



**Sacramento
Housing &
Redevelopment
Agency**

**REPORT TO COUNCIL,
REDEVELOPMENT AGENCY,
HOUSING AUTHORITY
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org**

**Consent
June 5, 2008**

**Honorable Mayor and Members of the City Council
Chair and Members of the Redevelopment Agency
Chair and Members of the Housing Authority**

**Title: Agreement/Contract: Purchase and Tenant Improvements at 801 12th Street
Property**

Location/Council District: 801 12th Street, Council District 1

Recommendation: Adopt City Council, Redevelopment Agency and Housing Authority Resolutions: 1) authorizing the Executive Director or designee to execute the Agreement of Purchase and Sale and Joint Escrow Instructions between the Sacramento Housing and Redevelopment Agency (Agency) and CRHMFA Homebuyers Fund, a California Joint Powers Authority, for the property; 2) authorizing the Executive Director or designee to execute a financing agreement with Banc of America Public Capital Corporation and execute all documents and take all necessary actions to secure not more than Thirteen Million Dollars in financing for the purchase of the Property and associated tenant improvements; 3) authorizing the Executive Director or designee to execute a contract with the current property service providers once the Agency owns the Property, on their existing terms; 4) authorizing the Executive Director or designee to execute an interim lease agreement with CRHMFA Homebuyers Fund once the Agency owns the Property; 5) authorizing the Executive Director or designee to execute a contract with the assisting broker to take additional actions as necessary; 6) authorizing the Executive Director or designee to solicit and award professional services contracts and to solicit and award to the lowest responsive and responsible bidder contracts for tenant and other improvements for the Property as necessary to make it ready for occupancy by the Agency, subject to available budget; and 7) authorizing the Executive Director or designee to execute such additional documents and to take such additional actions as reasonably necessary to implement the Resolution.

Contact: La Shelle Dozier, Interim Executive Director, (916) 440-1319, James Shields, Director of Administration, (916) 440-1308

Department: Sacramento Housing and Redevelopment Agency

Agreement for Purchase and Tenant Improvements at 801 12th Street**Description/Analysis**

Issue: During the last few years, the need for the Agency to relocate administrative offices and consolidate department functions has increased significantly. The Agency's administrative office building at 630 I Street has reached the end of its useful life and has become functionally obsolete. Existing Agency buildings lack the capacity to support the staff located at 630 I Street or cannot be reconfigured to meet changing demands or enhance operational efficiencies.

Based on current space needs, the 50,949 square foot building located at 801 12th Street will provide office space for the operation and function of Sacramento Housing and Redevelopment Agency departments currently located in five building sites. Staff recommends the acquisition of the property located at 801 12th Street which:

- Provides adequate facilities for all current employees.
- Creates a fiscally prudent investment for the long-term since the building will be purchased rather than the Agency leasing the property
- Provides convenient and ready access to elected officials and City and County management and staff.
- Conveniently locates functions near public transportation and adequate parking.

Policy Considerations: The actions recommended in this report are consistent with current Agency policy and will enable the Agency to continue to fulfill its mission to provide affordable housing and improve neighborhoods throughout the City of Sacramento. No policy changes are recommended.

Environmental Considerations: The proposed acquisition of an existing building is not a project under the California Environmental Quality Act ("CEQA") in that the acquisition of a building to continue in its present use without expansion has no direct or reasonably foreseeable indirect physical change in the environment pursuant to Public Resources Code Section 20165 and CEQA Guidelines Section 15378, and to the extent that tenant improvements and minor systems updates and refurbishment are to be done to the acquired property, such activity is exempt from further review pursuant to CEQA Guidelines Section 15301 as the operation, repair, maintenance, or minor alteration of an existing structure or facility without expanding uses. The action is excluded from review under the National Environmental Policy Act (NEPA) pursuant to 24 Code of Federal Regulation Section 35(a)(1) as the acquisition, repair, improvement, reconstruction, or rehabilitation of public facilities and improvements (other than buildings) when the facilities and improvements are in place and will be retained in the same use without change in size or capacity of more than 20 percent.

Agreement for Purchase and Tenant Improvements at 801 12th Street

LFR completed a Phase I study for the .29 acre site on November 30, 2007 (report #003-09359-00). The report stated there are no known exterior hazards of concern within 600 feet of the site. The water table is 30 feet below ground level and its natural flow does not transport known hazards to the site.

Committee/Commission Action: The Sacramento Housing and Redevelopment Commission was briefed on the actions proposed in this report on May 21, 2008.

Rationale for Recommendation: Acquisition and rehabilitation of 801 12th Street will meet the office needs of Agency staff currently working in five locations.

The proposed acquisition and tenant improvements are aligned with the Agency's goals for a suitable facility for the following reasons:

- 801 12th Street is a six-story building that contains 50,949 square feet of office space. Agency staff currently located in five building sites will be consolidated into this single location.
- Owning the facility insures a long-term presence of the Agency in the downtown area.
- Both City Hall and the County Administration building are within walking distance of 801 12th Street providing ready access to elected officials and City and County management and staff.
- The facility is convenient to public transportation including a light rail station (Blue Line) located at the northwest corner of the building and an existing bus line (Route 142).
- The site has adequate parking (property has 43 covered parking stalls and is within blocks of four (4) parking garages with 3,045 parking spaces).
- The purchase provides long-term economic stability for the Agency at rates within budget parameters.

Financial Considerations: The purchase price negotiated for the property is \$9.1 million. An additional \$3.9 million is required for tenant and property improvements. Banc of America Public Capital Corporation, a division of Bank of America, has agreed to provide tax exempt financing for the purchase of the land, building and associated tenant improvements up to \$13 million. They will provide tax exempt essential use facilities financing secured by a ground lease on the land under the building. The ground lease would be paid over 20 years with a fixed interest rate to be set five days prior to the close of escrow. The rate will be based upon 65 percent of the current ten swap index, plus a margin of 1.58 percent, currently 4.30 percent. The stated loan commitment is good through August 1, 2008. The financing structure for this purchase has many significant benefits including the ability to finance 100 percent of the acquisition and tenant improvements at a fixed, low tax exempt interest rate, and there is no requirement for a direct pledge of any specific Agency funding source for repayment. There are no requirements for disclosure or reporting. The financing structure also requires no reserve, bond ratings, insurance, debt covenants and limited document preparation and review

June 5, 2008

Agreement for Purchase and Tenant Improvements at 801 12th Street

The Agency's approved 2008 budget includes provisions for the increased costs of the facilities financing. The one-time move costs to consolidate staff in the new building is in the approved 2008 budget and will be carried over into the 2009 budget, if necessary. No additional action is required.

M/WBE Considerations: The items discussed in this report have no M/WBE impacts; therefore, M/WBE considerations do not apply

Respectfully Submitted by: 
LA SHELLE DOZIER
Interim Executive Director

Recommendation Approved:

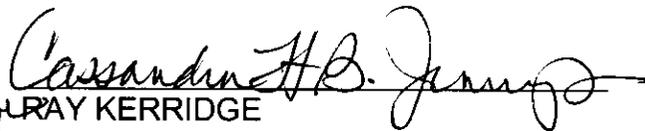

MURRAY KERRIDGE
City Manager

Table of Contents

Report	pg. 1
Attachments	
1 Background	pg. 5
2 Map	pg. 6
3 City Council Resolution	pg. 7
4 Housing Authority Resolution	pg. 9
5 Redevelopment Agency Resolution	pg. 11

BACKGROUND

The Sacramento Housing and Redevelopment Agency occupies numerous buildings in the City and County of Sacramento. To address the need to relocate staff located in obsolete buildings and to consolidate staff, the Agency endeavored to locate a building that would provide adequate office space. The main criteria used in selecting buildings for consideration were:

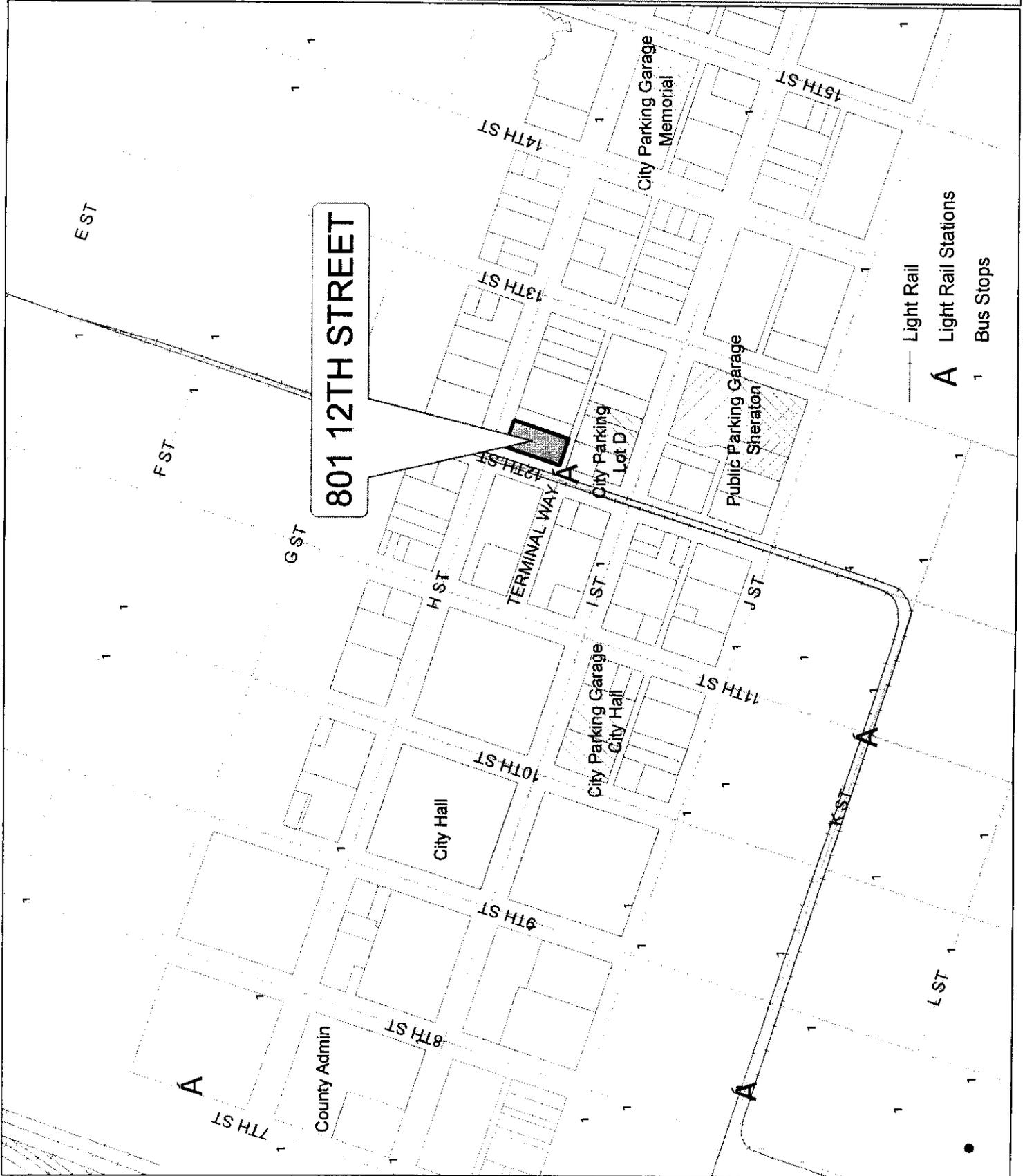
1. Square footage to address the office needs of staff in five locations.
2. Convenience to public transportation.
3. Near City and County offices (within walking distance).
4. Preference for property ownership rather than leasing of property.
5. Adequate parking

After a thorough review of numerous properties, it was determined that the property at 801 12th Street was the best match for all of these goals.

Current staff locations that will be consolidated in the one building:

Location	Number of Staff	Offices Impacted
600 I Street	33	Housing and Community Development / Information Management and Technology Services / Human Resources / Finance
626 I Street	7	Real Estate Services / Housing Authority
630 I Street	67	Executive Team / General Counsel / Administration / Finance / Agency Clerk / Housing and Community Development / Construction Services / Portfolio Management
1013 7 th Street	9	Homeownership Services
320 Commerce	14	Procurement Services / Construction Services
TOTAL	130	

801 12TH STREET



RESOLUTION NO. 2008 - _____

Adopted by the Sacramento City Council

on date of

801 12th STREET ACQUISITION: AUTHORIZING PURCHASE AND SALE AGREEMENT WITH CRHMFA HOMEBUYERS FUND, FINANCING AGREEMENT WITH BANC OF AMERICA PUBLIC CAPITAL CORPORATION, CONTRACT WITH THE CURRENT PROPERTY SERVICE PROVIDERS, AND INTERIM LEASE-BACK AGREEMENT WITH CRHMFA HOMEBUYERS FUND, CONTRACT WITH BROKER, AND SOLICITATION AND AWARD OF CONTRACTS FOR TENANT AND PROPERTY IMPROVEMENTS, AND SUCH ADDITIONAL DOCUMENTS AND TO TAKE SUCH ADDITIONAL ACTIONS AS NECESSARY TO IMPLEMENT THE AUTHORIZED CONTRACTS AND THIS RESOLUTION.

BACKGROUND

- A. The Sacramento Housing and Redevelopment Agency (Agency) currently occupies several buildings as offices.
- B. To address the needs to relocate some offices located in obsolete buildings and to consolidate office staff, the Agency searched for a building that would provide adequate office space and which would meet the following goals.
 - Provides an adequate facility for all current employees and for anticipated growth.
 - Creates a fiscally prudent investment for the long-term since the building will be owned rather than leased.
 - Provides convenient and ready access to elected officials and City and County management and staff.
 - Conveniently locates functions near public transportation and adequate parking.
- C. After review of multiple locations, 801 12th Street in the City of Sacramento ("Property") has been determined to be the best and most cost effective choice and terms for the purchase of the Property have been reached.
- D. The proposed acquisition of an existing building is not a project under the California Environmental Quality Act ("CEQA") in that the acquisition of a building to continue in its present use without expansion has no direct or reasonably foreseeable indirect physical change in the environment pursuant to Public Resources Code Section 20165 and CEQA Guidelines Section 15378, and to the extent that tenant improvements and minor systems updates and refurbishment are to be done to the acquired property, such activity is exempt from further review pursuant to CEQA Guidelines Section 15301 as the operation, repair, maintenance, or minor alteration of an existing structure or facility without expanding uses. The action is excluded from review under the National Environmental Policy Act (NEPA) pursuant to 24 Code of Federal Regulation Section 35(a)(1) as the acquisition, repair, improvement, reconstruction or rehabilitation of public facilities and improvements (other than buildings) when

the facilities and improvements are in place and will be retained in the same use without change in size or capacity of more than 20 percent.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The foregoing findings are true and correct and hereby adopted.
- Section 2. The Executive Director, or designee, on behalf of the Agency and its constituent entities, is authorized to execute the Agreement of Purchase and Sale and Joint Escrow Instructions between the Agency and CRHMFA Homebuyers Fund, a California Joint Powers Authority, for real property at 801 12th Street, a copy of which is on file with the Agency Clerk.
- Section 3. The Executive Director, or designee, on behalf of the Agency and its constituent entities, is authorized to execute a lease purchase agreement with Banc of America Public Capital Corporation to obtain not more than Thirteen Million Dollars in financing and to execute the required ground and facilities lease, sublease, construction review and disbursement agreement and all other required documents and take all reasonably necessary actions to secure such financing for the Property acquisition and related activities approved in this resolution, all in a form approved by Agency Counsel.
- Section 4. The Executive Director, or designee, on behalf of the Agency and its constituent entities, is authorized to execute an interim contract with the current Property service providers for 801 12th Street, on their existing terms.
- Section 5. The Executive Director, or designee, on behalf of the Agency and its constituent entities, is authorized to execute a lease agreement with CRHMFA Homebuyers Fund once the Agency owns the property.
- Section 6. The Executive Director, or designee, on behalf of the Agency and its constituent entities, is authorized to execute a contract with the assisting broker for actions as necessary to carry out the foregoing transactions.
- Section 7. The Executive Director, or designee, on behalf of the Agency and its constituent entities, is authorized to solicit and award professional services contracts and to solicit and award to the lowest responsive and responsible bidder contracts for tenant and other improvements for the Property as necessary to make it ready for occupancy by the Agency, subject to available budget.
- Section 8. The Executive Director, or designee, on behalf of the Agency and its constituent entities, is authorized to execute such additional documents and to take such additional actions as are reasonably necessary to implement this Resolution.

RESOLUTION NO. 2008 - _____

Adopted by the Housing Authority of the City of Sacramento

on date of

801 12th STREET ACQUISITION: AUTHORIZING PURCHASE AND SALE AGREEMENT WITH CRHMFA HOMEBUYERS FUND, FINANCING AGREEMENT WITH BANC OF AMERICA PUBLIC CAPITAL CORPORATION, CONTRACT WITH THE CURRENT PROPERTY SERVICE PROVIDERS, AND INTERIM LEASE-BACK AGREEMENT WITH CRHMFA HOMEBUYERS FUND, CONTRACT WITH BROKER, AND SOLICITATION AND AWARD OF CONTRACTS FOR TENANT AND PROPERTY IMPROVEMENTS, AND SUCH ADDITIONAL DOCUMENTS AND TO TAKE SUCH ADDITIONAL ACTIONS AS NECESSARY TO IMPLEMENT THE AUTHORIZED CONTRACTS AND THIS RESOLUTION.

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rehabilitation of public facilities and improvements (other than buildings) when the facilities and improvements are in place and will be retained in the same use without change in size or capacity of more than 20 percent.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. The foregoing findings are true and correct and hereby adopted.
- Section 2. The Executive Director, or designee, on behalf of the Agency and its constituent entities, is authorized to execute the Agreement of Purchase and Sale and Joint Escrow Instructions between the Agency and CRHMFA Homebuyers Fund, a California Joint Powers Authority, for real property at 801 12th Street, a copy of which is on file with the Agency Clerk.
- Section 3. The Executive Director, or designee, on behalf of the Agency and its constituent entities, is authorized to execute a lease purchase agreement with Banc of America Public Capital Corporation to obtain not more than Thirteen Million Dollars in financing on terms substantially and to execute the required ground and facilities lease, sublease, construction review and disbursement agreement and all other required documents and take all reasonably necessary actions to secure such financing for the Property acquisition and related activities approved in this resolution, all in a form approved by Agency Counsel.
- Section 4. The Executive Director, or designee, on behalf of the Agency and its constituent entities, is authorized to execute an interim contract with the current Property service providers for 801 12th Street, on their existing terms.
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- Section 8. The Executive Director, or designee, on behalf of the Agency and its constituent entities, is authorized to execute such additional documents and to take such additional actions as are reasonably necessary to implement this Resolution.

RESOLUTION NO. 2008 - _____

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

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