

**MINUTES
OF
BOARD MEETING**

**BOARD OF DIRECTORS
CAPITOL AREA DEVELOPMENT AUTHORITY**

April 15, 2022

ITEM 1 – ROLL CALL

Chair Bailey called the Board Meeting of the CADA Board of Directors to order at 10:03 a.m. at 1522 14th Street, Sacramento, CA 95814 and via public video conference.

Present: Avdis, Lagomarsino, Bailey

Absent: Baime Michaels

ITEM 2 – APPROVAL OF MINUTES: February 23, 2022

Member Avdis moved approval of the February 23, 2022 CADA Special Board Meeting minutes. Member Lagomarsino seconded the motion.

AYES: Avdis, Lagomarsino, Bailey

NOES: None

ITEM 3 – CHAIR'S ORAL REPORT

Chair Bailey read Diana Rutley's retirement resolution.

ITEM 4 – EXECUTIVE DIRECTOR'S ORAL REPORT

Wendy Saunders reported the following:

Jose Bodipo-Memba has been appointed to the CADA board. Jose has spent several hours with the staff and me getting to know the various aspects of the organization. After his appointment to the board, Jose let me know that he had been asked to take on a new leadership role at SMUD – as Chief Diversity Officer – for a limited period of time and that his calendar was about to be turned upside down. He is not here today, but says that he should not have an issue with participation through the balance of the year.

A few things of interest that have occurred since our last meeting. At the State of the Downtown, Mayor Steinberg mentioned that he has asked city staff to explore establishment of an Economic Infrastructure Financing District – similar to a redevelopment district. I was asked by the Mayor to participate on a steering committee to vet the idea, and we held the first meeting a couple of weeks ago. In addition, Assembly Member McCarty is sponsoring legislation regarding adaptive reuse of antiquated state office buildings into new housing. The committee will also be exploring that.

Regarding Midtown Association, a great deal of focus continues to be on addressing homelessness, and to that end, Midtown Association recently hosted both City Manager Howard Chan and County Executive Ann Edwards to discuss their various challenges and activities to address the issue. The meeting occurred prior to the announcement of a city-sponsored initiative to address the issue, but at the time, an alternative initiative was being circulated for signature, which both regarded with great concern.

We have a number of staff people out this week as kids are on spring break, so I would like to also use my time to bring you up to speed on our planned 16th and T acquisition and ARY Place. At 16th and T, we have negotiated leases with the two existing tenants, which will be executed prior to close of escrow. We have postponed the close until April 29; however, as we have needed to make sure that all the I's are dotted and T's are crossed concerning the ongoing remediation efforts. We have had ongoing meetings with Shell Oil – who is responsible for the cleanup - and the County of Sacramento – who oversees the cleanup – to make certain that there are no outstanding issues that would hamper our ability to move forward with our development plan, and

to assure us that we are not incurring any unknown risk. There are no issues so far and all is going well, it is just taking a bit longer than expected. Jeff Mitchell agreed that CADA is accepting the assignment as a joint venture run by Shell, with a pool of \$3 million.

Finally, a reminder that we are planning to conduct next month's board meeting at our maintenance warehouse at 701 S Street. We will send out information prior to the meeting, but would greatly appreciate it if everyone could come in person.

ITEM 5 — CADA FINANCIAL FORECAST (FY 2022-2023 THROUGH FY 2031-2032)

Recommended Action: For review and comment

Contact: Noelle Mussen, Financial Director

Member Lagomarsino noted that CADA is contributing to tax increment with CADA projects, and asked how CADA accounts for the projects that are in the revenue forecast. Ms. Mussen advised that we generally do not. When it is in the process of getting permitted or they have not broken ground yet, CADA tends to be a little bit more conservative until they know the building is there. Ms. Saunders agreed that they do not necessarily assume that a property purchase will go through as things can fall through. Ms. Mussen advised that the tax increment was less than our rental revenue, but now it has grown considerably. Member Lagomarsino asked if the OPEB unfunded balance is something to be concerned about. Ms. Mussen explained that CADA has been technically unfunded since the nineties. Ms. Mussen further explained that CADA is looking for ways to be more funded, but it takes time and fluctuates. CADA has a sunset date which brings up questions: How does that look? Do we need to be over funded? Ms. Mussen will speak with actuaries to answer those questions; however, as today we do not need to be worried about it. We need to pay what CalPERS requires. They did not charge us enough in previous years. They are reducing the discount rate. They had earnings of about 21% last January. The previous year experienced losses which can create the unfunded losses.

Member Lagomarsino asked about the cause regarding the 50% reduction on the commercial leases. Ms. Mussen explained that the reduction is due mainly to COVID relief assistance and vacancies. Ms. Mussen anticipates filling the current vacancies. Member Lagomarsino noted that CADA would be doing well if the two vacancies on 10th St. are leased as that will increase revenue.

Member Lagomarsino noted that expecting sites five, six, and seven to come onboard in 2023 or 2024 seems ambitious. Ms. Mussen agreed, and stated that the 10-year forecast is based on assumptions.

Member Avdis appreciated the level of detail. Member Avdis brought up the 10-year forecast, and asked what CADA is looking at to make the assumptions over the next two years? Ms. Mussen explained that she tries to keep things conservative. In the past Ms. Mussen could look at a previous forecast, but things today are different, and she tries to estimate the best she can. With major construction, increase in cost of materials. Also increase in gas costs.

Ms. Mussen stated that thanks to Marc de la Vergne using WegoWise CADA has been able to reduce the gas and water usage. Ms. Saunders also added that there will likely be an increase to salaries in the upcoming budget due to inflation and the need to increase salaries to attract and retain employees, noting that employees have greater bargaining power than in times past. Ms. Mussen stated that CADA has a couple of vacant positions which were built into the forecast.

Member Avdis noted that CADA's small business tenants need to generate revenue and that small businesses are critical to our urban fabric. Ms. Saunders replied the businesses relied on State workers and that while CADA's rent-relief assistance helped, the State workers have not come back in full force, so CADA will have to see what the ongoing impact on small businesses is. Ms. Saunders noted that CADA is not out of the woods quite yet, but the ability to offer rent assistance has really helped.

Chair Bailey agreed that making assumptions in these times is tough, but CADA is doing a good job.

No public comments.

ITEM 6 – AUTHORIZATION OF TELECONFERENCE MEETINGS OF CADA LEGISLATIVE BODIES PURSUANT TO THE RALPH M. BROWN ACT

No Board comments.

No public comments.

Member Avdis moved approval of Resolution 22-13 attached hereto and incorporated herein. Member Lagomarsino seconded the motion.

AYES: Avdis, Lagomarsino, Bailey
NOES: None

ITEM 7 - ORAL STAFF REPORTS/UPDATES

A. Downtown Sacramento Partnership: Reported on in Agenda Item 4.

B. Downtown Sacramento Revitalization Corporation: Reported on in Agenda Item 4.

C. Midtown Association: Reported on in Agenda Item 4.

D. O Street Streetscape (7th – 17th Streets): Renee Funston reported that:

- For the 900 block, the design team is advancing the design from 50% CDs to 90% CDs, particularly focusing on the art component and seating options.
- For the 14th & O intersection, Marc is preparing to enter into contract to design the bulb outs, which will be constructed following completion of Sonrisa.

E. Energy Conservation: Nothing to report.

F. Other Neighborhood Improvements: Nothing to report.

- Marc is focusing on getting permanent outdoor seating for Karma Brew. He is preparing to enter into a contract to design semi-permanent/permanent outdoor seating along the 16th Street frontage.
- They will also be seeking to convert the temporary permit for the P street seating to permanent. (The permit allowing the current temporary outdoor seating is set to expire in June.)

G. 10th Street Commercial: Renee Funston reported that:

- B&M Builders is under contract for construction. The City approved the encroachment permit, and we're awaiting scheduling of the pre-construction meeting and review of the pre-cast concrete materials submittal so we can begin ordering materials. We will start construction once we have the pre-cast concrete.
- Mr. de la Vergne and Ms. Funston also presented the plans and tentative construction schedule during the April Somerset HOA Board meeting. CADA got a lot of positive feedback. The main points of concern were wanting bike racks on 11th & P in front of Le Croissant, and not making the area too inviting for people to sleep/reside behind the lunch counters or raised planters.

H. 1322 O Street - Sonrisa: Renee Funston reported that:

- CADA is nearing completion of framing with the 5th floor beams and CLT roofing panels installed. We're also working through rough ins with the majority of plumbing drainage/waste/vent and fire sprinklers complete.
- CADA is focusing on programming the common areas. Since we will be doing leasing and administrative operations out of the CADA Admin Office, we have removed the wall between the leasing office and lobby to create a more expansive lounge and co-working space that takes advantage of the large storefront windows on O St.

- To date we have submitted 11 draw requests to Chase Bank, totaling \$5.9m or 41% of the \$14.5 million construction contract with Tricorp. We've completed 10 months of the 19-month construction period, representing 53% completion construction time-wise. The current estimated completion date stands at Jan 6, 2023, although there continues to be significant supply chain issues that may impact the schedule.

I. 14th & N – The Cypress: Renee Funston reported that:

- D&S has executed the loan Term sheet with TriCounties Bank, and requested the appraisal.
- D&S is working on purchasing sewer fee credits, similar to how we did for Sonrisa and ARY Place.
- The offsite improvements permit has been approved.
- D&S is ahead of schedule on preparation of the construction documents. They submitted for building permit and are expecting the first round of comments in early May. The deadline for this milestone in the DDA is mid-June.
- Finally, next week we are meeting with our legal counsel to work through the transaction that will allow D&S to begin construction of off-site improvements in late Summer/early Fall.

J. 1717 S Street– ARY Place: Reported on in Agenda Item 4.

ITEM 8 – TRANSMITTALS

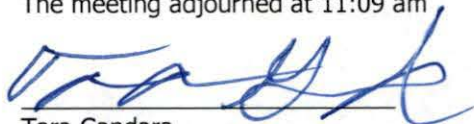
Received as transmitted.

ITEM 9 – OPPORTUNITY FOR THE PUBLIC TO ADDRESS THE BOARD REGARDING MATTERS NOT ON THE AGENDA

None.

ITEM 10 – ADJOURNMENT

The meeting adjourned at 11:09 am



Tara Gandara
Secretary to the Board of Directors