



Agency Rpt 42

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

June 17, 1981

CITY MANAGER'S OFFICE
RECEIVED
JUN 17 1981

Housing Authority of the
City of Sacramento
Redevelopment Agency **APPROVED**
City of Sacramento SACRAMENTO REDEVELOPMENT AGENCY
Sacramento, California
Date 6/23/81

APPROVED
SACRAMENTO HOUSING AUTHORITY
Date 6/23/81

Honorable Members in Session:

SUBJECT: Agency Space Utilization Study: Proposed Rental Rate Justification

SUMMARY

This report presents information relative to the proposed square footage rental rate for Ping Yuen Center commercial area of \$.50 per square foot as outlined in the Agency Space Utilization Study dated May 26, 1981.

BACKGROUND

On June 2, 1981, the Housing Authority and Redevelopment Agency of the City of Sacramento adopted a motion approving the Agency Space Utilization Study subject to a follow-up report justifying the proposed \$.50 per square footage rental rate for Ping Yuen Center commercial area.

During preparation of the Agency Space Utilization Study, Agency Real Estate staff researched the leasing history and evaluated the potential for leasing the Ping Yuen Center commercial area (see Exhibit I). This effort included consultation with several local commercial brokerage firms who have excellent knowledge of the current commercial real estate market. The research concluded that the fair market rent for the commercial area is approximately \$.50 per square foot with the Agency paying the utilities and that even under favorable circumstances, a private real estate broker could not obtain full occupancy of the space by private tenants in less than six months to a year.

Subsequent to the June 2, 1981 approval, the staff investigated a variety of rental office space within a close proximity

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All Districts

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of the Ping Yuen Center and prepared a "Comparable Rent Analysis for the Downtown Area". The analysis indicates that alternate office space in the close proximity is available at rental rates between \$.85 and \$1.25 per square foot. However, this space includes full service features such as janitorial, utilities and reserved off-street parking. These sites also have been rated as good to excellent as to the compatibility of office location, public accessibility, overall quality and availability of amenities. (i.e., private offices, carpeting, waiting areas, conference rooms, wallpaper, etc).

Conversely, office space found to be available for between \$.50 and \$.65 per square foot has been identified as having very limited service features, and been rated fair to average as to public accessibility, location and quality. This type of office space is most similar to the space the Agency intends to use at Ping Yuen Center. Office space listed on Exhibit II with higher rental rates either includes more service features, amenities and/or has higher rating factors (public accessibility, etc.) than the Ping Yuen Center commercial area.

FINANCIAL DATA

Attached as Exhibit III is a summary of the program budget impact of the proposed space allocations at the \$.50 per square foot rental rate. The proposed rental costs for Housing Management (including Section 8 and Central Eligibility) and Rehabilitation are less than the current rental costs. The Foster Grandparent/Senior Companion Program would experience a minimal increase in costs. A rental rate above the \$.50 per square foot would be virtually impossible at this time for the Foster Grandparent/Senior Companion Program to absorb within its budget.

During the course of preparing the Preliminary 1982 Agency budget, the rental rates for both the Central Office and Ping Yuen Center will be re-evaluated to reflect possible increases in comparable office space.

CONCLUSIONS AND RECOMMENDATION

Based on information presented in Exhibits I, II and III, attached hereto, and the already approved Space Utilization

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Study, the staff has concluded that Agency use of the Ping Yuen Center commercial area represents the best use of the facility at the present time. Furthermore, given the availability of rental space in the quantities necessary for Agency programs and established square footage costs for similar space in the downtown area, it appears that \$.50 per square foot rental rate is appropriate.

The staff recommends approval of the proposed square footage rate of \$.50 per square feet for Agency and private use of the Ping Yuen Center commercial area.

Respectfully submitted,



WILLIAM H. EDGAR
Interim Executive Director

TRANSMITTAL TO COUNCIL:



WALTER J. SLIFE, City Manager

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

MEMORANDUM

TO: Andy Plescia, Chief of Administration DATE: April 21, 1981
FROM: Ben Fleming, Real Estate Manager File No.
SUBJECT: Outlook on leasing space in the Ping Yuen Center

Your memorandum of April 15, 1981 stated that you are preparing a Space Utilization Study and that you have requested me to provide certain information on the "leasability" of the Ping Yuen Center.

As part of the investigation, I have inspected the Ping Yuen Center; inspected nearby commercial space; conferred with brokers and leasing agents; conferred with members of the SHRA staff; and inspected SHRA files.

The Ping Yuen Center is a federally assisted project that was sponsored by the Confucius Church. The upper floors are residential apartments and the ground floor, approximately 12 feet below street grade, was designed and planned for commercial space. The project was completed in December of 1970. The Church association attempted to find suitable tenants, but was unsuccessful. Much of the commercial space remained vacant for many years. It was thought that the lack of on-site parking and the seclusive nature of the location was partly the cause of the vacancy.

In the mid 1970's the church fell behind in their payments and the federal government moved towards a foreclosure. As part of this financial problem, the SHRA took over the project in 1976. The Agency staff attempted to lease the space out, but met with hardly more success than the church did.

The Agency's attempt to lease out the commercial space included a contract dated September 14, 1977 signed by William G. Seline, which granted Dan Lahey Realty the sole and irrevocable right to be the leasing agent for 180 days. The contract stated that the rent was to be 45 cents a square foot and that the Agency as lessor would pay utilities, janitorial service, and would do minimum alterations. The Lahey firm was to receive a 5% commission if the lease were five years or less, and 2½% for any lease period after five years.

During the 1970's thousands of square feet of commercial space was constructed and leased in the downtown area, but the Ping Yuen Center was still not able to obtain full occupancy. Various units of the SHRA moved into the unoccupied space from 1977 to 1980. The tenants as of this date are Lushan Smorgy for storage, Sacramento Engineers, Senior Job Mart, Volunteer Bureau of Sacramento, and Wilson Bail Bond. They all pay approximately 30 cents per square foot.

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Andy Plescia
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Slightly to the west of this development is the Wong Center. It is comparable in that it has apartments on the upper floor and commercial space on the first floor. The space is equal or slightly superior in quality to the Ping Yuen Center. The Wong Center has the same problems as to parking and poor street exposure. The commercial space of the Wong Center is 100% occupied and the tenants are paying 50 to 55 cents a foot. The tenants are two law firms, a travel agency, a real estate office, the Junior League, the United Way, and Travelers Aid Society.

My conclusions as to the general leasability of the Ping Yuen commercial space are set forth as follows:

1. The fair market rent for the space is approximately 50 cents per foot with the owner paying utilities. It is difficult to avoid paying the utilities, because I understand that there are not individual meters to each of the offices.
2. The probable lessees would be a law firm, an engineering firm, an insurance company, the state or federal government, or the overflow from a large institution such as a bank.
3. The Agency staff probably cannot adequately market the space because the real estate office does not have enough personnel. Newspaper ads will not greatly assist in presenting the space and the Agency staff would not be able to contact most of the potential users.
4. The Agency should be willing to pay the standard 5% commission to a real estate broker who could secure a qualified tenant. This should be either by an open listing or exclusively to one of the main leasing specialists in Sacramento. Commissions are paid by the owner at the time that the lease is signed and at that time the lessee pays the first and last month's rent. To illustrate, for each 1,000 square feet, the monthly rent would be \$500, and the entire rent for five years would be \$30,000. The commission on this would be \$1,500. payable immediately to the broker. The tenant would pay his first and last month's rent for \$1,000, which means the Agency would pay the additional \$500 to make up the commission. The 5% commission however, would be recaptured after three months.
5. The space would be more marketable if some nearby parking stalls could be obtained and designated for the exclusive use of the tenants.
6. Even under the most favorable circumstances, there is no reason to be optimistic about the prospects of obtaining full occupancy very early. I estimate that it would take about six months to a year to secure qualified tenants.

BAF

COMPARABLE RENT ANALYSIS: DOWNTOWN AREA

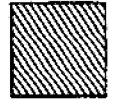
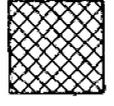
ADDRESS OR LOCATION	Full Service Features			Additional Features			Cost Per Sq. Foot	Available Square Footage	Comments
	Janitorial	Utilities	Reserved Parking	Public Accessibility	Locational Factors ^{1/}	Amenities			
1. 918 J Street	X	X		Good	Average	Private offices, carpeting, paneling, conf. rooms, A/C	\$.95	4,000	Being remodeled; overall quality of construction good.
2. 805 J Street				Fair	Fair	Carpeting, wallpaper, paneling	\$.65	3,200	Being remodeled; overall quality of construction average.
3. 815 J Street	X		^{2/} X	Fair	Fair	Carpeting, paneling	\$.65	5,000	Interior offices; insufficient square footage in one area for Agency programs.
4. 800 J Street		X		Good	Average	Carpeting, paneling	\$.85	5,900	Formally restaurant.
5. 660 J Street	X	X	X	Excellent	Excellent	Private offices, wallpaper, carpeting, conf. rooms, quality bathrooms	\$1.25 up	80,000	New building (Liberty House site)
6. 817 J Street			^{2/} X	Fair	Average	Private offices, wallpaper, paneling	\$.50	4,000	Formally attorney's office; average quality construction.
7. Wong Center		X		Poor	Fair	Capeting, drapes, private offices, lobby	\$.55	None	Fully leased and no plans to increase rental rates in near future.
8. Ping Yuen Center		X		Poor	Fair	Drapes	\$.50		Has had vacant commercial space entire history of project. See Exhibit I.

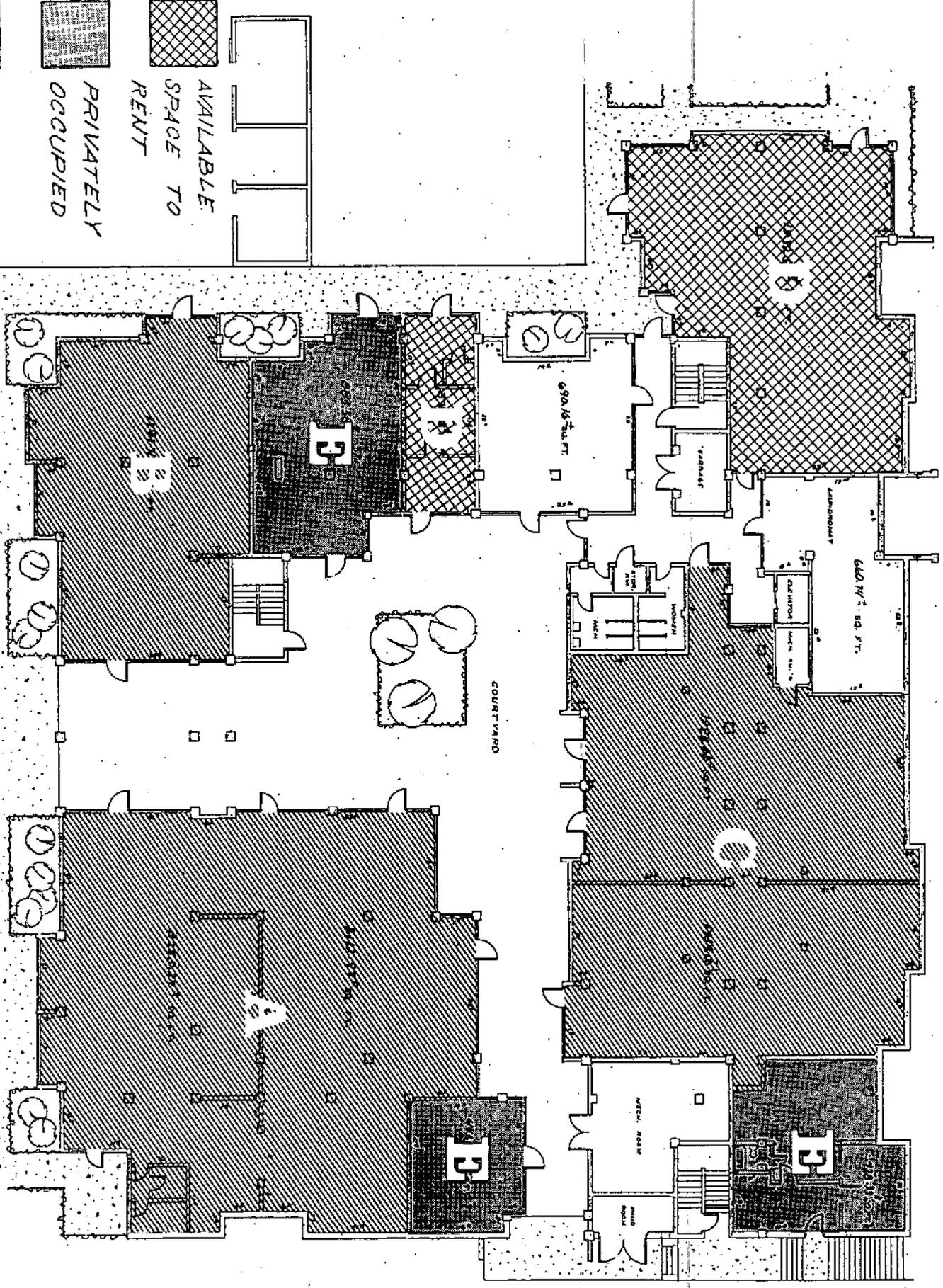
^{1/} Locational Factor - prestige, convenience, conformity, proper land use
^{2/} Two reserved parking spaces

PROGRAM BUDGET IMPACT

IDENTIFICATION	RENT DATA AT PRESENT LOCATION			SPACE UTILIZATION STUDY RECOMMENDATION			PROGRAM BUDGET MONTHLY IMPACT	ONE-TIME EXPENSES MOVING/PHONES/RENOVATION
	S.F.	@	MONTHLY COST	S.F.	@	MONTHLY COST		
Foster Grandparents Senior Companion	1798	.387	\$696	1398	.50	\$699	+ \$3	-0-
Community Service Administration	-	-	-	400	.50	\$200	-	\$700
Rehabilitation and Loans	4420	.90	\$3978	4368	.50	\$2184	(-\$1794)	\$5700
Housing Management	842	.45	\$379					
Section 8	1933	.45	\$870	3725	.50	\$1862	(- \$280)	\$4500
Central Eligibility	<u>1986</u>	.45	<u>\$893</u>					
	4761		\$2142					
TOTALS	10,979		\$6816	9891		\$4945	(-\$2071)	\$10,900

(8)

 AGENCY OCCUPIED
 PRIVATELY OCCUPIED
 AVAILABLE SPACE TO RENT



5-13-81 DAK

PING YUEN CENTER
 (COMMERCIAL LEVEL, FLOOR PLAN)
 GENERAL SCALE: 1/8" = 1'-0"
 (EXERCISES FOR VISUALIZATION)

PROPOSED USE