



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



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July 7, 1987

Budget & Finance Committee of
the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Execution of Disposition and Development Agreement with
Marvin L. Oates and Robert J. Erickson - Development of
the Donner School Site

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the attached resolution authorizing execution of the necessary documents and approving the Scope of Development and Schedule of Performance.

Respectfully submitted,

William H. Edgar
WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:

Jack R. Crist
JACK R. CRIST
Deputy City Manager

Attachment



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



July 6, 1987

Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Execution of Disposition and Development Agreement (DDA) with Marvin L. Oates and Robert J. Erickson, a Joint Venture, for Redevelopment of the Donner School Site, 4554 8th Avenue (Public Hearing)

SUMMARY

This report regards authorization to enter into a Disposition and Development Agreement (DDA), and execution of all documents related thereto, with Marvin L. Oates and Robert J. Erickson, in order to purchase and rehabilitate the eastern portion of the Donner School site for use as a vocational school and offices. (Parcel and Location Maps are attached as Exhibits A and B).

BACKGROUND

The City and the Agency have attempted to initiate redevelopment at the Donner School site since 1981. At that time the City negotiated a development agreement with the Sacramento Police Athletic League (SPAL) to rehabilitate the structure for use by nonprofit organizations. This agreement was terminated on May 21, 1985 when PAL determined that the cost to rehabilitate the Donner structure was beyond the organizations financial capabilities.

On September 16, 1985 the Redevelopment Agency, which had since been identified the development agent for the Donner Site, entered into an exclusive negotiation agreement with Superior Valley Small Business Development Corporation to rehabilitate the structure for use as a business incubator. Unfortunately this agreement was also terminated on July 1, 1986 when Superior Valley failed to raise the required equity capital.

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During the following year the Agency has pursued two development options for the site. First, the Agency investigated the Sacramento Unified School District's potential interest in the site for a new elementary school serving Oak Park. After discussions with representatives of the School District and other community groups, the Donner site was eliminated when it was determined that the Community Center Park was considered to be a much better site if an elementary school were to be constructed in Oak Park.

Second, after determining that this action would not jeopardize community based negotiations for an Oak Park elementary school, the Agency advertised a Request for Proposal (RFP) to develop the Donner School site in conformance with the adopted Oak Park Redevelopment Plan. The RFP was authorized January 27, 1982.

Only one complete proposal, submitted by Marvin L. Oates and Robert J. Erickson, was received by the April 20 deadline established in the Donner School RFP. As submitted, this proposal included the rehabilitation of the Donner School structure for use by a vocational baking school, new construction of a 10,000 square foot office building and sale of the rear third of the property to Rural California Housing Corporation (RCHC) for "self-help" construction of twelve single family homes.

After thorough review of the proposal by a Selection Panel, the Oak Park PAC and the Sacramento Housing and Redevelopment Commission, the City Council (as the Redevelopment Agency) selected Oates/Erickson as the developer with modifications to the proposal to eliminate the housing component. The Council action reflected the concerns of the Oak Park PAC that the housing component was not desired at the site.

Therefore, at the June 2, 1987, City Council meeting, the Council authorized the Agency to negotiate a DDA for only the rehabilitation of Donner School for a vocational school and the construction of new office space on the front portion of the Donner School Site. (The front portion of the site proposed for office and vocational school use is approximately 2.15 acres). Residential uses is specifically excluded from the proposal and the back portion of the property is to remain in the possession of the Agency until such time as a suitable development proposal is submitted for the site.

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Proposed Project

As amended by City Council, the Oates-Erickton joint venture proposes to rehabilitate the Donner School site to provide approximately 22,500 square feet of space for a vocational baking school. In addition Oates-Erickson also propose to construct a new 10,000 sq. ft. office building immediately behind the school structure. One hundred and twenty six (126) parking spaces will be provided behind the two structures. The Scope of Development and Schedule of Performance are attached as Exhibit C and D.

The developer has estimated the following development costs to purchase and redevelop the front 2.15 acres of the Donner School site.

A.	Land and Building Purchase Price	\$130,000
B.	Improvements	\$808,781
	Total Development Cost	<u>\$938,781</u>

Of the purchase price of \$130,000, the developer will pay one half or \$65,000 upon closed of escrow. In order to provide an incentive for the developer to continue ownership of the site the following payback schedule has been developed for the remainder. The remaining \$65,000 owed for the property is due upon sale or in 10 years, whichever comes first. In the event that Oates-Erickson sells the property within five years of close of escrow, principal plus 8% interest compounded annually will be due on sale. If the developers sell the property between five and 10 years after close of escrow, the principal plus 4% compounded annually will be due upon sale. At year ten, the \$65,000 principal is due without interest.

The full Development and Disposition Agreement is on file at the City Clerk's office.

FINANCIAL DATA

The Agency will receive a total of \$130,000 for the portion of the Donner parcel to be developer. The sale price is based on an independent appraisal completed by David Lane in 1985.

The anticipated tax increment which will result from putting this property back on the tax roles is estimated to be \$15,000 per year. All land disposition proceeds and interest will be paid to the Oak Park Redevelopment funds for use in future redevelopment projects in this area.

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ENVIRONMENTAL REVIEW

At this time environmental review is not required. The developer however, will be required to obtain a California Environmental Quality Act review prior to initiation of construction.

POLICY IMPLICATIONS

The recommended action is consistent with previously approved developer assistance policies and no new policies are recommended.

PROJECT AREA COMMITTEE (PAC) RECOMMENDATIONS

At their regular meeting of July 1, 1987, the Oak Park Project Area Committee (PAC) considered the subject resolution. The Sacramento Housing and Redevelopment Commission (SHRC) and the Agency will be advised of this recommendation.

VOTE AND RECOMMENDATION OF COMMISSION

At its meeting of July 6, 1987, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

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RECOMMENDATION

The staff recommends adoption of the attached resolution authorizing the Executive Director to execute the subject Disposition and Development Agreement (DDA) and all related documents and accepting the Scope of Development and Schedule of Performance as submitted by the developer.

Respectfully submitted



WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: Trish Davey

0216Q

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

AUTHORIZING EXECUTION OF DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE DONNER SCHOOL SITE

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY
OF SACRAMENTO:

Section 1: The Executive Director is hereby authorized to execute a Disposition and Development Agreement, in accordance with the staff report filed with this resolution and as approved by the Agency Counsel, with Marvin L. Oates and Robert J. Erickson, a joint venture, for the purchase and redevelopment of approximately 2.15 acres of the Donner School Site located at 4554 Eighth Avenue, Sacramento, California. The Executive Director is further authorized to execute a Declaration of Restrictions, and other documents required to be executed in connection with the Disposition and Development Agreement.

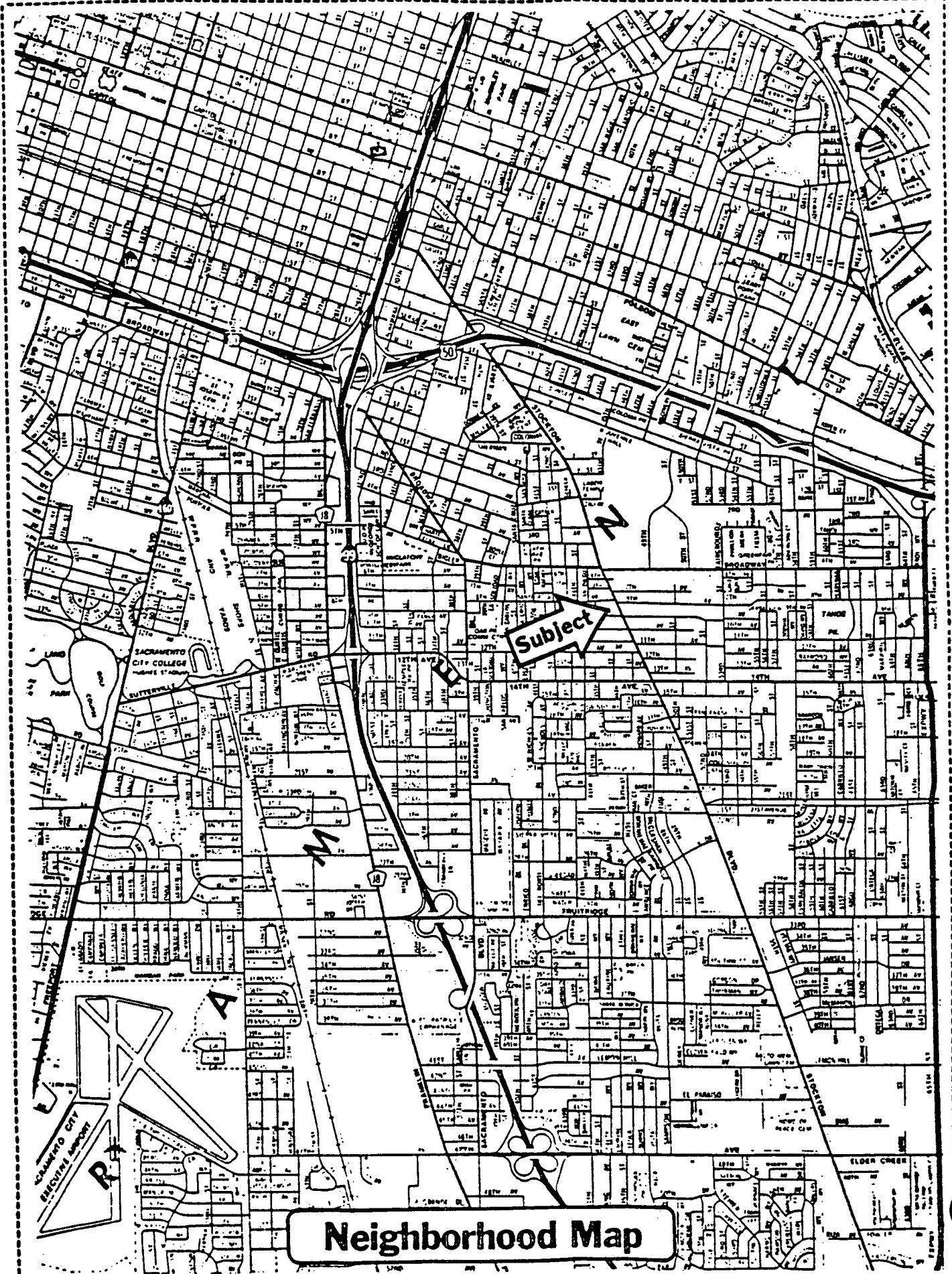
Section 2: The Scope of Development and Schedule of Performance as submitted by the developer and attached with the staff report filed with this resolution, are hereby approved.

CHAIR

ATTEST:

SECRETARY

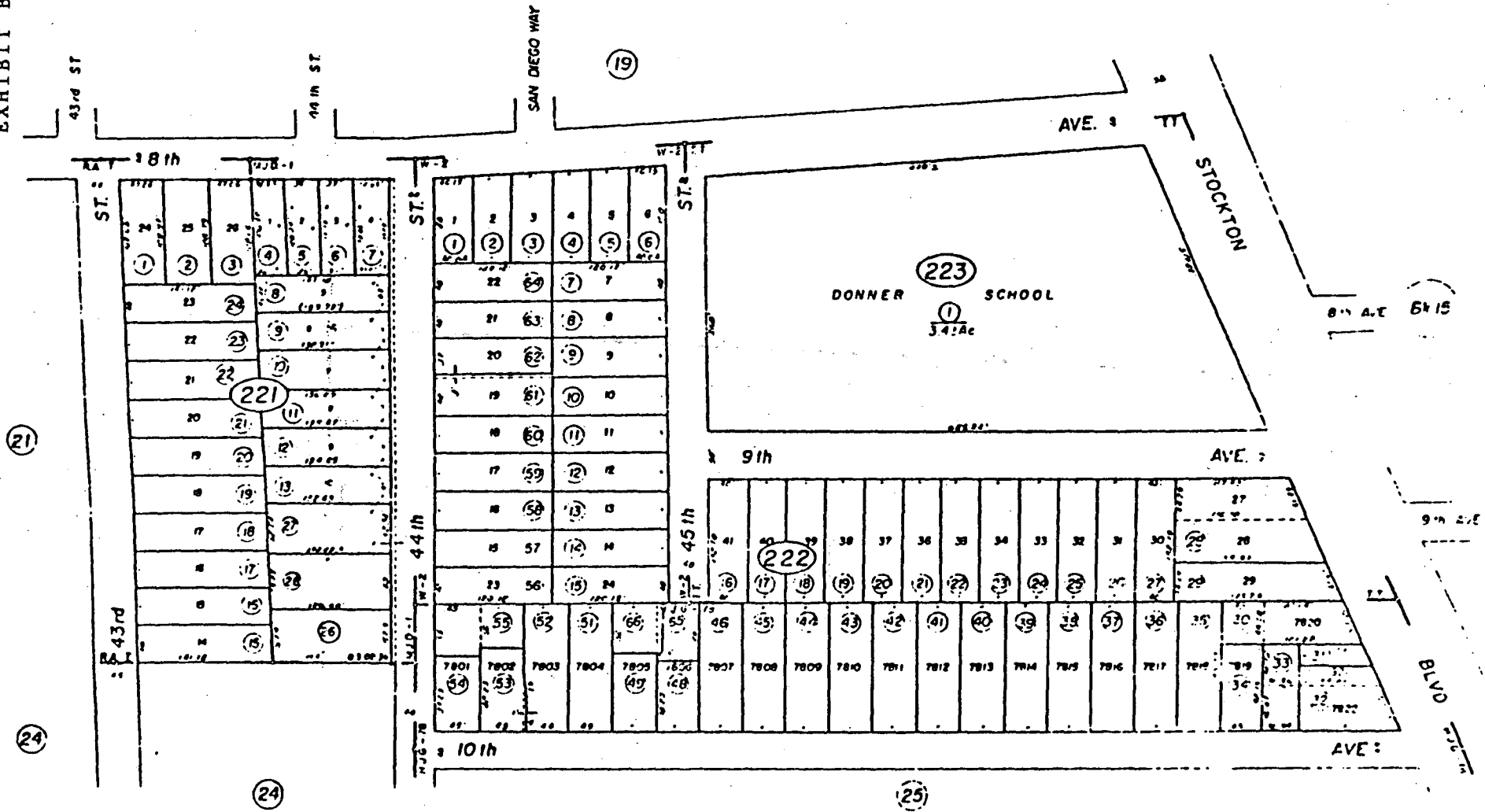
31(O)
1100WPP1



Neighborhood Map

DAVID E. LANE, INC.
REAL ESTATE APPRAISERS

EXHIBIT B



OF SACRAMENTO
Map Bk. 14-Pg. 22
Sacramento, Calif.

1929

NOTE - Assessor's Block Numbers Shown in Ellipses.
Assessor's Parcel Numbers Shown in Circles.

PARCEL MAP

REDEVELOPER'S NARRATIVE STATEMENT

The Oates & Erickson development team concentrates on isolating projects that have a basic underlying quality of economic soundness. When a project has been pre-qualified and accepted as having basic economic soundness, variations of the development are considered to yield the most significant level of desirable economic and community impact possible. This development philosophy is designed to promote projects that will produce a wide spectrum of value for many years.

The Redeveloper's purpose is to propose a transformation of the Donner School site from an idle resource to a unique redevelopment project consisting of a plan to provide a learning center leased and operated by United Education & Software and an office building for ancillary use by United Education & Software or for general office use.

The Donner School redevelopment proposal bisects the acreage into two segments: approximately 2.15 acres of commercial usage fronting Stockton Boulevard on the East from approximately 1.19 acres of open area to be retained by Sacramento Housing and Redevelopment Agency. This open area fronts 8th Avenue on the North, 9th Avenue on the South and 45th Street on the West.

The redevelopment land plan consists of dividing the commercial 2.15 acres into two parcels. One parcel will contain The Donner School building and the other will allow for the development of the stated office building situated South West of Donner School. A 126 car parking lot will be constructed directly behind the school. This parking lot will serve the needs of the vocational school and the new office building.

The rehabilitation plan for Donner School consists of work to the interior and exterior of the existing building. The degree of architectural change resulting from the school building rehabilitation will not be significant due to its inherent suitability for the Redeveloper's end use. The existing building's exterior architectural features are attractive and design changes are not foreseen for the vocational school. For this reason, the final product will appear much as it does today except for an overall restoration. However, the Redeveloper intends to create an architectural focal point to enhance the building's curb appeal.

The interior building rehabilitation, likewise, requires very little physical modification from the original design. The primary undertakings, aside from upgrading the building to modern standards are to prepare 1,600 square feet of baking facilities and 2,300 square feet of office area.

The Redevelopers are aware of a very similar school building that has been recently renovated. The address of this structure is 2791 24th Street, Sacramento, CA and is called Sierra 2: A Center for the Arts and Community. The Sierra 2 project is a representative example of the minimum basic product that the Redeveloper intends to render at the Donner School site. Please examine the photographs included in this proposal.

At the present time final lease negotiations between the Redeveloper and United Education & Software are being conducted. Concurrently with the lease negotiations, United Education & Software and the Baker's Handcraft Training School are finalizing a union contract.

Our preliminary timeline chart indicates that the vocational school will be in session November 1, 1987. This is a best circumstance type time estimates as the schedule is highly contingent on the timely execution of the Development Disposition Agreement and the Redeveloper's ability to successfully negotiate a lease agreement with United Education and Software.

A complete statement of the development team of Oates & Erickson, including relevant information on the architect, C.A. Newby & Associates, is attached for your consideration along with a listing of representation projects.

In closing this narrative, the Redeveloper wishes to emphasize the fact that every portion of this proposal is centered around long term community benefit by endeavoring to provide quality vocational training and job placement opportunities aimed at disadvantaged and previously unserved populations.

We sincerely appreciate the opportunity to present our concept of the best and highest usage of the Donner School Site as governed by the Request for Proposals.

OATES & ERICKSON

Robert L. Erickson, General Partner

Schedule Name: 4554 8th AVENUE DEVELOPMENT OVERALL PLAN
 Project Manager: E&H MANAGEMENT SYSTEMS
 As of date: 24-Jun-87 12:44pm Schedule File: C:\TL\DATA\520\DONNER

THIS SCHEDULE IS AN INITIAL SCHEDULE OF THE MAJOR ACTIVITIES

Who	87				88																										
	Status	Feb 2	Mar 2	23	Apr 13	May 4	Jun 26	Jul 9	Aug 29	Sep 14	Oct 28	Nov 19	Dec 7	88 Jan 21	Feb 8	Mar 29	Apr 14	May 4	25	Jun 16	26	Jul 11	Aug 25	Sep 6	19	Oct 11	24	Nov 14	29	Dec 12	
U.S.E. LEASE NEGOTIATIONS		+++++																													
BID OPENING	D				M																										
DEVELOPER SELECTION PROCESS	D				=====																										
DDA NEGOTIATIONS							+++++																								
EARLY ENTRY AGREEMENT EXECUTED	D					M																									
ARCHITECTURAL DRAWINGS DONNER								=====																							
GENERAL EXTERIOR IMPROVEMENTS								=====																							
INITIAL CLEAN UP INT./EXT								=====																							
U.S.E. LEASE SIGNED	D								M																						
U.S.E. TENANT IMPROVEMENT DRUG										=====																					
SUB-DIVIDE INTO THREE PARCELS										=====																					
ESCROW CLOSES											M																				
BUILDING PERMIT DONNER/U.S.E												M																			
EXECUTE DDA												M																			
DONNER U.S.E. REHAB & T.I. IMP																															
U.S.E SCHOOL OPENS TO PUBLIC																															
ARCHITECTURAL DRAWINGS ANNEX																															
BUILDING PERMIT ANNEX BULDG	C																														
ANNEX OFFICE BLDG. CONST.	C																														

 D Done == Task - Slack time (==--), or
 C Critical +++ Started task Resource delay (---==)
 R Resource conflict M Milestone) Conflict
 p Partial dependency
 Scale: Each character equals 3 days

TIME LINE Gantt Chart Report