

**MINUTES  
OF  
REGULAR BOARD MEETING**

**BOARD OF DIRECTORS  
CAPITOL AREA DEVELOPMENT AUTHORITY**

**September 20, 2019**

**ITEM 1 – ROLL CALL**

Chair Bailey called the Board Meeting of the CADA Board of Directors to order at 10:01 a.m. at 1522 14<sup>th</sup> Street, Sacramento, CA 95814.

Present: Avdis, Lagomarsino, Maviglio, Winston, Bailey

Absent: None

**ITEM 2 – APPROVAL OF MINUTES: AUGUST 16, 2019**

Member Lagomarsino moved approval of the August 16, 2019 CADA Board Meeting minutes. Member Avdis seconded the motion.

AYES: Avdis, Lagomarsino, Maviglio, Winston, Bailey

NOES: None

**ITEM 3 – CHAIR'S ORAL REPORT**

No Report.

**ITEM 4 – EXECUTIVE DIRECTOR'S ORAL REPORT**

Wendy Saunders reported the following:

- There will be a tour of the 19<sup>th</sup> and J micro-unit project directly after this Board meeting. Staff went on a great tour of micro-unit projects in San Francisco earlier this month and Staff will show a presentation of the tour to the Board next month.
- Downtown Sacramento Partnership: No update.
- Downtown Sacramento Revitalization Corporation: No update.
- Midtown Association: No update.

**ITEM 5 – THE VANTAGE (FORMERLY SITE 21) – AMENDMENTS TO DISPOSITION AND DEVELOPMENT AGREEMENT AND BUDGET (SOUTHWEST CORNER OF 14<sup>TH</sup> AND N STREETS)**

*Staff Recommendation:* Staff recommends that the Board adopt a resolution approving a Second Amendment to the Disposition and Development Agreement and a Second Amendment to Purchase Agreement for Vantage Condominiums.

Staff Contact: Tom Kigar, Special Projects Director

The Development and Construction Committee met and the Committee supported the recommendation.

Board Comments: Member Avdis stated that while the Development and Construction Committee is disappointed with the direction this project is going with the proposed shift to apartments, the Committee supports staff's recommendation.

There was Board discussion with the Developer (Cresleigh Homes) and the contractor (Swinerton) about what has changed in the market and the economy to justify the dramatic increases in construction costs for the project.

Member Avdis asked what will happen to the bids when the switch is made from rentals to for-sale units. The contractor stated that the market factors will continue to be there, but the anticipated greater response of subcontractors to an apartment project will drive down costs. Member Avdis asked what changed between the construction of Swinerton's Sawyer project and the present. The contractor said that in 2014/2015 the market was completely different and that the Sawyer project changed from apartments to condominiums during construction. The contractor stated that due to tariffs and the rise in the number of construction projects in Sacramento, including \$4 billion in construction that DGS has procured in Sacramento in the past year, the cost increases were impossible to foresee.

Member Winston asked if there will be any changes to the quality control, finishes, and appliances. The developer stated that its proforma includes \$15,000 to \$20,000 in funding to upgrade for deterioration, prior to sales of the condominiums. The contractor stated the building infrastructure will not change as a result of shifting to a rental project. The contractor and Developer assured the Board that this is a condominium project first and that quality will not be compromised.

Member Lagomarsino asked what sort of analysis has been done with respect to the rental market to demonstrate that this is currently the best approach and asked how demand has changed in regards to a sense of ownership versus rental. The Developer stated it conducted a market study that evaluated rental and ownership in the downtown area. The study showed baby boomers and millennials both support rental over ownership. The developer stated that it fully intends to sell the apartments as condominiums after completion of the 10-year period.

Member Lagomarsino asked how long into the future the construction market would remain constrained. The contractor discussed the future construction market and said there are many significant projects in the Sacramento pipeline.

Member Lagomarsino asked if the \$2.5 million payment is a one-time payment. Ms. Saunders replied that it is.

Member Maviglio asked why the amendment imposes an obligation to sell only six condominium units. CADA's Legal Counsel stated that the intent is to require a minimum number of units with a deadline in the belief that once the units start selling, it is reasonable to agree that six units will sell within six months, since it cannot be determined how long it will actually take to sell all of them. The developer's attorney explained that the Division of Real Estate will require the developer to sell more than six condominiums and to fully pursue its sales program. All Homeowners Association requirements will be in effect.

Member Maviglio asked how many apartment buildings the developer currently manages. The developer said it manages 1,500 individual apartment units.

Member Lagomarsino asked if DGS has opined on the shift to apartments. Chair Bailey stated that DGS has expressed the view from the beginning that the appearance of the building should be of superior quality since it is across the street from Capitol Park. Since the design of the building will not change with a shift to apartments, DGS remains content with the design.

Member Maviglio asked if the units are subject to rent control, and Ms. Saunders confirmed that they are subject to rent control.

Member Maviglio asked what incentives developers would have if the developer goes in a different direction from the Request for Proposals. Ms. Saunders stated that development is a tough business yet CADA has been successful in its relationships with developers. The last recession affected development on 16<sup>th</sup> Street, but CADA developers succeeded in building there.

Chair Bailey inquired about the guaranty with the lien recording on the property instead of a corporate guaranty. CADA's legal counsel stated that two different lenders would not allow a CADA second lien on the property. Instead, a corporate guaranty was offered, meaning the developer's obligation is not secured by the

property but by a guarantee to make payment to CADA if the guaranty provision of the DDA is triggered. The Developer is responsible to pay liquidated damages.

Member Avdis commented that CADA should not be in the business of subsidizing ownership units and CADA needs to maintain its ability to provide affordable units in the Capitol Area.

Public Comments: None.

Member Winston moved approval of Resolution 19-40, attached hereto and incorporated herein. Member Avdis seconded the motion.

AYES: Avdis, Lagomarsino, Maviglio, Winston, Bailey  
NOES: None

**ITEM 6 — BIELE PLACE – DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD)  
LOAN EXTENSION (1421 15<sup>TH</sup> STREET)**

*Staff Recommendation:* Staff recommends that the Board adopt an HCD form resolution approving a Loan Portfolio Restructuring Program regulatory agreement and loan documents extending the existing loans for the Biele Place property and affirming that the Executive Director is authorized to execute them.

Staff Contact: Marc de la Vergne, Deputy Executive Director

The Operations Committee did not meet.

Board Comments: Member Winston asked if there are any anticipated impacts on current residents. Marc de la Vergne stated that all existing residents will remain in place and will not be asked to move at all. The changes to the requirements do not mean the residents have to vacate. Member Winston asked how many units will be coming online with the new terms. Noelle Mussen stated that there are three vacancies currently. Member Lagomarsino asked if rents will increase. Marc de la Vergne stated that rents will increase from 25% of Area-wide Median Income to 30% of Area-wide Median Income. Member Lagomarsino asked how the bottom line will change. Wendy Saunders stated that staff is putting more funds into reserves. Somerset Parkside has the same refinance deal and is currently operating in a deficit. Biele Place is newer and better built than Somerset. Member Winston stated that he would like CADA to continue to keep in mind the nature of the housing crisis in terms of serving difficult populations by focusing on affordable housing options.

Public Comments: None.

Member Lagomarsino moved approval of Resolution 19-41, attached hereto and incorporated herein. Member Winston seconded the motion.

AYES: Avdis, Lagomarsino, Maviglio, Winston, Bailey  
NOES: None

**ITEM 7 — INTENTION TO AMEND CaIPERS CONTRACT – PARTIAL SERVICE RETIREMENT**

*Staff Recommendation:* Staff recommends that the Board adopt a Resolution of Intention to Approve an Amendment to Contract between the California Public Employees' Retirement System Board of Administration and the Capitol Area Development Authority Board of Directors.

Staff Contact: Jill Azevedo, Human Resources Manager

The Operations Committee did not meet.

Board Comments: None.

Public Comments: None.

Member Lagomarsino moved approval of Resolution 19-42, attached hereto and incorporated herein. Member Avdis seconded the motion.

AYES: Avdis, Lagomarsino, Maviglio, Winston, Bailey  
NOES: None

### **ITEM 8 — CADA UTILITIES TRACKING PROGRAM UPDATE**

*Staff Recommendation:* For review and comment only.

Staff Contact: Marc de la Vergne, Deputy Executive Director

The Operations Committee did not meet.

Board Comments: Member Winston stated that it is exciting to see this level of granularity and asked if there is a baseline of daily usage to reach. Marc de la Vergne stated that there isn't a specific number in mind, but currently the focus is on leveling the spikes of increased usage.

Public Comments: None.

### **CONSENT CALENDAR – ITEM 9**

#### **ITEM 9 – AUTHORIZING THE EXECUTION OF A MEMORANDUM OF UNDERSTANDING FOR PARTICIPATION IN THE SDRMA HEALTH BENEFITS PROGRAM - DENTAL**

Chair Bailey asked if there were any Board Members who desired Agenda Item 9 be taken off the Consent Calendar. None wished to do so.

Member Winston moved approval of Resolutions 19-43, attached hereto and incorporated herein. Member Lagomarsino seconded the motion.

AYES: Avdis, Lagomarsino, Winston, Bailey  
NOES: None

### **ITEM 10 – ORAL STAFF REPORTS/UPDATES**

- A. Downtown Sacramento Partnership: This item was reported on in Agenda Item 4.
- B. Downtown Sacramento Revitalization Corporation: This item was reported on in Agenda Item 4.
- C. Midtown Association: This item was reported on in Agenda Item 4.
- D. Mercury Cleaners (Northeast Corner of 16th and O Streets): No update.
- E. Roosevelt Park Streetlights (1619 9<sup>th</sup> Street): Marc de la Vergne reported the bids for the softball field is \$105,000 over the total budget for the project. CADA is maintaining its contribution level so the City will provide \$50,000 of gap amount. Scope changes will be made to close the gap amount.
- F. O Street Streetscape (7<sup>th</sup> – 17<sup>th</sup> Streets): Marc de la Vergne reported that staff will present the draft concept plan to the Board at the October Board meeting. Staff has been active in participating and commenting on the three new State buildings on O Street including the landscape design.
- G. Other Neighborhood Improvements: Marc de la Vergne reported that new awnings are being installed along 10<sup>th</sup> Street at each commercial business. There are new roofs at three CADA buildings, and maintenance staff is converting a former commercial space into a residential unit. Staff is finalizing the 16<sup>th</sup> Street Streetscape improvements at 16<sup>th</sup> and P Street, including Karma Brew and the Legado de Ravel leasing office.
- H. HCD LPR Application for Biele Place (1421 15<sup>th</sup> Street): This item was reported on in Agenda Item 6.

- I. The Vantage (Site 21 - 14<sup>th</sup> and N Streets): This item was reported on in Agenda Item 5.
- J. CADA Courtyard Site (1322 O Street): Tom Kigar reported that this will be a 100% affordable project with all studio/efficiency units in response to the Governor's order to use State-owned land for affordable housing. Staff selected Tricorp as the general contractor and staff went on a tour of San Francisco micro units with Member Lagomarsino. The Yield Study will be presented for review at the October Board meeting.
- K. R Street PBID: No update.
- L. R Street Affordable Housing (1717 S Street): Todd Leon reported that staff is getting close to finalizing the building permit. Staff is reconfiguring the financing approach by applying for tax credits next year.
- M. R Street Parking Structure (8<sup>th</sup>/9<sup>th</sup> Streets): Todd Leon reported that staff is working with DGS on finalizing documents for the lease, and staff is hoping to get the Request for Proposals for a general contractor and architect completed in the next few weeks to be released within the next month.

**ITEM 11 – TRANSMITTALS**

Received as transmitted.

**ITEM 12 – OPPORTUNITY FOR THE PUBLIC TO ADDRESS THE BOARD REGARDING MATTERS NOT ON THE AGENDA**

None.

**ITEM 13 – ADJOURNMENT**

The meeting adjourned at 11:44 a.m.



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Rachel Mercurio  
Secretary to the Board of Directors