

MINUTES

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

DECEMBER 6, 2011

Page Robbins called the meeting to order at 9:43 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 October 25, 2011

The minutes of October 25, 2011 were revised prior to the meeting, and approved as submitted.

Committee Chair Robbins moved to item 3) E.

3. Items scheduled for the December 9, 2011 Board Meeting

E. FY 2011/2012 Mid-Year Budget Revisions of the General Operations Budget and Capital Investment Program Budgets, Including Assessment of Fund Balances:

Noelle Mussen reported the following:

Staff recommends that the Board adopt a resolution approving mid-year revisions to the FY 11-12 Annual Operations Budget and the Capital Investment Program (CIP) Budgets as follows:

- Revise the FY 11-12 General Operations Budget to effect a net increase of \$10,100
- Revise Major Construction CIP Budgets to close out the FY 08-09 CIP budget and transfer the remaining \$3,081 to FY 11-12 CIP budget
- Revise Development CIP budgets to increase the FY 04-05 budget by \$12,000
- Change a funding source for FY 06-07
- Decrease the FY 07-08 budget by \$51,191
- Decrease the FY 08-09 budget by \$240
- Increase the FY 09-10 budget by \$50,000

Each year the adopted annual budget is re-evaluated at mid-year for necessary and appropriate revisions. The General Operations Budget is an annual budget which reflects funding sources and expenditures for CADA's ongoing operational activities. The Capital Investment Program Budgets are multi-year budgets that classify major construction, development projects, and bond program projects by the fiscal year in which they were first budgeted.

Special Management Budgets (Somerset Parkside, Biele Place, Brannan Court, and 17th Street Commons) are incorporated into the budget in June subject to receiving confirmation of approval by HCD (Somerset Parkside and Biele Place) and CalHFA (Brannan Court and 17th Street Commons). This year, HCD did not approve the budget as requested. HCD took the actual 2009-10 amounts and increased them by 10%; this became the basis of the FY 2011-12 budgets. Any accounts that were over that amount in the submitted budget were brought down to that adjusted amount. However, HCD did approve the requested increase to the equipment replacement reserves for both properties.

Ms. Mussen provided an overview of revisions to the General Operations Budget, the Capital Investment Program Budget, and General Operations Designated Reserves.

Page Robbins asked about HCD funding and how it impacts CADA. Ms. Mussen stated that there is no big impact at this point in time. Ron Alvarado asked if the \$31,000 construction mitigation is due to a contractor-induced delay. Ms. Mussen stated that all residents had to leave the building instead of vacating in phases.

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

Committee Chair Robbins moved to item 4) A.

4. Staff Reports/Updates/Transmittals

A. CADA Properties Report:

Jackie Whitelam discussed the draft document of the CADA Properties Report to give to Department of General Services (DGS) by the end of this week. Staff would like the committee to review this document before sending the final draft to DGS.

Ms. Whitelam stated that this document is something that ultimately DGS and CADA staff can utilize. Mr. Alvarado stated that this is a great document to reach out to a wider and broader audience, and it would be beneficial to add some background on what CADA stands for so the public is more informed.

B. CADA Board Workshop:

Ms. Whitelam presented the draft agenda for the CADA Board Workshop on February 29, 2012. CADA staff and its consultants prepared this draft agenda and welcome any feedback from the Board with regards to this agenda in the next thirty days. The agenda includes three parts:

1. State Capitol Area Plan Residential & Neighborhood Commercial Components Needs Assessment
2. Policy/Programmatic Issues and Financing/Funding Sources Related to Meeting Identified Needs Assessment
3. Potential Alternative Strategies to meet State Capitol Area Plan Residential & Neighborhood Commercial Components Needs Assessments

Ms. Whitelam reported that most of the time of the workshop will be spent on "Potential Alternative Strategies to meet State Capitol Area Plan Residential & Neighborhood Commercial Components Needs Assessments" which include the exercise objective, overview of properties, potential alternative strategies, and possible discussion points.

Ms. Robbins suggested that providing some kind of outline would give people who have not read previous material a chance to provide feedback and sets the framework. As part of CADA's requirement to maintain a 25% level of affordable housing, Ms. Robbins would like to see CADA advocating 50% AMI (Area-wide Median Income) because it's such an important part of CADA's mission to protect funding that allows affordable housing.

Paul Schmidt reported that Councilmember Rob Fong asked the City Manager to report on the sale of CADA properties this afternoon and will be presented to City Council next week.

Committee Chair Robbins moved to item 3) A.

3. Items scheduled for the December 9, 2011 Board Meeting

- A. Capitol Lofts Disposition and Development Agreement and Promissory Note Forbearance Letter (Northern Half Block Bounded by 11th and 12th Streets/R Street and the R-S Street Alley):

Marc de la Vergne reported the following:

Staff is recommending the Board adopt a resolution authorizing the Executive Director to issue a Disposition and Development Agreement (DDA) and Promissory Note forbearance letter for a 90-day period. This item was originally on the agenda for the October 28, 2011 Board meeting, but was continued by the Board to this meeting.

Staff is recommending the Developer (Holliday) be given until January 26, 2012 to answer the questions outlined in its September 29 letter, conditioned on the following: that past due monthly cost reimbursement fees of \$22,500 for the months of August, September, October, November and December have been paid; that the January and subsequent monthly fees be paid when due; that the Developer will submit a proposal for a viable project and with a balanced budget by January 26, 2012.

Since October, Holliday has been meeting with three other development teams--two from Sacramento and a second from New York--to discuss possible collaboration on the project. In two cases, the developers have recent successful affordable tax credit experience.

As of December 5, the past due amount from the Developer is \$22,500. Issuance of the forbearance letter is conditioned on CADA receiving payment of the entire past due balance and the understanding that the developer is seeking a development partner to participate in paying the past due amount and future monthly fees. If the fees are not paid by January 9, 2012, the amount would increase to \$27,000. Staff suggested that the Developer provides a check and the check will only be cashed if the Developer comes up with a feasible project. If the Developer backs out of the project, the check will be returned.

Mr. de la Vergne stated that staff will find out which proposal was chosen by the end of December. If a deal is made, then they would be able to submit a check and present the proposal on January 26, 2012. The check would be deposited on January 9.

Mr. Alvarado stated that the Developer told staff that there is a less than 10% chance the project could be financed, that the Developer also reported that he can't repay the loan back to CADA which is \$2.3 million, and that now the Developer is not going to repay \$22,000 unless and until he has a chance to evaluate the potential success associated with potential responses he will get to assist them in the project. Because of these fundamentals, Mr. Alvarado does not support the recommendation. Mr. Alvarado stated that with the January 26 deadline that means Board resolution will be pushed until March in order to continue with the project. Mr. Schmidt stated that the main motivation is to retain the tax credits that would be otherwise be lost if the Developer leaves and the process start over.

Mr. Alvarado asked if the funding from the HCD Prop 1C grant would follow the Developer, or follow the project. Mr. de la Vergne stated that staff is waiting to speak to HCD about this issue. Staff does not recommend having this conversation until it's clear Holliday will not be the developer. HCD has a deadline of June 2013 to secure a financing agreement, and the deadline to draw the funds is June 2016.

Todd Leon stated that one of the potential developers could make the \$2.3 million loan whole. Mr. de la Vergne stated that staff won't know in writing until January 26, but may know more details on negotiations of a deal by the end of December.

Ms. Robbins is inclined to grant them an extension until January 9 to pay all past due fees. Mr. Alvarado stated that while he appreciates the effort made by CADA to assist the Developer in making a feasible project and to secure HCD funding and tax credits, he cannot support this recommendation because the Developer has been unable to secure financing, has not paid past-due cost reimbursement fees, and has not been able to propose a viable development proposal.

Ms. Robbins asked staff for a timeline and a deadline for tax credits by Friday for a January application. Mr. Alvarado stated that if Board does extend this deadline why not have the Developer submit a proposal earlier than January 26, closer to January 10 in time for the next committee meeting in January. Mr. Schmidt stated that staff will have more information by Friday's Board meeting.

Committee's Recommendation: The committee did not act on Staff's recommendation.

B. Park Mansion Heating, Ventilation and Air-Conditioning Upgrade ("HVAC") (1325 15th Street):

Allison Cash reported the following:

Staff recommends the Board adopt a resolution authorizing the Executive Director to execute a purchase order for \$87,500 with Norman S. Wright Mechanical Equipment Corporation for the purchase of 42 water-sourced heat-pump units manufactured by Mammoth, to be installed at 1325 15th Street, and to enter into a construction contract in the amount of \$121,343 with Champion Industrial Contractors, Inc. for the installation of new HVAC equipment, also at 1325 15th Street.

Park Mansion is a 42-unit, five-story building originally built in 1928. CADA rehabilitated Park Mansion over 30 years ago, at which time the current cooling tower, steam boiler and water-sourced heat pumps within each apartment unit were installed. The project will significantly improve the energy efficiency at the building.

The current horizontal water-sourced heat pumps ranging in size from $\frac{3}{4}$ ton to 3 ton are mounted within their own return air plenum in the space above the ceiling of each apartment's storage closet. The heat pumps are accessible through a hinged steel panel through the closet ceiling.

The purchases of the new cooling tower for a cost of \$33,000 and the steam boiler for a cost of \$26,500 do not require Board action. The purchase of the new heat pumps is before the Board in accordance with CADA Contracts Policy because the cost of \$87,500 exceeds the Executive Director's authority. CADA's Contract Policy also states that formal bids are required when purchases exceed \$50,000. In this instance, however, there is only one manufacturer who produces heat pumps that fit into the existing space constrains and this manufacturer only sells their units through sole-source distributors within specified territories. Because these units can only be purchased from Norman S. Wright, Mammoth's sole-distributor for Northern California, formal bids were not solicited for this purchase. In September Norman S. Wright first quoted a price of \$101,157.14 which staff was subsequently able to negotiate down to \$87,500.

Champion Industrial Contractors, Inc.'s total bid of \$121,343 included a Base Bid of \$88,033 for the installation of the heat pump units in each apartment, an Alternative Bid #1 of \$7,590 for the installation of the steam boiler and an Alternative Bid #2 price of \$25,720 for the installation of the cooling tower. The demolition and removal of all existing equipment is included within each Base Bid, Alternate #1, and Alternate #2 price. Staff recommends awarding the Base Bid, Alternate #1 and Alternate #2 for a total of \$121,343.

In budgetary planning for the upgrade of the HVAC equipment at Park Mansion, staff originally planned to replace the apartment unit heat pumps over the course of several years, rather than all at once. The cooling tower was budgeted into the FY 11/12 CIP Budget and the boiler replacement was planned as a future need in FY 13/14. However, given the eligibility for incentive funds through the SMUD Home Performance Program, it has become prudent to perform all of the equipment replacement at once.

The \$120,000 currently budgeted within the Capital Improvements Program and the \$109,200 incentive leaves a remaining amount of \$39,143 needed to fund the project. We are able to fund the additional need by utilizing FY 09/10 funds from a project that can be re-

budgeted to a future year and contingency. The overall FY 09/10 bottom line will not change.

Ms. Robbins asked if the \$39,000 is more than needs to be allocated. Ms. Cash stated that the \$39,000 comes from within the CIP budget.

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

C. R Street Property Business and Improvement District (PBID) (10th – 13th Streets):

Todd Leon reported the following:

On September 30, 2011, Governor Brown signed Senate Bill 194 authorizing Joint Powers Authorities (JPAs) between the State of California and a City to form PBIDs pursuant to the Property and Business Improvement District Law of 1994. This change in the state's PBID law allows JPAs such as CADA to approve PBIDs starting on January 1, 2012.

CADA staff and consultant Civitas Advisors began the official R Street PBID formation process in August 2011. Signed petitions of property owners who will cumulatively pay more than 50% of the proposed assessment are expected to be collected by the end of the year.

There are two advantages of CADA acting as the approving agency. First, CADA and the PBID can avoid fees that would be necessary to process the approval through the City of Sacramento. CADA has already spent a significant amount of funding to seed the information of the PBID. Although the R Street PBID will reimburse CADA for 50% of the formation costs, the City process will most likely charge a fee near \$10,000 to recoup their staff and processing costs, adding an additional burden to CADA and the proposed PBID. Secondly, City staff has not been involved in the review of the pre-formation studies or drafting of the district management plan.

Mr. Alvarado asked if staff would receive an ongoing fee from the PBID. Mr. Leon stated that there is no fee and only staff time would be used to review the annual report outside of paying dues on the properties that CADA owns.

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

D. R Street Streetscape Maintenance Agreement between CADA and the City of Sacramento:

Mr. Leon reported the following:

The City of Sacramento and CADA have worked closely over the last ten years to improve the public infrastructure for the R Street Corridor Master Plan area between 10th and 19th Streets. In 2004, when the CADA R Street Urban Design Plan was in the conceptual stages, the City requested that CADA identify who would maintain non-standard streetscape amenities such as benches, bike racks, decorative bollards, etc. and how the maintenance of the amenities would be funded. In the absence of any identified funding source, the City indicated they would expect CADA to fund and maintain these non-standard streetscape amenities.

The City informed CADA in November 2010 that the project was under budget and approximately \$1.5 million in SACOG Community Design Grant funds would be unused and thus returned to SACOG unless it was decided to include additional enhancements to the project. An agreement between the City and the new R Street PBID would be created to transfer responsibility from CADA to the new improvement district. The R Street thematic bike racks and the art piece that CADA funded, installed, and owns will continue to be CADA's responsibility to maintain.

CADA will also be responsible for replacement of any banners installed on the light posts. The maintenance needs will include graffiti removal and any minor replacement or repair of

items damaged by vandalism. Structural or mechanical repairs will be covered through most of 2012 by the various construction and installation warranties of the streetscape amenities.

Under the terms of the agreement neither CADA nor the City will be obligated to replace any items damaged beyond repair. If a streetscape item needs to be entirely replaced, the City and CADA will agree to meet to determine a course of action with respect to the affected streetscape improvement.

Mr. Alvarado asked that if the PBID is not formed, CADA assumes maintenance. Mr. Leon stated that CADA would continue to maintain some improvements, but some improvements would be turned over to the City instead of the PBID.

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

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

Ms. Cash reported the following:

Twice each year, CADA staff prepares a Five-Year Capital Improvement Program (CIP) Needs Assessment. This Assessment reflects projects beginning in FY 11/12 as well as projects proposed for consideration during the following four years. CIP budgets are presented to the Board for adoption as part of the annual Capital Investment Budget process. Projects included in Year 1 of the Five-Year Assessment reflect the FY 11/12 CIP budget that was adopted by the Board in June 2011.

Budgeted FY 09/10 and FY 10/11 projects that have been completed are included as reference only to further depict the level of investment in individual buildings during those two fiscal years, as well as five years into the future.

Starting in FY 07/08, CADA has budgeted \$15,000 annually to enhance energy reduction and sustainable components into budgeted CIP projects. In an ongoing effort working towards our energy reduction goals at each individual property, staff has incorporated larger-scale energy improvement projects into the CIP budget such as the Park Mansion elevator modernization and HVAC upgrades, the 1616 N Street HVAC and Electrical upgrade project. Staff has worked with SMUD on energy reduction efforts through participation in SMUD's Home Energy Performance Program: Multi-Family. We have enrolled these properties in the program because they are our highest energy-consuming properties and they have funds budgeted in the existing approved budget. CADA is scheduled to receive a total of \$165,200 in incentive funds for the two HVAC projects at 1616 N Street and Park Mansion.

To date, CADA has completed \$1,206,973 in construction improvement projects budgeted during the past three fiscal years. The Five-Year CIP Needs Assessment calls for spending \$3,325,000 over the next five years. The majority of this need is for General Fund Buildings. The remaining \$509,000 is for Special Management Buildings.

The preparation of the CIP Needs Assessment addresses CADA's goal of creating a compelling urban neighborhood by being an excellent property manager, and addresses CADA's goal of maintaining organizational excellence by assessing project impacts on CADA operations.

Mr. Alvarado suggested referencing what CADA has done the past three years with Ms. Whitelam's report to DGS.

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

5. Staff Reports/Updates/Transmittals

- C. Jefferson School (1619 N Street): Mr. Schmidt reported that staff received the MOU back from the school district and legal counsel will finalize the MOU with the school district's

- attorneys and will be brought to the Board in January. Mr. de la Vergne will be the new project manager.
- D. Downtown Sacramento Revitalization Corporation: Mr. Schmidt reported that Jay Schenirer and Angelique Ashby will no longer be on the Board of Downtown Sacramento Revitalization Corporation and staff is in the process of recommending two more appointees probably developers so there would be a total of seven for development.
 - E. O Street Streetscape; Artwork and Improvements; Regional Transit Stations: Mr. de la Vergne reported that the repainting of the RT platforms will be moved to the spring of next year to avoid weather related delays.
 - F. Capitol Lofts (11th/R Streets) and HCD Infill Grant: This item was reported on in Agenda Item 3 (A).
 - G. Mercury Cleaners (Northeast Corner of 16th and O Streets): Mr. de la Vergne reported that staff is continuing to work with DGS to finalize an MOU.
 - H. East End Gateway Site 1 (Northwest Corner of 16th and N Streets): Mr. de la Vergne reported that the Developer will present a revised development proposal for the March Board meeting and a revised DDA term sheet will be presented either in April or May.
 - I. Streetscape Projects; 16th Street and O Street: Mr. de la Vergne reported that a grant application was submitted to the Strategic Growth Council for 16th Street for \$795,000. Staff will hear the results in late spring of next year.
 - J. Loan and Grant Research: Tom Kigar stated that the grant application for the Strategic Growth Council and the SMUD Incentive Program are the latest updates in loan and grant research.
 - K. East End Gateway Sites 2 and 3 (Northwest and Southwest Corners of 16th and O Streets): Mr. Kigar reported that both sites closed last Friday. The Developer has 30 days to start construction as requested by the lender. The grand opening celebration will either be on January 11 or 12 of 2012. Mr. Kigar discussed the details of the construction loan budget.
 - L. East End Gateway Site 4 (Southeast Corner of 16th and P Streets): Mr. Kigar reported that the Developer is working to obtain evidence of financing and is currently working with equity investors. A DDA will be presented to the Board either March or April of next year.
 - M. East End Gateway Site 5 (1614 N Street): Mr. Kigar reported that staff heard back from HUD regarding Section 202 financing and unfortunately East End Gateway Site 5 was not selected. The lease for Hand-in-Hand will expire in June of 2012, around the same time HUD will conduct another round of funding. Mr. Kigar stated that the Hand-in-Hand lease will be extended.
 - N. Site 9B (1610 17th Street): Mr. Kigar reported that the deadline for proposals is Friday, December 30, 2011. So far there are two teams working on proposals with in-law units.
 - O. Fremont Park Update: No update.
 - P. R Street PBID: Mr. Schmidt stated that staff met with DGS's Joe Mugartegui regarding the 8th and R warehouse in the R Street PBID in attempting to get the owner to sign the PBID petition. Mr. Schmidt stated that as a last resort, CADA could recommend the Board to pay the \$3,000 per year since the requirement is 50% support and currently there is 44% support.
 - Q. Phase I – R Street Streetscape Implementation: 10th – 13th Street and 11th Street Sidewalk: Mr. Leon reported that the arch-lighting celebration will now take place on January 19, 2012. Staff will receive an update by Friday on the status of the art and the bike racks. Staff is

waiting on insurance information from the artist and then will file for an encroachment permit. The dock extension at Fox and Goose is almost complete.

R. Phase II – R Streetscape Implementation Market Plaza: Mr. Leon reported that the City conducted a sub-cost analysis on the Fulcrum version of the design. Staff will hold off on an MOU until the next community meeting in January, in hopes of receiving feedback from the community. If there is additional funding, staff will request Board approval.

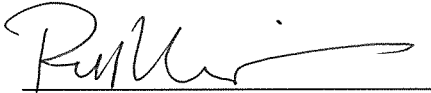
S. R Street Affordable Housing: No update.

T. CADA Accessibility Program: Allison Cash reported that this report provides information on CADA's efforts to improve the accessibility of existing properties that CADA manages. CADA has invested time and resources on a continuing basis into making accessible improvements; responding to both resident-generated requests for accommodations and modifications and undertaking practical measures to improve the accessibility of CADA's properties. Ms. Cash provided an overview of CADA's resident requests, maintenance operations and capital improvements. Ms. Cash reported that CADA budgets approximately \$30,000 annually for accessibility improvements and upgrades. In the General Operations Budget, \$15,000 is budgeted for Maintenance Operations upgrades as well as \$15,000 in the Capital Investment Program Major Construction Budget.

U. Development Schedule: Received as transmitted.

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

6. Adjournment
The committee adjourned the meeting at 11:52 a.m.



Rachel Mercurio
Development Assistant