



January 17, 2020

TO: CADA Board of Directors

**SUBJECT: January 24, 2020 Board Meeting
AGENDA ITEM 6**

**AUTHORIZATION TO AMEND CONTRACT WITH ARCHITECT, ENTER INTO
CONTRACT WITH TAX CREDIT CONSULTANT, AND AMEND THE BUDGET
FOR THE 1322 O AFFORDABLE HOUSING PROJECT (SOUTHWEST
CORNER OF 14TH AND O STREETS)**

CONTACT: Tom Kigar, Special Projects Director
Wendy S. Saunders, Executive Director

RECOMMENDED ACTION:

Staff recommends the Board adopt a resolution authorizing the Executive Director to amend the contract with Williams + Paddon Architects, execute a contract with the Law Offices of Patrick R. Sabelhaus to assist in applying for and obtaining tax credits and tax-exempt bond financing, and to amend the CADA development budget to provide increased funding for the 1322 O Affordable Housing Project.

BACKGROUND

In July 2019, the Executive Director executed a contract with Williams + Paddon Architects (W + P) to provide Architectural Services for the Yield Study (Phase I) for the project. At the August 16, 2019 Board meeting, the Board authorized the Executive Director to amend the contract to proceed with the Schematic Design Phase (Phase 2) and the Design Development Phase (Phase 3). At that meeting, staff advised that they would return to the Board later to seek authorization to proceed with Phases 4 and 5 if the project proved feasible.

At the November 13, 2019 Special Meeting, the Board approved the Design Development Drawings; authorized the Executive Director to enter into various legal documents to enable the project to proceed; authorized a \$2.5 million loan to 1322 O Street Investors, LP; authorized the assignment of consulting contracts to 1322 O Street Investors, LP; determined the project is exempt from CEQA; and authorized the Executive Director to take any and all actions related to the above items. At the meeting, the Board also authorized the Capitol Area Community Development Corporation (CACDC) to enter into and be the managing general partner of 1322 O Street Investors LP, to enter into a predevelopment loan with CADA, and to authorize CACDC to accept assignment of contracts from CADA.

Since the Special Meeting, staff requested and received a proposal from the Sabelhaus law offices for professional services; carried out environmental testing on the site and incurred unanticipated costs; submitted a tax credit proposal to the California Tax Credit Allocation Committee (CTCAC); appealed CTCAC staff decisions; and secured CTCAC board approval of a tax credit allocation.

ANALYSIS

In July 2019, the Executive Director approved an Agreement to Provide Architectural Services for the Yield Study, in the amount of \$14,144. At the August 16 Board meeting the Board authorized staff to direct W + P to proceed with the Schematic Design Phase and the Design Development Phase, at a total additional cost of \$121,902.

As a condition of providing tax credits to the project, CTCAC requires that CADA start construction by August 15, 2020. To meet this deadline, CADA must complete the construction documents and submit for a building permit by May 1, 2020. To do that, CADA must now enter into a \$291,199 contract amendment authorizing W + P to proceed with the Construction Documentation (building plans) Permit Processing design phases (Phase 4), and the Bidding and Construction Administration phase (Phase 5) as described in **Attachment 1**. At this time, staff is requesting Board approval of the Construction Documentation and Permit Processing Phase (Phase 4) at a cost of \$206,808, and of the Bidding and Construction Administration (Phase 5), at a cost of \$84,391. This will bring the total W + P contract amount to \$427,245.

The Law Offices of Patrick R. Sabelhaus submitted a \$100,000 proposal in November 2019 for obtaining State and Federal tax credits and tax-exempt bond financing, and for obtaining syndication of tax credits for the project. At this time, staff recommends authorization for the Executive Director to enter in to a \$100,000 contract with the Sabelhaus law offices for the scope of work set forth in **Attachment 2**.

Finally, since the November 13th Board meeting, CADA has experienced increased project costs totaling \$99,000 due to additional soil and water testing associated with the discovery of unanticipated hazardous materials below the site, additional legal expenses due to ground lease negotiations with the owner of the office building on the site, and additional professional services related to incorporating sustainable mass timber in the design. Accordingly, staff is including in its recommended action, a request that the Board authorize \$99,000 in additional funds be transferred from the CADA's Development Reserves to the project budget to cover these increased costs.

FINANCIAL IMPACT

The cost of the amendment to the W + P contract for Phase 4 of \$291,199 (\$206,808 + \$84,391) and the contract with Sabelhaus for \$100,000 are included in the FY 19-20 budget. A total of \$10,000 is payable upon the execution of the contract with Sabelhaus along with \$10,000 upon allocation of tax credits on January 15 and both will be paid upon approval of the recommended action and execution of the contract. A total of \$75,000 will be paid at close of escrow that is expected to take place in July 2020 and the remaining \$5,000 will be paid upon achieving full occupancy. The requested \$99,000 budget amendment will fund the additional testing, legal costs, and additional professional services described above. A total of \$10,000 of the cost of Phase 4 in the amendment to the W + P contract will come from the \$99,000 budget amendment and \$74,391 will come from funds disbursed at closing.

CONTRACT AWARD CONSIDERATIONS

Staff is requesting Board approval to amend the W + P contract and to approve the contract with Sabelhaus law offices because the value of each of these contracts exceeds the Executive Director's \$50,000 professional services contract authority.

ENVIRONMENTAL REVIEW

On November 13, 2019, the Board found the project to be exempt from CEQA based upon its consistency with the Central City Specific Plan and EIR.

Attachments:

1. Description of Phase 4 Construction Documents and Permit Processing and Phase 5 Bidding and Construction Administration
2. Law Offices of Patrick R. Sabelhaus Scope of Work

**PHASE 4 – CONSTRUCTION DOCUMENTATION AND PERMIT PROCESSING AND
PHASE 5 - BIDDING AND CONSTRUCTION ADMINISTRATION**

1322 O AFFORDABLE HOUSING PROJECT

PHASE 4 – CONSTRUCTION DOCUMENTATION AND PERMIT PROCESSING

4.1 Construction Documents– Based on the approved Design Development Set, Consultant will prepare Construction Documents and Specifications. The Construction Documents and Specifications will set forth the detail and the construction requirements.

During the Construction Document Phase, Consultant may have meetings with the Consultant Design Team and General Contractor to review and coordinate project design and documentation.

Review and coordination of Architect's and consulting engineer's drawings into a single document set

Submittal of documents for Building Permit review to the City of Sacramento

Facilitate plan check processing and coordination of responses to Building Department comments for completion of permit requirements

4.2 Agency Consulting – Based on Client approval of Design Development Set, Consultant will consult with agencies having jurisdiction to review and finalize drawings prior to Building Permit submittal.

4.3 Building Permit Processing – Consultant will assist the Client in the completion of required applications and forms for submittal of Permit Application Package as required for submission to the City of Sacramento and will submit and facilitate the process of obtaining a building permit.

Meeting(s)

Ongoing coordination with CADA, contractor, public agency and design team (up to 40 hours meeting time included)

Deliverable(s)

Meeting Agendas and Minutes

50% Construction Documents

90% Construction Documents – for submittal to the City of Sacramento Building Department, and for distribution to bidding sub-contractors

100% Detailed Construction Documents – for Construction

Project Manual that will include Conditions of the Contract for Construction and Specifications

PHASE 5 - BIDDING AND CONSTRUCTION ADMINISTRATION

5.1 A General Contractor will be under contract with CADA, Consultant will assist General Contractor during the bidding and construction in addition to construction administration and documentation.

All Bidding Phase related communications between Contractor and Consultant will be routed through Client representatives. Bid package materials will be formatted in standard bid format. Consultant will provide clarifications and addenda as necessary.

Bidding front-end documents and bidding form(s) will be provided by client
Construction Administration – Processing of submittals, including receipt, reviews, and appropriate action on shop drawings, product data, samples, and other material submittals required by the contract documents.
Distribution of submittals to appropriate consultants and maintenance of a master file log of submittals
Processing and evaluation of contractor's request for information
Processing and evaluation of contractor's applications for payments

Deliverable(s)

One (1) Electronic copy (pdf) of Bid Documents and Specifications
Review and analysis of completed bids with CADA

5.2 Construction Field Observations – Consultant will visit the site at intervals appropriate to the stage of construction or as otherwise agreed in writing to become generally familiar with the progress and quality of the work and to determine, in general, if the work is proceeding in accordance with the contract documents, and prepare related reports and communications.

Site Observation Visit(s)

Architect - Site Visits – to be concurrent with weekly Construction Meetings
Structural Engineer - up to four (4) Site Visits

5.3 Construction Meetings – On-site Meetings

Meeting(s)

Architectural staff will attend weekly on-site construction meetings with the General Contractor and Client Representatives.

Additional Meeting(s)

Upon written request of Client, Architectural staff will attend additional on-site construction meetings as needed to be billed on a time expended basis per the fee schedule.

5.4 Project Closeout Services – Project Close-out Services will be initiated upon notice from the General Contractor that the work, or a designated portion thereof, which is acceptable to client representatives, as sufficiently complete, in accordance with the contract documents, to permit occupancy or utilization for the use for which it is intended.

Consultant will conduct a walk-through of completed work with client representatives and the General Contractor to review punchlist of items prepared by the General Contractor, which require correction. Consultant will attend follow-up walk-throughs to observe that punchlist items have been corrected.

Consultant will assist client representatives in review of the General Contractor's record drawings, Operations and Maintenance Manuals, warranties and other required close-out items, to ensure they are in compliance with contract document requirements. Compile a Summary Report including the required forms for the pre functional and functional test reports.

Punchlist Site Visit(s)

One (1) punchlist site visit with Architect and Consultants
Follow-up walk-throughs with Architect and Consultants as needed

Attachment 2

LAW OFFICES OF PATRICK R. SABELHAUS SCOPE OF WORK

1322 O AFFORDABLE HOUSING PROJECT

1. Scope of Services

- I. Preparation of preliminary analysis of project financial feasibility based on the conceptual project design and the rough order of magnitude construction cost estimate.
- II. Preparation and submission of applications for tax credits and tax exempt bond financing via CSCDA or other tax exempt bond allocation cap and tax credits as follows:
 - a. Preparation of the Applications;
 - b. Compilation of the documents required as Attachments to the Application(s);
 - c. Preparation and/or Securing of the following Attachments:
 - (i) Project and Financial Narrative
 - (ii) 20 year Cash flow Statement;
 - (iii) Sources and Uses of Funds;
 - (iv) Initial Agreement of Limited Partnership, if required; and
 - d. Representation of project interests and interests and attendance on CADA's behalf for the "California Tax Credit Allocation and Debt Limit Allocation" Committees at the reservation meeting.
- III. In the Event of the award of a Tax-Exempt Reservation of Tax Credits, consultant will:
 - a. Prepare, Compile, and work with the project development team members to prepare the documents required for a Placed-in Service Submission and request for IRS form 8609, including:
 - (i) Assisting the project's accountant in preparing Cost Certification and Form-B(s);
 - (ii) Ownership Profile and Subsidy Certification;
 - (iii) Revised Application pages, as necessary; and
 - (iv) 20 year Cash flow.
- IV. Contact, Coordinate, and negotiate, in cooperation with project staff, competitive Bond Financing and Tax Credit Syndication commitments. This process includes:
 - a. Coordinating with all Development Team members for the preparation and submission of all required due diligence documents;
 - b. Review of all loan and syndications documents; and
 - c. Preparation of required real estate and property tax exemption legal opinion letters.
- V. The overall duties of Law Offices, except where noted in (1) through (4) above, shall be limited to reviewing, compiling and submitting documents to the CDLAC/CTCAC/ISSUER and coordinating the efforts of the Development Team in order to assure compliance with all requirements of Lenders, Syndicator, CDLAC, CTCAC, and ISSUER. Law Offices will not take responsibility for ordering or preparing reports or surveys except at the request and with the consent of the client.

- VI. Syndication of the tax credits to a private investor who will provide private equity funds in exchange for the tax credits.
- VII. Providing tax law consulting services including preparation of the partnership agreement and other documents related to the syndication.

2. Assumptions and Clarifications

- I. The consultant assumes that CADA will keep Law Offices informed of developments with the project, to abide by this contract, to forward all correspondence from CDLAC and CTCAC to the consultant, and to pay billings according to the schedule outlined below.
- II. It is the CADA's responsibility to provide Law Offices with all architectural certifications and plans, site control requirements, property information, market or other feasibility studies including appraisals if required, accountant certifications, building approvals and permits, financial and background information, and all other documents that are normally generated by a developer in the process of developing a project.
- III. CADA agrees to timely (30 days prior to submission of application or documents) comply with all request for documents, figures, certifications, accounting data, financial statements, or other request for material to be submitted with the application(s) or at another time to CDLAC, ISSUER, and CTCAC.

RESOLUTION NO. 20 -

Adopted by the Capitol Area Development Authority

January 24, 2020

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO AMEND THE CONTRACT WITH WILLIAMS + PADDON ARCHITECTS, EXECUTE A CONTRACT WITH THE LAW OFFICES OF PATRICK R. SABELHAUS, AND AMEND THE BUDGET TO PROVIDE INCREASED FUNDING FOR THE 1322 O AFFORDABLE HOUSING PROJECT

WHEREAS, CADA entered into a Consulting Agreement for Design Services with Williams + Paddon and authorized it to commence work on the first of five phases of design work; and

WHEREAS, on August 16, 2019, the Board authorized the Executive Director to amend the contract to commence work on Phases 2 and 3 in order to prepare and submit financing tax credit applications in early 2020 at the not-to-exceed cost of \$121,902; and

WHEREAS, the Law Offices of Patrick R. Sabelhaus submitted a proposal in the amount of \$100,000 for obtaining State and Federal tax credits and tax-exempt bond financing and obtaining syndication of tax credits for the project; and

WHEREAS, on November 15, 2019 the Law Offices of Patrick R. Sabelhaus submitted an application to the California Tax Credit Allocation Committee (CTCAC), and on January 15, 2020, the CTCAC made an allocation of tax credits and tax-exempt bond financing to the project; and

WHEREAS, CADA has incurred increased environmental testing, legal services, and engineering costs totaling \$99,000 and is requesting funds be transferred from the Development Reserves to cover these costs for the project.

NOW, THEREFORE, BE IT RESOLVED, by the Capitol Area Development Authority Board of Directors that the Board authorize the Executive Director to:

1. Amend the contract in the amount of \$121,902 with Williams + Paddon to authorize work on Phases 4 and 5; and
2. Approve a contract in the amount of \$100,000 with the Law Offices of Patrick R. Sabelhaus to assist in applying for and obtaining tax credits and tax-exempt bond financing; and
3. Transfer \$99,000 from the Development Reserves to the 1320 O Affordable Housing project development account.

Ann Bailey, Chair

ATTEST:

Rachel Mercurio
Secretary to the Board of Directors