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DEPARTMENT OF
PUBLIC WORKS

CITY OF SACRAMENTO
CALIFORNIA

915 I STREET
ROOM 200
SACRAMENTO, CA
95814-2700

TECHNICAL SERVICES DIVISION
REAL ESTATE SERVICES

CONTINUED
FROM 12-16-97
TO 1-20-98
withdrawn juv

PH 916-264-5710
FAX 916-264-5573

December 2, 1997

City Council
Sacramento, California

Honorable Members in Session

SUBJECT: LISTING HALL OF JUSTICE FOR SALE

LOCATION/COUNCIL DISTRICT:

813 Sixth Street (Sixth & H Streets) in Council District 1 (refer to location map attached as Exhibit 'A').

RECOMMENDATION:

This report recommends that the City Council take the following actions:

- A) Determine that it is in the best interests of the City to sell the Hall of Justice property without competitive bidding.
- B) Authorize the sale of the Hall of Justice property through a Professional Services Agreement with a real estate brokerage firm approved by the City Manager.
- C) Direct the City Manager to return to the City Council when an appropriate offer to purchase the said property has been received from a qualified buyer, for consideration of said offer by the City Council.
- D) Approve the recovery of upfront and staff costs related to the sale of the Hall of Justice from the sale proceeds.

City Council
Listing of Hall of Justice for Sale
December 2, 1997

- E) Approve the designation of the balance of the sales proceeds for the purpose of future funding of a Police Administration facility.

CONTACT PERSON: Bruce J. Alei, Real Estate Technical Manager, 264-5055

FOR THE COUNCIL MEETING OF: December 16, 1997

SUMMARY:

Through the actions described in the recommendations section of this report, it is proposed that the Hall of Justice property be sold, as surplus property, without the necessity of obtaining competitive bids. This sale is proposed because it is not cost-effective to restore this building for City use. The balance of the proceeds after paying for staff costs, due diligence reports, and a sales commission from this proposed sale would be designated for the purpose of future funding of a Police Administration facility.

BACKGROUND INFORMATION:

The Hall of Justice building is considered surplus since the Police Administration function vacated the premises in April of this year. This building was built in the early 1900's and the City's continued use of it would result in significant costs for structural, seismic, plumbing, and electrical rehabilitation.

The location of the Hall of Justice, directly across from the new Federal Courthouse building currently under construction, makes the property desirable and the City has already been contacted by several interested parties. The County Law Library has expressed an interest in leasing or buying the property. We have shown the building to members of their staff, and their consultants, on several occasions. Their interest in leasing the property could positively influence the City's marketing efforts. Staff will continue to discuss options with the County Law Library while marketing the property. An exclusion clause in the listing agreement for the County Law Library will be explored. This exclusion would reduce the real estate brokerage commission if the property is sold to the County Law Library.

The marketing schedule/plan for this property is detailed in Exhibit 'B' attached to this report. Staff is recommending that a structural/seismic inspection and a

City Council
Listing of Hall of Justice for Sale
December 2, 1997

Phase I environmental audit be conducted on this property to fulfill our due diligence and disclosure requirements. Additionally, this information will place staff in a knowledgeable and pro-active position in negotiating the highest possible sale price. The estimated cost for these two reports is \$12,000.

Due to the size, age, and historical significance of the property, the normal bidding process would make it extremely difficult to market. A unique property, such as the Hall of Justice, will need State, National, and possibly International exposure to attract interest from firms experienced in restoring historical structures. To achieve this type of exposure, and to obtain the highest possible sale price, staff recommends hiring a professional real estate brokerage firm with expertise in marketing historical structures. For the reasons stated above, staff is recommending that the property be marketed without using the competitive bidding process.

In order for the City to insure that the building is restored properly and in a timely manner, Real Estate Services' staff will work closely with City's Preservation Director in developing the pertinent listing agreement requirements for this property.

Due to the structural condition of the property, the asking price cannot be determined until the structural report is received and analyzed. Staff will work with the selected broker to determine an asking price.

FINANCIAL CONSIDERATIONS:

This report request that upfront and staff cost related to the sale of the Hall of Justice be recovered from the sale proceeds. Estimated upfront costs include:

| | |
|---------------------------------|----------|
| Structural Inspection Report | \$ 6,000 |
| Environmental Inspection Report | \$ 6,000 |
| Preliminary Title Report | \$ 350 |
| Contingency | \$ 2,650 |
| | <hr/> |
| | \$15,000 |

Labor cost for Real Estate, Architecture, Planning, Environmental, and Facilities Management staff are estimated not to exceed \$50,000 for the entire sale process. Initial funding for the upfront and staff costs will be provided through existing operating budgets and will be reimbursed upon sale. A sales commission of 5 to 6

City Council
Listing of Hall of Justice for Sale
December 2, 1997

percent will also be paid from the sale proceeds at the close of escrow. All incidental costs of sale such as title and escrow costs will be paid by the buyer.

This report recommends that the remaining sale proceeds be designated for future funding of a Police Administration facility and be deposited into a capital projects fund. The lease for the current Police Department Administration building expires in approximately six years.

ENVIRONMENTAL CONSIDERATIONS:

Because this report consists of the sale of surplus governmental property, it is exempt from CEQA review under Section 15312 of the California Environmental Quality Act Guidelines.

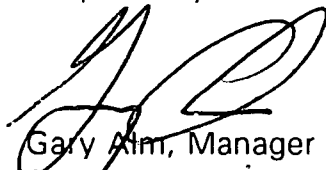
POLICY CONSIDERATIONS:

City Code allows for the sale of City property without first calling for bids, when the City Council determines that this action is in the best interest of the City.

MBE/WBE:

None. No goods or services are being purchased.

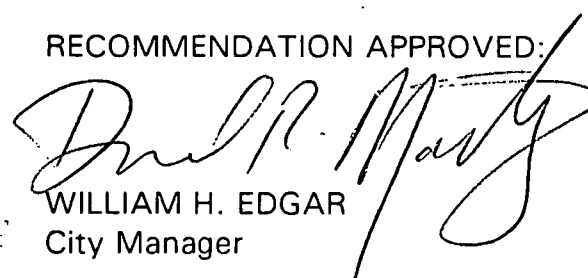
Respectfully submitted,



Gary Alm, Manager
Development Services

RECOMMENDATION APPROVED:

Approved:



WILLIAM H. EDGAR
City Manager



Michael Kashiwagi
Director of Public Works

EXHIBIT 'A'
 HALL OF JUSTICE
 LOCATION MAP

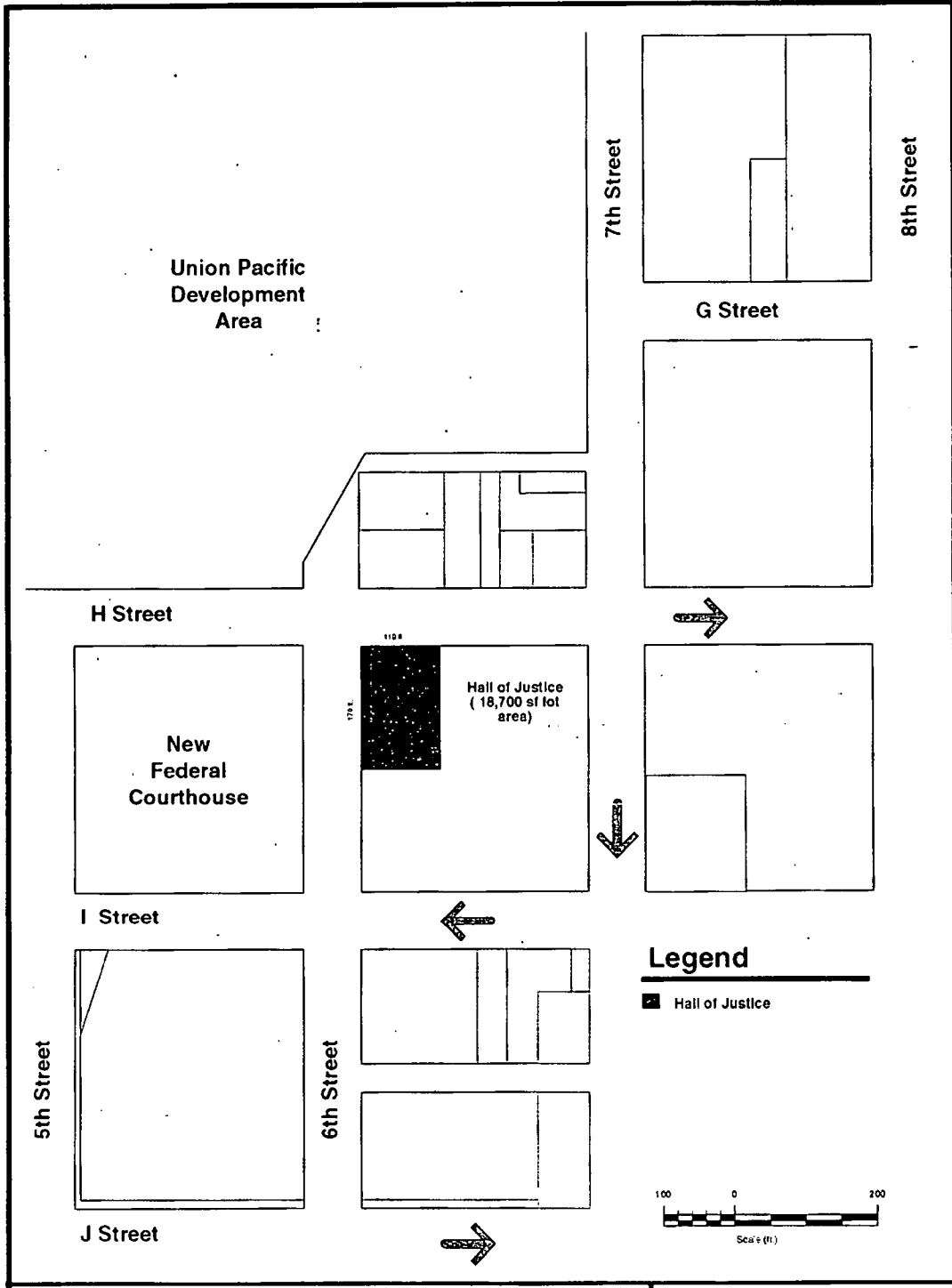


EXHIBIT 'B'
PRELIMINARY HALL OF JUSTICE
DISPOSITION TIMELINE

| DATE | EVENT |
|--------------------------------|--|
| December 1 – December 31, 1997 | Completion of due diligence studies (structural, Phase I Environmental) interview and select real estate broker) |
| January 1 – January 31, 1998 | Execute a professional services agreement with selected broker. Establish an asking price. Prepare marketing material information package. Start advertising the property through publications, personal solicitation, and international mass marketing. |
| February 1. – March 31, 1998 | Continue marketing and follow-up, respond to inquiries and offers. |
| April 1 – April 31, 1998 | Continue marketing and follow-up, respond to inquiries and offers. Close out offer acceptance at the end of this month if we have received solid offers. |
| May 1 – May 31, 1998 | Evaluate offers and counter as appropriate. By the end of the month accept one offer and secure one back-up offer, if possible. |
| June 1 – June 31, 1998 | Negotiate purchase and sale agreement. |
| July 1 – August 15, 1998 | Buyer due diligence. |
| August 15 – September 15, 1998 | Projected close of escrow. |

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

A RESOLUTION AUTHORIZING THE SALE OF THE HALL OF JUSTICE PROPERTY AS SURPLUS CITY PROPERTY WITHOUT THE NECESSITY OF OBTAINING COMPETITIVE BIDS

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

1. The City Council finds and determines that it is in the best interests of the City of Sacramento that the Hall of Justice property, which is surplus City property, be sold without the necessity of obtaining competitive bids.
2. Pursuant to subsection A of City code Section 12.07.170, the City Manager is authorized to market the Hall of Justice property without the necessity of obtaining competitive bids.
3. Marketing of the Hall of Justice property shall be through a commercial real estate brokerage firm approved by the City Manager. In the professional services agreement with such broker, the City Manager shall include a provision specifying that no commission shall be due and payable to such broker unless and until the City Council has actually approved and accepted an offer to purchase the property, irrespective of whether or not the offer meets the conditions set forth in the professional services agreement.
4. Upon receiving an appropriate offer to purchase the property, and in the event that the City Manager determines to recommend acceptance of such offer to the City Council, the City Manager shall place the matter on the City council agenda for consideration by the City Council, which shall have full discretion as to whether or not to accept the offer.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ 7

5. The recovery of upfront and staff costs related to the sale of the Hall of Justice shall be from the sale proceeds.
6. The net sales proceeds from the Hall of Justice will be designated for the purpose of future funding of a Police Administration facility.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

A RESOLUTION AUTHORIZING THE SALE OF THE HALL OF JUSTICE PROPERTY AS SURPLUS CITY PROPERTY WITHOUT THE NECESSITY OF OBTAINING COMPETITIVE BIDS

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1. The City Council finds and determines that it is in the best interests of the City of Sacramento that the Hall of Justice property, which is surplus City property, be sold without the necessity of obtaining competitive bids.
2. Pursuant to subsection A of City code Section 12.07.170, the City Manager is authorized to market the Hall of Justice property without the necessity of obtaining competitive bids.
3. Marketing of the Hall of Justice property shall be through a commercial real estate brokerage firm approved by the City Manager. In the professional services agreement with such broker, the City Manager shall include a provision specifying that no commission shall be due and payable to such broker unless and until the City Council has actually approved and accepted an offer to purchase the property, irrespective of whether or not the offer meets the conditions set forth in the professional services agreement.
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FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ 5 _____

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MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ 6 _____

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

A RESOLUTION AUTHORIZING THE SALE OF THE HALL OF JUSTICE PROPERTY AS SURPLUS CITY PROPERTY WITHOUT THE NECESSITY OF OBTAINING COMPETITIVE BIDS

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1. The City Council finds and determines that it is in the best interests of the City of Sacramento that the Hall of Justice property, which is surplus City property, be sold without the necessity of obtaining competitive bids.
2. Pursuant to subsection A of City code Section 12.07.170, the City Manager is authorized to market the Hall of Justice property without the necessity of obtaining competitive bids.
3. Marketing of the Hall of Justice property shall be through a commercial real estate brokerage firm approved by the City Manager. In the professional services agreement with such broker, the City Manager shall include a provision specifying that no commission shall be due and payable to such broker unless and until the City Council has actually approved and accepted an offer to purchase the property, irrespective of whether or not the offer meets the conditions set forth in the professional services agreement.
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FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

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MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ 6 _____



4.1

DEPARTMENT OF
PUBLIC WORKS

CITY OF SACRAMENTO
CALIFORNIA

TECHNICAL SERVICES
REAL ESTATE SERVICES

915 "J" STREET
ROOM 200
SACRAMENTO, CA
95814-2700
PH 916-264-5710
FAX 916-264-8250

March 16, 1998

APPROVED
BY THE CITY COUNCIL

MAR 31 1998

OFFICE OF THE
CITY CLERK

AG 98-032

City Council
Sacramento, California

Honorable Members in Session

SUBJECT: LISTING HALL OF JUSTICE FOR SALE

LOCATION/COUNCIL DISTRICT:

813 Sixth Street (Sixth & H Streets) in Council District 1 (refer to location map attached as Exhibit 'A').

RECOMMENDATION:

This report recommends that the City Council take the following actions:

- A) Determine that it is in the best interests of the City to sell the Hall of Justice property without competitive bidding.
- B) Authorize the sale of the Hall of Justice property through a Professional Services Agreement with a real estate brokerage firm approved by the City Manager.
- C) Direct the City Manager to return to the City Council when an appropriate offer to purchase the said property has been received from a qualified buyer, for consideration of said offer by the City Council.
- D) Approve the recovery of upfront and staff costs related to the sale of the Hall of Justice from the sale proceeds.
- E) Approve depositing the balance of the sales proceeds in the General Fund.
- F) Nominate the site to the National Register of Historic Places.

City of Sacramento
Listing of Hall of Justice for Sale
March 16, 1998

CONTACT PERSON: Bruce J. Alei, Real Estate Technical Manager, 264-5055

FOR THE COUNCIL MEETING OF: March 31, 1998

SUMMARY:

Through the actions described in the recommendations section of this report, it is proposed that the Hall of Justice property be sold, as surplus property, without the necessity of obtaining competitive bids. After joint research and negotiation between the City, County and the County Law Library, it has been determined that the restoration of the Hall of Justice is financially infeasible for the public sector. The recommendation is to sell the Hall of Justice to the private sector using a commercial brokerage firm experienced in the downtown area and historical properties.

BACKGROUND INFORMATION:

The Hall of Justice building is considered surplus since the Police Administration function vacated the premises in April of 1997. This building was built in 1916 and the City's continued use of it would result in significant costs for structural, seismic, plumbing, and electrical rehabilitation. The cost of maintaining the building in its present state is significant and it continues to deteriorate.

Although the building is in poor condition, it's location, directly across from the new Federal Courthouse building, is very desirable. At the December 2, 1997 City Council meeting, the Department of Public Works requested authorization to sell the Hall of Justice. Council Members requested that staff research further the possibility of finding an agency or other public user for the property.

The Downtown Department, coordinating with Real Estate Services from Public Works, worked with the County and the County Law Library to determine their ability to use the building. Because of the condition of the structure and the cost of the rehabilitation, the County and the County Law Library cannot afford the rehabilitation costs nor can they pay the rents that would finance the cost of those repairs. If the City were to structure a lease with the Law Library and attempt to sell the property subject to that proposed lease, it would severely limit the value of the property. Both County staff and the County Law Library concur in this opinion.

An interest in locating a police museum or, at least, a home for police memorabilia at the Hall of Justice was also brought up at the December 2, 1997 Council meeting.

City of Sacramento
Listing of Hall of Justice for Sale
March 16, 1998

Because of the financial restraints identified above, this use becomes infeasible without the major financial investments. A purchaser of the property should be informed of this interest which may enhance the historic nature of the building.

The marketing schedule/plan for this property is detailed in Exhibit 'B' attached to this report. Staff has had a structural inspection completed, and Phase I environmental audit be conducted on this property. These reports will fulfill our due diligence and disclosure requirements. Additionally, this information will place staff in a knowledgeable and pro-active position in negotiating the highest possible sale price.

Due to the size, age, and historical significance of the property, the normal bidding process would make it extremely difficult to market. A unique property, such as the Hall of Justice, will need State, National, and possibly, International exposure to attract interest from firms experienced in restoring historical structures. To achieve this type of exposure, and to obtain the highest possible sale price, staff recommends hiring a professional real estate brokerage firm with expertise in marketing historical structures. For the reasons stated above, staff is recommending that the property be marketed without using the competitive bidding process.

In order for the City to insure that the building is restored properly and in a timely manner, Real Estate Services staff will continue to work closely with the City's Preservation Director in developing the pertinent listing agreement requirements for this property.

HISTORIC PRESERVATION ISSUES:

The Hall of Justice Building was designated by the City Council as an individually-listed Essential structure, the highest designation, on the City of Sacramento's Official Register of Historic Structures. Constructed in 1916 to house the City Police and Health Department, it is built out of Folsom granite, brick and terra cotta in a stately Neo-Classical style. While there have been alterations over the years, most seem, to be additive and could be removed without impacting the significant original feature of this structure.

The City's Preservation Director is of the opinion that it is highly likely that the property is eligible for the National Register of Historic Places. National Register listing makes a property eligible for federal Historic Rehabilitation Tax Credits (20% of the rehabilitation costs as a credit off federal income taxes due; property must be income-producing under IRS rules), and also makes the property eligible for preservation easement charitable contribution deduction. Both of the tax incentives apply if the

City of Sacramento
Listing of Hall of Justice for Sale
March 16, 1998

makes a property eligible for federal Historic Rehabilitation Tax Credits (20% of the rehabilitation costs as a credit off federal income taxes due; property must be income-producing under IRS rules), and also makes the property eligible for preservation easement charitable contribution deduction. Both of the tax incentives apply if the owner is an entity that pays federal income tax, as opposed to non-profit organizations or government agencies. The tax incentives are potentially relatively valuable on this property (the possibility of a State Mills Act Contract, a property tax incentive for historic properties, is also a potential for this property.)

Eligibility for the federal Historic Rehabilitation Tax Credits requires compliance with the Secretary of the Interior's Standards for Rehabilitation of Historic Properties. Since the City's Design Review and Preservation Board also uses these standards in its review of proposals to rehabilitate or alter properties listed in the City's Official Register of Historic Structures, the National Register listing would impose no new historic preservation standards that would have to be followed.

The charitable contribution deduction on a Preservation Easement donation, combined with the rehab tax credits, could significantly lower the total acquisition and development costs associated with this property and, thereby, make it more attractive to a broader spectrum of the market.

Due to the structural condition of the property, the asking price cannot be determined until the structural report is analyzed. Staff will work with the selected broker to determine an asking price.

FINANCIAL CONSIDERATIONS:

This report requests that upfront and staff costs related to the sale of the Hall of Justice be recovered from the sale proceeds.

| | |
|---------------------------------|-----------------|
| Structural Inspection Report | \$ 5,000 |
| Environmental Inspection Report | \$ 4,560 |
| Historic Research (estimate) | \$ 6,000 |
| Contingency | <u>\$ 3,000</u> |
| | \$18,560 |

Initial funding for the upfront and staff costs will be provided through existing operating budgets and will be reimbursed upon sale. A sales commission of 5 to 6 percent will also be paid from the sale proceeds at the close of escrow. All incidental costs of sale such as title and escrow costs will be paid by the buyer.

City of Sacramento
Listing of Hall of Justice for Sale
March 16, 1998

This report recommends that the remaining sale proceeds be deposited in the General Fund.

ENVIRONMENTAL CONSIDERATIONS:

Because this report consists of the sale of surplus governmental property, it is exempt from CEQA review under Section 15312 of the California Environmental Quality Act Guidelines.

POLICY CONSIDERATIONS:

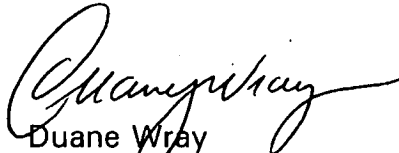
City Code allows for the sale of City property without first calling for bids, when the City Council determines that this action is in the best interest of the City.

MBE/WBE: None. No goods or services are being purchased.

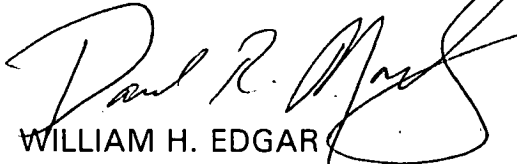
Respectfully submitted,


Gary Alm, Manager
Development Services

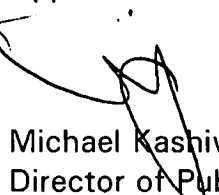
Approved:


Duane Wray
Technical Services Manager

RECOMMENDATION APPROVED:


WILLIAM H. EDGAR
City Manager

Approved:


Michael Kashiwagi
Director of Public Works

for

EXHIBIT 'A'
HALL OF JUSTICE
LOCATION MAP

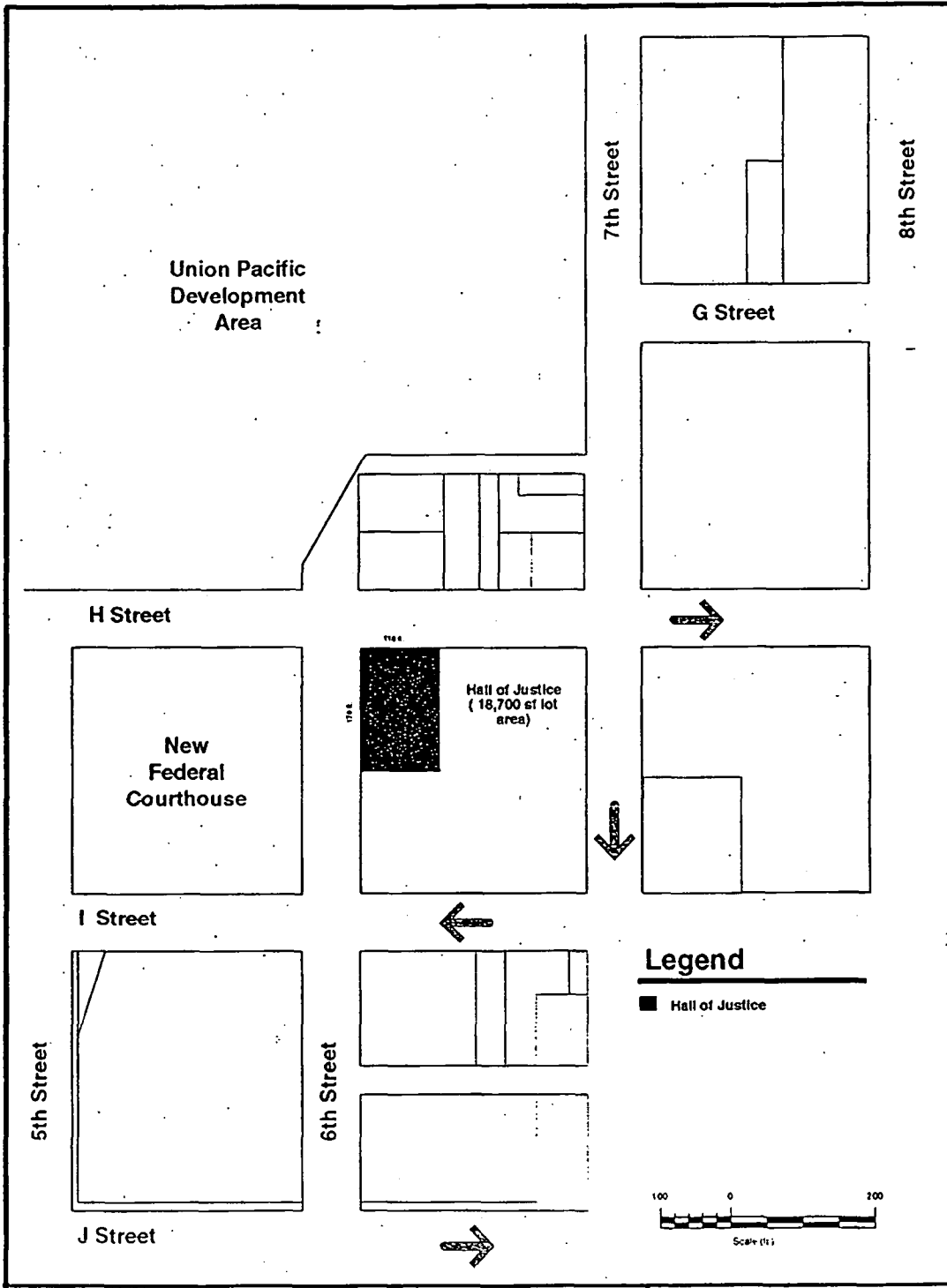


EXHIBIT 'B'
PRELIMINARY HALL OF JUSTICE
DISPOSITION TIMELINE

| DATE | EVENT |
|----------------------------------|--|
| April 1 – April 30, 1998 | Completion of due diligence studies (structural, Phase I Environmental); historical research; interview and selection of real estate broker). |
| May 1 – May 31, 1998 | Execute a professional services agreement with selected broker. Establish an asking price. Prepare marketing material information package. Start advertising the property through publications, personal solicitation, and international mass marketing. |
| June 1 – July 31, 1998 | Continue marketing and follow-up, respond to inquiries and offers. |
| August 1 – August 31, 1998 | Continue marketing and follow-up, respond to inquiries and offers. Close out offer acceptance at the end of this month if we have received solid offers. |
| September 1 – September 30, 1998 | Evaluate offers and counter as appropriate. By the end of the month accept one offer and secure one back-up offer, if possible. |
| October 1 – October 31, 1998 | Negotiate purchase and sale agreement. |
| November 1 – December 15, 1998 | Buyer due diligence. |
| December 15 – January 15, 1999 | Projected close of escrow. |

"AMENDED"

RESOLUTION NO. 98-107

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF MAR 31 1998

**A RESOLUTION AUTHORIZING THE SALE
OF THE HALL OF JUSTICE PROPERTY AS SURPLUS
CITY PROPERTY WITHOUT THE NECESSITY
OF OBTAINING COMPETITIVE BIDS**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO AS
FOLLOWS:**

1. The City Council finds and determines that it is in the best interests of the City of Sacramento that the Hall of Justice property, which is surplus City property, be sold without the necessity of obtaining competitive bids.
2. Pursuant to subsection A of City code Section 12.07.170, the City Manager is authorized to market the Hall of Justice property without the necessity of obtaining competitive bids.
3. Marketing of the Hall of Justice property shall be through a commercial real estate brokerage firm approved by the City Manager. In the professional services agreement with such broker, the City Manager shall include a provision specifying that no commission shall be due and payable to such broker unless and until the City Council has actually approved and accepted an offer to purchase the property, irrespective of whether or not the offer meets the conditions set forth in the professional services agreement.
4. Upon receiving an appropriate offer to purchase the property, and in the event that the City Manager determines to recommend acceptance of such offer to the City Council, the City Manager shall place the matter on the City council agenda for consideration by the City Council, which shall have full discretion as to whether or not to accept the offer.
5. The recovery of upfront and staff costs related to the sale of the Hall of Justice shall be from the sale proceeds.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: 98-107
DATE ADOPTED: MAR 31 1998

6. The net sales proceeds from the Hall of Justice will be deposited in the General Fund.
7. That the Hall of Justice shall be nominated by the City to the National Register of Historic Places.
8. Sale shall be contingent upon the proposer meeting the historic preservation ordinance.
9. Proposer shall be encouraged to establish an area for police memorabilia and credit shall be given for non-monetary contributions.

MAYOR

ATTEST:

CITY CLERK

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: 98-107
DATE ADOPTED: MAR 31 1998

Amended
RESOLUTION NO. 98-107

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED
BY THE CITY COUNCIL

MAR 31 1998

OFFICE OF THE
CITY CLERK

**A RESOLUTION AUTHORIZING THE SALE
OF THE HALL OF JUSTICE PROPERTY AS SURPLUS
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8

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

4. Upon receiving an appropriate offer to purchase the property, and in the event that the City Manager determines to recommend acceptance of such offer to the City Council, the City Manager shall place the matter on the City council agenda for consideration by the City Council, which shall have full discretion as to whether or not to accept the offer.
5. The recovery of upfront and staff costs related to the sale of the Hall of Justice shall be from the sale proceeds.
6. The net sales proceeds from the Hall of Justice will be deposited in the General Fund.
7. The Hall of Justice shall be nominated by the City to the National Register of Historic Places.

MAYOR

ATTEST:

CITY CLERK

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____