



March 12, 2021

TO: CADA Board of Directors

**SUBJECT: March 19, 2021 Board Meeting
AGENDA ITEM 7
EXCLUSIVE NEGOTIATING AGREEMENT FOR THE 14TH & N STREET
DEVELOPMENT SITE (formerly Site 21)**

CONTACT: Tom Kigar, Special Projects Director
Renee Funston, Development Manager
Wendy S. Saunders, Executive Director

RECOMMENDED ACTION

Staff recommends that the Board authorize the Executive Director to enter into an Exclusive Negotiating Agreement (ENA) with D & S Development to negotiate a Disposition and Development Agreement (DDA) for a mixed-use condominium/apartment project at the 14th & N Street Development Site.

BACKGROUND

In mid-2020, Cresleigh Homes notified CADA that it was unable to secure acceptable financing for its Vantage project and thus, could not meet the obligations under its DDA. CADA therefore exercised its option to repurchase the property from Cresleigh. CADA consummated the repurchase in September 2020.

Following repurchase of the site, CADA staff undertook various due diligence efforts to explore whether, given CADA's several unsuccessful attempts, it would be possible to find a developer to construct a condominium project at the site. Due diligence included meetings with real estate investment advisors, general contractors, architects, a real estate broker, two local developers with whom CADA had successfully partnered in the past, and one San Francisco developer. A number of significant barriers to success were identified through the due diligence discussions, including the following:

- Extraordinary increases in construction costs and increased demand for subcontractors during the three years of Cresleigh's endeavor had increased project costs to the extent that Cresleigh had been forced to eliminate parking spaces, reduce the quality of the finishes and fixtures, and eliminate project amenities in an attempt to make the project financially feasible. Lack of sufficient parking and desirable amenities may have impacted the ultimate success of the project, if it had been built.

- The Capitol Area View Protection Act, which governs the height of the project, impedes its financial feasibility by preventing construction of a building taller than 9 stories. In order to create a building over 75 feet (typically 8-stories) tall, it must be built of concrete which is more expensive than wood. In addition, a building exceeding 75 feet requires costly health and safety features such as an emergency generator, water storage for fire suppression, and a firefighters' rescue air system. Typically, concrete buildings with requisite life-safety features must be 12 to 15 stories at a minimum (depending on the footprint) to contain enough residential units to generate the revenue to cover the extra cost.
- Condominium developers are required to purchase expensive "wrap" insurance to address potential lawsuits resulting from California's construction defect laws. The wrap insurance covers not only the developer but also the professional consultants (architects, engineers, etc.), the general contractor and all subcontractors. Despite the availability of wrap insurance, many professional consultants, builders and subcontractors nevertheless decline to participate on condominium projects as the projects require extraordinary legal consideration and expense. Lack of consultant and contractor participation is especially an issue when there is a tight construction market and other simpler and less risky work is available. This has the effect of reducing bidding competition and driving up construction costs.
- None of the developers who initially submitted proposals had previously been successful in developing condominiums. CADA staff was advised that it should seek a Bay Area or Southern California company to build the project given the lack of local condominium experience. CADA's history with out-of-town developers, however, has not been successful. The staff believe this is because they lack the home-town community commitment that local developers have.

After completion of its due diligence, the staff concluded that an expensive concrete building, as proposed by all of the respondents to the RFP, was not the solution for creating a financially feasible condominium project. The staff was very pleased, therefore, at the suggestions made by D&S Development as a part of the staff due diligence exercise.

D&S stated that it could construct a building suitable for condominiums through the alternative construction means that it had recently pioneered at 1430 Q that allowed for increasing the maximum number of floor levels for a wood frame structure from 5 to 6. In fact, 1430 Q is the first building of its type constructed in the US (please see **Attachment 1**). The building's frame is light wood, but the flooring and shear walls have been substantially enhanced through extra layers of wood and drywall to increase the typical wood-frame fire-rating from 1-hour to 2-hour. The improved fire-rating system also achieves significant noise attenuation. Door frames and window frames are made of glued laminated ("glulam") beams that enhance the building's structural integrity. Extra care is given to water proofing since water intrusion is the biggest source of risk for condominium builders. D&S has completed a condominium map for 1430 Q and intends to convert the building to condominiums if and when the market conditions are supportive.

D&S's proposal for 14th and N is to build a 6 story light wood-framed building over a two-story concrete podium, similar to the approach they took at 1430 Q project. D&S proposes to design, build and map the project as condominiums, but sell only the top floor units upon project

completion. The balance of the units would be operated as apartments unless and until market conditions are favorable enough to convert the units to condominiums. D&S has requested that CADA finance the cost of the land, which would be repaid with the proceeds from the sale of the 9 penthouse units on the top floor.

The business terms included in the attached ENA are summarized below. In addition, the revised project design is described below.

Exclusive Negotiating Agreement

The ENA included as **Attachment 2** provides for both parties to negotiate diligently and in good faith regarding the preparation and terms of a DDA to be considered for execution. The Proposed Business Terms included in the ENA, as noted below, are considered the primary financial terms to be included in the DDA:

- Upon completion of construction, D&S is required to begin selling nine (9) units as condominiums and sell all nine (9) within twenty-four (24) months thereafter. If D&S fails to timely meet the sale requirements, CADA shall be entitled to liquidated damages in the amount of \$2.5 million for the lost opportunity to create ownership housing on the Property.
- D&S intends to file a Condominium Plan for a single building multi-phase condominium so that it can meet its obligation to sell the 9 condominium units. It may choose to convert the remaining 90 'for rent' units to condominiums depending upon future market conditions.
- The purchase price for the site will be the fair market value of \$2.4 million and CADA will carry back a land loan for such amount. The terms of the loan payback are set forth in the Financial Impact Section below.
- If D&S fails to timely begin construction, CADA has the remedy of repurchasing the property at the same purchase price.
- CADA will provide a \$400,000 grant for construction of off-site public improvements. Staff has reviewed the D&S proforma and confirmed the need for this assistance to achieve feasibility. Use of CADA funds to support the proposed project, make these neighborhood improvements and support the O Street Streetscape Plan is consistent with CADA's Strategic Goals.
- D&S will be required to pay \$5,000 per month in good faith deposits during the term of the DDA, which will be credited against the purchase price at close of escrow.

The ENA includes the following schedule:

Action	Finish
Board Approves ENA	March 19, 2021
D&S submits executed agreements for any of the identified service entities of the proposed development team, i.e., architect, engineer,	April 30, 2021

etc.	
D&S provides Development Proposal including Design Program, Estimated Sources and Uses, Development and Operating Pro Forma, Preliminary Development Schedule and Market Study	June 30, 2021
D&S provides Development Entity Formation Documents, Business Terms for the DDA, and Evidence of Project Financing	January 30, 2022
Board Approves DDA and D&S begins preparation of Design Development and Construction Documents, and Final Budget	March 2022

Based on this schedule, the staff anticipates transfer of the site to D&S in April 2023. D&S would start construction in May 2023 and complete construction in March 2025 assuming a 22-month construction period.

The CADA Executive Director would have the right to extend any of the ENA deadlines except the ENA expiration date. If the Developer fails to submit or resubmit the required items to CADA by the specified deadlines, CADA may at its option terminate the ENA by written notice.

The ENA expires 365 days after the ENA Effective Date, or upon execution of the DDA, whichever comes first. The Board of Directors retains sole authority to extend the expiration date of the ENA.

If the Developer and CADA do not successfully conclude negotiations of the Proposed Business Terms for the DDA during the ENA period, either the Developer or CADA may, at their option, terminate the ENA by written notice to the other party.

Design Program

The proposed project has 99 residential units of which 9 will be condominium loft penthouse units on level 8 and 90 'for rent' units on levels 2 through 7 as shown in the 50% schematic design plans included as **Attachment 3**. A breakdown of the Unit Type/Unit Count/Monthly Rent/Sales Price is shown below in **Table 1**

The building is a type IA and IIIA construction and will include 66 parking stalls on the basement and ground levels. Parking will be assigned, with stalls first designated for condo units and remaining stalls available on a 'first come' basis. The parking includes twenty electric vehicle charging stations and two ADA-accessible spaces. The building also includes secured indoor parking for bicycles.

Ground level will include 1,807 sq ft of light retail space at the corner of 14th and N Streets, lobby with possible coffee bar/lounge, package room, mail room and two studio units with live/work space. The public right of way includes a bulb-out at the corner of 14th and N Streets to provide safe and easy pedestrian crossing. The bulb-out also provides increased planting and seating. The second floor terrace and the eighth floor terrace are landscaped. The terraces provide a shaded perch for residents to take in views of the site and city-at-large. The 2nd floor terrace includes a pool with landscaping to provide shaded privacy for residents, a community lounge and gym. The 8th floor terrace will include a seating area, outdoor BBQ and community table, native planting with built-in seating, and a shade structure.

D&S has modeled the proposed design after the Vantage design except for incorporation of the same Type III-A wood-frame structure as used at its 1430 Q project, the first six-story light wood-frame residential building in the U.S. The six-story wood-frame residential component includes a mezzanine level for the penthouse units over a two-level concrete podium. The eight-story building makes the most of the small infill site while keeping control of construction costs.

As they did at 1430 Q, D&S plans to act as the General Contractor to save costs and ensure quality and timeliness. Having eight stories instead of the Vantage's nine will avoid having to comply with expensive high-rise health and safety requirements. D&S plans to use HGRA, the same architect that designed 1430 Q, and Murray-Smith, the civil engineer that Cresleigh used for the Vantage, to save costs.

The Vantage unit floorplans have been modified to reflect the downtown/midtown market and include living room spaces at corners to take advantage of views, studios adjacent to one-bedroom units to offer flexibility of converting to larger units if needed and a total of 64 private balconies (64% of units versus 23% for the Vantage). The residential units will have the same luxury finishes as those at 1430 Q including stainless steel appliances, waterfall islands, energy-efficient features, washers and dryers, walk-in/walk-through closets, floor-to-ceiling windows and 9' 6" high ceilings in units on floors 3-7 and 19' high for penthouse units.

The building will be constructed to meet the 2019 California building code and the equivalent LEED standard

The massing and design language marks the building as contemporary while referencing the existing surrounding context. The design emphasis is at the pedestrian level with transparent retail at the corner and residential lobby on the street to increase the vitality and energy to the street. The building's upper portions are broken into visually distinctive forms to the existing building scales around them. Exterior building materials will consist of a smooth cement board and smooth stucco finish in neutral colors contrasted by balcony elements. The building provides a porcelain tile finish on the ground level. The residential entrance/lobby and retail space are facing N Street.

The staff has engaged HKS Architects, the designer of the Vantage, to provide architectural exterior design review services in collaboration with HRGA, to make design modifications that would accomplish the following:

- Give the building a significant presence in the larger context of the neighborhood like the Vantage would have established.
- Give prominence to the northeast corner of the proposed building as did the Vantage design.
- Enhance the proposed contemporary design by giving it a more stately and timeless characteristics of the older more institutional buildings around Capitol Park.

It is expected that the proposed design modifications will fall within the realm of color changes, alternative materials, changes of planes on the exterior façade likely at locations where changes in materials occur, recessing windows and an alternative railing design. As shown in the

schedule below, the Design Program will incorporate these modifications by June 30, 2021 and presented to the Board at its August 2021 meeting.

Table 1 – Unit Type/Unit Count/Monthly Rent/Sales Price

Unit Type	Rental Unit Count	Monthly Rent	Condo Penthouse Unit Count	Condo Unit Sales Price
Studio with Live/Work Space	2	\$2,786	0	-
Studio	16	\$1,673 - \$1,894	0	-
1 Bedroom	18	\$2,265 - \$2,793	0	-
1 Bedroom + Den	26	\$2,674 - \$3,311	0	-
2 Bedroom	17	\$4,165 - \$4,221	6	\$695,240 - \$1,521,520
2 Bedroom + Den	11	\$3,696 - \$4,074	3	\$960,960 - \$1,085,630
Total # of Units	90	\$2,941 (avg.)	9	\$964,000 (avg.)

The average sq. ft. for rental units is 840 and the average sq. ft. for condominiums is 1,378.

FINANCIAL IMPACT

The annual tax increment generated if the project was operated as a 99-unit apartment property would be \$520,000. Selling 9 of the units as condominiums would generate an additional \$21,160 in annual tax increment. Should D&S sell the remaining 90 units as condominiums an additional \$74,872 in annual tax increment would be generated. The Annual TI generated by a 99-unit rental project would be \$520,000 versus \$616,032 by a 99 unit condominium project.

The \$2.4 million land loan and the \$400,000 grant for off-site improvements would come from the proceeds of CADA's Taxable bond issued in 2020. D&S intends to pay down the CADA land loan in its entirety with condo sales proceeds, but if sales fall short of projections, D&S would pay back the loan at a market interest rate over a 10-year period (amortized over 20 years) with a balloon payment in year 10.

CONTRACT AWARD CONSIDERATIONS

N/A

POLICY CONSIDERATIONS

When considering selection of a developer for a CADA site, CADA has historically issued a Requests for Proposals to the development community and conducted a selection process including presentations to and interviews by the CADA Board of Directors in a public forum. Nevertheless, it has been common for selected development teams to transition over time for various reasons, and many of CADA's projects have ultimately been delivered by teams that are different from those originally selected.

In the case of the East End Gateway projects (resulting in construction of 16 Powerhouse, Legado de Ravel and Eviva), following selection of developers for the three sites, the Great

Recession occurred and plans for all three projects were upended and the original developers were unable to perform. In these cases, the CADA either resolicited the sites through an open RFP process, resolicited the sites to a hand-selected set of developers, or allowed substantial modifications to partnerships to replace the controlling developer. In the case of WAL, CADA selected a developer who retained control of the CADA warehouse and site for almost 10 years before ceding control to another developer for three years. Finally, the second developer brought in CFY as a partner and CFY ultimately took over and built the project.

In the case of 14th and N, the withdrawal of Cresleigh, the onset of the Great Pandemic, and the pandemic-related market uncertainty, led CADA staff to determine that the time was not right to engage in a new public solicitation process. In addition, the staff due diligence evaluation led to the conclusion that a concrete-framed condominium development, as proposed by all of the developers who originally submitted proposals, was simply not viable. Returning to the same group of developers, thus, did not appear promising.

When staff met with D&S as a part of its due diligence, the staff was pleased and surprised by D&S's suggestion that they could approach the project with the unique and less-expensive building form described herein. In addition, their willingness to map the project for condominiums and sell the building's penthouse floor as condominiums immediately upon completion presented the staff with a compelling solution. The staff's decision to recommend that Board approve an ENA with D&S without undertaking a new public solicitation is a result of their unique and promising approach and CADA's interest in moving toward development of the site as expeditiously as possible.

With regard to the use of the site primarily for apartments, CADA has struggled for many decades to bring new home ownership opportunities to the Capitol Area. With the exception of the Capitol Park Townhomes, however, this goal has proven elusive. The recommended proposal would result in nine condominiums for sale immediately upon project completion, and hopefully, would also lead to conversion of 90 apartments to condominiums in the future. While this may not be the plan that CADA hoped for, obstacles to construction of condominiums in downtown Sacramento have proven to be difficult or impossible to overcome, and circumstances do not appear likely to change in the near future. The recommended solution would add much needed housing supply to the central city including desirable ownership housing, would utilize an underused property, and would result in substantial new tax increment for CADA. Given the dire need for affordable housing in Sacramento, the tax increment income will enhance CADA's ability to construct new affordable housing.

ENVIRONMENTAL CONSIDERATIONS

Staff previously determined, and the CADA Board has found, that development of a project consistent with the Site 21 RFP issued on December 5, 2016 is categorically exempt from the California Environmental Quality Act (PRC §21083.3, 2 CCR §15183) and filed a Notice of Exemption based on the expectation that the project is consistent with the City of Sacramento 2035 General Plan. CADA reserves the right to require additional environmental review to the extent CADA determines that the selected project is not consistent with the City of Sacramento General Plan. If required, CADA will contract with an environmental consultant to prepare any required CEQA documents and the foregoing process will be at the Developer's expense.

No additional environmental review is required for the proposed action

Attachments:

1. WoodWorks Council Article on 1430 Q Street
2. Exclusive Negotiation Agreement with Proposed Business Terms for the DDA
3. Schematic Design Plans



Reducing Carbon Footprint

The use of wood lowers a building's carbon footprint in two ways. Wood continues to sequester carbon absorbed by the trees while they were growing, keeping it out of the atmosphere for the lifetime of the building—longer if the wood is reclaimed at the end of the building's service life and re-used. Meanwhile, the regenerating forest continues the cycle of carbon absorption. Wood products also require less energy to produce than other building materials, and most of that comes from renewable biomass (e.g., bark and sawdust) instead of fossil fuels. Substituting wood for fossil fuel-intensive materials is a way to avoid greenhouse gas emissions and reduce embodied carbon.

- V** **Volume of wood products used:**
1,708 cubic meters (60,334 cubic feet)
- U.S. and Canadian forests grow this much wood in:**
5 minutes
- C** **Carbon stored in the wood:**
1,426 metric tons of CO₂
- A** **Avoided greenhouse gas emissions:**
3,031 metric tons of CO₂
- ✓** **TOTAL POTENTIAL CARBON BENEFIT:**
4,457 metric tons of CO₂

EQUIVALENT TO:

- 942 cars off the road for a year**
- Energy to operate 471 homes for a year**

Source: US EPA

Estimated by the Wood Carbon Calculator for Buildings, based on research by Sarthre, R. and J. O'Connor, 2010, A Synthesis of Research on Wood Products and Greenhouse Gas Impacts, FPInnovations. Note: CO₂ on this chart refers to CO₂ equivalent.

¹ www.woodworks.org/wp-content/uploads/Alternate-Means-Wood-Solution-Paper-by-WoodWorks-Final-for-web.pdf
² www.woodworks.org/wp-content/uploads/wood_solution_paper-Accommodating-Shrinkage.pdf
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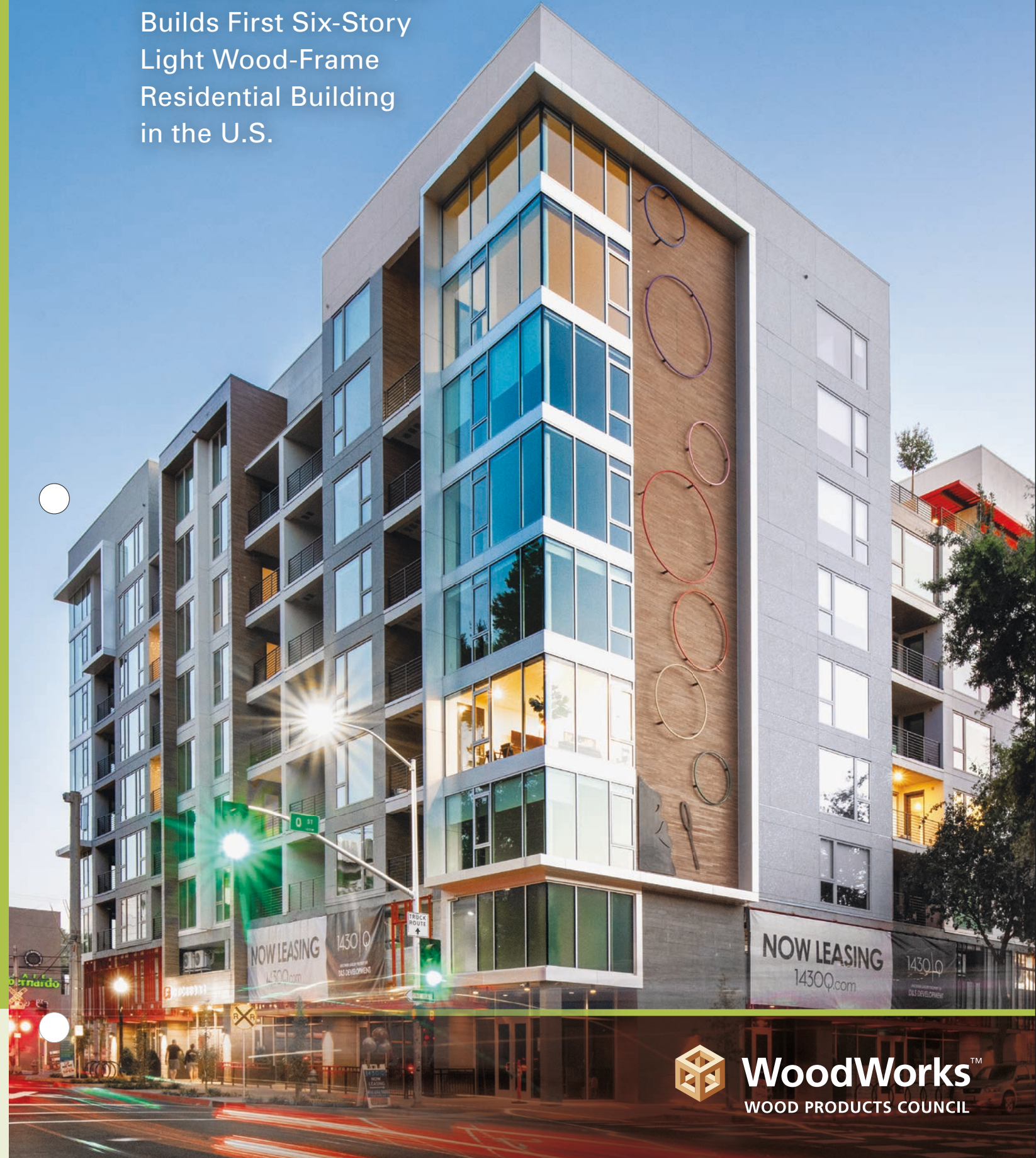
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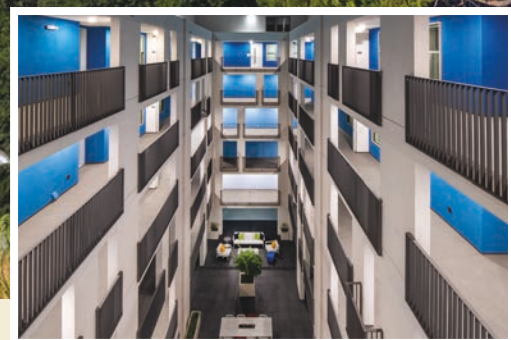
Sacramento Developer Builds First Six-Story Light Wood-Frame Residential Building in the U.S.



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PROJECT DETAILS

LOCATION:

Sacramento, California

STORIES:

Six stories of wood plus mezzanine over a two-level concrete podium

SIZE:

63,000 square feet

CONSTRUCTION TYPE:

Type III-A over Type I-A podium

COMPLETED:

2020

PROJECT TEAM

CLIENT/OWNER:

D&S Development, Inc.

ARCHITECT:

HRGA, The HR Group Architects

STRUCTURAL ENGINEER:

Buehler

CONTRACT MANAGER:

Tricorp Group, Inc.

CODE CONSULTANT:

Churchill Engineering, Inc.

When D&S Development decided to build a new multi-family, mixed-use project in Sacramento, the firm did something no one had done before. D&S and their design team worked with the City's Building Department and built the country's first residential structure with six stories of light wood-frame construction plus mezzanine over a two-level concrete podium. The eight-story building makes the most of its small but desirable site while maximizing its owners' financial return.



For years, the International Building Code (IBC) allowed light wood-frame buildings up to five stories for residential occupancies (six for office) over a single-level podium. The 2015 IBC evolved to recognize multi-level podiums, which had been permitted in the Seattle Building Code for some time. Across the country, designers began maximizing the value of their mid-rise projects with 5-over-2 configurations; however, 5-over-2 still wasn't sufficient to make the investment in 1430 Q pencil out.

Sacramento's competitive building market required that 1430 Q have at least six floors of residential units to make the project profitable. By using the City's Alternate Means and Materials Request (AMMR) process, the design team was able to successfully achieve the extra height and, in so doing, build the country's tallest light wood-frame building.

"This building site provided a great opportunity, but it would have been tough to get the numbers to work in our market if we did things the traditional way," said Steve Lebastchi, Principal of D&S Development. "We needed a sixth floor of residential units to make the project viable, but the costs of concrete and steel would have made it too expensive to build. So, we approached WoodWorks and they connected us with a code consultant who helped make it work using wood."

The result is good news for owners and developers, since the process opens doors for more 6-over-2 buildings in the future. Since the overall building height exceeds code limits for Type III construction, the team had to demonstrate how to achieve code compliance—including required fire ratings and other fire-protection measures—through the AMMR process. 1430 Q also demonstrated that wood framing can be competitive for infill development, providing cost-effective building options for housing and retail in busy urban neighborhoods.

Location, Location, Location

1430 Q's location is what initially sold D&S Development on the project. The site, which has direct freeway access, is adjacent to a light rail station and a popular city park.

The six wood-frame levels include one- and two-bedroom rental units, ranging from 580 to 2,200 square feet, surrounding a center courtyard. Units on the sixth-floor benefit from the mezzanine, with floor-to-ceiling windows providing expansive views. High-grade interior finishes and amenities, including a fitness room, bike storage, pet washing station, and outdoor lounge with BBQ, make 1430 Q a desirable place to live.

The two-story podium features a 9,000-square-foot ground-level retail space with outdoor dining area, which leased almost immediately. It also includes four accessible parking spaces on level one, and additional parking and storage on level two. The project also has one level of below-ground parking.

At approximately \$150/square foot (without finishes), Lebastchi said construction cost about \$15 per square foot more than a typical 5-over-2 project. However, the additional story with premium mezzanine space made the development an instant financial success.



Working through the AMMR Process

The AMMR process allows a building official to consider the intent of prescriptive code provisions when deliberating on new or existing technologies in materials, design and methods that are not explicitly addressed in the code. In this way, the building code can provide the flexibility to address new concepts, innovations, and developments that may not have been recognized or even existed during the code's formal development process. Learn more about AMMRs in the WoodWorks paper, *Getting to Yes: Making Effective Use of the Alternate Means Process*.¹

1430 Q was designed under the 2013 California Building Code, which limits Type III-A buildings to a maximum of 85 feet above grade, five stories of wood-frame construction with sprinklers, 65 feet maximum height for wood shear walls, and a single-story podium.

To go beyond those limits, the design team turned to Churchill Engineering. "The building code is designed to allow alternates if the design team can show equivalency," explained the firm's President, James Churchill. "The 1430 Q project team wanted to build six stories of Type III-A construction instead of five, and they wanted to go up to 94 feet when the limit was 85. Most people consider those tough limits to overcome—but we looked at what we could do to enhance the building in terms of life safety, to make it equivalent or better than what the code intended."

Together, the team studied the City of Sacramento's Building Code, and determined that deviations were allowed with additional fire protection. "We proposed a mitigation that included 2-hour ratings for all corridor walls, unit separation walls, and bearing walls," said Churchill. "So basically, the entire structural system was 2-hour rated. We also provided additional access to the roof from two separate exit stairways." Because the code has limitations on floor area, the team also added a 3-hour firewall assembly to separate the structure into different "buildings" from a code perspective.



The design team submitted the AMMR report and received approval just three days later.

“We’ve submitted a number of AMMRs over the years, but this one was significant,” said Roland Ketelsen, a Principal at HRGA Architecture. “The process went smoothly in large part due to our collaboration with the City of Sacramento Building Department.”

In fact, the Building Department’s response was that “Fire-resistant elements are being added that make the Type III-A portion of the building better than Type II-A (in terms of fire rating of building elements)—almost Type I-B.”

The team also considered a structural AMMR but determined that a height increase could not meet the shear wall deflection limitation requirements. Since ASCE 7 Table 12.2-1 limits wood-frame walls sheathed with wood structural panels rated for shear resistance to a height of 65 feet, they instead decided to extend the concrete shear wall system up from the concrete podium to level four, leaving the wood shear wall above within code limitations.

“We considered using the AMMR process to increase the maximum height of the wood shear wall system and assumed we’d have to go through some testing to justify that,” said Ryan Miller, Associate Principal at Buehler. “Testing may have provided the results we were looking for, but we brought the concrete shear wall up one level from the podium into the wood framing as a more cost-effective alternative to testing.”

Efficient Design and Construction

Even though 1430 Q went taller than a standard light wood-frame construction project, the products used were typical. “Wood is the obvious choice for these types of buildings,” said Miller. “It’s lighter in weight than other materials and so reduces

the overall weight of the building, which reduces impact on the lateral system and the foundation, resulting in a more efficient structure. Plus, it’s easy to work with for the contractors, which made it the ‘go-to’ choice here.”

Plated dimension lumber floor trusses were spaced at 16-inches and roof trusses at 24-inches on center; roof trusses had sloped top chords for drainage. The team used prefabricated wall panels to speed construction. Corridor floors contained 2x8 joists spaced at 16 inches on center. Non-structural partition walls used 2x4s, and structural walls were framed with 2x6 and 3x6 dimension lumber, with some 2x8 and 3x8 in certain exterior conditions where a thicker wall was needed. Stud spacing varied depending on the floor; 3x6 at 12-inches on center was common for the lower levels. Door and window headers were framed with glued-laminated timber (glulam) beams or solid-sawn members. Standard 3/4-inch plywood was used for the floor sheathing, and 1/2-inch plywood for the roof sheathing and wood diaphragm.

Structural Design Took Some Unique Turns

The design team used standard wood framing design to reduce costs, with a few twists.

Two-Stage Analysis

First, while the code has some limitations governing when a two-stage analysis can be used, engineers at Buehler took this approach, though modified to reflect the unusual lateral system. “There are period and stiffness limitations in the code; however, once those were justified, we could use a two-stage analysis, which helped to simplify design,” said Miller.

Lateral System Design

The design team’s unique approach to lateral system design was another key to the project’s success. As noted, Buehler extended the concrete shear walls above the concrete podium, which allowed the wood shear wall system to comply with the code-prescribed height limitations.

“The podium transfers the gravity loads for the wood structure because all of the wood levels come down to level three,” said Miller. “Seismically speaking, the horizontal shear is transferred out at level four because that’s the top of our extended concrete system. So, the level three podium is still an overturning transfer level because the shear walls are discontinued at the podium slab; that’s where the wood system overturning was resolved.”

The approach was not without challenges, since the shear walls lined up above the podium slab, but not below.

“The lateral force from the double wood shear walls on level four is transferred into the single concrete shear wall on level

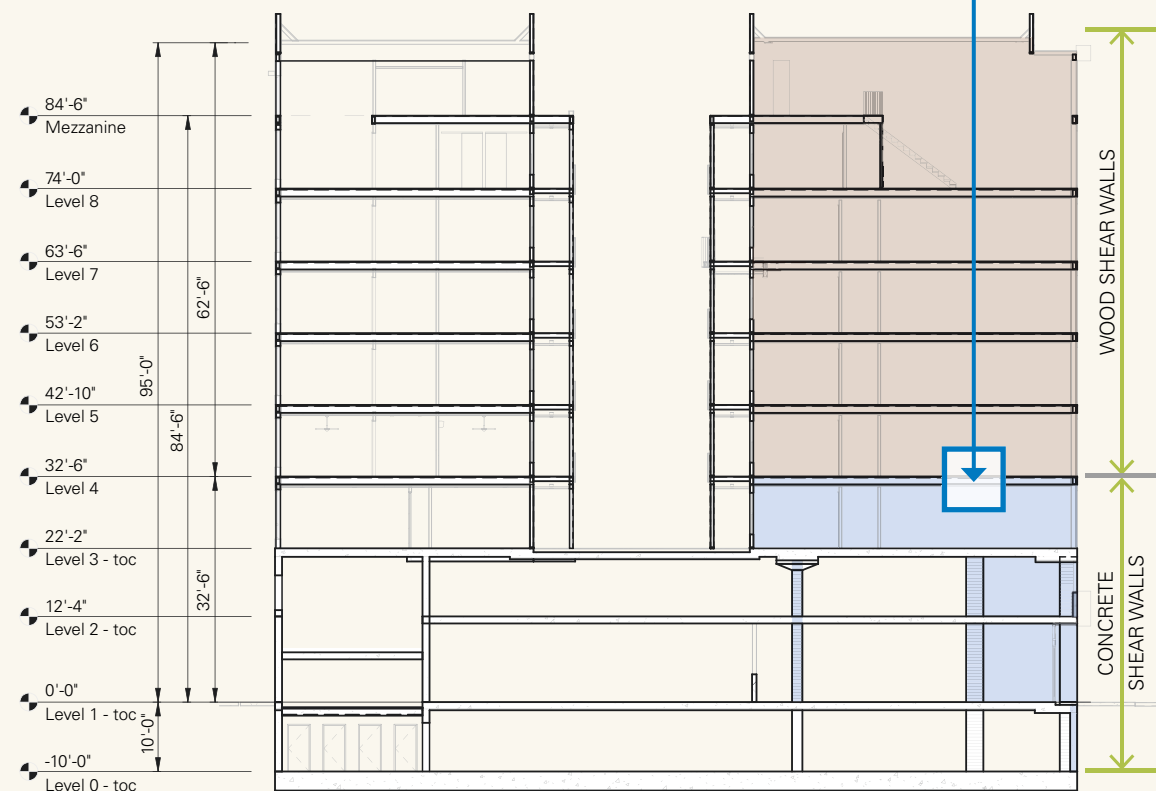
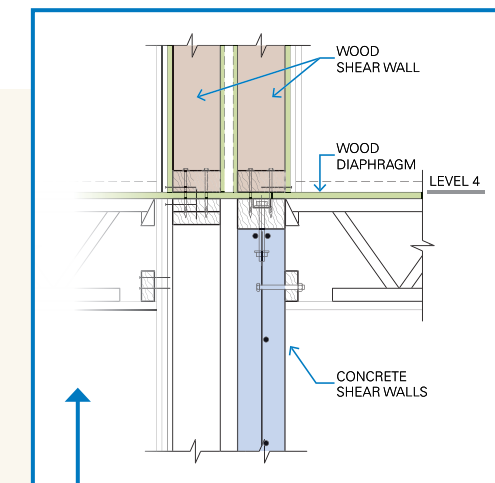
three, directly through the wall plates into a wood nailer on top of the concrete wall, which is bolted to the wall at 8-inches on center,” said Miller. “The wood nailer that does not stack on top of the concrete wall transfers its load through the small segment of wood diaphragm over to the nailer on the concrete wall. And as a measure of redundancy, the wood shear wall that does not stack on the concrete shear wall continues its shear nailing down to the podium. We were able to resolve the overturning forces at the podium level by using wide concrete transfer slab beams.”

During installation, the lateral design also created some unique challenges in terms of construction sequencing. Wood-framed walls had been prefabricated; however, the contractor had to wait to install them until the concrete shear walls could be poured and cured.

Connecting a Wood Shear Wall to a Concrete Shear Wall

The unique concrete/wood shear wall configuration required a special detail to transfer load from the wood shear walls into the concrete shear walls. Buehler designed double-party walls—i.e., two wood-framed walls side by side—separated by a gap of about two inches. Both perform as shear walls and, once they hit level four, transfer their shear load into one concrete shear wall.

However, because the concrete shear wall is a single wall, it aligned with just one of the wood walls. Therefore, the wood shear wall on the left, which is not in alignment with the concrete shear wall below, transfers its load through a segment of the wood diaphragm sheathing, which then transfers the load a few inches until it reaches the wood nailers on the concrete wall.



Diaphragm Design

The team used an envelope solution for rigid and flexible wood diaphragm designs, which allowed a worst-case scenario for both the diaphragm and shear wall designs. “We needed to do that for 1430 Q because wood shear walls were only located at the party walls; the exterior walls of the building just didn’t have enough length to be considered as shear walls,” said Miller.

Since the design was limited to using interior walls, the wood diaphragm had to be cantilevered out to that exterior line. “We utilized some exceptions in the code that allowed us to increase that cantilever distance by maintaining a certain ratio of the length and width,” Miller added. “This was required due to overall layout of the building and the fact that we had a lot of windows on the exterior, not because of the extra height of the building.”

Seismic Design

Use of extra gypsum board allowed the team to achieve the 2-hour fire rating requirements, but this added more weight to the structure, creating extra challenges for shear wall and diaphragm designs, as well as shear transfer at the wood seismic base into the concrete shear wall system.

“We knew we could accommodate the extra weight, although it did make the seismic forces higher,” said Miller. “In addition to those higher forces, we had offsets in the shear walls, in the transfers from shear walls at level four into the concrete walls, and then the overturning forces onto the podium slab, which did not have stacked walls below. This created discontinuities in the concrete system. We were able to transfer those forces into the concrete system, but it was certainly more complicated than a usual podium.”

Acoustic Design

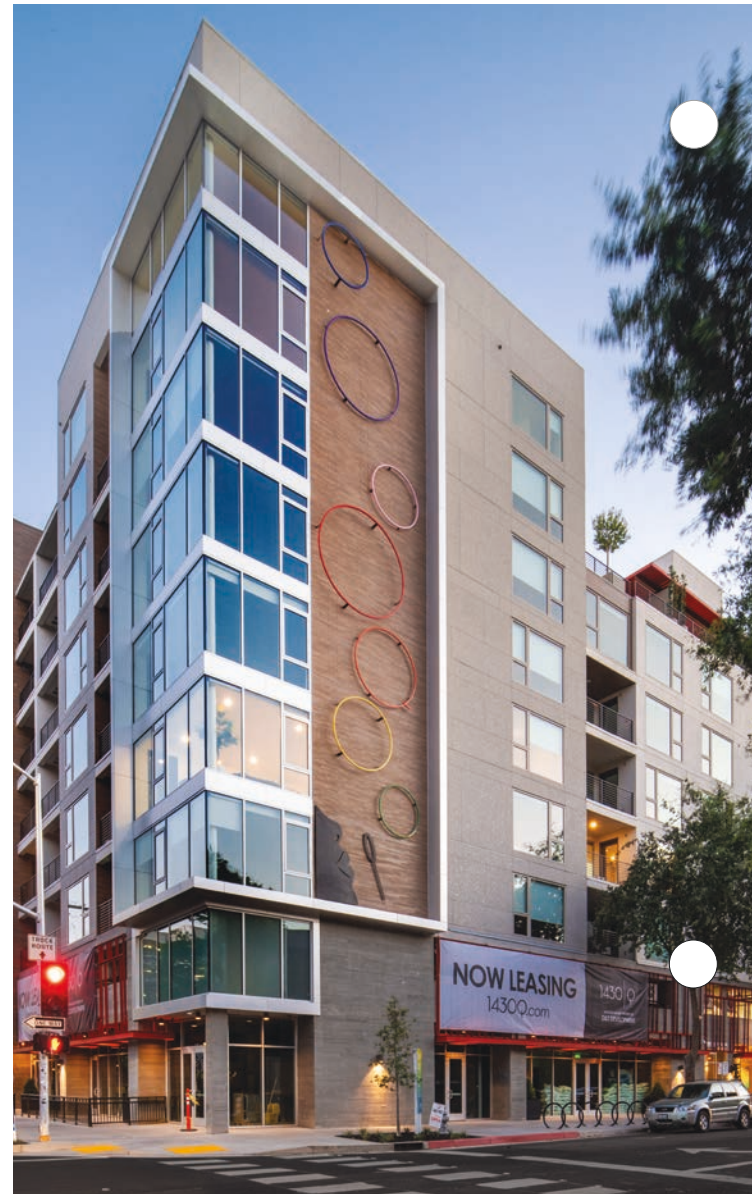
Acoustic and fire design solutions to some extent overlapped. For example, extra layers of gypsum board were required to meet the acoustic requirements for sound transmission through walls, which also made the 2-hour fire rating easier to achieve.

“We had already developed the partition assembly between apartments to include staggered studs and two layers of sheetrock on either side to achieve an STC rating in the mid-60s,” said HRGA’s Ketelsen. “So, all we needed for a 2-hour wall was to fire tape the sheetrock. The added cost to make the acoustic assembly work for the 2-hour fire assembly was minimal.”

“In some cases, we added resilient channels, even on the ceiling, so we had two layers of sheetrock, then a resilient channel, and then another layer of sheetrock,” added Michael Dobbin, a Senior Associate Architect at HRGA. “The code required an STC rating of 50 to 60, and we were around 63.”

Fire Safety

Because fire safety was one of the City of Sacramento’s main concerns with the increased height, the team designed 1430 Q to achieve the same level of protection as a Type II-B building. This was critical to the project’s approval.



In addition to the 2-hour corridor, unit separation, and bearing walls, the building includes 2-hour floor assemblies with three layers of 5/8-inch gypsum for the ceiling and 1-1/4 inches of concrete topping on the floors, which is common in residential projects. It also includes 2-inch autoclaved aerated concrete (AAC) panels, sandwiched between party walls, to meet 3-hour separation requirements at fire walls.

Taller Buildings Require Additional Measures

Shrinkage is a concern in any multi-story wood building, but the extra story in 1430 Q warranted extra care. Since designers estimated 1-3/4 inches total cumulative shrinkage at the roof, HRGA took several mitigation steps.

Designers specified wood with moisture content less than 19 percent and added a slip joint in the exterior stucco at each floor to allow for movement. Buehler also used a continuous tie-down system, which is common in multi-story buildings. “While the hold-down system is not unique, the fact that it had to go up one floor higher than the usual maximum was significant,” said Miller. “While it was an easy modification, the additional force is worth noting.”

He added, “Overall, the accommodations we needed to make were no different than for a five-story building. You have the same consideration with shrinkage on five stories that you do with six. You just have one more floor to deal with, and the total shrinkage at that top level becomes a little more than you’d see on a shorter building.” Detailed information on shrinkage can be found in the WoodWorks paper, *Accommodating Shrinkage in Multi-Story Wood-Frame Structures*.²

Taller buildings also have special safety requirements for building maintenance activities such as painting and window washing, so the design included tiebacks and davits on the roof. Loads imparted on the anchors needed to be considered in the roof truss design, but it was an easy modification to incorporate.

Constructability

While some local contractors were hesitant to be part of the country’s first 6-over-2 building, Tricorp Group was eager to take on the challenge.

“There were a few things that differed from construction of a shorter wood-frame building, including addition of a few concrete shear walls on the first floor of the wood-framed structure, but overall, we found the process to be easier than expected,” said Tony Moayed, Tricorp’s CEO. “The Building Department was extra cautious, so inspections took a bit longer; they even had a special inspection for fire caulking. But it wasn’t much more complicated than a five-story building. The key was to get the sequencing right.” A tower crane was used to lift prefabricated wood wall panels directly into place from the delivery trucks.

Both quality and speed were important. Tricorp built mock-ups of the concrete wall, shear walls, exterior finishes, window assemblies, framing assemblies on the third floor, and other project elements for owner approvals and to show tradespeople what was expected. “It was a challenge to coordinate the trades on this because 1430 Q was a first, but we learned a lot,” said D&S Development’s Lebastchi. “And now that we understand what’s involved, we expect future projects to go even faster.”

Lessons Learned

Every first has a list of lessons learned, and 1430 Q is no exception.

HRGA’s Ketelsen said, “Because it’s a gravity-loaded building, the wood dimensions were bigger in the lower floors, so we sometimes struggled to find room for things like mechanical ductwork to wind its way through the building. We learned we had to plan for that.” Miller agreed, adding that he’ll also look for refinements for connections at the seismic base on future projects. “While the concept we used is certainly applicable to similar and even taller buildings, there may be seismic limitations of connections where bolts in the nailers on top of the shear wall may not work,” he said. “Next time, we’ll consider using embedded steel plates.”

The team also learned from the AMMR process.

“We had gone through an AMMR before, but it was nothing like this; this was different,” said Lebastchi. “Before starting construction plans, we made sure to meet and strategize with building officials. They were supportive, saying that, if we could prove both safety and structure, then the fire marshal would approve it. We were able to prove both.”

“The AMMR process is about trying to make a building better than it would have been if it had been built prescriptively,” added Ketelsen. “Because it is 2-hour fire-rated throughout, we think 1430 Q is a better building. We’re grateful to the City of Sacramento Building Department for their support throughout this process.”

The team agreed that 1430 Q is an indicator of good things to come for light wood-frame construction, as evidenced by all the questions coming in from other developers. “It is certainly significant that a precedent has been set,” said Miller.

Moayed agreed, adding, “We learned that building six-story wood building is very doable, and we can count the lessons we learned on one hand. We showed that wood beats the price of steel and concrete for this type of construction, and, comparatively speaking, it was not difficult to add that one additional story.”



14TH AND N**EXCLUSIVE NEGOTIATING AGREEMENT**

This Exclusive Negotiating Agreement ("Agreement") is entered into as of _____, by and between the Capitol Area Development Authority, a California joint powers agency ("CADA"), and D&S Development, Inc. ("Developer").

RECITALS

- A. CADA is the owner of certain real property commonly known as 14th and N, located on the southwest corner of 14th and N Streets in the City of Sacramento, County of Sacramento, State of California, legally described on **Exhibit 1** attached hereto and made a part hereof ("14th and N" and/or "Property").
- B. Developer submitted to CADA a development concept for the development of a mixed-use project on 14th and N.
- C. On October 28, 2016, the CADA Board found that the development of a project consistent with the one described in the RFP issued December 5, 2016 is categorically exempt under the California Environmental Quality Act (PRC §21083.5 and CEQA Guidelines §15183), because it is consistent with the City of Sacramento General Plan 2035 and because all applicable General Plan mitigation measures will be incorporated into the project.
- D. The Development team for the development includes HRGA Architects, DASCO Commercial Construction, Inc., Inman Law Group, Engineering Systems Solutions (Structural and MEP Engineers) and MSA Civil Engineers (collectively the "Development Team").
- E. CADA and Developer intend to enter into a Disposition and Development Agreement ("DDA") for the development of rental and for-sale residential units and parking on the Property by Developer ("Improvements") (collectively, Property and Improvements shall be referred to as the "Project").
- F. The DDA shall set forth the terms and conditions for the development of the Project, construction of improvements on the Property, and shall provide for the transfer of title to the Property from CADA to Developer.
- G. The parties intend to enter into this Agreement to provide for a period of exclusive negotiations relating to the development of the Project, pursuant to the terms and conditions set forth below.

AGREEMENT1. Negotiations.

1.1 Good Faith Negotiations. CADA and the Developer agree to negotiate diligently and in good faith regarding the preparation and terms of a DDA to be considered for execution between the CADA and Developer, in the manner set forth herein. The Proposed DDA Term Sheet is attached to this ENA as **Exhibit 2** and its terms and conditions shall be considered the essential points of a negotiated DDA.

1.2 Negotiation Period. This Agreement shall be effective upon the full execution by the parties ("Effective Date") and shall terminate on _____ ("Exclusive Negotiating Period") (Twelve months from the date of this Agreement). During the Exclusive Negotiating Period, CADA agrees not to negotiate with any other person or entity regarding development of the Property or any portion thereof. If upon expiration of the Exclusive Negotiating Period, the Developer has not signed and submitted a DDA to CADA, this Agreement shall automatically terminate.

If a DDA is signed and submitted by the Developer to CADA on or before expiration of the Exclusive Negotiating Period, this Agreement and the Exclusive Negotiating Period shall be automatically extended without further action by CADA or the Developer for thirty (30) days from the date of such submittal to enable CADA to (i) consider the terms and conditions of the proposed DDA, (ii) if appropriate, take the actions necessary to authorize CADA to enter into the DDA, and (iii) execute the DDA.

If CADA has not executed the DDA submitted above by the thirtieth (30th) day, then this Agreement shall automatically terminate.

1.3 Lack of Diligent Good Faith Negotiations.

1.3.1 Developer Lack of Diligent Good Faith Negotiations. In the event the Developer has not continued to negotiate diligently and in good faith the terms of a DDA, CADA shall give written notice thereof to the Developer who shall then have ten (10) working days to commence negotiating in good faith during the Exclusive Negotiating Period. Following the receipt of such notice and the failure of the Developer to thereafter commence negotiating in good faith within such ten (10) working days, CADA may, at its option, terminate this Agreement and neither party shall have any further rights against or liability to the other under this Agreement.

1.3.2 CADA Lack of Diligent Good Faith Negotiations. In the event CADA has not continued to negotiate diligently and in good faith the terms of a DDA, Developer shall give written notice thereof to CADA, which shall then have ten (10) working days to commence negotiating in good faith during the Exclusive Negotiating Period. Following the receipt of such notice and the failure of CADA to thereafter commence negotiating in good faith within such ten (10) working days, Developer may, at its option, terminate this Agreement and CADA shall reimburse the Developer the amount of the Negotiation Fee, without interest. Neither the failure of CADA to approve or execute a DDA signed and submitted by Developer, nor the failure of the Developer and CADA to reach agreement on a DDA by the end of the Negotiation Period, shall be considered a failure by CADA to negotiate diligently and in good faith.

1.4 Developer Studies. During the Exclusive Negotiating Period, the Developer shall, at its own expense, conduct any market, site, planning, or other studies it deems necessary, and provide the documentation required herein as a prerequisite to a DDA.

1.5 Right of Early Entry on Property. During the Exclusive Negotiating Period, the Developer may enter the Property for the purposes of conducting any surveys and appraisals, collecting soil samples and performing other studies which Developer feels are necessary for determining the suitability of the Property for development of the Project. The Developer shall provide CADA with information regarding the purpose of the entry, the location of any sampling to be performed, the time such entry will occur, and written copies of any reports and results. The Developer agrees to indemnify, defend and hold CADA harmless against claims for damages to persons or property which arise from on-site activities or omissions of the

Developer, its employees, officers, agents, representatives, contractors, subcontractors or consultants which are necessary to carry out the purposes of conducting surveys and appraisals, collecting soil samples and performing other studies necessary as set forth in the first sentence of this paragraph.

2. Development Concepts.

The negotiations hereunder shall be based on the development concepts outlined in the staff report presented at the March 19, 2021 CADA Board meeting, development concept provided by the Developer, and the requirement the project shall consist of residential rental and for-sale housing units. Development of the Project will also include appropriate parking and other amenities to provide for successful development, marketing, and ongoing operation.

3. Developer Team and Obligations.

3.1 Developer. The Developer is D&S Development, Inc. The principal who is the primary chief negotiator is Sara Lebastchi, and shall be the party responsible for the negotiation of the terms and conditions of the DDA on behalf of the Developer. During the term of this Agreement, no change may be made to the principals of the Developer without the prior written consent of CADA, in its sole discretion. Any modifications of the Developer prior to the expiration of this Agreement without the prior written consent of CADA shall constitute a material breach by Developer under this Agreement and CADA may, at its option, terminate this Agreement by written notice to the Developer and neither party shall have any further rights against or liability to the other under this Agreement.

3.2 Full Disclosure. The Developer has made full disclosure to CADA of its principals, officers, major stockholders, major partners, joint ventures, key managerial employees and other associates, and all other material information concerning the Developer and its associates. Any significant change in principals, associates, partners, joint ventures, negotiators, development manager, consultants, professional, and directly involved managerial employees of the Developer shall be subject to the written approval of CADA. Any modifications of principals, officers, major stockholders, major partners, joint ventures, key managerial employees and other associates, and all other material information concerning the Developer and its associates prior to the expiration of this Agreement without the prior written consent of CADA shall constitute a material breach by Developer under this Agreement and CADA may, at its option, terminate this Agreement by written notice to the Developer and neither party shall have any further rights against or liability to the other under this Agreement.

3.3 Development Team. The Developer shall submit to CADA for review and comment executed agreements for any of the identified service entities of the proposed development team, i.e., architect, engineer, etc. by April 30, 2021. CADA shall have the right to review and approve the identity of the proposed consultants and the related agreements.

In the event the Developer fails to submit or resubmit the required agreements to CADA within the time set forth in this Section, CADA may, at its option, terminate this Agreement by written notice to the Developer and neither party shall have any further rights against or liability to the other under this Agreement.

3.4 Development Proposal. The Developer shall prepare, at its sole cost and expense, and submit to CADA for review and approval, the required copies of a draft development proposal for the Project (the "Development Proposal") by June 30, 2021

The Development Proposal shall be consistent with Development concepts and

requirements set forth in Section 2 and shall include the following:

- Design Program
- Estimated Project Sources and Uses
- Development and Operating Pro Forma
- Preliminary Development Schedule
- Market Study

The primary objective of the Design Program is to present to CADA a clearly defined, feasible development project and to present it in a form that result in CADA's understanding and approval. The Design Program shall define the most appropriate Project. The Design Program shall establish the general scope and conceptual design of the Project illustrating the scale and relationship of the Project components. The Design Program shall include, but not be limited to, the planned number of residential units, number of parking spaces, and square footage of retail space.

The Design Program documents shall include a site plan, building plans with elevations and sections, a perspective sketch of the elevation and a statistical summary of the design area including, but not limited to, floor areas, unit floor plans, common areas, parking areas and unit mixes and types. Preliminary selections of major building systems and construction materials shall be set forth in the Design Program. The Design Program shall also note code references (seismic, UBC, City, etc.) and any significant variance thereto. The Design Program documents shall include light and shadow renderings, and color presentation poster boards depicting relationships and heights to adjacent properties and neighborhood.

The Project Sources and Uses submitted with the Design Program shall include projected soft and hard costs and sources of funding. The Development and Operating Pro Forma shall include estimated cost of sales and revenue projections. The Developer and its architect will participate in community workshops, organized by CADA, to obtain neighborhood input into the Design Program.

In the event the Developer fails to submit or resubmit the complete Development Proposal to CADA within the time set forth in this Section, CADA may, at its option, terminate this Agreement by written notice to the Developer. Neither party shall have any further rights against or liability to the other under this Agreement.

The Market Study shall be commissioned by the Developer and shall be completed by an independent, third-party real estate broker expert in downtown, infill projects.

3.5 Development Entity. The Developer shall submit to CADA for review and approval executed development formation documents for the specific development team or entity that is to enter into the DDA by January 31, 2022.

In the event the Developer fails to submit or resubmit the required development entity formation documents to CADA within the time set forth in this Section, CADA may, at its option, terminate this Agreement by written notice to the Developer. Neither party shall have any further rights against or liability to the other under this Agreement.

3.6 General Business Terms and Conditions. The Developer and CADA shall commence negotiations and preparation of an outline of the general business terms and conditions for a final DDA Term Sheet based upon the Proposed DDA Term Sheet attached hereto as **Exhibit 2**, for the acquisition and development of the Property. Such negotiations

shall result in completion of a final DDA Term Sheet by January 31, 2022. The final DDA Term Sheet will be used to prepare and enter into a DDA.

In the event that the Developer and CADA do not complete a final DDA Term Sheet within the time set forth in this Section, either the Developer or CADA may, at their option, terminate this Agreement by written notice to the other party. Neither party shall have any further rights against or liability to the other under this Agreement.

3.7 Other Completion Items. The Developer and CADA shall complete the Draft Disposition and Development Agreement (DDA) prior to the expiration of this Agreement. CADA will provide the first draft of the DDA.

3.8 Developer's Findings, Determinations, Studies and Reports. Notwithstanding any other time provisions in this Agreement, the Developer agrees to make oral and written progress reports from time-to-time as requested by CADA advising CADA on all matters and all studies being made by the Developer. In the event CADA and Developer do not enter into a DDA, the Developer shall submit to CADA copies of all studies and reports prepared for the proposed development of the Project by or for the Developer and all third-party service provider contracts, and CADA shall have the right to the use and benefit of all such studies and reports without limitation.

3.9 Evidence of Project Financing. No later than January 31, 2022 Developer shall submit an updated construction financing letter of interest and evidence of equity financing sufficient to develop the Project. Such evidence shall consist of commitment letters or equivalent commercially reasonable documentation evidencing Developer's financial ability to complete the Project. If financing is not available and a commitment letter cannot therefore be secured, then construction financing and equity financing letters of interest may instead be submitted. A verbal or written representation by the Developer that equity and construction financing are available will not constitute sufficient evidence.

4. CADA Obligations.

4.1 Development Team.

CADA shall review and tentatively approve or disapprove the identified service entities and related agreements submitted by the Developer in accordance with Section 3.3 of this Agreement within seven (7) days of the date such information is received by CADA.

In the event CADA disapproves any Development Team agreements, CADA shall give the Developer written notice of such disapproval. The Developer shall then have ten (10) working days from the date of the notice to resubmit one or more new agreements.

4.2 Development Proposal.

CADA shall review and either approve or disapprove the Development Proposal submitted by the Developer in accordance with Section 3.4 of this Agreement by September 30, 2021. CADA's review shall include presentation to, for review, comment, and recommendations, the City of Sacramento Design and Planning Commission and others at CADA's discretion.

In the event CADA disapproves the Development Proposal, CADA shall give the

Developer written notice of such disapproval. The Developer shall then have twenty (20) working days from the date of the notice to resubmit a new Development Proposal in accordance with Section 3.4.

4.3 Development Entity.

CADA shall review and either approve or disapprove the executed development entity formation documents submitted by the Developer in accordance with Section 3.5 of this Agreement within fourteen (14) days of the date such information is received by CADA.

In the event CADA disapproves the development entity formation documents, CADA shall give the Developer written notice of such disapproval. The Developer shall then have ten (10) working days from the date of the notice to resubmit new documentation in accordance with Section 3.5.

5. CEQA

5.1 As noted in Recital C, the CADA Board previously found that development of a project consistent with the project described in the RFP issued December 5, 2016 is categorically exempt under CEQA. CADA retains sole discretion in determining whether the Development Proposal presented by the Developer requires additional environmental review. In the event CADA determines that additional environmental review is required, CADA will undertake that review and prepare (or cause to be prepared) any environmental documentation required. The cost of such additional environmental review and documentation will be a project cost to be borne in full by Developer.

5.2 In the event of a CEQA challenge, CADA shall, in its sole discretion, determine the appropriate defense, if any, to such challenge.

6. Third Parties.

6.1 Third Party Costs. Each party shall be solely responsible for its own third-party expenses and costs.

6.2 Developer Third Party Contracts. Developer shall make a good faith effort to ensure that all third-party service provider contracts entered into by Developer for plans, specifications, studies, reports, surveys, and other documents relating to the development of the Project ("Development Documents") provide for the assignment to CADA of the contract and any copyrights associated with the materials prepared pursuant to the contract and shall indicate that CADA is a third-party beneficiary of the contract. Developer's assignment of the contracts and copyrights to CADA shall be without any representations or warranties on the part of the Developer or third parties as to the accuracy, completeness, or contents of such studies and reports.

7. Acquisition of the Property. The purchase price to be paid by the Developer for the Property shall be \$2,400,000.00 dollars.

8. DDA

8.1 DDA Entered Into. This Agreement shall automatically terminate upon execution of a DDA by both parties. Neither party shall have any further rights against or liability to the other under this Agreement.

8.2 DDA Not Entered Into - No-Fault of Either Party. If, despite diligent efforts, CADA and the Developer are unable to agree upon the final terms and conditions of the DDA, then either party may terminate this Agreement and neither party shall have any further rights against or liability to the other under this Agreement.

9. Real Estate Commissions. CADA and Developer each warrant to the other that no person or entity can properly claim a right to a commission, finder's fee, or other compensation with respect to the transaction contemplated by this Agreement. If any broker or finder makes any claim for a commission or finder's fee, the party through which the broker or finder makes such claim shall indemnify, defend and hold the other party harmless from all liabilities, expenses, losses, damages or claims (including the indemnified party's reasonable attorneys' fees) arising out of such broker's or finder's claims.

10. California Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

11. Limitations of this Agreement.

11.1 The sole purpose of this Agreement is to facilitate the timely preparation of a DDA for the development of the Property. This Agreement is not an Owner Participation Agreement, a Disposition and Development Agreement, or a Development Agreement (as that term is defined and used in Government Code Sections 65864 et seq.).

11.2 This Agreement does not commit CADA to entering into any further agreement with the Developer, nor does it commit CADA in any way to expending any funds in connection with the development of the Property, approving any request by Developer in connection with the development of the Property, or approving any proposed project, in whole or in part, on the Property. Except for the rights expressly granted herein, nothing contained in this Agreement shall be construed to grant Developer any vested rights.

11.3 This Agreement does not constitute a disposition of property or exercise of control over property by CADA and does not require a public hearing. Execution of this Agreement by CADA is merely an agreement to enter into a period of exclusive negotiations according to the terms hereof, reserving final discretion and approval, which is not guaranteed, by CADA as to any Disposition and Development Agreement and all proceedings in connection therewith.

12. Non-Assignability. This Agreement shall not be transferred or assigned by the Developer.

13. Authorization. CADA and Developer represent and warrant that this Agreement has been duly executed by CADA and Developer and that this Agreement is a legal, valid, and binding obligation of CADA and Developer and is enforceable in accordance with its respective terms. Concurrent with the Developer's execution of this Agreement, Developer shall deliver to CADA conclusive evidence that the person executing this Agreement on behalf of the Developer is fully authorized to bind the Developer.

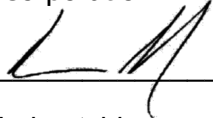
14. Extension of Deadlines. Notwithstanding anything contrary in this Agreement, if extensions of the deadlines for performance as set forth in this Agreement are mutually agreed to by the parties, CADA's Executive Director shall have the authority, on behalf of CADA, to extend the deadlines for performance, excepting extensions of the Exclusive Negotiating Period

expiration date of _____, set forth in Section 1.2 of this Agreement. The CADA Board of Directors shall retain sole authority to extend the expiration date of this ENA.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set opposite their signatures. The effective date of this Agreement shall be the date this Agreement is signed by CADA.

DEVELOPER:

D&S Development,
a Limited Liability Corporation

By: _____


Date: 3/8/2021

Name: Steve Lebastchi

Title: Secretary

By: _____

Date: _____

Name: _____

Title: _____

CADA:

CAPITOL AREA DEVELOPMENT AUTHORITY,
a California Joint Powers Agency

By: _____
Wendy Saunders, Executive Director

Date: _____

APPROVED AS TO FORM BY:

By: _____
CADA Counsel

Exhibits

1. Property Description
2. Proposed DDA Term Sheet

PROPERTY DESCRIPTION

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows: BEING A PORTION OF THE EAST 1/2 OF LOT 3 AS DESCRIBED IN THAT GRANT DEED RECORDED IN BOOK 5343, PAGE 188, OFFICIAL RECORDS OF SACRAMENTO COUNTY, ALL OF THE WEST 1/2 OF LOT 4 AS DESCRIBED IN THAT GRANT DEED RECORDED IN BOOK 5349, PAGE 174, OFFICIAL RECORDS OF SACRAMENTO COUNTY, THE EAST 1/2 OF THE NORTH 1/2 OF LOT 4 AS DESCRIBED IN THAT GRANT DEED RECORDED IN BOOK 5016, PAGE 477, OFFICIAL RECORDS OF SACRAMENTO COUNTY, THE NORTH 1/2 OF THE SOUTH 1/2 OF THE EAST 1/2 OF LOT 4 AS DESCRIBED IN THAT GRANT DEED RECORDED IN BOOK 4979, PAGE 492, OFFICIAL RECORDS OF SACRAMENTO COUNTY AND THE SOUTH 1/4 OF THE EAST 1/2 OF LOT 4 AS DESCRIBED IN THAT GRANT DEED RECORDED IN BOOK 4920, PAGE 571, OFFICIAL RECORDS OF SACRAMENTO COUNTY, ALL BEING IN THE BLOCK BOUNDED BY "N" AND "O", 13TH AND 14TH STREETS OF THE CITY OF SACRAMENTO, AS SHOWN ON THE MAP OR PLAN OF THE CITY OF SACRAMENTO, SITUATE IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, ALSO DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID OF LOT 4; THENCE FROM SAID POINT OF BEGINNING ALONG THE EASTERLY LINE OF SAID LOT 4 SOUTH 18°23'41" WEST 160.34 FEET TO THE SOUTHEAST CORNER OF SAID LOT 4; THENCE ALONG THE SOUTHERLY LINES OF SAID LOT 4 AND SAID EAST 1/2 OF LOT 3 NORTH 71°34'05" WEST 120.18 FEET TO A POINT ON SAID SOUTHERLY LINE OF SAID EAST 1/2 OF LOT 3, SAID POINT BEARS SOUTH 71°34'05" EAST 0.38 FEET FROM THE SOUTHWEST CORNER OF SAID EAST 1/2 OF LOT 3; THENCE LEAVING SAID SOUTHERLY LINE PARALLEL AND 120.18 FEET PERPENDICULAR WESTERLY FROM THE EASTERLY LINE OF LOT 4, NORTH 18°23'41" EAST 160.36 FEET TO A POINT ON THE NORTHERLY LINE OF SAID EAST 1/2 OF LOT 3, SAID POINT BEARS SOUTH 71°33'43" EAST 0.40 FROM THE NORTHWEST CORNER OF SAID EAST 1/2 OF LOT 3; THENCE ALONG THE NORTHERLY LINES OF SAID EAST 1/2 OF LOT 3 AND SAID LOT 4 SOUTH 71°33'43" EAST 120.18 FEET TO THE POINT OF BEGINNING.

THIS LEGAL DESCRIPTION IS MADE PURSUANT TO THAT CERTAIN CERTIFICATE OF COMPLIANCE FOR CONDOMINIUM PURPOSES RECORDED AS DECEMBER 11, 2019, INSTRUMENT NO. 201912110821 OF OFFICIAL RECORDS.

APN: 006-0223-021-0000

PROPOSED DDA TERM SHEET

**PROPOSED DISPOSITION AND DEVELOPMENT
AGREEMENT (DDA) TERM SHEET for 14th and N**

Non-Binding Effect: This document is intended to be a non-binding statement of the terms of a proposed transaction, summarizing them for a proposed Disposition and Development Agreement ("DDA") between CADA and the Developer for the development of rental and for-sale residential units and parking on the property located at 14th and N ("14th and N" or "Property"). The DDA is subject to the approval, execution and delivery of various agreements consistent with the basic terms and conditions set forth herein. This document does not create a binding agreement of any kind, but is a good faith statement of the Developer's intent.

1. Land Description. 14th and N consists of one parcel, which consists of a vacant lot and a surface parking lot. The listed address is 1330 N Street, Sacramento, CA. The property is currently owned by CADA. The site is bounded to the west by an apartment building, to the north by N Street, to the south by an alley, and to the east by 14th Street. The Assessor's Parcel Number is 006-0223--021-0000.

2. Condominium Requirements.

2.1 Condominium Development. The Project is to be developed as a condominium Project and built to condominium standards as a "for-sale" project.

The architect is required to provide a certification that the project has been designed to be primarily residential in nature; consisting entirely of dwelling units that are one-family units; being in full compliance with applicable laws and local approval requirements with respect to the condominium plat and development plans; and once construction is completed per the architect's design, that the project is ready for occupancy and the project would not be subject to further rehabilitation, construction, phasing, or annexation. In addition, the certification is to include that the architect has designed the project so that each condominium has a separate water (sub) meter and separate electrical meters. Floor-to-floor and demising wall assemblies between each condominium unit meets the Sound Transmission requirements of the 2020 California Building Code, as prescribed in the Uniform Building Code.

2.2 Requirement to Sell Condominium Units.

Upon completion of construction, Developer is required to begin selling nine (9) units as condominiums and sell all nine (9) within twenty-four (24) months thereafter. If Developer fails to timely meet the sale requirements, Authority shall be entitled to liquidated damages

in the amount of \$2,500,000 for the lost opportunity to create ownership housing on the Property and as an estimate of the loss likely to be incurred by Authority in loss of tax increment.

2.3 Condominium Documents. Developer shall provide copies to Authority of all condominium documents submitted to any public or regulatory agency. Prior to issuance of the certificate of substantial completion, Developer shall (a) obtain and record its final condominium plan and map, (b) provide certification from the Project architect that the Project has been designed to condominium standards, and (c) provide certification from the general contractor that the Project has been built in accordance with the final design plans and specifications.

3. Number of Residential Units. In accordance with the adopted 1997 Capitol Area Plan (CAP) and the CAP Implementation Program, the density goal for the site is 110 DU/AC or 48 units. Recognizing the importance of financial feasibility, CADA will entertain proposals of greater or lesser density than those recommended in the CAP, however, a minimum of 40 units is required.

4. Developer. D&S Development or its designated affiliate entity.

5. Design Consultants. The Architect is HRGA, the Structural Engineer is Engineering Systems Solutions, the Civil Engineer is MSA, and the Landscape Architect is TBD.

6. CEQA Review and Approval. CADA has determined that development of a project consistent with this RFP is categorically exempt from the California Environmental Quality Act (PRC §21083.3, 2 CCR §15183), and filed a Notice of Exemption based on the expectation that the project is consistent with the City of Sacramento 2035 General Plan, and that all applicable General Plan mitigation measures will be incorporated into the project. CADA reserves the right to require additional environmental review to the extent CADA determines that the selected project is not consistent with the City of Sacramento General Plan. CADA Board approval of a DDA will be subject to completion of any additional analysis. If additional analysis is required for Developer's project, there could be a significant delay in CADA's ability to approve a revised project and to execute the related agreements, such as the DDA. Preparation of additional CEQA documents for a project with significant additional environmental impacts will take a minimum of 6 months from the time that CADA issues a Notice to Proceed. If required, CADA will contract with an environmental consultant to prepare any required CEQA documents. The foregoing process will be at the Developer's expense.

7. City Permitting Process. The proposed project will be subject to "review and comment" from the City Planning and Design Commission. Developer is responsible for paying City fees for such review. Developer is required to construct the project in compliance with all health and safety requirements of the City and its Building codes and standards. Developer is required to pay for all costs and fees related to obtaining a City Building Permit and to comply with that permit.

8. Project Timeline. If the Developer proposes a project that is approved by the CADA Board, CADA and the Developer anticipate that the DDA will be executed no later than _____ and that construction will commence by _____. Additional CEQA analysis will delay this timetable, as discussed in Section 6.

9. Economic Structure. The Developer is proposing an economic structure to include _____% Construction Financing, and _____% Developer Equity. CADA will sell the Land to the Developer at a price of \$_____. Developer cash equity will not be less than 5%. Developer’s proposed sources and uses are as follows:

<u>Sources</u>	<u>Amount</u>
Construction/Permanent Loan	\$
Developer Equity	\$
Sales Proceeds	\$
Total	\$
<u>Uses</u>	<u>Amount</u>
Land	\$
Soil Remediation	\$
Underground Utilities	\$
Hard Cost	\$
Soft Costs	\$
Project contingency __%	\$
Finance Costs	\$
Developer Overhead	\$
Total	\$

The DDA will include a final pro forma as an exhibit, to be approved by CADA as a condition of transfer of the property to the Developer. The pro forma submitted by Developer and approved by CADA in its discretion will include the anticipated levels of return for the Developer.

10. Developer’s Financial Strength. Simultaneous with the signing of this **Proposed** Business Terms for the DDA, Developer shall provide CADA with a certified financial statement showing the assets and liabilities of the Developer or, if appropriate, the Developer entities that will undertake the project. If the date of the financial statement precedes the date of the Proposed Business Terms for the DDA by more than six months, an interim balance sheet not more than sixty days old is to be submitted.

11. As is Condition. Developer accepts land in as-is condition.

12. Soil Remediation. Developer will perform any remediation of contaminated soil.

13. Onsite Utilities. Developer will coordinate with City on removal, retention or relocation of utilities and pay to remove, cap or relocate such utilities.

14. Offsite Improvements. Developer is responsible for all offsite improvements, including, but not limited to: alley repairs and upgrades, curbs, gutters, sidewalks, landscaping, light poles, street trees, domestic water service, gas service, sewer service, electrical service, cable and satellite service, SMUD vaults, bike racks, and Combined Storm and Sewer Service.

15. Permit and Impact Fees. Developer is responsible for payment of all City, County, State and Federal fees that may be assessed as a condition of issuance of required permits for construction of the Project.

16. Developer Transfer/Acquisition of the Property. The transfer of the property to the Developer from CADA is subject to the following minimum requirements:

a. **Evidence of Financing.** Developer must provide executed documents for a construction loan with equity funds acceptable to the construction lender sufficient to complete the project based on an executed guaranteed maximum price construction contract consistent with the final proforma approved by CADA included in the DDA and evidence of simultaneous loan closing.

b. **Permits.** Developer must provide evidence of having received approval for and secured any and all permits including, but not limited to, encroachment, storm water, demolition, excavation, grading, foundation work and utilities. Developer must also provide evidence that, subject to any payment of required fees/charges and if appropriate at that time, it has paid for and secured building permits for full construction. Developer is responsible for paying all permit fees.

c. **Impact Fees.** Developer is responsible for identifying and paying all required City, County or State impact fees.

d. **Construction Documents.** Developer must provide construction documents approved by CADA that are consistent with the Development Proposal required under the Exclusive Negotiating Agreement approved by CADA.

e. **Payment and Performance Bonds.** CADA shall be named as a Dual Obligees along with the Developer on the Performance and Payment Bonds of the Contractor.

f. **Personal Guarantee.** Developer is responsible for providing a personal guaranty obligating the individual members of the Developer entity, namely _____, to construct and complete the Project and all required improvements. The guarantee may be subject to an approved intercreditor or substantively similar agreement.

g. **Liability Insurance.** Developer must provide evidence of comprehensive general liability insurance in an amount not less than \$5,000,000 indemnifying CADA and the State of California and the City of Sacramento. Developer must provide auto insurance in an amount not less than \$1,000,000 and builder insurance not less than the amount of the proposed construction contract.

h. **Contract Documents.** Prior to transfer of title to the site, Developer shall deliver copies of its contracts with the General Contractor, Project Architect, local project manager, and consultants. All contracts entered into by the Developer for the project shall expressly provide for the assignment to CADA of those contracts and any copyrights associated with the materials prepared pursuant to the contract for the development of the project. The Developer and third parties shall agree that these contracts may be assigned to CADA, subject to their senior assignments to the project's lenders and/or investors, and without limiting the latter's rights to step in after a Developer failure and complete the project, always subject to the DDA, and subject to an approved intercreditor, or substantively similar, agreement. In the event that the lenders and/or investors elect not to complete the project and it reverts to CADA under the DDA, full ownership of the documents shall also revert to CADA and the contracts shall be assigned to CADA.

i. **Utility Will-Serve Letters.** Developer must obtain and provide a "will serve" letter from each utility provider, if customarily provided. Developer must accept and accommodate the State's current utility easements.

17. Certificate of Substantial Completion and Certification of Development Costs.

Upon the substantial completion of the Project, Developer shall submit a written request to CADA for a Certificate of Completion that the Improvements are substantially complete.

Prior to issuance of the Certificate of Substantial Completion, the Developer shall provide CADA with a C.P.A. certified statement of the development cost (which includes both "hard" and "soft" costs and a listing of each check listed by date of issuance, line item and vendor) for the Project.

18. Sustainable Design and Construction. The Developer is to use its best effort to incorporate sustainable design and sustainable construction practices in the proposed project as described below. CADA requires that the Developer meet or exceed the LEED Gold Energy Standard although Certification is not required.

Sustainable design should emphasize the following environmental, resource and occupant health concerns:

- Reduce human exposure to noxious materials.
- Conserve non-renewable energy and scarce materials.
- Minimize life-cycle ecological impact of energy and materials used.
- Use renewable energy and materials that are sustainably harvested.
- Protect and restore local air, water, soils, flora and fauna.
 - Support pedestrians, bicycles, mass transit and other alternatives to fossil-fueled vehicles.

Sustainable Construction should include the rational use of natural resources and appropriate use of building materials that:

- Contributes to saving scarce resources.
- Reduces energy consumption.
- Improves environmental quality.

19. CADA Fees. Once CADA enters into a DDA with the Developer, the Developer will pay a monthly Good Faith Deposit in the amount of \$5,000 until such time the Developer is ready for construction and Developer has closed escrow on the purchase of the property. The Good Faith Deposit amounts will be applied toward the purchase price of the property at close of escrow or forfeited upon default of Developer or failure of Developer to close escrow for any reason.

20. Developer Indemnification. The DDA shall contain an indemnification provision stating that after the close of escrow, the Developer shall indemnify, protect, defend and hold harmless CADA (and its officials, representatives, agents and employees) against and in respect of any and all claims, demands, damages, liabilities, losses, judgments, assessments, costs, and expenses (including reasonable attorneys' fees) of any kind or nature whatsoever, including without limitation any environmental conditions in, on, under or about the Property, which may be asserted by anyone against CADA.

21. Authority Remedies on Default.

- Prior to Property Transfer. If there is a Developer default that is not cured with the applicable cure period, Authority may terminate the Agreement and/or institute judicial action.
- Repurchase after Property Transfer. If Developer fails to timely begin construction, Authority has the additional remedy of repurchasing the property at the same purchase price.
- Specific Performance after Property Transfer. In the event the Project is not marketed and sold as a condominium project, Authority has the additional remedy of specific performance to compel such actions.

DEVELOPER:

A _____ Limited Liability Company

By: _____

Date:

_____, President





VICINITY MAP 3/32" = 1'-0" 1

PROJECT NAME: 14N Mixed Use
 PROJECT LOCATION: 1320 N Street
 Sacramento, CA 95814
 ASSESSORS PARCEL #: 006-0223-021
 LOT SIZE: 19,273 SF (0.44 ACRES)
 ZONING: R-5-SPD (High-Rise Residential/ SPD: Central City)
 GENERAL PLAN: Central Business District
 OCCUPANCY / USE: Residential/ Retail
 CONSTRUCTION TYPE: IA & IIA
 PARKING REQUIREMENT: No Requirement
 PARKING DIMENSIONS: 90 DEGREE STANDARD
 Space Width: 8'- 6"
 Space Depth: 18'- 0"
 90 DEGREE COMPACT*
 Space Width: 8'- 0"
 Space Depth: 15'- 0"
 Two-Way Maneuvering Width: 24'- 0" MIN.
 *Compact car spaces: No Requirement
 BIKE PARKING: RESIDENTIAL
 LONG TERM: 1 space per 2 dwelling units
 SHORT TERM: 1 space per 10 dwelling units
 RETAIL/RESTAURANT
 LONG TERM: Greater of 1 space per 10,000 gross SF, or 2
 SHORT TERM: Greater of 1 space per 2,000 gross SF, or 2

ZONING INFORMATION 1/4" = 1'-0" 2

BUILDING SUMMARY:

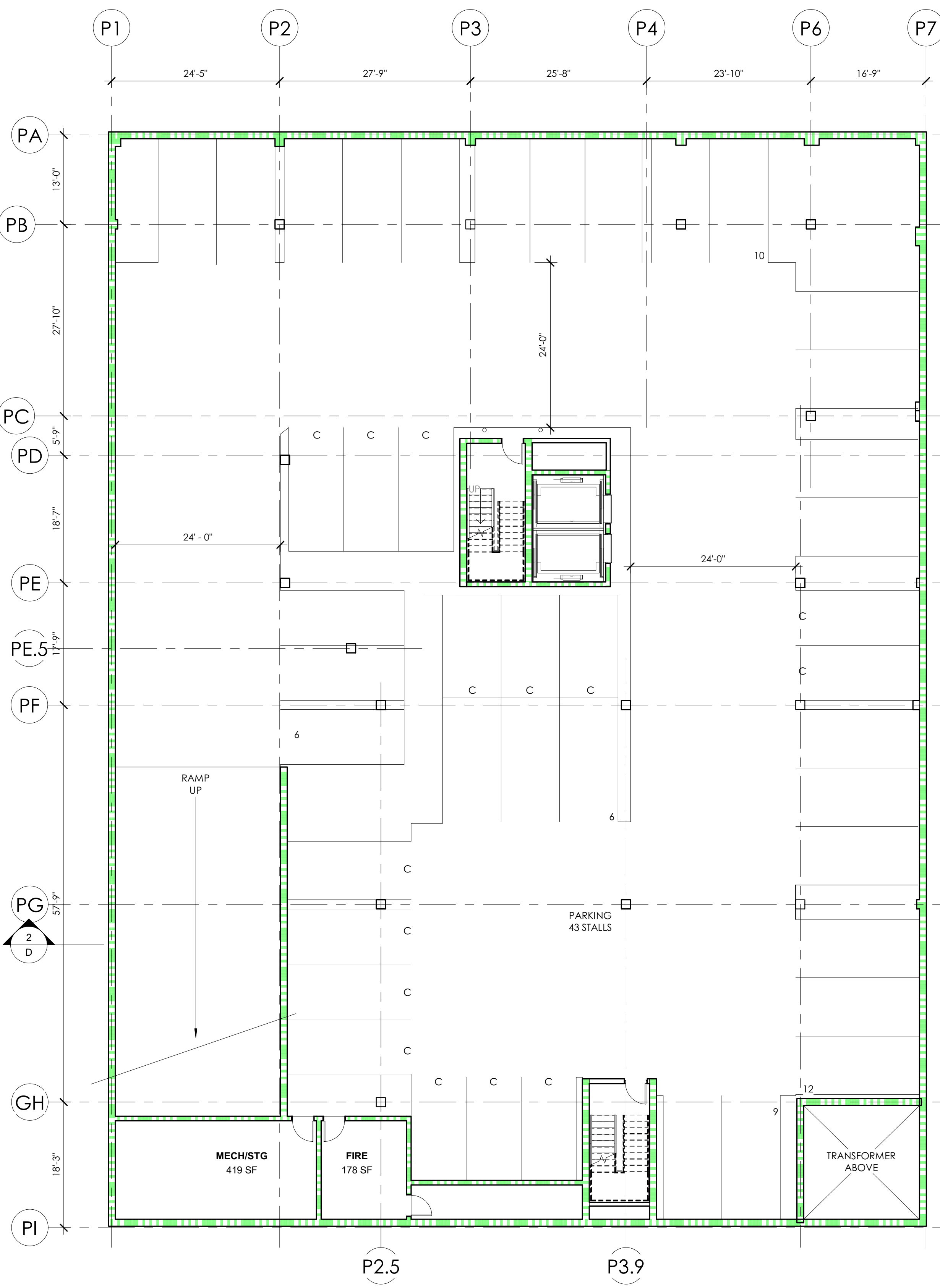
LEVEL	GROSS AREA	NUMBER OF UNIT TYPES				TOTAL UNITS
		STUDIO	ONE BED + DEN	TWO BED + DEN	TWO BED	
BASEMENT	18,930 SF	-	-	-	-	-
LEVEL 1	18,790 SF	2	-	-	-	2
LEVEL 2	15,552 SF	2	3	6	2	13
LEVEL 3	15,552 SF	3	3	5	2	15
LEVEL 4	15,552 SF	3	3	5	2	15
LEVEL 5	15,552 SF	3	3	5	2	15
LEVEL 6	15,552 SF	3	3	5	2	15
LEVEL 7	15,552 SF	3	3	5	2	15
LEVEL 8	12,305 SF	-	-	-	6	3
TOTAL	143,327 SF	19	18	31	18	13

PARKING SUMMARY:

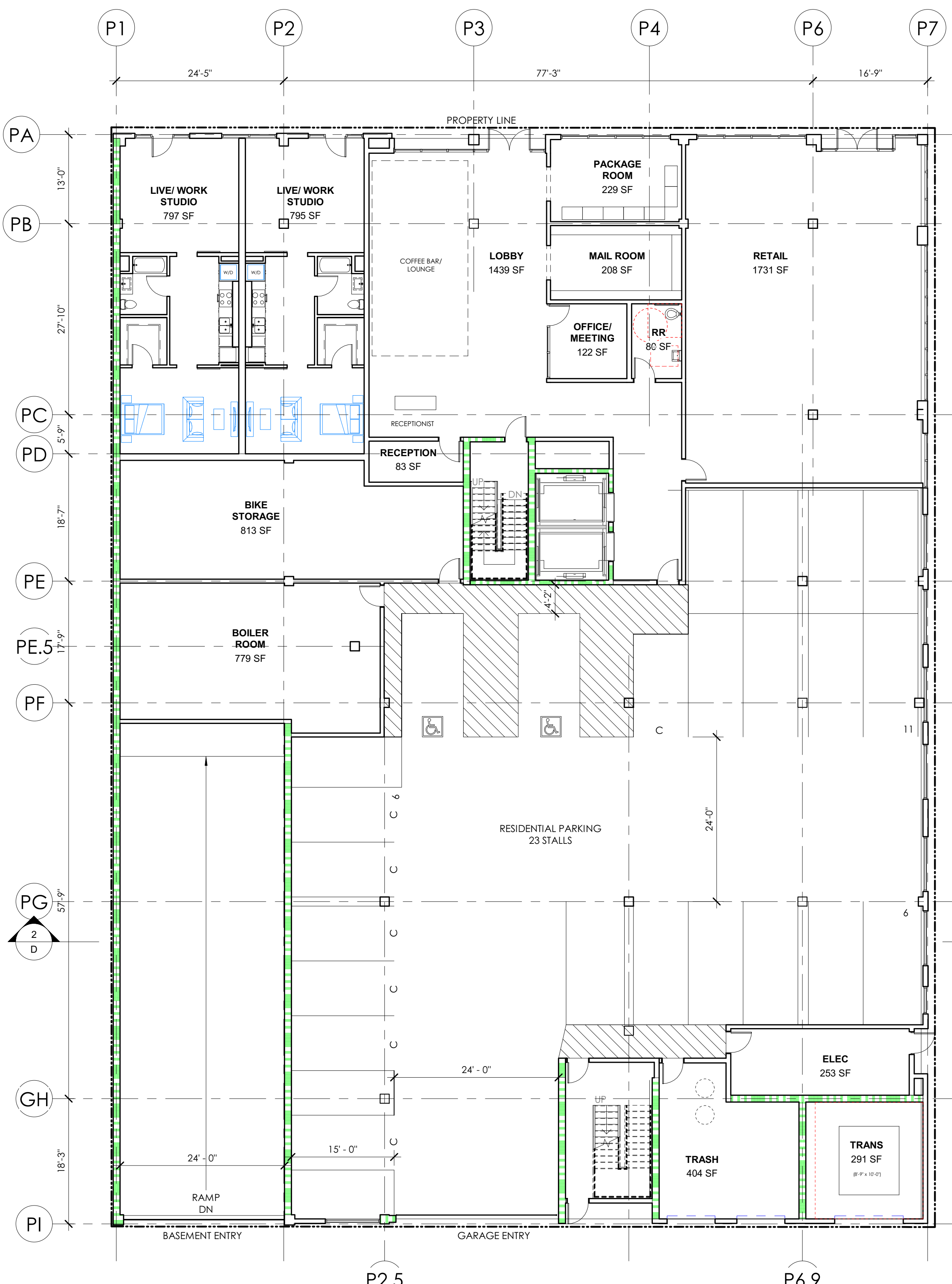
LEVEL	STALLS	RATIO TO UNITS
BASEMENT	43	
LEVEL 1	23	63/99 = 63%
TOTAL	66	

Standard: 42
 Compact: 22 (33%)
 Accessible: 2

RESIDENTIAL PROGRAM DATA 1/8" = 1'-0"



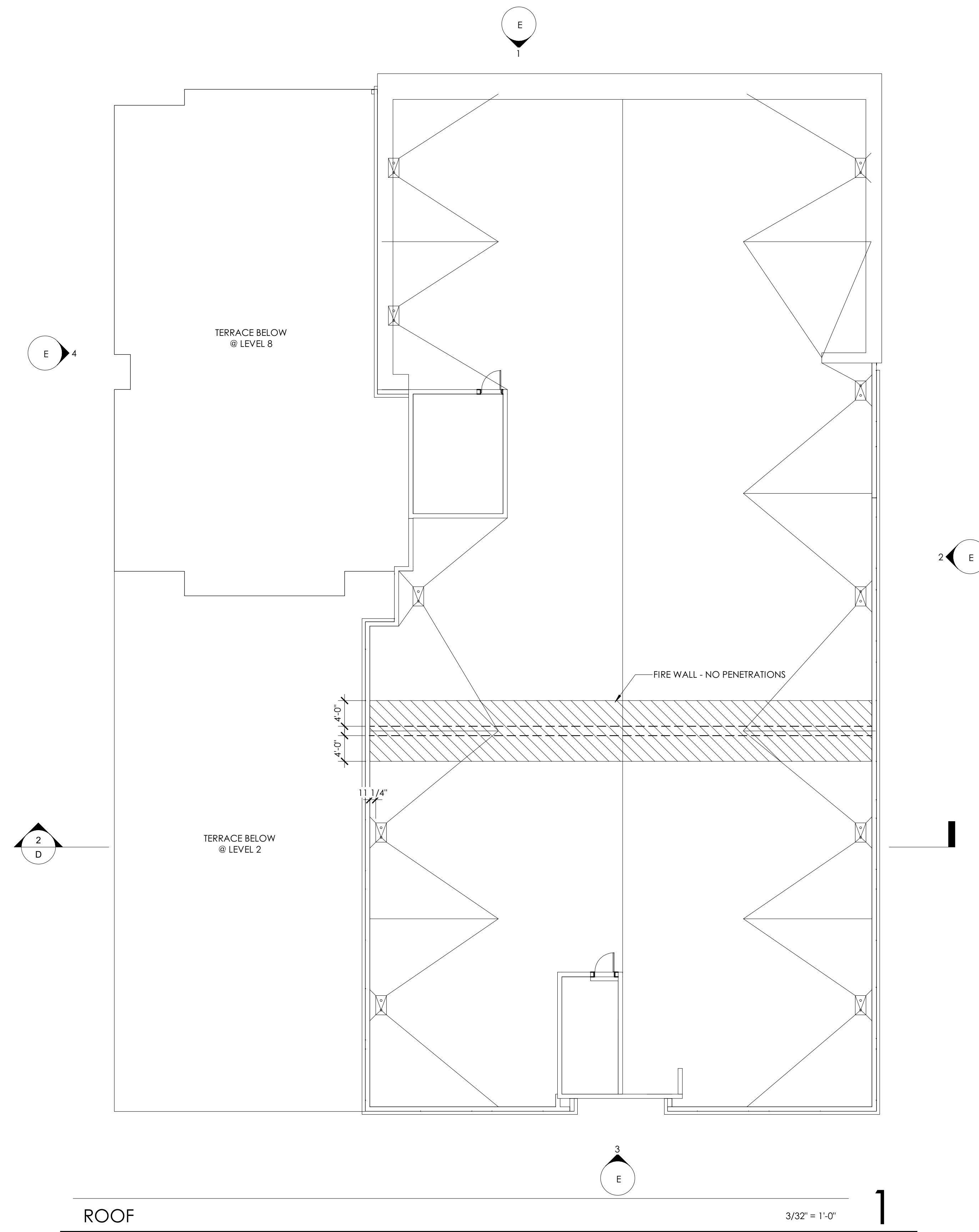
BASEMENT 3/32" = 1'-0" **1**



LEVEL 1 3/32" = 1'-0" **2**



LEVEL 2 3/32" = 1'-0" **3**





NORTH ELEVATION

3/32" = 1'-0"

1



EAST ELEVATION

3/32" = 1'-0"

2



SOUTH ELEVATION

3/32" = 1'-0"

3



WEST ELEVATION

3/32" = 1'-0"

4

02/02/21



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PERSPECTIVE_NE 1



PERSPECTIVE_NW 2



PERSPECTIVE_SE 3



PERSPECTIVE_SW 4

RESOLUTION NO. 21 - 04

March 19, 2021

Adopted by the Capitol Area Development Authority

RESOLUTION APPROVING AN EXCLUSIVE NEGOTIATING AGREEMENT (ENA) WITH D&S DEVELOPMENT FOR DEVELOPMENT OF 14TH AND N (SOUTHWEST CORNER OF 14TH AND N STREETS) AND AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE THE ENA

WHEREAS, following Cresleigh Homes withdrawal from the Disposition and Development Agreement with CADA and CADA re-purchasing the 14th and N site from Cresleigh; and

WHEREAS, D&S has successfully completed its 1430 Q project and has submitted a proposal to develop a similar building on the site; and

WHEREAS, the proposal would result in nine condominiums for sale immediately upon project completion, and hopefully, would also result in conversion of 90 apartments to condominiums in the future; and

WHEREAS, after the staff determined the D&S proposal meets the goals established for the site, the Executive Director has recommended D&S be selected as developer for the site; and

WHEREAS, the staff and D&S have negotiated the ENA that is attached to the Staff Report associated with this resolution for the purpose of entering into a Disposition and Development Agreement for development of the site.

NOW THEREFORE BE IT RESOLVED, by the Capitol Area Development Authority that it approves an Exclusive Negotiating Agreement with D&S Development for development of the 14th and N Site and authorizes the Executive Director to execute the Exclusive Negotiating Agreement.

ATTEST:

Ann Bailey, Chair

Jill Azevedo
Acting Secretary to the Board of Directors