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OFFICE OF THE  
CITY MANAGER

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December 28, 1993

City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** State Office Building Update

**LOCATION AND COUNCIL DISTRICT:** All.

**RECOMMENDATION:**

This report is for information only.

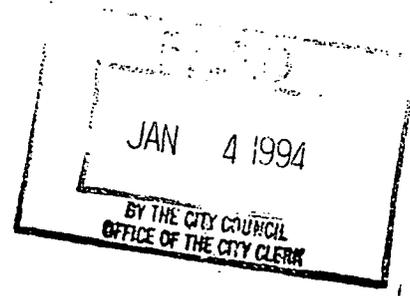
**CONTACT PERSON:** Bill Farley, Economic Development Manager, 264-7730

**FOR COUNCIL MEETING:** January 4, 1994

**SUMMARY**

On December 16, 1993, the State Department of General Services announced the selection of two sites for the California Environmental Protection Agency (Cal/EPA) and the Department of Health Services (DHS) office building projects. The City Redevelopment Agency proposal with Maguire Thomas Partners (Government Center) was designated for the Cal/EPA building and the Capitol Towers proposal was designated for the DHS building. No other information on the selection process, or the ranking of individual projects has been released.

This report outlines various steps that will be taken in the next 60 days to solidify the State decision and initiate lease negotiations.





**COMMITTEE/COMMISSION ACTION:**       None.

**BACKGROUND**

**State Building Program - Request for Submissions**

On August 2, 1993, the State of California issued a Request for Submissions (RFS) to the Cities of Sacramento and West Sacramento, and private developers, for proposals to meet the projected office space needs of the California Environmental Protection Agency and the Department of Health Services. The search area for these offices was 1 1/2 miles from the State Capitol and included West Sacramento, Richards Boulevard, and the Central Business District.

Cal/EPA requested approximately 1.0 million square feet of offices - with an occupancy date of July 1996. DHS requested approximately 1.2 million square feet of offices - with an occupancy date of December 1997.

On September 10, 1993 the State received 22 submissions in response to the RFS - included were six submissions in the City of West Sacramento. The State conducted one public hearing on the evaluation process on October 28, 1993. At this public hearing, comments were received on the emphasis the State should place on the selection criteria published in the RFS.

The State conducted individual meetings with the developers on October 28 through October 30. Following these meetings, a selection panel evaluated all of the proposals that met the minimum criteria established by the State.

The selection panel evaluated submissions based on four factors:

- Cost
- Design flexibility (including size of parcel)
- Location
- Participation of M/WBE Firms

Based on preliminary indications from the State, cost factors were given approximately 30% of the weight in the overall evaluation. Staff believes that the City/Maguire Thomas Partners Proposal did well in all four categories. At this time we do not know how other sites were ranked in each of the categories.

On December 16, 1993, the State Department of General Services announced their selection - the City Redevelopment Agency proposal with Maguire Thomas Partners (Government Center) was designated for the Cal/EPA building and the Capitol Towers proposal was designated for the DHS building.

No other information on the selection process, or the ranking of individual projects has been released. The City will be allowed to review information on the selection process on or about

January 14, 1993.

The State is in the process of accepting appeals on the manner in which individual projects were ranked. This appeal process will be concluded no sooner than the end of January 1994.

### **City and Redevelopment Agency Response to State RFS**

The City and Redevelopment Agency responded to the State RFS in three ways:

1. The Redevelopment Agency prepared a policy statement that was approved by the City Council, Board of Supervisors, Regional Transit Board of Directors, and the Redevelopment Commission. The policy statement encouraged the State to build new offices on Light Rail lines in the Central Business District and was transmitted to the Department of General Services for inclusion in the evaluation process. The City Planning Division followed up with detailed guidelines that the State could use to evaluate specific sites. These guidelines were approved by Council and transmitted to the Department of General Services.
2. The City and Redevelopment Agency advised private developers submitting projects that staff was available to provide assistance in obtaining tax-exempt financing, and with fast-tracking building permits and environmental reviews.
3. The Redevelopment Agency, on behalf of the City, submitted a project proposal known as Government Center to the State in partnership with Maguire Thomas Partners.

### **Government Center Proposal**

In response to the State invitation to submit a proposal, the City Council authorized staff on August 17, 1993 to select a private developer for a joint-submission using Parking Lot B.

On September 7, 1993, staff returned to City Council after completing a selection process for a private developer, and developing a draft proposal to submit to the State. The City Council voted unanimously to:

- Submit the Government Center Proposal to the State (Exhibit 1)
- Select Maguire Thomas Partners (MTP) as the developer for the project and provide authorization to staff to negotiate a "development for fee" agreement with MTP (Exhibit 2).
- Approve business terms to use in preparation of the proposal and provide authorization to staff to negotiate with the State if selected (Exhibit 3)

The business terms included with Exhibit 3 were developed to provide staff with a general framework for developing the project, and to clearly state the financial objectives for

participating in the project.

The Government Center proposal submitted with MTP to the State on September 10, 1993 was reflective of the business terms adopted by Council. Some of the key business terms were:

#### Project Delivery and Management

- The proposed project will be delivered on a design-build basis involving the State and a private development team (MTP).
- MTP will meet the State's M/WBE Goals for the project.
- MTP will participate in local hiring programs administered by the Agency.
- The City will not assume any construction risks with this project.
- The project will be consistent with the City's General Plan, Zoning Ordinance, Urban Design Guidelines, Capitol View Protection Plan, and the provisions of the Cease and Desist Order that affects the Combined Sewer System.
- The project will include all applicable development and building fees associated with private projects.
- The proposed project will be managed on an ongoing basis by MTP after occupancy.

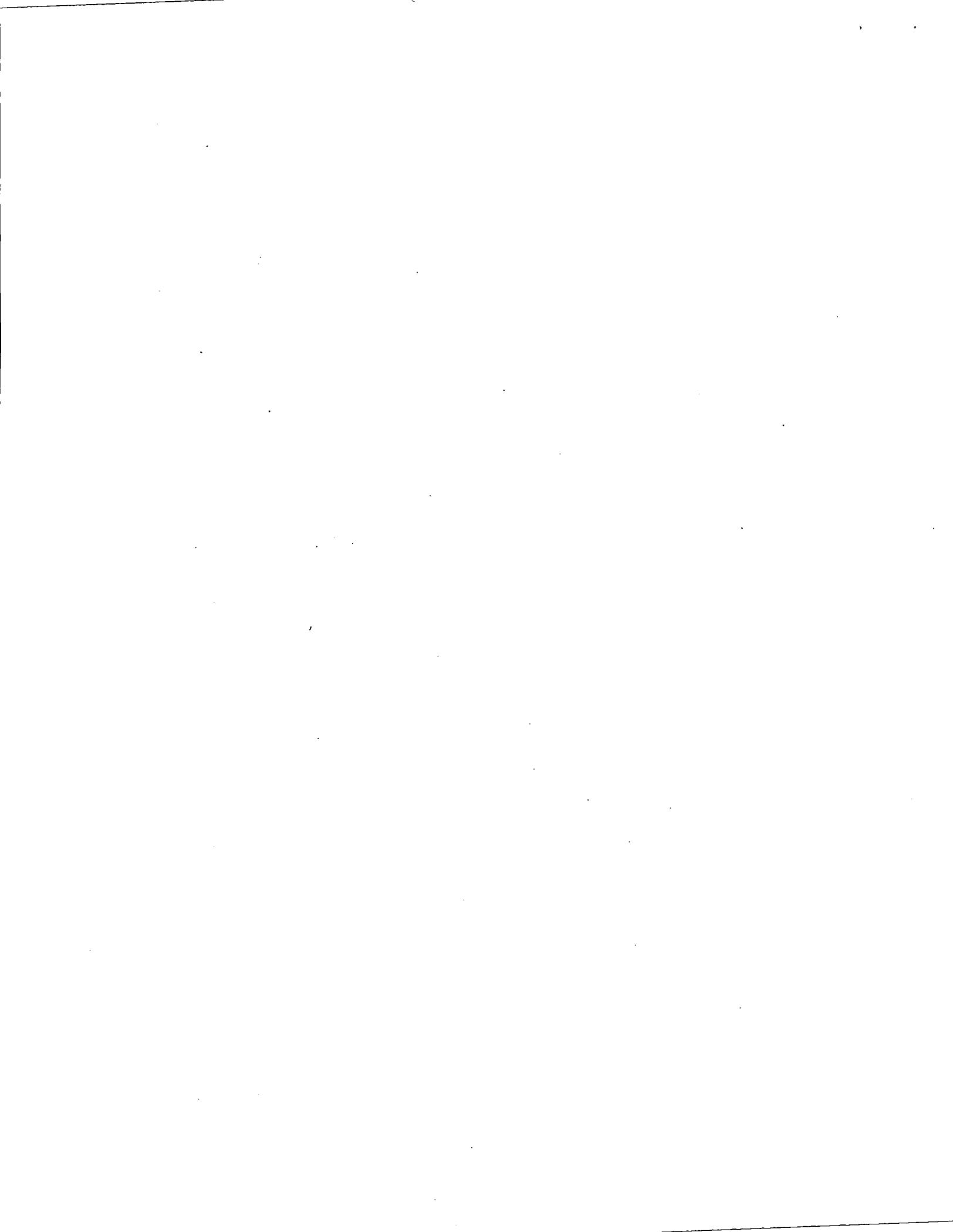
#### Transit Service

- The State agency selected for this project will participate in an aggressive TSM program to take advantage of the superior level of transit service in the area.

#### Financial Objectives

- In exchange for the City's participation in the proposed project with the State of California, the City will receive a fair return on the land contribution and parking space allocation from the Civic Center Parking Garage, and through facilitating tax-exempt financing and the execution of the design and construction of the building.

The City's financial return from the project will be used to protect the City investment in existing facilities and programs that support the quality of life in the Central Business District for both employees and nearby residents.



- In-lieu property tax, interest on bond reserves, and some building cash-flow will be used to support the financial objectives.
- The City will explore opportunities to provide space for City employees in the proposed project - as time and financing permit.
- On a long-term basis, the City desires to retain an ownership interest in the building constructed on Parking Lot B.

Subsequent to the submission of the project proposal by the City, the State indicated a strong desire to have an option to purchase some or all of the improvements constructed as part of the project. City staff has indicated to the State that a purchase option can be negotiated for a nominal amount - but that there would have to be some compensation derived from other aspects of the overall transaction.

Nevertheless, at this time, the proposal submitted to the State should be viewed in the same context as a grant proposal. The proposal by the City was not a binding contract. The City proposal will be modified and changed to meet the specific needs of the California Environmental Protection Agency - with the City Council having final approval on the final form of the agreement.

Exhibit 4 provides a general overview on how the Government Center project will be developed with the State of California. A task force of City and SHRA staff will be established to provide advice throughout the lease negotiations. The task force will include representatives of:

Sacramento Housing and Redevelopment Agency  
 City Manager's Office (Budget Division)  
 City Treasurer  
 Planning Division  
 Environmental Services Division  
 Facility Management Division  
 Engineering Division  
 Utilities Department

A negotiating team will also be established to meet on a regular basis with State officials:

Maguire Thomas Partners (Lead)  
 City Manager's Office  
 City Treasurer  
 City Attorney (or designated private counsel)

## Next Steps

### Government Center Proposal

The first task will be to complete a Professional Development Services (PDS) agreement with Maguire Thomas Partners for approval by Council. This agreement will identify the members of the development team, and include performance commitments from the developer to meet the State requirements for hiring M/WBE firms as well as meeting local hiring objectives. Exhibit 5 includes the scope of services that will be provided by MTP.

The second task will be to negotiate a letter agreement with the State outlining the steps to define, finance, and execute the building program at Government Center. This letter agreement will provide the City and MTP with assurances that all expenditures prior to the execution of the lease agreement will be reimbursed by the State - regardless of the outcome of the lease negotiations. Staff will return to Council with this letter agreement prior to proceeding with the project.

It is anticipated that preparation of the letter agreement and the PDS agreement would take approximately two months from the time the State selects Government Center.

With these two agreements in place, the City would initiate work on a permanent financing plan for the project, while the developer and State initiate discussions on the building program. Based on the financing plan, and the initial discussion on the building program, City staff would return to Council to identify opportunities to build additional space at Government Center to accommodate City offices.

### Review of Capitol Towers Project

At this time, Planning Division and SHRA staff has not had the opportunity to review the details of the Capitol Towers proposal that was selected by the State for the Department of Health Services offices. Planning staff is scheduled to review all of the proposals on or about January 14, 1994. Staff will return in early February to Council to provide recommendations on how to process the Capitol Towers application.

## FINANCIAL CONSIDERATIONS

There are no appropriations requested at this time.

One of the public objectives of Government Center is to generate one-time capital, and ongoing revenues for the City to support existing facilities and programs downtown. In-lieu property tax, interest on bond reserves, and some building cash-flow will be used to support these public objectives. Table 1 provides a general outline of the sources and uses of funds that can be derived from the project:

**Table 1**  
**GOVERNMENT CENTER**  
**Projected Sources and Uses of Funds**

Sources	Uses
Construction Proceeds	Plaza Park Improvements Intersection Improvements Joint-hearing Rooms
Development Impact Fees (1) Housing Trust Fund Major Street Construction Tax Projected Downtown Development Fee Public Art	Low and moderate income housing Road improvements City-wide Fair-share of Railyards Infrastructure Public art at Government Center
Ongoing Revenues Interest on bond reserves Building cash-flow In-lieu Property Tax (1)	Reimburse Parking fund for spaces Reimburse Library for meeting room time Support downtown programming and other General Fund obligations
1. All private projects would contribute similar revenues	

Staff is not in a position at this time to assess the financial impacts of the Capitol Towers Project. This project is located in the Downtown Redevelopment Area and therefore generates tax increment for SHRA. Approval of the Capitol Towers Project will likely involve negotiations on maintaining the existing tax increment flow - as well as providing an acceptable housing program.

**POLICY CONSIDERATIONS**

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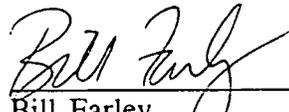
**MBE/WBE**

This report is for information only. No goods or services are being procured with the staff recommendation.

The recommended business points clearly state that it is the intent of the City to meet the State's M/WBE goals for this project. In selecting a development team to execute this project, staff screened developers by their past success in meeting M/WBE goals.

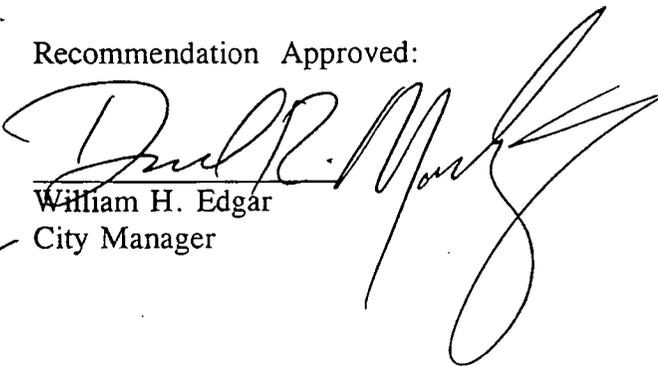
MTP has an excellent track record of working on public-private partnerships that involve requirements for using minority and women owned business, and for hiring local employees. In the Library Square Redevelopment Project for the City of Los Angeles Redevelopment Agency, MTP awarded contracts of \$55 million to M/WBE firms on total construction of \$333 million - exceeding the City's goals by more than 12%. In a project for the City of Pasadena, they awarded M/WBE contracts of \$14.4 million on total construction of \$51.5 million for a M/WBE participation level of 28%.

Respectfully submitted,



Bill Farley  
Economic Development Manager

Recommendation Approved:

*for:* 

William H. Edgar  
City Manager

RESOLUTION NO. 93-516

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF SEP 07 1993

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR OF THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO TO PREPARE AND SUBMIT THE STATE OF CALIFORNIA REQUEST FOR OFFICE PROJECTS PROPOSALS

Be it hereby resolved by the City Council that:

- 1. The City of Sacramento desires to respond to the State of California Request for Office Project Proposals
2. The Redevelopment Agency of the City of Sacramento is authorized to submit the Government Center proposal to the State of California on behalf of the City of Sacramento.

JOE SERNA, JR.
MAYOR

ATTEST:

VALERIE BURROWES
CITY CLERK

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: 93-516

DATE ADOPTED: SEP 07 1993

