

ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO

3.8



September 25, 2003

Redevelopment Agency of the City of Sacramento
Sacramento, California

Honorable Members in Session:

**SUBJECT: ALLOCATION AND LOAN OF MERGED DOWNTOWN
REDEVELOPMENT PROJECT TAX INCREMENT FUNDS TO THE
RICHARDS BOULEVARD REDEVELOPMENT PROJECT AREA FOR
REPAYMENT OF CITY (MARKS ROOS) FUNDS MADE AVAILABLE FOR
LOAN TO DISCOVERY CENTER; RELATED TAX INCREMENT PLEDGE**

LOCATION AND COUNCIL DISTRICT: Richards Boulevard and Merged Downtown
Redevelopment Project Areas, District 1

RECOMMENDATION:

Staff recommends adoption of the attached resolution which (1) authorizes the City Manager to execute the repayment Loan of Marks Roos Bond Proceeds from the City of Sacramento to the Redevelopment Agency of the City of Sacramento (Agency), Richards Boulevard Project Area, with funds from the proceeds of the sale of Lot A; and (2) authorizes the City Manager to execute a Loan Agreement between the Redevelopment Agency of the City of Sacramento and the Richards Boulevard Redevelopment Project Area on the terms stated in this staff report.

CONTACT PERSON: Wendy Saunders, 264-8196
Downtown Development Manager

FOR COUNCIL MEETING OF: October 14, 2003

SUMMARY:

The approvals requested by this report would authorize a short-term loan in the amount of \$1,008,000 from the Downtown Tax Increment Funds - Lot A Proceeds (630-355-3071) to Richards Boulevard Project Area to provide for repayment of the loan from the City of Sacramento (Marks Roos Bond proceeds).

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BACKGROUND:

In June 2001, the Agency was authorized to enter into a short-term loan in the amount of \$1,008,000 from the Redevelopment Agency to Richards Boulevard Partners (Developer) to provide for payment of City Fees for the Discovery Center Development Project, so that construction was able to proceed in a timely manner. At that time the Redevelopment Agency was also approved to borrow the funds from the City (Mark Roos Bonds proceeds) and repay the loan upon Developer repayment to the Agency.

Discovery Center is a mixed-use office and hotel project located in the Richards Boulevard Redevelopment Project Area. The construction of the project is planned in phases, and includes the following components:

- Phase I: 150,000 square foot office (three stories)
- Phase II: 224-room hotel and restaurant
- Phase III: 240,000 square foot office (six stories)
- Phase IV: 400,000 square foot office (eight stories)

The Developer has completed the first phase of the project, but has been unable to lease the building as planned and at this time is not proceeding with additional phases. The Phase I Office Building was informally intended for State of California occupancy. Due to the current budget crisis, the State of California has not been able to commit to occupy the space and the Developer has been unable to find an alternative tenant. It was the Developer's intent to repay the loan upon receipt of permanent financing for the project. However, in the absence of a tenant, the Developer has been unable to secure permanent financing.

The Developer has made all required interest payments, and in August 2003 the loan, per loan agreement approved June 2001, converted to 15 year amortizing loan with the balance due in July 2006. The City of Sacramento (Mark Roos Bonds) loan to the Agency matures October 31, 2003.

The Agency continues to hold a security interest in the partnership as collateral for its loan. The Richards Boulevard Redevelopment Project Area will pledge future Richards Boulevard Tax Increment as security for the Agency loan, as well as the assignment of any additional security interest conceded by the Developer to the Agency.

FINANCIAL CONSIDERATIONS:

The Agency anticipates loaning \$1,008,200 of Downtown Tax Increment Funds to the Richards Boulevard Redevelopment Project Area under the terms and conditions outlined below. The loan from the Agency to the Developer carries the same material terms as well.

1. The loan shall be for an amount of \$1,008,200;
2. The loan shall carry a 6.00% interest rate;
3. The loan shall have a term which shall expire 33 months from the execution date of the Note, and all principal and unpaid accrued interest shall be paid at the end of such term;
4. Richards Boulevard Redevelopment Project Area shall pay principal and interest payments of not less than \$25,602, payable quarterly starting November 15, 2003.

5. The loan shall be secured by future Richard Boulevard Redevelopment Project Area Tax increment funds, as well as any additional security interest conceded by the developer to the Agency.

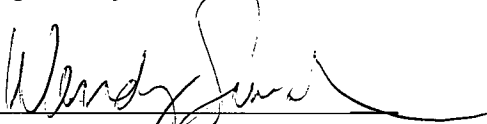
POLICY CONSIDERATIONS:

The action is a short-term investment loan between project areas, which is financially beneficial to both of them.

ENVIRONMENTAL CONSIDERATIONS:


As a fiscal activity that is not in furtherance of a particular project, the proposed action is not a project under CEQA, pursuant to Public Resources Code Sec. 21065 and CEQA Guidelines Sec. 15378(b)(4).

Respectfully submitted,



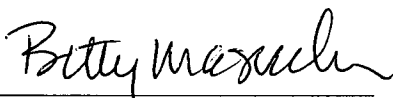
Wendy S. Saunders
Downtown Development Manager

APPROVED:



Betty Masuoka
Assistant City Manager

RECOMMENDATION APPROVED:

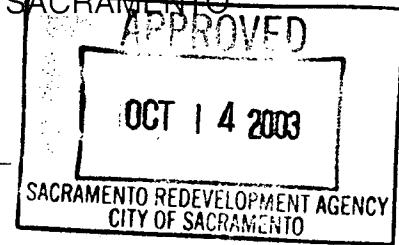


ROBERT P. THOMAS
City Manager

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RESOLUTION NO. 2003-058

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO



ON DATE OF _____

ALLOCATION AND LOAN OF MERGED DOWNTOWN REDEVELOPMENT PROJECT TAX INCREMENT FUNDS TO THE RICHARDS BOULEVARD REDEVELOPMENT PROJECT AREA FOR REPAYMENT OF CITY FUNDS MADE AVAILABLE FOR LOAN TO DISCOVERY CENTER; RELATED TAX INCREMENT PLEDGE

WHEREAS, the Redevelopment Agency of the City of Sacramento ("Agency") entered into an Owner Participation Agreement and Loan Agreement June 2001 with Richard Boulevard Partners ("Developer") regarding the construction of an office building at 300 Richards Boulevard, currently known as Discovery Center ("Project");

WHEREAS, the Agency loaned certain funds in the amount of One Million, Eight Thousand Dollars (\$1,008,000) to the Developer pursuant to the OPA;

WHEREAS, the Agency borrowed funds from the City of Sacramento ("City Loan") in order to provide such loan;

WHEREAS, the Agency desires to loan certain funds in the amount of One Million, Eight Thousand Dollars (\$1,008,000) to Richards Boulevard Redevelopment Project Area ("Richards Boulevard") for the repayment of the City Loan;

WHEREAS, Agency has determined that Agency funds from sale of Lot A are an available and an appropriate source of funds from the Merged Downtown Redevelopment Project Area ("Downtown") for loan to Richards Boulevard.

NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1: The City Manager, or his designee, on behalf of the Agency, is authorized to make a loan from Downtown to Richards Boulevard, on the following terms: (1) the loan shall be from Downtown to Richards Boulevard for the amount of \$1,008,200; (2) the loan shall bear interest at the rate of six percent (6%), annually; (3) the loan shall be repaid in payments of principal and interest, in the amount of not less than \$25,602, payable quarterly starting

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RESOLUTION NO.: _____

DATE ADOPTED: _____

November 15, 2003; (4) the loan shall be all due and payable, including without limitation, payment of unpaid principal and interest, on the first day of the 34th calendar month following the execution date of the Note; and (5) the loan shall be secured by pledge of future Richard Boulevard Redevelopment Project Area Tax increment funds and by assignment of the security interests held by the Agency on account of the loan.

Section 2: The City Manager, or his designee, is authorized, on behalf of the Agency, to execute the loan documents, including without limitation, pledge and assignment agreements, between the Agency and Richards Boulevard, in a form as approved by Agency Counsel consistent with the staff report that accompanies this resolution, and to take all other actions as necessary to implement the loan.

Section 3: The Agency budget is amended as necessary to implement the foregoing actions.

Chair

ATTEST:

Secretary

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RESOLUTION NO.: _____

DATE ADOPTED: _____