



**Sacramento
Housing &
Redevelopment
Agency**

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

Consent
February 26, 2008

Honorable Chair and Members of the Board

Title: Owner Participation Agreement with U. S. National Leasing LLC. for Improvements at Depot Park

Location/Council District: Depot Park, 16 Business Park Way, (Buildings 1, 2, 7 and 8) Council District 6

Recommendation: Adopt a **Redevelopment Agency Resolution** authorizing the Interim Executive Director or her designee to 1) execute an Owner Participation Agreement between the Redevelopment Agency and U.S. National Leasing, LLC, for financing (as a forgivable loan) in the amount of \$454,200 to remove asbestos and replace deteriorated windows in four older industrial warehouse buildings at Depot Park; and 2) amend the Agency budget to allocate \$424,200 in Army Depot Tax Increment Funds to the Project.

Contact: Lisa Bates, Deputy Executive Director, 440-1316, Christine Weichert, Assistant Director, Housing and Community Development, 440-1353.

Presenters: N/A

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: Seattle-based U.S. National Leasing, LLC (Developer), operates the City-owned Depot Park. The Developer has requested assistance from the Army Depot Developer Assistance fund for the second phase of a project previously approved under the 2006 Master Project Agreement (MPA) that governs investment of tax increment funding for improvements at Depot Park. The Developer previously used approximately \$546,000 under the MPA for replacement of 5,670 linear feet of deteriorated window frames and glazing at the "clerestory" level of three buildings at Depot Park. (Clerestory windows run

Owner Participation Agreement with U. S. National Leasing, LLC.

above the roof line along the longitudinal axis of the warehouse buildings. These windows greatly increase the amount of natural lighting available to interior spaces.) Each of eight Depot Park warehouse buildings provide more than one-quarter million square feet of space for office, warehouse and light industrial uses. After the 2006 replacement of all clerestory window frames and glazing at then-vacant Building 5, the structure is now fully-occupied with tenants.

As a second phase, the Developer proposes to use the remaining \$454,200 from the MPA to remove asbestos and replace deteriorated clerestory windows at the north façade of Buildings 1 and 2 and the south façade of Buildings 7 and 8. The four structures collectively provide more than one million square feet of light industrial and office space for business tenants. The Developer would supplement those funds with approximately \$266,000 in private funds to complete the project, which is estimated to cost \$720,000.

Policy Considerations: The proposed Depot Park improvements are consistent with the community development goals in the Army Depot Redevelopment Implementation Plan for 2005 – 2009, and are in accord with the MPA between the Developer and the Agency. The project will further the Redevelopment Plan and Implementation Plan by assisting in the effective conversion of a former military facility into an industrial park that supports local jobs and business development. The project will stimulate economic growth by upgrading facilities that house light industrial, warehousing and other business activities at Depot Park. It will enhance tenant retention by eliminating water leaks from the overhead roofline windows that run along the axis of the buildings. The project is consistent with the City's Strategic Plan goal to promote and support economic vitality. The proposed action supports the Guiding Principle of that goal which states that City programs should support the development and success of new and existing targeted businesses of all sizes within the City.

Environmental Considerations: The proposed action to provide funding to upgrade four Depot Park buildings is in furtherance of the Sacramento Army Depot Redevelopment Plan. In addition, rehabilitation of an existing building with no expansion or change in use is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Section 15301. The planned removal of small amounts of asbestos, a hazardous substance, is exempt under CEQA Guidelines Section 15330 regarding actions to eliminate a minor threat of hazardous waste. The National Environmental Policy Act (NEPA) does not apply.

Committee/Commission Action: At its January 30, 2008 meeting, the Army Depot Redevelopment Advisory Committee (ADRAC) was briefed by Agency staff on the background of the project and its funding.

Owner Participation Agreement with U. S. National Leasing, LLC.

At its meeting of February 6, 2008, the Sacramento Housing and Redevelopment Commission reviewed the staff recommendation for this item. The vote was as follows:

AYES: Burruss, Chan, Dean, Fowler, Gore, Morgan, Otto, Shah, Stivers

NOES: None

ABSENT: Coriano

Rationale for Recommendation: The former military depot buildings on the Depot Park campus are 62-year old industrial warehouse structures that, like all buildings, require periodic upgrades for purposes of weather-proofing and thermal resistance. The clerestory windows to be replaced are not original to the buildings. They suffer water leakage and provide less than optimal daylight transmission and minimal insulation value. Based on the frames and double-insulated glazing used in the 2006 first phase work, leakage problems abated and natural light for tenant use improved greatly, diminishing the need for artificial lighting. The next phase of improvements will complete the needed clerestory window replacements at Buildings 1, 2, 7 and 8, which will improve tenant amenities and help maintain the competitive appeal of more than one million square feet of light industrial space at Depot Park.

Financial Considerations: Staff recommends a budget amendment to appropriate \$454,200 of Army Depot Tax Increment Development Assistance funds for removal of asbestos and replacement of deteriorated clerestory window frames and glazing, and approval of a resolution authorizing the Interim Executive Director to execute a Construction and Permanent Loan Agreement, an Owner Participation Agreement and a Regulatory Agreement to govern the project. The funds are available as permitted by the Settlement Agreement between the Agency and the Developer. If funded as proposed, future projects that may be proposed to improve Depot Park could be assisted by future increases in tax increment generated by Depot Park.

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Owner Participation Agreement with U. S. National Leasing, LLC.

M/WBE Considerations: The work and funding discussed in this report have no M/WBE impact: therefore, M/WBE considerations do not apply.

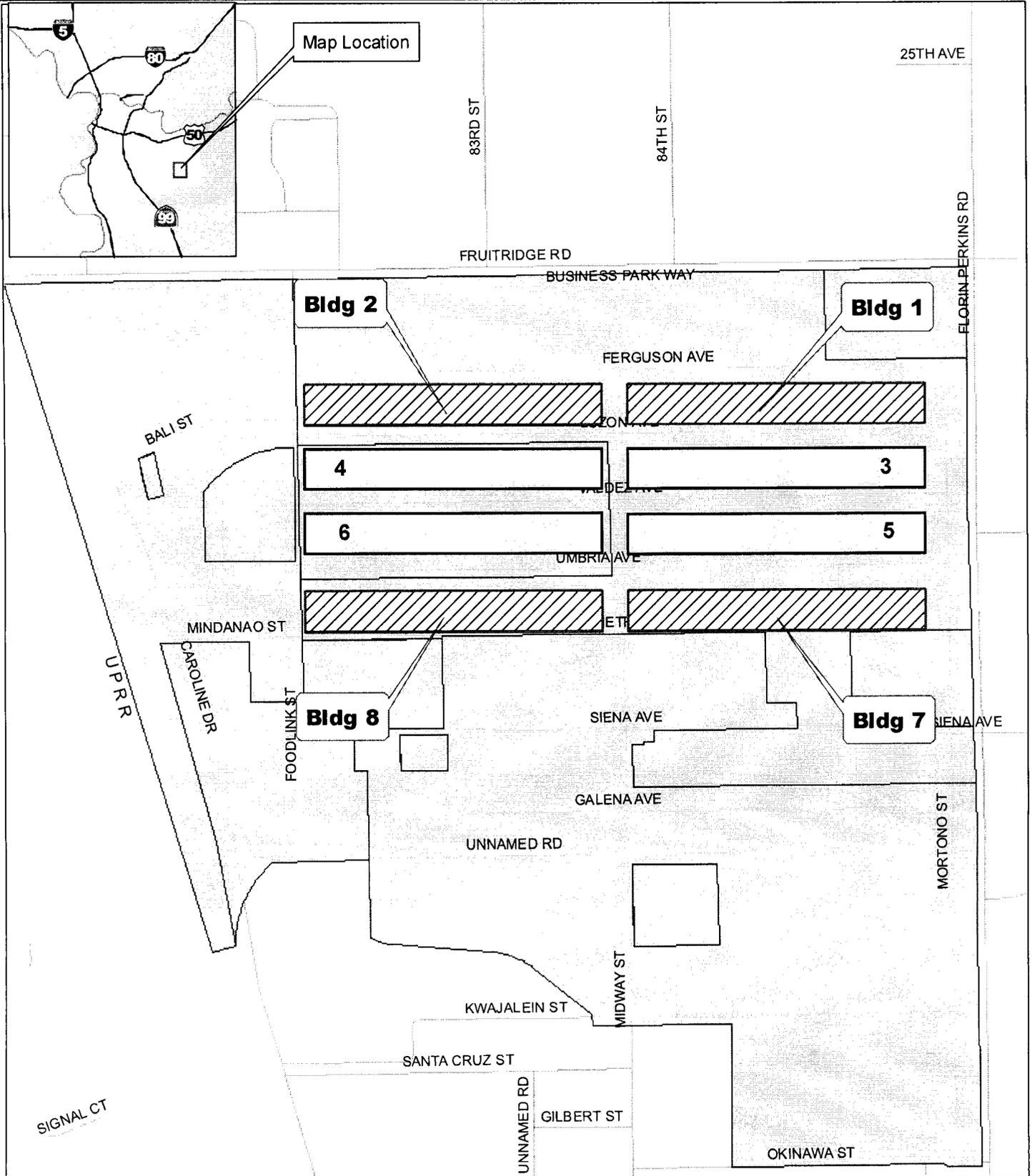
Respectfully Submitted by: 
LASHELLE DOZIER
Interim Executive Director

Recommendation Approved:

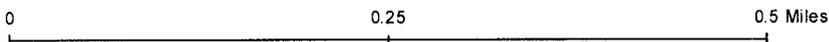

for RAY KERRIDGE
City Manager

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Depot Park Clerestory Window Replacement Project Phase 2



□ Depot Park



BACKGROUND: OWNER PARTICIPATION AGREEMENT WITH U.S. NATIONAL LEASING, LLC

U.S. National Leasing, LLC (Developer), operates the City-owned Depot Park (see Location Map, Attachment 1) under an Industrial Development Lease and Option to Purchase agreement. The Third Amendment to the Army Depot Redevelopment Plan, adopted in 2004, precipitated a lawsuit filed by the Developer. Negotiations resulted in approval by the City Council of a Settlement Agreement (dated January 31, 2006) and a Master Project Agreement (dated February 1, 2006) with the Developer. These agreements provide a protocol for funding of capital improvement and other projects at Depot Park that are eligible for the tax increment funding allocated in the Settlement Agreement.

With this request, the Developer proposes to remove and replace existing window frames and plastic panels at the north façade of Buildings 1 and 2 and the south façade of Buildings 7 and 8 of four Depot Park buildings, commonly known as building numbers 1, 2, 7 and 8. The work is being proposed to resolve chronic maintenance, water leakage and energy inefficiency of the existing window frames and plastic panels in the clerestories of those sixty-two year old buildings. These industrial warehouse buildings date from the era when Depot Park was a military facility. Each building provides almost six acres (258,000 square feet) of leaseable space. The four buildings are now almost 96% leased by a variety of business tenants, none of which would be displaced by the proposed work.

The contractor for the project would install new bronze anodized window frames (5 x 5.6 feet in size) with $\frac{3}{4}$ inch dual-pane (insulated) fixed glazing and vertical mullions to resist wind forces. Scope of work for the four buildings would total 1,152 window frames/panes, totaling about 5,670 linear feet of clerestory openings. South-facing new glazing would have a reflective surface to limit heat gain while increasing indoor natural light quality as compared to existing translucent panels. The contractor would be required to obtain a building permit issued by the City of Sacramento for the proposed work.

Total costs, based on preliminary estimates, will be approximately \$720,000. Contract administration/oversight by the Developer will be absorbed into the property management budget for Depot Park. The funds would be released according to percentage of work completed with 10 percent retention until 100 percent completion. Upon execution of the funding agreement and issuance of a Notice to Proceed, Developer expects completion within six months of the project start date.

RESOLUTION NO. 2008 –

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

AUTHORIZE INTERIM EXECUTIVE DIRECTOR TO EXECUTE AGREEMENTS TO FUND CLERESTORY WINDOW REPLACEMENT PROJECT PHASE 2, DEPOT PARK BUILDINGS 1, 2, 7 AND 8, AND RELATED ACTIONS

BACKGROUND

- A. U.S. National Leasing, LLC (Developer), operates City-owned Depot Park under an Industrial Development Lease and Option to Purchase agreement.
- B. The repair, maintenance and upgrading of Depot Park is consistent with the City's Strategic Plan Goal to enhance and preserve the economic vitality of Sacramento's business and industrial sector.
- C. In January 2006, the City Council and the Developer entered into a Settlement Agreement and a Master Project Agreement to provide funding for eligible capital improvement and other projects at Depot Park.
- D. Army Depot Redevelopment Project Area Tax Increment funds provide the funding source for the Settlement Agreement and the Master Project Agreement.
- E. In 2006, Developer replacement of deteriorated clerestory window frames and glazing at four Depot Park structures was determined to be an eligible project and was provided funding of \$546,000 from the Settlement Agreement.
- F. Developer has proposed a second phase for the project to continue replacement of deteriorated window frames and glazing along with minor removal of asbestos at four Depot Park buildings, with total costs estimated at approximately \$720,000 (Project).
- G. The Project will further conversion of the former military facility for local jobs and business by stimulating economic growth as a result of blight removal and physical improvements to commercial facilities at Depot Park.

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

- Section 1. The foregoing findings are acknowledged, approved and adopted. The Interim Executive Director is directed to prepare a Notice of Exemption for the Project based on findings in the accompanying staff report in accordance with CEQA Guidelines Section 15301 and Section 15330.

- Section 2. The Interim Executive Director is authorized to execute a Construction and Permanent Loan Agreement in the amount of \$454,200, an Owner Participation Agreement and a Regulatory Agreement with U.S. National Leasing, LLC, substantially in the form of such documents on file with the Agency Clerk, for the implementation of the Project at Buildings 1, 2, 7 and 8 at Depot Park, and to perform other actions as reasonably necessary to implement and enforce the terms of such documents.

- Section 3. The Interim Executive Director is authorized to amend the Agency budget to allocate \$454,200 in Army Depot Tax Increment Funds to the Project.