

**MINUTES  
OF  
REGULAR BOARD MEETING**

**BOARD OF DIRECTORS  
CAPITOL AREA DEVELOPMENT AUTHORITY**

**December 9, 2011**

**ITEM 1 – ROLL CALL**

Chair Bailey called the regular meeting of the CADA Board of Directors to order at 9:06 a.m. at 1522 14<sup>th</sup> Street, Sacramento, CA 95814.

Present: Alvarado, Lagomarsino, Otto, Robbins, Bailey

**ITEM 2 – APPROVAL OF MINUTES: October 28, 2011**

Member Robbins moved approval of the October 28, 2011, Board minutes. Member Alvarado seconded the motion.

AYES: Alvarado, Lagomarsino, Robbins, Bailey

NOES: None

ABSTAINED: Otto

**ITEM 3 – CHAIR'S REPORT**

Chair Bailey presented a resolution to Paul Schmidt on the occasion of his retirement for 36 years of service to the State and CADA.

Joe Mugartegui from the Department of General Services, Real Estate Services Division then presented a resolution to Paul Schmidt commending him for his service in the community by:

- Helping transform once underutilized state-owned property into a vibrant mixed-use neighborhood of state offices, new ownership, rental, affordable and senior housing; and
- His commitment to the objectives of the Capitol Area Plan.
- His efforts that resulted in the rehabilitation and preservation of historic structures and new and diverse retail businesses.

Joe Mugartegui then presented Paul Schmidt with letters from the Director, Fred Klass, of the Department of General Services and Governor Brown.

**ITEM 4 – ELECTION OF VICE CHAIR**

Chair Bailey recommended that Member Lagomarsino continue as Vice Chair. Member Otto supported Chair Bailey's recommendation and moved approval. Member Alvarado seconded the motion.

AYES: Alvarado, Otto, Robbins, Bailey

ABSTAINED: Lagomarsino

**ITEM 5 – 2012 BOARD COMMITTEE APPOINTMENTS**

Chair Bailey recommended that the Board Members continue their same assignments with the following Board Committee appointments:

Development and Construction Committee:

Operations Committee:

Neighborhood Development Committee:

Page Robbins and Ron Alvarado

Ann Bailey and Bob Lagomarsino

Ann Bailey and Kristan Otto

Member Lagomarsino moved approval of Chair Bailey's recommendation. Member Alvarado seconded the motion.

AYES: Alvarado, Lagomarsino, Otto, Robbins, Bailey  
NOES: None

**ITEM 6 – EXECUTIVE DIRECTOR'S REPORT**

Paul Schmidt reported that CADA has received letters of interest from CADA's development ground lessees, Charles Deloney, Ashok Patel and Phil Schott expressing interest in purchasing their property. Mr. Schmidt stated he will be conveying their interest to purchase their property to the Department of General Services' staff within the next couple of weeks.

**ITEM 7 – AUDITED FINANCIAL STATEMENTS – FISCAL YEAR 2010/2011**

Noelle Mussen presented staff's recommendation that the Board, by separate resolutions, accept the following five audited financial reports prepared and released by Macias, Gini & O'Connell, LLP:

- Capitol Area Development Authority
- Somerset Parkside Apartments (Contract Number 80-RHC-007)
- Biele Place Apartments (Contract Number 80-RHC-032)
- Brannan Court Apartments (Contract Number 86-32-N)
- Seventeenth Street Commons (Contract Number 99-024-N)

Ms. Mussen reported that CADA received an unqualified opinion on all audited financial reports and introduced Shelley Walker-Davey from Macias, Gini & O'Connell, LLP who provided an overview of the audit.

Member Lagomarsino left the meeting.

No Board comments.

No public comments.

Member Robbins moved approval of Resolutions 11-44, 11-45, 11-46, 11-47, and 11-48, attached hereto and incorporated herein. Member Alvarado seconded the motion.

AYES: Alvarado, Otto, Robbins, Bailey  
NOES: None  
ABSENT: Lagomarsino

Member Lagomarsino returned to the meeting.

**ITEM 8 – CAPITOL LOFTS DISPOSITION AND DEVELOPMENT AGREEMENT AND PROMISSORY NOTE FORBEARANCE LETTER (NORTHERN HALF OF THE BLOCK BOUNDED BY 11<sup>TH</sup> AND 12<sup>TH</sup> STREETS, R STREET AND THE R-S STREET ALLEY)**

Marc de la Vergne presented staff's recommendation that 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.

Marc de la Vergne reported that this item was originally agendaized for the October 28, 2011 Board meeting, but was continued by the Board to this meeting. On October 26, 2011, the developer's predevelopment loan matured. The action proposed at this meeting is to prevent the developer from being in default of its DDA and Promissory Note.

Marc de la Vergne reported that a letter was received and distributed to the Board from Holliday Development explaining their absence from the Board Meeting. In their letter, Holliday Development briefly reported that they will be evaluating proposals from potential developer partners concerning how to approach the Capitol Lofts Project going forward and were looking forward to meeting with CADA staff to discuss various outstanding issues.

Marc de la Vergne provided an overview on the background status of the project. He then reported that staff is recommending that the developer be given an extension until January 26, 2012, conditioned on the following:

- 1) That the past due monthly cost reimbursement fee of \$27,000 for the months of August through January paid by January 9, 2012.
- 2) That subsequent monthly fees be paid when due.
- 3) That the developer submit a proposal for a viable project by January 26, 2012.

Staff will review the proposal in early February and develop a recommendation for the Board to consider at its earliest opportunity.

Marc de la Vergne reported that CADA's mechanism for granting the requested extension is the issuance of a forbearance letter whose conditions the developer will acknowledge by signing and returning it to CADA.

Marc de la Vergne reported that the Development and Construction Committee had met and discussed this project at length and were divided on whether or not to support staff's recommendation. The developer had requested to make the past due reimbursement fees payment after he had the chance to review the proposals he expects to receive from potential developer partners. Staff proposed to the committee to defer the payment until January 9, 2012. The committee members settled on the end of December as being an acceptable due date. With that said, staff still recommends that the developer be given the additional nine days taking into consideration that the end of December is during the holiday season.

Marc de la Vergne further reported Committee Member Alvarado had also expressed his feeling that the January 26<sup>th</sup> for the submitted approval deadline be moved up to January 10, 2012, to give staff enough time thereafter to report the results to the Development and Construction Committee during Board week in January and allow possible Board action on the proposal in February. Member Alvarado felt that waiting until March to make a decision on this project's future was too long to wait, considering the past due status on the monthly cost reimbursement payments to CADA.

Marc de la Vergne reported that Member Robbins requested that staff provide the Board information on what the timing is on a potential low-income tax credit application to the State of California. Mr. de la Vergne reported that the tax credit advisor to the Sacramento developer whom Holliday Development has been speaking with, Pat Sabelhaus, has communicated to CADA that it would be desirable to submit a 4% tax credit application in January. After discussing the proposal with the developer and Pat Sabelhaus, Holliday Development's project manager reports that there is no urgency to submit such an application and that it can be submitted after all required preparation such as the completion of CEQA is carried out.

Paul Schmidt reported that there is a 9% tax credit application that the developer is also looking at which is due March 23, 2012.

Member Robbins and Member Alvarado reported that the Development and Construction Committee did not take action with regard to the staff recommendation.

Member Alvarado stated that since 1998 he has supported this project, but will not support staff's recommendation. Member Alvarado reported that recently the Board has heard the following:

- The development entity has stated that this project has less than a 10% chance of getting financed unless there is a change to the way it is designed and without additional public money; and
- CADA has been told that the current development entity cannot pay back the \$2.3 million including the accrued interest which is owed to CADA. The monthly cost reimbursement fees have not been paid since July.

Member Alvarado reiterated that he will no longer support the project and staff's recommendation.

Member Robbins reported that she supports staff's recommendation, but that she will be looking with a more stringent eye to not let this project drag on too much longer with the current developer.

Member Lagomarsino expressed his concern on the length of time it is taking to bring this project to fruition. Paul Schmidt responded that the developer feels he can deliver the project, but the timing for this project has not been right. As stated by Pat Sabelhaus, the timing is much closer than it has ever been before and staff believes it is worth the additional 90 days to wait it out.

Chair Bailey moved back to Agenda Item 3, Chair's Report.

### **ITEM 3 – CHAIR'S REPORT**

Senator Darrell Steinberg, President pro-tem of the Senate presented a resolution congratulating Paul Schmidt on the occasion of his retirement for his 36 years of service to the State and CADA.

Chair Bailey moved back to Agenda Item 8.

### **ITEM 8 – CAPITOL LOFTS DISPOSITION AND DEVELOPMENT AGREEMENT AND PROMISSORY NOTE FORBEARANCE LETTER (NORTHERN HALF OF THE BLOCK BOUNDED BY 11<sup>TH</sup> AND 12<sup>TH</sup> STREETS, R STREET AND THE R-S STREET ALLEY)**

Marc de la Vergne reviewed the changes to the revised proposed resolution under 1), third sentence starting at: "provided the Developer pays in full by January 9, 2012, all unpaid CADA cost reimbursement fees due as of January 5, 2012, and provided it makes on-time payments of the monthly fee thereafter."

There was Board and staff discussion as to when the Capitol Lofts Project would be brought back to the Board. Chair Bailey recommended that due to the Board Workshop in February, that this item be brought back in March.

Member Otto stated that she would like to move on and would not support the project or staff's recommendation. Member Alvarado concurred that after 13 years of trying to get a project through, it needs to come to a conclusion.

No further Board comments.

No public comments.

Chair Bailey restated staff's recommendation to adopt a resolution authorizing the Executive Director to execute a Disposition and Development Agreement and Promissory Note forbearance letter with the date modifications as described by Marc de la Vergne.

Member Robbins moved approval of the Resolution 11-49, as amended, attached hereto and incorporated herein. Member Lagomarsino seconded the motion.

AYES: Lagomarsino, Robbins, Bailey

NOES: Alvarado, Otto

**ITEM 9 – PARK MANSION HEATING, VENTILATION AND AIR-CONDITIONING UPGRADE (“HVAC”) (1325 15<sup>TH</sup> STREET)**

Allison Cash presented staff’s recommendation that the Board adopt a resolution authorizing the Executive Director to:

- 1) Execute a purchase order for \$87,500 with Norman S. Wright Mechanical Equipment Corporation for the purchase of 42 water-source heat-pump units; and
- 2) Enter into a construction contract in the amount of \$121,343 with Champion Industrial Contractors, Inc. for the installation of new HVAC equipment at 1324 15<sup>th</sup> Street, Sacramento.

Allison Cash reported that the 42-unit, five-story building was constructed in 1928. CADA rehabilitated Park Mansion over 30 years ago, at which time the current cooling tower, steam boiler and water-source heat-pumps within each apartment unit were installed. The objective of this project is to remove the outdated equipment, install a new cooling tower, steam boiler and a new water-source heat-pump in each apartment unit which will significantly improve energy efficiency at the building.

Allison Cash reported that because the HVAC equipment could only be purchased from Norman S. Wright, Mammoth’s sole distributor for Northern California, formal bids for the purchase were not solicited. The projected cost of the installation of the HVAC equipment required that the installation work be formally bid and that the contract be awarded by the Board of Directors. Thirteen licensed mechanical contractors participated in the mandatory walkthrough and on November 7th four bids were submitted.

Member Robbins reported that the Development and Construction Committee supported staff’s recommendation.

Chair Bailey reported that the Operations Committee and the Neighborhood Development Committee supported staff’s recommendation as well.

No further Board comments.

No public comments.

Member Robbins moved approval of Resolution 11-50, attached hereto and incorporated herein. Member Alvarado seconded the motion.

AYES: Alvarado, Lagomarsino, Otto, Robbins, Bailey

NOES: None

**ITEM 10 – R STREET PROPERTY AND BUSINESS IMPROVEMENT DISTRICT (“PBID”) LAW UPDATE AND CADA ROLE (10<sup>TH</sup> – 13<sup>TH</sup> STREETS)**

Todd Leon presented staff’s recommendation that the Board adopt a resolution stating the Board’s intention to be the forming agency authority for the establishment of the proposed R Street Property and Business Improvement District (PBID) per amendments to the State PBID Law that will be effective January 1, 2012.

Todd Leon then introduced John Lambeth of Civitas Advisors who provided a Powerpoint presentation and overview on the process and status of the R Street PBID.

There was discussion with the Board and consultant regarding the five year sunset which establishes the statute for the neighborhood legislation making the district accountable. After the five years, it will be necessary to go back again and obtain the property owners' consent to continue.

There was discussion regarding administrative costs, the reimbursement of formation costs to CADA and what CADA's operational costs would be.

Member Alvarado moved approval of Resolution 11-51, attached hereto and incorporated herein. Member Otto seconded the motion.

AYES: Alvarado, Lagomarsino, Otto, Robbins, Bailey

NOES: None

**ITEM 11 - R STREET STREETScape MAINTENANCE AGREEMENT BETWEEN CADA AND THE CITY OF SACRAMENTO (10<sup>TH</sup> – 13<sup>TH</sup> STREETS)**

Todd Leon presented staff's recommendation that the Board adopt a resolution authorizing the Executive Director to enter into a Memorandum of Understanding (MOU) or other written agreements with the City of Sacramento pertaining to the maintenance and operations of streetscape furniture and enhancements installed as part of the R Street Phase I Streetscape Improvements Project until an R Street Improvement District is formed.

Todd Leon reported that the City of Sacramento and CADA have been working on streetscape improvements on R Street for over ten years. One of the early discussions on the urban design plan was who would be responsible to maintain those special improvements. Since CADA was unable to form an improvement district this year in time for the assessment district to be formed for 2012, staff is coming to the Board to obtain authorization for the Executive Director to enter into an MOU or maintenance agreement with the City of Sacramento.

Member Robbins reported that the Development and Construction Committee supported staff's recommendation.

Chair Bailey reported that the Operations Committee and the Neighborhood Development Committee also supported staff's recommendation.

No further Board comments.

No public comments.

Member Alvarado moved approval of Resolution 11-52, attached hereto and incorporated herein. Member Otto seconded the motion.

AYES: Alvarado, Lagomarsino, Otto, Robbins, Bailey

NOES: None

**CONSENT CALENDAR ITEMS (12 and 13)**

Chair Bailey asked if there were any Board Members who desired Agenda Items 12 and 13 be taken off the Consent Calendar.

No Board Comments.

No public comments.

**ITEM 12 - 2012 BOARD MEETING AND COMMITTEE MEETINGS SCHEDULES**

**ITEM 13 - EMPLOYEE HANDBOOK**

Member Lagomarsino, by one motion, moved approval of Resolutions 11-53, 11-54 and 11-55, attached hereto and incorporated herein. Member Robbins seconded the motion.

AYES: Alvarado, Lagomarsino, Otto, Robbins, Bailey

NOES: None

**ITEM 14 – FY 2011-2012 MID-YEAR REVISIONS OF THE GENERAL OPERATIONS BUDGET AND CAPITAL INVESTMENT PROGRAM BUDGETS, INCLUDING ASSESSMENT OF FUND BALANCES**

Noelle Mussen presented staff's recommendation that the Board adopt a resolution approving mid-year revisions to the FY 11-12 Annual General Operations Budget and the Capital Investment Program Budgets as follows:

- Increase the FY 2011-2012 General Operations Budget by \$10,100
- Approve the revision of the Major Construction CIP Budget; closing out FY 2008-2009 CIP Budget and transferring the \$3,081 in remaining funds to the FY 2011-2012 CIP Budget.
- Approve revisions to all Development CIP Budgets except for FY 2011-2012.

Noelle Mussen reported that CADA adopts an annual budget which is re-evaluated at mid-year. The General Operations Budget is an annual budget which reflects funding sources and expenditures of CADA's on-going operations activities, including Designated Reserves. The Capital Investment Program Budget includes multi-year budgets that classify major construction, development projects and bond program projects which include Special Management Fund Budgets. Ms. Mussen then reviewed the revisions to the General Operations Budget and Capital Investment Program Budget.

Member Robbins reported that the Development and Construction Committee supported staff's recommendation. Chair Bailey also reported that the Operations Committee and Neighborhood Development Committee supported staff's recommendation.

No further Board comments.

No public comments.

Member Robbins moved approval of Resolution 11-56, attached hereto and incorporated herein. Member Alvarado seconded the motion.

AYES: Alvarado, Lagomarsino, Otto, Robbins, Bailey

NOES: None

**ITEM 15 – FIVE-YEAR CAPITAL IMPROVEMENTS PROGRAM (CIP) NEEDS ASSESSMENT**

Allison Cash reviewed the Five Year CIP Needs Assessment and its mid-year status. Ms. Cash reported that staff projects the need for CADA to expend \$3,325,000 over the next five years.

Allison Cash reported that the majority of this need of \$2,816,000 is for improvements to the General Fund Buildings with the remaining \$509,000 for improvements to the Special Management Buildings.

No Board comments.

No public comments.

This item was for review and information only.

Chair Bailey reported that Item 16, Review of the Executive Director's Performance and Item 17, Executive Director's Compensation are annual placeholders. No action is being taken at this time and are being removed from the agenda.

Chair Bailey moved to Agenda Item 18.

### **ITEM 18 – STAFF REPORTS/UPDATES**

- A. CADA Properties Report: Jacqueline Whitelam reported staff has been working with the Department of General Services in preparing the draft CADA Properties Report. This draft report was reviewed with the CADA committee members earlier this week. Comments that staff received by the committee members were incorporated into the draft CADA Properties Report. Ms. Whitelam then reviewed the comments that were noted in the draft CADA Properties Report.
- B. CADA Board Workshop: Jacqueline Whitelam reported that the CADA Board Workshop Agenda was discussed at the committee meetings. Ms. Whitelam asked that if the Board has any comments, to provide them to staff by the first week in January. Ms. Whitelam reported that the Board Workshop is scheduled for Wednesday, February 29<sup>th</sup>.
- C. Jefferson School (1619 N Street): Marc de la Vergne reported that staff submitted a draft Exclusive Negotiating Agreement to the Sacramento School District which they reviewed and marked up. Staff has reviewed those revisions with legal counsel, Jeff Mitchell. Jeff Mitchell will be discussing CADA's comments to those revisions with the School District's attorney.
- D. Downtown Sacramento Revitalization Corporation: No report.
- E. O Street Streetscape; Artwork and Improvements; Regional Transit Stations: Marc de la Vergne reported that he and Allison Cash decided to move the Regional Transit fixture repainting project between 10<sup>th</sup> and 12<sup>th</sup> Streets to the spring to avoid weather related delays.
- F. Capitol Lofts (11<sup>th</sup>/R Streets) and HCD Infill Grant: This item was reported on in Agenda Item 8.
- G. Mercury Cleaners (Northeast Corner of 16<sup>th</sup> and O Streets): Marc de la Vergne reported that staff and the Department of General Services continue to work toward a Memorandum of Understanding for the site.
- H. East End Gateway Site 1 (Northwest Corner of 16<sup>th</sup> and N Streets): Marc de la Vergne reported the developer is working closely with a variety of equity funds to secure funding for the project. It is the developer's intention to submit equity and construction loan commitment letters to CADA in the month of February with the idea that staff will present for Board approval a DDA term sheet reflecting the proposed changes to the project from a "for sale" to a rental. If staff has a DDA drafted and negotiated by that point, staff would bring the DDA to the March Board Meeting for Board approval or at the first available Board Meeting thereafter.
- I. Streetscape Projects; 16<sup>th</sup> Street and O Street: Marc de la Vergne reported that staff submitted to the State of California a grant proposal for the 16<sup>th</sup> Street Green Elements for approximately \$800,000 worth of improvements that would be used in Phase I. The second phase of the project would follow in a couple of years with a funding request to SACOG for the additional improvements. Staff will hear in May whether the funding application was approved.
- J. Loan and Grant Research: Tom Kigar briefly reviewed the Loan and Grant Research as submitted.

K. East End Gateway Sites 2 and 3 (Northwest and Southwest Corners of 16<sup>th</sup> and O Streets): Tom Kigar reported the following:

- The escrow is closing on EEG Sites 2 and 3.
- The bank's loan documents require the developer to begin construction within 30 days. By mid January the developer expects to be working on the closure of O Street adjacent to both EEG Sites 2 and 3 and on the foundation for each building.
- The developer projects a 16 month construction period.
- A ground breaking ceremony is anticipated to be held on either January 10<sup>th</sup> or 12<sup>th</sup>.
- The developer will have contributed \$1.8 million in cash equity to the project which is 7.5% of the total uses of funds. Five years ago when the developer submitted their proposal, the cash equity was estimated \$1 Million. The Developer has increased its cash equity contribution by \$800,000 by bringing in an outside equity investor.
- The developer's construction loan has a two year maturity date of December 1, 2013, with the option of two one-year extensions. The current interest rate is 3.5% and if the developer does not pay the interest during construction, it will accumulate and be added to the principal at the end of the construction loan.

Member Lagomarsino and Tom Kigar discussed the importance of notifying CADA tenants in sufficient time prior to construction and its staging process.

L. East End Gateway Site 4 (Southeast Corner of 16<sup>th</sup> and P Streets): Tom Kigar reported the following:

- Developer, Katy Reynolds is making progress in pursuing new market tax credits. Ms. Reynolds will be in Sacramento next week to meet with CADA staff.
- The current ENA calls for a DDA to be approved in January 2012. There has been a delay in the developer getting their financial commitment. In January, staff anticipates presenting an extension to the ENA for Board approval to accommodate the developer's timeline.
- Ms. Reynolds is intending to utilize energy management technology developed in Syria on the project. Staff has requested that legal counsel confirm that these actions are in compliance with current law and policies of the United States.

M. East End Gateway Site 5 (1610 - 1614 N Street): Tom Kigar reported that CADA did not receive the HUD 202 financing for the senior housing project. BRIDGE Housing is currently assessing the likelihood of them being successful in the next round of HUD financing.

N. Site 9B (1610 17<sup>th</sup> Street): Tom Kigar reported that proposals are due December 30<sup>th</sup>. In January the developers will present their proposals to the Board. In March, staff will make a recommendation to the Board.

O. Fremont Park Update: No report.

P. R Street PBID: This item was reported on in Agenda Item 10.

Q. Phase I – R Street Streetscape Implementation: 10<sup>th</sup> – 13<sup>th</sup> Street: Todd Leon reported the following:

- The work on the dock extension related to this project for the Fuller Building has been completed; the lights and railing are up.
- In the actual streetscape project itself, almost all the work has been completed except going through the punch list.
- The decorative signage pieces are scheduled to be installed first including the columns between 12<sup>th</sup> and 13<sup>th</sup> Street on the week of December 26<sup>th</sup> and the Pedestrian Arch next to Shoki Ramen House which will be installed the week of January 2<sup>nd</sup>, followed by the main archway going in the week of January 9<sup>th</sup>.

- The Fox and Goose art piece will be going in the week of January 16<sup>th</sup> right before the January 19<sup>th</sup> lighting of the arch ceremony.

R. Phase II – Streetscape Implementation, Market Plaza: Todd Leon reported the following:

- Staff has been in discussions with the project manager at the City to try to secure agreement on the next steps for the project.
- Staff has received a proposal for costs related to changing the design. Before it is presented to the Board, staff will be conducting a community meeting regarding the proposed changes. Under the current contract and funding that CADA has in place with the City, staff will most likely conduct this community meeting in either late January or early February.
- Staff will confirm with Fulcrum Properties that they will be in attendance at the meeting and be in the community discussions because they are the ones driving the change in the design.

S. R Street Affordable Housing: No report.

**ITEM 19 – TRANSMITTALS**

Received as transmitted.

**ITEM 20 – OPPORTUNITY FOR THE PUBLIC TO ADDRESS THE BOARD REGARDING MATTERS NOT ON THE AGENDA**

None

**ITEM 21 – ADJOURNMENT**

The meeting adjourned at 11:21 a.m.



Sharon M. Bennett  
Secretary to the Board of Directors