

MINUTES

MEETING OF THE DEVELOPMENT AND CONSTRUCTION COMMITTEE OF THE BOARD OF DIRECTORS CAPITOL AREA DEVELOPMENT AUTHORITY

JUNE 21, 2011

Page Robbins called the meeting to order at 9:38 a.m. at the CADA Administrative Office, 1522 14th Street, Sacramento, CA 95814.

1. Roll Call

Ron Alvarado - Present

Page Robbins - Present

2. Approval of Minutes of May 17, 2011

The minutes of May 17, 2011 were approved as submitted.

3. Items scheduled for the June 24, 2011 Board Meeting

A. East End Gateway Site 4 Condominiums for Lease Proposal (Southeast Corner of 16th and O Streets):

On Tom Kigar's behalf, Marc de la Vergne presented staff's recommendation that the Board adopt a resolution accepting Sukna's (the Developer) request for a lease proposal for East End Gateway Site 4.

Mr. de la Vergne reported that Sukna Global Holdings was selected to develop East End Gateway Site 4 in December 2010 and entered into an Exclusive Negotiating Agreement (ENA) for approval in January 2011. At its January 2011 meeting, Staff returned to the Board with an ENA with Sukna for the Board's approval for the period of February 1, 2011 to January 31, 2012. As noted in the staff report, while the schedule set by CADA provided Sukna until January 2012 to enter in a Disposition and Development Agreement (DDA), Sukna stated that their objective was to accelerate this schedule and allow the Board to consider approval of a DDA at its June 24, 2011 meeting rather than the January 2012 Board meeting as stated in the ENA.

Mr. de la Vergne reported that subsequent to the January 2011 Board meeting, CADA staff and Sukna presented the Design Program for review and comment to various stakeholder groups and organizations. Additional actions taken by Sukna include a presentation to the CADA Board by Khaled Mahjoub and spearheading an application for i6 Green Challenge Program funding.

Mr. de la Vergne reported that Sukna has submitted a letter which requests that they be allowed to offer The Gateway initially as "condominiums for lease." In their letter, Sukna assures that they still intend to build a commercial quality building built to condominium standards with the proposed large units and superior design.

Mr. de la Vergne stated that Staff is supportive of Sukna's request because they have spent significant time and effort in seeking financial investors and lenders for the project, and working with Sukna is the most expeditious way to ensure that a development gets built and to maintain momentum on 16th Street. If CADA denies this request, we may have to seek another developer and start the process over again. Seeking a new developer might be unlikely given the current economic climate. Mr. de la Vergne reported that when Sukna presents a revised operating proforma based on the project being rentals, staff will re-calculate the lower annual tax increment amount.

Ron Alvarado stated that he understands the realities of the market and does not generally have an issue with leasing condominiums, but asked if we have heard from competitors that proposed doing a rental project. Mr. de la Vergne stated that he has not heard from competitors. Mr. Alvarado asked that if CADA proceeds with a rental project, does Sukna have confidence in their financing. Mr. Schmidt stated that Staff anticipates receiving an operating proforma from Sukna in August, and by then Staff will have a clearer picture on Sukna's position for financing the project.

Jackie Whitelam stated that in the minutes of the December 2010 Board meeting, Chair Bailey explained that her support was based not only on the "green" elements, but because the team appeared to be the most able to secure financing. Sukna is already working on an accelerated schedule and there are potential advantages to leasing the condominiums. Ms. Whitelam stated that Sukna is not asking to extend their schedule, and that there are only 30 units, which is more feasible than other rental projects.

Mr. Alvarado stated that the request is reasonable and understandable due to the declining real estate market, but he also questioned what would happen if CADA does decline the request to lease the condominiums. Page Robbins stated that if CADA declines leasing these condominiums, the Developer could walk away and the project would not be built, therefore this approach is reasonable. The committee requested to see the rental rates of other apartments in order to avoid hurting other projects and saturating the area with luxury retail units. Ms. Whitelam stated Staff will provide this information before the Board meeting on Friday.

Committee's Recommendation: The committee supported staff's recommendation allowing for a rental development.

B. East End Gateway Site 1 Disposition and Development Agreement (Northwest Corner of 16th and N Streets):

Marc de la Vergne presented staff's recommendation that the Board support adoption of a resolution approving the First Amendment to the Disposition and Development Agreement (DDA) regarding Schedule of Performance.

Mr. de la Vergne reported that at the March 26, 2010 Board meeting, the Board authorized the Executive Director to execute a DDA with East End Gateway 1, LLC (the Developer) to build the Warren, a 117 unit condominium project with ground floor retail.

Mr. de la Vergne stated that since March 2010, the Sacramento region has continued to suffer a severe recession in the real estate market, continuing home price declines, and uncertainty of the timing, nature and severity of impending federal, state and local budget cuts. Due to the financing difficulties the Developer has experienced, the DDA Schedule of Performance is out of date and must be amended to reflect the Developer's and CADA's best estimate of what the project schedule will be. Mr. de la Vergne stated that the proposed Schedule of Performance is an estimated schedule and neither staff nor the Developer can guarantee that financing conditions will improve in the timeframe presented.

Mr. de la Vergne provided an overview of the changes in the Schedule of Performance, including securing a construction financing letter of commitment with financing conditions, which must be achieved before the other milestones can be met. According to the DDA, this was to be completed by January 2011, but the proposed revised Schedule of Performance has a new date of November 2011.

Mr. Alvarado stated that the November deadline is similar to the August deadline for the East End Gateway Site 4 project because the future is unknown until these projects can secure financing. Mr. de la Vergne stated that if the November deadline is not met, the Developer will either drop the project or suggest taking the same route as East End Gateway Site 4, which is proposing to lease the condominiums. Ms. Robbins asked if the

extension was because the Developer is hoping the market will change or is the Developer hoping for other financing options. Mr. de la Vergne stated that the extension is a result of both exploring financing options and hoping that the market will change.

Committee's Recommendation: The committee supported staff's recommendation modifying the Schedule of Performance with additional formal project report in September.

C. FY 2011-2012 General Operations Budget and Capital Investment Program Budget

Noelle Mussen presented staff's recommendation that the Board adopt a resolution approving the FY 11-12 General Operations Budget of \$10,591,580 and a FY 11-12 Capital Investment Program (CIP) Budget consisting of Major Construction Projects of \$798,000 and Development Projects of \$25,000.

Staff also recommends an increase of \$18,802 in the FY 06-07 CIP, an increase of \$358,931 in the FY 07-08 CIP, and increase of \$142,679 in the FY 08-09 CIP and decreases of \$1,873 and \$21,696 in the FY 04-05 CIP and FY 08-09 CIP respectively.

Ms. Mussen reported that the budget has been prepared in accordance with the business plan priorities that were presented at the May committee meetings and reflects comments received from the Board on budget issues at these meetings. At the time of this report, the impact of the State budget or changes in legislation remains unknown. Ms. Mussen stated that if CADA loses properties and/or all or part of its tax increment funding, the budget will be amended to address the impact on CADA's general operations and development projects.

Ms. Mussen provided an overview of the fiscal impacts, designated reserves and policy issues for both the General Operations Budget and the Capital Investment Program Budget.

Ms. Robbins asked how the State-level benefit packages impact CADA. Ms. Mussen stated that the State does not dictate CADA's benefit packages, but CADA follows in their direction. Due to the uncertainty of the State budget, salaries have remained flat and CADA will not be rehiring employees that have left the agency. If there are changes, they can be discussed next fiscal year.

Committee's Recommendation: The committee supported staff's recommendation.

D. Five-Year Capital Improvements Program (CIP) Needs Assessment

Paul Schmidt presented on behalf of Allison Cash. Mr. Schmidt reported that CADA has completed over \$1,600,000 in construction improvement projects budgeted during the past three fiscal years. Mr. Schmidt stated that the Five-Year CIP Needs Assessment calls for spending \$3,107,000 over the next five years for improvements to General Fund buildings.

Committee's Recommendation: For comment and review only.

Mr. Schmidt reported the following:

- The Department of General Services (DGS) will be touring CADA's properties next week. Included in the meeting is the new Chief Deputy Director, along with Cathy Buck and Liz Ames.
- Mr. Schmidt will be speaking about CADA on Capitol Public Radio next week.
- Due to the concern of traffic in the neighborhood and a shooting that occurred on R and 15th Streets last week, CADA is looking into funding some patrol through the police department for a one year commitment. Staff will be meeting with the police chief next week.

4. Staff Reports/Updates/Transmittals

- A. Jefferson School (1619 N Street): Mr. Schmidt reported that staff sent a draft of the request for proposals (RFP) two weeks ago and is waiting to hear back from the school district.
- B. Downtown Sacramento Revitalization Corporation: Mr. Schmidt presented a memo to Councilmembers from Leslie Fritzsche, Redevelopment Manager at the City regarding the commitment letter for development of the 700 Block of K Street.
- C. O Street Streetscape; Artwork and Improvements; Regional Transit Stations: Mr. de la Vergne reported that once Allison Cash returns from vacation she will put together a bid package for painting work on O Street.
- D. Capitol Lofts (11th/R Streets): Mr. de la Vergne reported that Holliday Development (the Developer) has had productive meetings with potential tenants for the B&G building. The next step is to meet with the director of historic preservation at the City once the Developer has a clear picture of who the tenants might be. Holliday will move forward with CEQA in early September.
- E. Mercury Cleaners (Northeast Corner of 16th and O Streets): Mr. de la Vergne reported that he has finished drafting the MOU on environmental issues. Staff is entertaining the option to draft a proposal to set up a fund to be added to annually to help fund the remediation of the site. Governor Brown's proposal to sell CADA-maintained properties has a potential impact on this plan. Ms. Robbins asked if toxics have migrated on the site. Mr. de la Vergne stated that toxics may have migrated because the site is close to sewer pipes and a break in the line might result in further migration.
- F. East End Gateway Site 1 (Northwest Corner of 16th and N Streets): This item was reported on in Agenda Item 3 (B).
- G. Streetscape Projects - 16th Street and O Street: Mr. de la Vergne reported that the City has finished their survey work on 16th Street between L and S Streets, and a draft of their results will be reviewed on Friday afternoon. The draft will then be circulated to the appropriate City officials for review and comments and will be available to the public by early fall of this year.
- H. Loan and Grant Research: Mr. de la Vergne stated that the application for HUD 202 funding is due today and it has been confirmed from BRIDGE (the Developer) that they have received all required materials from CADA. Mr. de la Vergne reported that the pre-proposal was sent to the Strategic Growth Council in regards to Prop 84 Urban Greening Project grant last Friday. Strategic Growth Council will notify Staff if CADA can apply for the grant. Ms. Robbins asked if there will be tax credits on East End Gateway Site 5. Mr. de la Vergne reported that will be determined on Friday.
- I. East End Gateway Sites 2 and 3 (Northwest and Southwest Corners of 16th and O Streets): Mr. Schmidt reported that the projects will proceed this fall funded by private financing.
- J. East End Gateway Site 4 (Southeast Corner of 16th and P Streets): This item was reported on in Agenda Item 3 (A).
- K. East End Gateway Site 5 (1614 N Street): No Report.
- L. Site 9B (1610 17th Street): Mr. Schmidt stated that Mr. de la Vergne and Tom Kigar will present a proposal for Site 9B at the August Board meeting.
- M. Fremont Park Update: Todd Leon reported that the east side of Fremont Park has converted to LED lighting, and is in discussions with the City on replacing the remaining sodium lights with LED lights.

- N. R Street PBID: Mr. Leon reported there are changing items in the legislature regarding clean up. In the PBID there are only provisions regarding the City, State and County, and there is no mention of a Joint Powers Authority (JPA). There is a possibility that CADA could approve the PBID instead of the City by January 1, 2012. There will be more details in August/September of this year.
- O. Phase I – R Street Streetscape Implementation: 10th – 13th Street: Mr. Leon reported that construction has been moving along smoothly, with minimal disruption to parking and businesses in the area. Mr. Leon is currently working on contracts for the bike rack and artwork.
- P. Phase II – Streetscape Implementation: Mr. Leon stated that Fulcrum has been persistent in their parking approach to the design. In a recent meeting with the City, the City supports the current design from CADA. Mr. Leon received a notice of funding availability (NOFA) for SACOG’s Community Grant Program, but chances of obtaining funding might be slim if Fulcrum does not support the current design.
- Q. R Street Affordable Housing: Mr. Leon reported SACOG transit analysis CEQA process for densities/re-zoning, particularly 1717 S Street.
- R. FY 2011/2012 Business Plan: Jackie Whitelam presented CADA’s FY 2011-12 Business Plan to the committee. Ms. Whitelam noted specific changes from the last fiscal year, which includes completing negotiations with Housing and Community Development (HCD) regarding termination of regulatory agreements for Somerset Parkside and Biele Place. Also included is the sale of Site 8E and implement a program for 1619 Q Street to meet community needs.
- S. Development Schedule: Received as transmitted.

6. Opportunity for the Public to Address the Committee Regarding Matters not on the Agenda
None

7. Adjournment
The committee adjourned the meeting at 11:40 a.m.


Rachel Mercurio
Development Assistant