994; on April 27, 1994, this space was leased to the Downtown District for retail users and programs operated by the District (e.g., City Marketplace, In Line Space, and Vendor Cart programs). These areas will be open and available to the public. In addition, G. Rossi Florist is currently subleasing space on the first floor.



# Buyout of the Master Lease for Pioneer Hall



1011 & 1013  
7th St



Pioneer Hall Parcel



SHRA GIS  
October 26, 2009

Buyout of the Master Lease for Pioneer Hall

**RESOLUTION NO. 2009 -**

**Adopted by the Redevelopment Agency of the City of Sacramento**

on date of

**AUTHORIZATION TO BUYOUT THE MASTER LEASE FOR THE COMMERCIAL  
PROPERTY LOCATED AT 1011 & 1013 - 7<sup>th</sup> STREET (PIONEER HALL).**

**BACKGROUND**

- A. The Redevelopment Agency of the City of Sacramento (Agency), as tenant, contacted the Sacramento Pioneer Association, as landlord, to determine equitable compensation to terminate the remaining 67 months of the master lease's 7/1/94 – 6/30/15 lease term.
- B. Sacramento Housing and Redevelopment Agency, the joint powers agency that includes the Redevelopment Agency, acquired its 801-12th Street headquarters building in June 2008. The headquarters building is undergoing tenant improvements to prepare it for its January 4, 2010 opening. Termination of the master lease at Pioneer Hall is necessary to consolidate Agency personnel and equipment located at Pioneer Hall into the 801-12th Street headquarters building. Operational efficiencies will increase over the long term.
- C. Staff proposes an allocation of \$154,000 in Pioneer Hall funds and Mortgage Revenue Bond (MRB) funds to meet the negotiated agreement of the buyout of the master lease with Pioneer Hall, and
- D. The proposed action to buyout the master lease is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Section 15301.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE  
REDEVELOPMENT AGENCY RESOLVES AS FOLLOWS:**

- Section 1. After due consideration of the facts presented, the environmental finding that the subject of this resolution is exempt from further CEQA review pursuant to CEQA Guideline Section 15301 and other findings regarding this action are approved.
- Section 2. The Executive Director, or her designee, is authorized to execute all documents necessary for the buyout of the master lease agreement with the Sacramento Pioneer Association for property located at 1011 & 1013 - 7<sup>th</sup> Street, known as Pioneer Hall.

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Section 3. The Executive Director, or her designee, is authorized to execute documents necessary to assign the existing sublease to the landlord.

Section 4. The Executive Director, or her designee, is authorized to amend the budget to appropriate \$95,000 from the Pioneer Hall fund and \$59,000 from the Mortgage Revenue Bond funds to be used to buyout the master lease with Pioneer Hall Association.