



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



May 5, 1987

Budget and Finance Committee
of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Execution of Disposition and Development Agreement
(DDA) with John K. Holcomb and W.E. Overholtzer, a
Limited Partnership, for the Oak Park Fire Station No.
6, 3414 Fourth Avenue

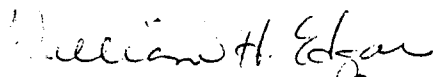
SUMMARY

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

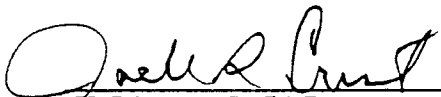
RECOMMENDATION

The staff recommends adoption of the attached resolution
authorizing the execution of the Disposition and Development
Agreement (DDA) for the Oak Park Fire Station No. 6.

Respectfully submitted,


WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:


JACK R. CRIST
Deputy City Manager

Attachment

00960



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



March 16, 1987

Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Execution of Disposition and Development Agreement (DDA)
with John K. Holcomb and W.E. Overholtzer, a Limited
Partnership, for the Oak Park Fire Station No. 6, 3414
Fourth Avenue

SUMMARY

This report presents a request for authorization to enter into a Disposition and Development Agreement and to execute all documents related thereto with John K. Holcomb and W.E. Overholtzer, in order to purchase and rehabilitate the Oak Park Fire Station No. 6 for office use.

BACKGROUND

The Agency has been attempting to initiate a redevelopment project at the Oak Park Fire Station No. 6 since 1982. At that time the City authorized the Agency to act as the developing agent for the Fire Station Property, (Resolution No. RA-02-002, July 12, 1982). A parcel map indicating the location of the station is attached as Exhibit A.

The Agency first advertized a Request for Proposals (RFP) to redevelop the Fire Station in the Spring of 1983. Two proposals were submitted in response to this invitation, however both were incomplete. The Agency attempted to work with each submitting party but neither proposal was ever finalized.

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Redevelopment Agency of the
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The initial RFP for the Oak Park Fire Station has remained open. On August 7, 1985 the Oak Park PAC, concerned over the City's intention to demolish the Fire Station structure in the absence of a viable redevelopment strategy, requested that the Agency step up efforts to find a developer for the site. The RFP was readvertized three times at approximately two month intervals during the time period between October 1985 and May 1986.

The Selection Committee established to review the responses to each of these last three Requests for Proposals included the following persons.

| | |
|--------------------------|--------------------------------|
| Virginia Moose | SHRA Commissioner |
| Joe Rogers | Oak Park PAC Member |
| David Nakashima | Oak Park PAC Member |
| Leon Weston | Oak Park PAC Director |
| Charolotta Kirby-Leonard | SHRA Loan Officer |
| Ken Larsen | SHRA Rehabilitation Specialist |
| Anne Moore | SHRA Oak Park Planner |

The first advertisement did not generate a response. The second advertisement was responded to by Mr. Holcomb. At that time, the Selection Committee rejected Mr. Holcomb's proposal, recommended advertising the RFP a third and final time, and invited Mr. Holcomb to resubmit.

Mr. Holcomb did resubmit a much stronger proposal and again his proposal was the only one submitted. The Selection Committee recommended that Mr. Holcomb be given the opportunity to respond to a list of concerns as summarized in a staff report to the Redevelopment Agency dated June 11, 1986. The Redevelopment agency adopted a resolution giving Mr. Holcomb 60 days to respond.

Mr. Holcomb was able to satisfy all of the concerns of the Selection Committee. In the process he formed a partnership with Mr. W.E. Overholtzer whose development experience and financial strength greatly increased the viability of the proposed project.

The Selection Committee met again on October 29, 1986 and unanimously recommended in favor of negotiating a DDA with Holcomb and Overholtzer.

Proposed Project

The Holcomb and Overholtzer Partnership proposes to redevelop the Fire Station Property to provide 4,750 sq. ft. of quality office space catering to lawyers and other professionals using the McGeorge

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Law School and law library. Eighteen (18) parking spaces will be provided on an adjacent parcel which Mr. Overholtzer is contributing to the partnership and another adjacent parcel under option to the partnership. The Scope of Development, Schedule of Performance, and Site Plan are attached as Exhibits B, C and D.

The developer has estimated the following development costs to purchase and rehabilitate the Fire Station property:

| | | |
|---|----|----------------|
| A. Purchase Price-Fire Station | \$ | 100 |
| B. Purchase Price - Adjacent lot for parking | \$ | 10,000 |
| C. Improvements | \$ | 133,500 |
| D. Contingency and Closing Costs | \$ | <u>13,900</u> |
| TOTAL DEVELOPMENT COSTS | \$ | <u>181,500</u> |

This project will be financed with equity capital and a loan from the Agency's Direct Commercial Loan Program. The developer has a loan commitment from the Agency for \$112,000. In addition the project qualifies for a \$7,500 rebate from the Agency's Facade Rebate Program. The developer's equity contribution to this project equals \$62,000 of which \$38,000 is in the form of a cash contribution and \$24,000 is the appraisal value of land contributed to the project for parking.

In the process of qualifying for a loan from the Agency, the developer has submitted a project proforma, a schedule of real estate owned, and statements of assets and liabilities. It should also be noted that Mr. Overholtzer has successfully participated in the completion of the apartment building located directly west of the Fire Station and has participated in the construction of a number of office buildings throughout Sacramento.

Development and Disposition Agreement (DDA)

The subject DDA is standard except for the one special condition. The DDA directs that a lien equaling \$19,400 (the appraised value of the Fire Station parcel minus \$100 purchase price) will be placed against the property for five years. At the end of that time, if the developer has fulfilled all obligations of the DDA, the lien will be forgiven. This lien has been established to protect the Agency's subsidy of the land costs for the project for a reasonable length of time and to guard against any windfall profits accruing to the partnership.

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FINANCIAL DATA

The developer has received a commitment from the Agency for a \$112,000 7.5% Direct Commercial Loan and a \$7,500 Facade Rebate. The loan term is for fifteen years. Evidence of the Agency loan commitment is attached as Exhibit E.

While the Holcomb-Overholtzer partnership is paying only \$100 for the property, we feel this subsidy is justified by the level of risk they are assuming and the amount of equity capital contributed. The anticipated tax increment which will result from putting this property back on the tax rolls is estimated to be \$2,500-3,500 per year.

ENVIRONMENTAL REVIEW

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

POLICY IMPLICATIONS

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

PAC RECOMMENDATION

At their regular meeting of March 4, 1987, the Oak Park Project Area Committee (PAC) considered the subject resolution and recommended in favor of approval.

VOTE AND RECOMMENDATION OF COMMISSION

At its meeting of 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 and all related documents and accepting the scope of development, schedule of performance and evidence of financing as submitted by the developer.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: Trish Davey, 440-1322

2763K

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
ON DATE OF

AUTHORIZING EXECUTION OF DISPOSITION AND DEVELOPMENT
AGREEMENT FOR THE OAK PARK FIRE STATION NO. 6

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 John K. Holcomb and W.E. Overholtzer, a partnership, for the purchase and rehabilitation of the Oak Park Fire Station No. 6 located at 3414 Fourth 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.

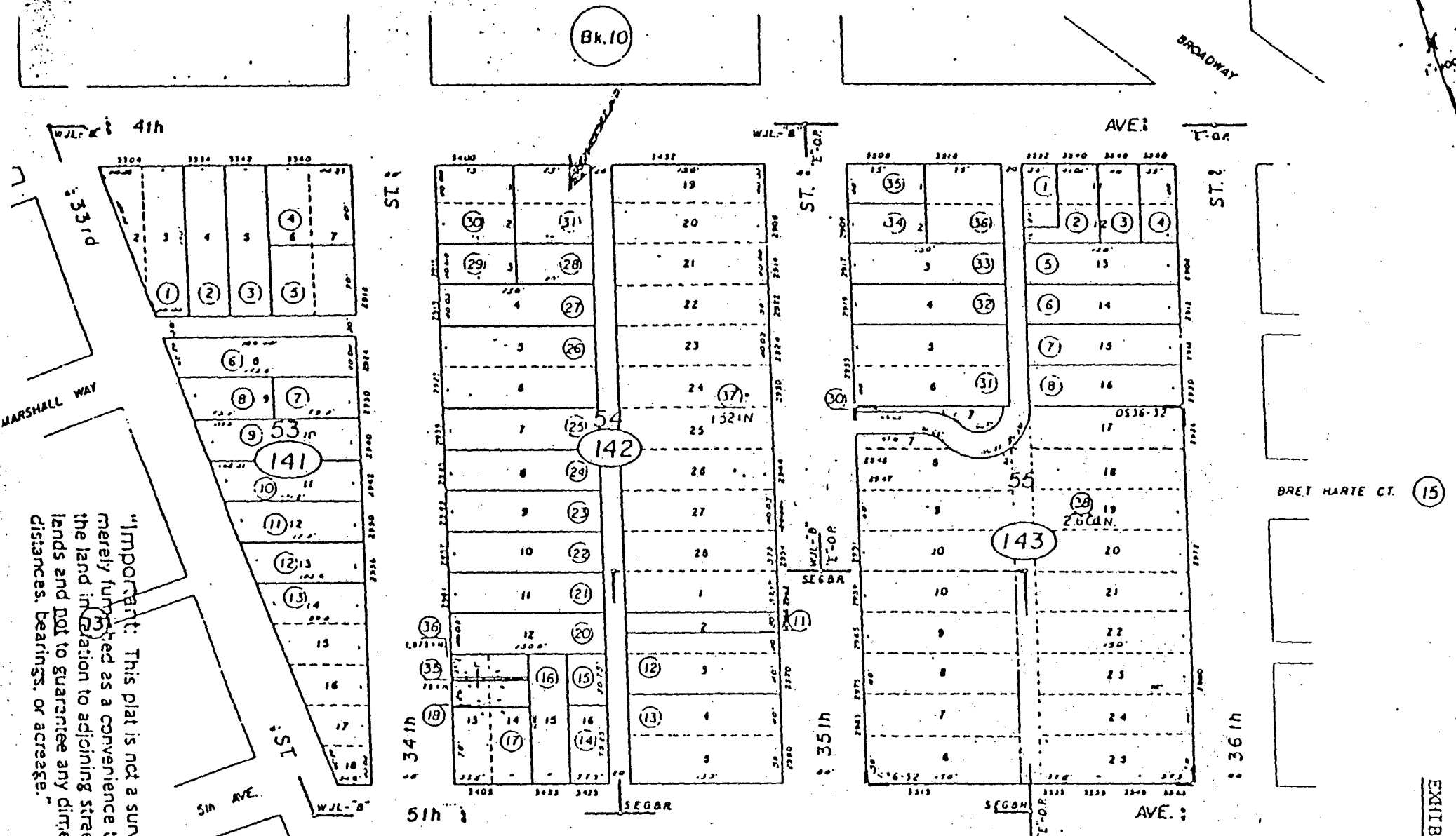
Section 2: The scope of development, schedule of performance and the evidence of financing for the purchase and rehabilitation of such real property as submitted by the developer and attached to the staff report, are hereby approved.

CHAIR

ATTEST:

SECRETARY

0791L



"Important: This plat is not a survey. It is merely furnished as a convenience to locate the land in relation to adjoining streets and other lands and not to guarantee any dimensions, distances, bearings, or acreage."
 (7)

Official Survey, O.S. Bk. 36 Pg. 32 (9-25-81)

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

CITY OF SACRAMENTO
 Assessor's Map Bk. 13 -Pg. 14
 County of Sacramento, Calif.

EXHIBIT A

EXHIBIT B

SCOPE OF DEVELOPMENT

- Construction of approximately 4,750 square feet of leasable office space in rehabilitated historic structure on the Property.
- Construction of 18 surface public parking spaces with public access on or adjacent to the Property.
- Landscaping shall conform to the City of Sacramento "shading" requirement

Estimated total development costs
for the Property: \$181,550

All construction and use of the Property shall conform to the Redevelopment Plan, as well as parking, building and zoning codes. The existing structure on the Property shall be rehabilitated in such a way as to maintain the historic integrity of its exterior.

SCHEDULE OF PERFORMANCES

| <u>Event</u> | <u>Date</u> |
|---|--|
| 1. Agency shall open escrow | Within ten (10) days of execution of this Agreement |
| 2. Redeveloper shall submit Preliminary Plans to Agency | Prior to close of escrow |
| 3. Redeveloper shall submit to Agency proof of Redeveloper's equity in a form acceptable to Agency | Prior to close of escrow |
| 4. Agency shall approve or disapprove the Preliminary plans | Within one (1) week after close of escrow |
| 5. Redeveloper shall submit Corrected Plans to Agency | Within two (2) weeks after Agency disapproval of the prior Plans |
| 6. Agency shall approve or disapprove the corrected plans after Agency's receipt of Redeveloper's Plans | Within one (1) week |
| 7. Redeveloper shall submit to Agency Final Construction Plans to Agency and City Building Department | Within one hundred and twenty (120) days of Agency approval of Preliminary Plans |
| 8. Agency shall approve or disapprove the Final Construction Plan | Within two (2) weeks of Agency's receipt of Redeveloper's Final Construction Plans |

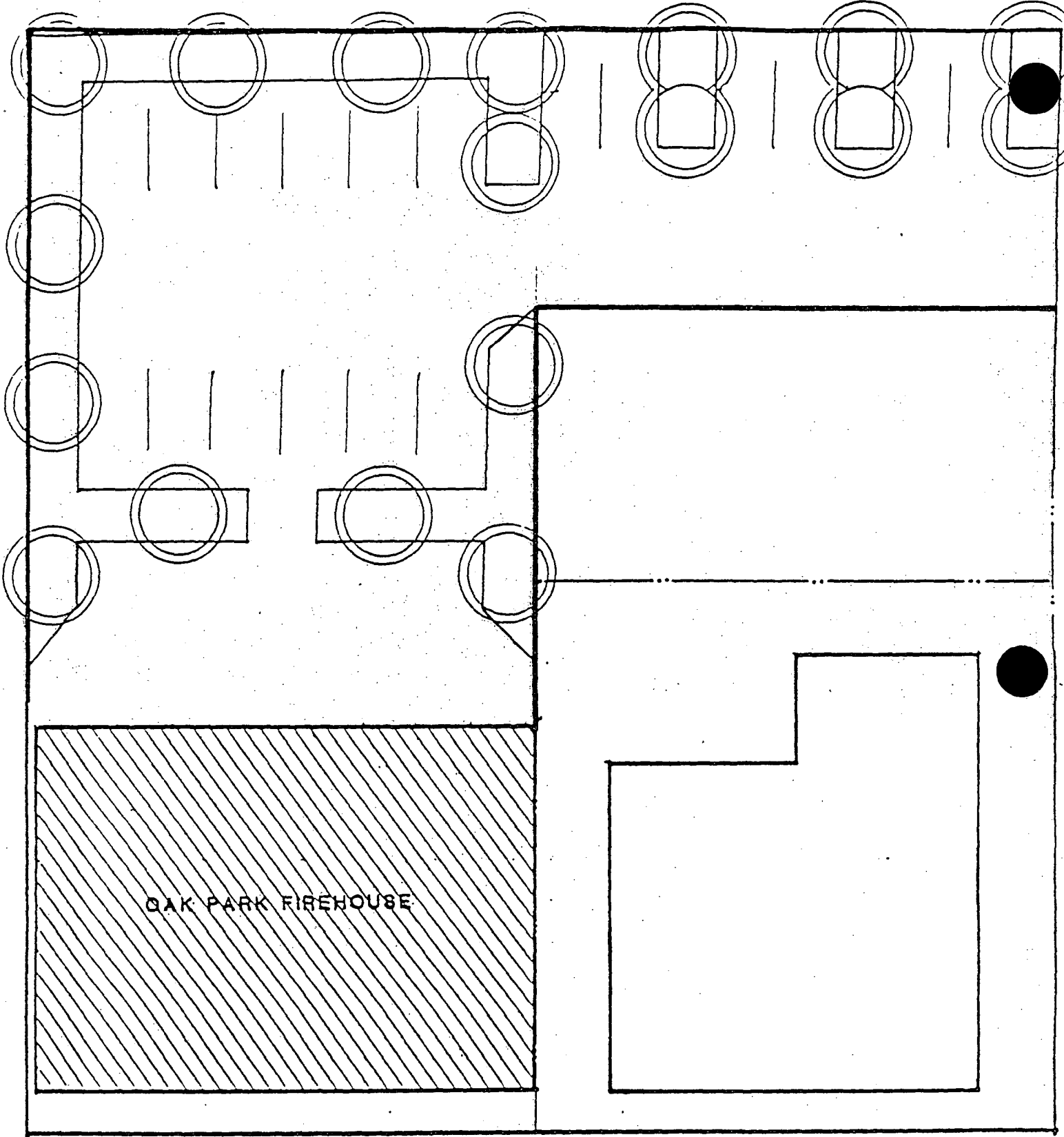
EXHIBIT C (cont.)

SCHEDULE OF PERFORMANCES

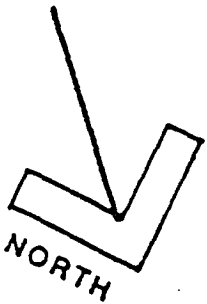
| <u>Event</u> | <u>Date</u> |
|---|---|
| 9. Redeveloper shall submit a building permit request to the City Bldg. Dept. | Within two (2) weeks after Redeveloper's receipt of Agency's approval of the final Construction Plans |
| 10. Redeveloper shall commence construction of the improvements on the Property | Within two (2) weeks after receiving the building permit. |
| 11. Redeveloper shall complete construction of the improvements on the Property | On or before Five Hundred and Ten (510) days from the close of escrow. |

2881K

ALLEY



4TH AVENUE



VICINITY MAP

1" = 20'-0"

LOAN COMMITMENT

Date: December 9, 1986

Name and address of Borrower:

John K. Holcomb and W.E. Overholtzer

1100 Howe Avenue, #488

Sacramento, California 95825

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO (hereinafter "Redevelopment Agency") hereby agrees to make a loan in the amount and to the Borrower and upon the terms and conditions hereafter set forth:

BORROWER:

John K. Holcomb and W.E. Overholtzer, as individuals and as partners in Fire Station Plaza.

AMOUNT:

One hundred twelve thousand dollars (\$112,000.00)

CLOSING:

Subject to compliance with terms and conditions of this Commitment time being of the essence herein, escrow shall close on this loan no later than April 30, 1987, and the loan closing shall occur no later than March 31, 1988, unless extended in writing by Redevelopment Agency. the term "closing" as used in this Commitment shall mean the disbursement of the loan amount by Redevelopment Agency after all terms and conditions of this Commitment have been met to Redevelopment Agency's complete satisfaction, including without limitation satisfactory construction and completion of any contemplated improvements where applicable, satisfactory title evidence, execution and delivery of the various loan documentation, satisfactory hazard insurance, etc.

INTEREST RATE:

Seven and one-half percent (7.5%)

REPAYMENT TERMS:

Monthly installments of principal and interest of \$1,226 beginning the lessor of the first day of the month, eighteen months following date of execution of the Note or six months following date of certificate of occupancy, with balance of principal and interest due fifteen years from date of Note.

SECURITY:

(To be described more particularly in loan documentation with all buildings and improvements to be as indicated by data heretofore submitted to and approved by Redevelopment Agency and in accordance with plans and specifications approved or to be approved in writing by Redevelopment Agency.

1. Deed of trust on land and improvements located at 3414 4th Ave., Sacramento, CA. subject to Deed of Trust held by Redevelopment Agency of the City of Sacramento in an amount not to exceed \$19,500.
2. First deed of trust on land and improvements located at 2915 34th St., Sacramento, CA.
3. Second deed of trust on land and improvements located at 2917 34th St., Sacramento, CA. subject only to prior lien held by Clarence L. Azvedo and Alice E. Azvedo with outstanding balance not to exceed \$8,000.

Location:

1. 3414 4th Ave.
Sacramento, CA.
2. 2915 34th St.
Sacramento, CA.
3. 2917 34th St.
Sacramento, CA.

Land:

1. Land is rectangular shape, zoned residential/office and identified as APN: 013-142-31.
2. Land is rectangular shaped, 40' x 75'.
3. Land is rectangular shaped, 40' x 150'.

Buildings:

1. A two floor, 7,400 s/f building, commonly known as Oak Park Fire Station No. 6 is located on the subject property.
2. No structure is situated on parcel.
3. No structure is situated on parcel.

ADDITIONAL SECURITY:

NONE

DISBURSEMENT AMOUNTS:

The loan shall be disbursed in the following order and manner:
\$112,000 to rehabilitate Fire Station.

LOAN CONDITIONS:

Consummation of the loan contemplated by this Commitment is expressly conditioned upon all of the following:

(a) Title evidence satisfactory to Redevelopment Agency showing a lien on the security in favor of Redevelopment Agency.

(b) Compliance with the other requirements and conditions of this Commitment. See EXHIBIT "A" attached hereto and by reference made a part hereof.

(c) Construction Plans prepared by Borrower and approved by the Redevelopment Agency. All improvements must be consistent with guidelines established by the Redevelopment Agency.

(d) Execution and delivery of the various loan documentation required by Redevelopment Agency. Required loan documents are attached hereto as EXHIBIT "B" and by reference made a part hereof.

INSURANCE ON IMPROVEMENTS:

Borrower shall continually insure the improvements constituting a part of the security against casualties and hazards in form and substance and with insurers acceptable to Redevelopment Agency, in the amount of at least \$ 112,000, or 100% of the replacement value of all improvements, whichever is less. In addition, BORROWER shall insure the improvements for builder's risk coverage in an amount of \$112,000

PREPAYMENT PRIVILEGE:

Borrower may prepay at any time without penalty.

DUE ON SALE:

The Note and Deed of Trust shall contain provisions allowing the Redevelopment Agency to call the loan if Borrower sells assigns, leases or hypothecates the property securing the loan without the consent of the Redevelopment Agency.

LATE CHARGE:

All loan payments more than 15 days past due shall be subject to a late charge equal to 5% of the amount past due.

/ / / / /

ACCELERATION:

The principal balance owing on the Note may be called by the Redevelopment Agency for default by Borrower of payment terms or other loan conditions.

LOAN DISBURSEMENT PROCEDURES:

All loan disbursements shall be made according to disbursement procedures established by the Redevelopment Agency. A retention of 10% of the total construction budget shall be retained by the Redevelopment Agency until endorsements of Title Insurance for lien releases is obtained.

LOAN DOCUMENTATION, SUPPORTING DOCUMENTS AND TITLE EVIDENCE:

The title and all loan and other pertinent and supporting papers and documents and ALTA mortgagee title insurance required by and acceptable to Redevelopment Agency, shall be satisfactory in form, substance and with insurers acceptable to Redevelopment Agency, and there shall be no violation of zoning ordinances, building codes, restrictions or other pertinent items. The loan documentation shall contain covenants in regard to additional interest or charges during default, to insurance and to deposits for insurance taxes, assessments and similar items as may be required by Redevelopment Agency and such other covenants, conditions and requirements as may be specified by Redevelopment Agency or as contained in the documentation approved by Redevelopment Agency. Current surveys shall be furnished at Borrower's Expense. Said ALTA Title Policy to be furnished by Pioneer Title Company of California, Inc., a California Corporation.

CLOSING COSTS AND EXPENSES:

Borrower shall pay all costs and expenses incidental to the loan and incurred in the loan closing, including but not limited to all charges for title examination and title insurance, abstract continuation, recordings, and filing fees, mortgage or similar tax, revenue or documentary stamps and all appraisal fees and costs, regardless of whether or not the loan contemplated herein is closed.

ASSIGNMENT PROHIBITED: TERMINATION: NON-WAIVER:

This Commitment shall not be assigned or assignable in any way by operation of law or otherwise and may be terminated at Redevelopment Agency's option and in such manner as Redevelopment Agency may determine if Borrower fails to comply with any term or

condition herein, or if the loan contemplated here is not closed by the closing date provided herein or as extended, or in the event of the filing by or against Borrower of a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee or the making by Borrower of an assignment for the benefit of creditors, or the filing of a petition for arrangement by Borrower which is not withdrawn or dismissed, cancelled and/or creditors, or the filing of a petition for arrangement by Borrower which is not withdrawn or dismissed, cancelled and/or terminated within sixty days after the filing of or the entry into the same or which may exist at the time now or hereafter established for the closing of the loan. Delay in the exercise of Redevelopment Agency's right to terminate shall not be construed as a waiver of such right to terminate in regard to the occurrence of any specific event referred to above and Redevelopment Agency's failure to act as to any such event shall not be construed as a waiver of its rights as to any subsequent event of a similar or dissimilar nature.

CONDITIONAL COMMITMENT:

This Commitment shall be valid only if duplicate copy of this Commitment is accepted in writing by the Borrower as provided below and delivered together with any deposit and Commitment fee required by this Commitment, at the office of the Redevelopment Agency within ten (10) days of its receipt.

PEDEVELOPMENT AGENCY

By _____

William H. Edgar
Executive Director

Enclosure

EXHIBIT A

Borrower shall provide evidence satisfactory to REDEVELOPMENT AGENCY that the Construction Contractor is a member of the Greater Sacramento Area Plan.

Borrower shall provide evidence satisfactory to REDEVELOPMENT AGENCY of firm construction contract(s) in an amount not to exceed \$140,000 for Rehabilitation of real property located at 3414 4th Avenue, Sacramento, CA.

Prior to disbursement, borrower shall acquire title to properties located at 2915 and 2917 34th St., Sacramento, California.

Evidence satisfactory to REDEVELOPMENT AGENCY that a California Realty Tax & Service Company contract has been obtained extending through the life of the Note for Type E service for the account of REDEVELOPMENT AGENCY.

Loan is contingent upon approval of Disposition and Development Agreement by the Redevelopment Agency of the City of Sacramento.

Borrower agrees that for the term of this loan no further encumbrances will be placed against real property subject to deeds of trust held by Redevelopment Agency, with the exception of deeds of trust used to secure leasehold improvement loans, without prior written approval of the Redevelopment Agency.

John K. Holcomb

W.E. Overholtzer

DELIVERY OF LOAN DOCUMENTS

Applicants hereby certify that they have received and reviewed the following loan documents:

Disposition and Development Agreement
Construction and Permanent Loan Agreement
Promissory Note
Deed of Trust and Assignment of Rents

Said loan documents were attached to SHRA's Loan Commitment dated 12/9/86 and were marked as Exhibit "B".

John K. Holcomb

W.E. Overholtzer

REDEVELOPMENT AGENCY

The undersigned hereby accept(s) this Commitment and: (1) agrees to be fully bound by the terms and conditions thereof; (2) guarantees to see that the loan contemplated thereby is acquired by Redevelopment Agency within the time and on the terms stated or as the time for closing or compliance with any term(s) may be extended by Redevelopment Agency or the terms may be modified or amended by Redevelopment Agency as herein permitted or hereafter mutually agreed upon; and (3) covenants that all facts and circumstances pertaining to the application, the loan and the security for the loan are and shall be as represented.

W.E. Overholtzer

John K. Holcomb

REDEVELOPMENT AGENCY

The undersigned hereby accept(s) this Commitment and: (1) agrees to be fully bound by the terms and conditions thereof; (2) guarantees to see that the loan contemplated thereby is acquired by Redevelopment Agency within the time and on the terms stated or as the time for closing or compliance with any term(s) may be extended by Redevelopment Agency or the terms may be modified or amended by Redevelopment Agency as herein permitted or hereafter mutually agreed upon; and (3) covenants that all facts and circumstances pertaining to the application, the loan and the security for the loan are and shall be as represented.

W.E. Overholtzer

John K. Holcomb