REPORT TO COUNCIL, REDEVELOPMENT AGENCY, AND FINANCING AUTHORITY
City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.cityofsacramento.org

Staff Report
March 25, 2008

Honorable Mayor and Members of the City Council

Title: Sheraton Grand Hotel Parking Garage; Bond Defeasance; Owner Participation Agreement

Location/Council District: Intersection of 13th and J Streets, Sacramento / Council District 1

Recommendation: 1) Adopt a City resolution authorizing the City Manager a) to approve the sale of the garage at 13th and J Streets to CIM/J Street Hotel Sacramento, LLC (whose members are David S. Taylor Interests and The CIM Group) in connection with the sale by the Sacramento Hotel Corporation (the "Corporation") of the Sacramento Sheraton Grand Hotel and the defeasance by the Sacramento City Financing Authority (the "Authority") of revenue bonds issued to finance construction of the hotel (the "Bonds"); b) to execute documents needed to sell the garage; and c) to accept from the Corporation the net proceeds of the hotel sale and to allocate the sum of those proceeds and the net proceeds of the garage sale as follows: 50% to the Redevelopment Agency (the "Agency"), 25% to the City's Economic Reserve, and 25% to the Agency and the Parking Garage Fund for reinvestment into income-generating projects; **2) adopt an Authority resolution** authorizing the execution and delivery of an escrow agreement and other documents needed to defease the Bonds; and **3) adopt an Agency resolution** a) amending the Agency's budget to receive funds from the City from the hotel sale and the garage sale; and b) authorizing the City Manager, as the Agency's designee, to enter into a Master Owner Participation Agreement and Agency Funding Agreement (Financing OPA) with Taylor/CIM Redevelopment Company, LLC for redevelopment within the JKL Corridor.

Contact: Sheri Smith, Economic Development Project Manager, 808-7204; Leslie Fritzsche, Downtown Economic Development Manager, 808-5450; Janelle Gray, Public Finance Manager, 808-8296

Presenters: Leslie Fritzsche
Department: Economic Development Department and Office of the City Treasurer

Division: Downtown

Organization No: 4451

Description/Analysis

Issue:

Disposition of the Garage:

In 1997 the City entered into a public/private partnership with Public Market Building LLC (formed by David S. Taylor Interests and Hensel/Phelps, hereafter referred to as "PMB") to develop the Sheraton Grand Hotel (the "Hotel") with a desire to bring a first-class hotel to downtown to support the then newly renovated Convention Center and stimulate downtown redevelopment efforts. In 1999 the Sacramento Hotel Corporation (the "Corporation"), a self-supporting non-profit organization, was formed to own the hotel and to provide ongoing oversight and direction to PMB, which would manage the hotel. To facilitate development of the Hotel, the Sacramento City Financing Authority (the "Authority") became a financing conduit for the Corporation to issue $92.8 million in bonds. Additionally, as part of the transaction, the City entered into a long-term lease with the Corporation, ending on June 30, 2034, for the garage located across from the Hotel.

In 2001 the Hotel opened. It was an immediate success and provided an active 24/7 destination to 13th and J Streets. Since that time, the Hotel has continued its role as a premier focus of positive energy and vitality generating significant economic benefits for the City. The initial tax-increment investment of $8.01 million has leveraged over $3.4 million in annual revenues to the City and the Redevelopment Agency (the "Agency") (see Finance Section below). The Hotel employs approximately 270 people at a wide spectrum of salary and duties.

All of the goals of the initial public/private partnership have been met, and the City now has an opportunity to realize significant additional return on its investment and to exit the hotel business, as was always intended (see Attachment 1, Background). The 1999 agreements with PMB, the Corporation, and the City grant PMB the option to purchase both the Hotel and the garage under specified circumstances. David S. Taylor Interests of PMB has requested that the Corporation and the City accelerate the transactions contemplated by the option and, to that end, has made an offer to purchase, in partnership with the CIM Group, both the Hotel and the garage (see Purchase and Sale Agreement, on file with the City Clerk). The name of the purchaser will be CIM/J Street Sacramento Hotel, LLC (the "Buying Entity").

The 1999 agreements provide that the garage can only be sold in connection with the sale of the Hotel and must be sold at fair-market value. PKF Consulting, one of the premier consulting firms dealing in the hospitality industry internationally, has recently appraised the garage at $20 million. This appraisal was completed by Tom Callahan, the Chief Executive Officer – West, PKF Consulting. Mr. Callahan not only is an MAI appraiser but also is also a Certified Public Accountant, CRE, and FRICS affiliate.

The Buying Entity has made a $130 million cash offer, with $21.68 million allocated to the garage and $108.32 million to the Hotel. A Regulatory Agreement is to be recorded against the garage, ensuring that the garage will continue to offer unreserved public parking spaces for the term of the Redevelopment Plan, which currently runs until 2022.

Use of the Proceeds:

The Buying Entity has made a condition of the sale that one half of the net proceeds be turned over to the Agency for reinvestment into projects to be undertaken by David S. Taylor Interests and The CIM Group in the Downtown Redevelopment Area. Under a Master Ownership Participation Agreement that the Agency and Taylor/CIM Redevelopment Company, LLC (the "Financing OPA") will enter into concurrently with the sale, the first redevelopment project must be identified and underwritten within nine months from the date the Financing OPA is approved (for more information, see the Financing OPA on file with the City Clerk). The purpose of this requirement is to finance additional projects on K Street that will support the Buying Entity's investment in the Hotel as well as support the community's redevelopment efforts on K Street. The availability of this resource as well as the significant resources available to the CIM Group through its investment portfolio, increase the ability to activate some key projects and to build on the momentum in the JKL corridor with the opening of the Citizen Hotel and the Cosmopolitan (cabaret/restaurant at 10th/K). Each of the individual projects, once defined, will be brought to the Agency for approval.

The development team of David S. Taylor Interests and The CIM Group has extensive experience in acquiring, designing, financing, and managing landmark projects, particularly infill projects in urban settings. Examples of local projects by the developers, individually and together, include the following:

- Esquire Plaza – 23-story office building with ground-floor retail and entertainment including IMAX Theater and Esquire Grill restaurant;
- Sheraton Grand Hotel – 28-story, 503 room hotel incorporating significant historic preservation;
- Plaza Lofts – Seven-story, 225 unit residential project with ground-floor retail located at 9th and J Streets;
- Cosmopolitan – 200 seat live theater cabaret with signature ground floor restaurant and second level lounge, and additional second floor office space currently under construction and expected to open in fall 2008 located at 10th and K Streets;
- US Bank – 25-story state of the art office building with ground-floor restaurant and retail located at 6th and L Streets.

These projects illustrate the development team members' successful track record with redevelopment or other public/private development, superior architectural design, financial capability and overall development experience. Future projects under consideration by the development team on K Street and within the JKL corridor provide exciting opportunities to stimulate downtown development and expand the Agency's redevelopment efforts.

Staff recommends that the remaining one half of net proceeds be split into two equal parts, with one part going to the City Economic Reserve Fund and the other going to the Agency and Parking Garage Fund for reinvestment into income-generating projects. Allocations from the Economic Reserve Fund would require Council approval. The garage, which has an existing lease through 2034 that generates an income stream with a net present value of approximately $6.95 million, will terminate upon the sale. The Agency will work with Parking to make up for the lost lease revenues and utilize the remaining funds to reinvest into projects that generate significant returns to the City. An agreement illustrating the mechanics for distribution to the Parking Fund will be presented later to the Council and Agency for approval. Additionally, each project will also return to the Agency for approval. The Hotel has been a good investment model for the City—one that is worth repeating.

If approved, the transaction is anticipated to close by the end of April 2008.

Defeasance of Bonds: Concurrently with negotiations for the sale of the Hotel and garage, the City Treasurer's Office will determine the amounts available on deposit in the various funds and accounts, specified under the bond indentures for the Sacramento City Financing Authority Senior Revenue Bonds (Sacramento Convention Center Hotel Project) 1999 Series A and the Sacramento City Financing Authority Subordinate Bonds (Sacramento Convention Center Hotel Project) 1999 Series B (collectively, the "Bonds") and the total amount needed to defease the Bonds.

Once the deposits are made to the escrow accounts for the Bonds, the Bonds will be considered fully defeased and no longer outstanding. All of the security for the Bonds will be terminated, and the Bonds will be secured solely by the related Defeasance Escrow Agreements, which specify the manner in which the defeasance escrows for the Bonds will be administered by the escrow agent.

Policy Considerations: Approval of the Finance OPA supports the City's Economic Development Strategy of strengthening the City's business climate by maximizing investment in the downtown redevelopment with a focus on supporting the entertainment destination uses, such as the Sheraton Grand, the IMAX Theater, the Community Center Theater, the Pyramid Brewery and other restaurants, the Crest Theater, and the soon-to-be completed Cosmopolitan Cabaret. The sale of the Hotel and the garage will not change the Hotel's use: the Hotel and its restaurant, lounge, and meeting spaces will continue to activate 13th and J Streets and promote the Council's policy objective of making Sacramento the most livable city in America.

The documents required for the defeasance of the Bonds (Attachment 6) are on file with the City Clerk's Office. Although not yet formally "Approved as to Form," they have been reviewed by the City Attorney's Office, are in substantially final form, and will be executed upon the full defeasance of the Bonds.

Environmental Considerations: The proposed action to sell the garage is consistent with the Final Environmental Impact Report (FEIR) for Esquire Plaza Hotel Project certified on December 15, 1998. Under section 15162 of the California Environmental Quality Act (CEQA) Guidelines, no further environmental documentation is required at this time. In addition, the sale of the garage is exempt under CEQA Guidelines section 15301 because the action involves no expansion of use. The Financing OPA is a financing mechanism that does not involve any commitment to a specific project that could result in a potentially significant physical impact on the environment. Therefore, approval of the Financing OPA does not constitute a project under CEQA Guidelines section 15378(b)(4). The individual redevelopment projects Covered by the Financing OPA will be subject to environmental review when the projects are defined and staff returns to Council with specific project OPAs. No federal action is involved, so the National Environmental Policy Act does not apply to the actions described in this report.

Commission/Committee/Corporation Action: At its regular meeting on February 28, 2008, the Corporation's Board of Directors directed staff to negotiate a purchase-and-sale agreement for the Hotel. The Corporation is scheduled to hear the item and take action on Staff's recommendation to approve the purchase-and-sale agreement at a special meeting on March 25, 2008, at 12:00 pm.

Rationale for Recommendation: From the inception of the Hotel project, it was intended that the City would develop a strategy for exiting as soon as it was financially feasible. The Hotel has exceeded expectations, and the City now has the opportunity to realize a significant return on its initial investment. The sale of the garage in conjunction with the sale of the hotel will result in no loss of Hotel or parking service currently available to the public and will provide continued economic benefit to the City.

Financial Considerations: The sale of the garage and Hotel will result in an estimated $40 million to $45 million in immediate return on investment to the City. Under the purchase-and-sale agreements—

- 50% of the net proceeds will be transferred to the Agency for reinvestment into redevelopment projects undertaken by Davis S. Taylor Interests and The CIM Group, thereby furthering the Agency's efforts Downtown;

- 25% will be distributed into the City's Economic Reserve account; and

- 25% will be distributed to the Agency and Parking to reinvest into income-generating projects and to make up for lost lease revenues from the garage.

There are continued financial benefits to the City as a result of this transaction. Currently, the Hotel and garage annually generate approximately $2.26 million in transit-occupancy tax, $400,000 in sales tax, $40,000 in utility-user tax, and $740,000 in tax increment. The reassessment at the sale of the garage and Hotel is estimated to generate an additional $600,000 annually in tax increment. The new redevelopment projects that will result of this transaction will also increase sales-tax and tax-increment dollars collected by the City, providing continued economic benefit to the City.

Emerging Small Business Development (ESBD): None

Respectfully Submitted by: Leslie Fritzsche
Leslie Fritzsche,
Downtown Economic Development Manager

Approved by: David Spaur
David L. Spaur, CEcD, EDFP
Economic Development Director

Recommendation Approved:

Ray Kerridge
City Manager

Table of Contents:

Attachment 1
Background

The November 1998 Council report for the Hotel set out the following goals for the final business points between PMB as the operator and the Council and Agency:

- Minimum public investment and maximum public benefit
- Creation of a 500-room convention-center hotel, corporately owned
- $8,000,000 tax-increment investment
- City not incur any legal financial liability
- Form an "exit strategy" that will enable the City to sell the hotel as soon as it is financially feasible.

All of these business points were incorporated in the implementation steps and various documents that followed. The Corporation was formed in 1999 to own and hold title to the Hotel. It then issued the Bonds through the Authority and utilized the proceeds, along with $8,008,600 in downtown tax increment, to finance the construction of the Hotel. The Bonds are tax exempt and were issued in two series: Series A Senior Revenue Bonds in the amount of approximately $92.8 million ("Series A Bonds"); and Series B Subordinate Revenue Bonds of approximately $4.1 million ("Series B Bonds"), which were subordinate to the Series A Bonds and issued in relation to the conveyance of a portion of land where the Hotel is located. PMB is the majority holder of the subordinate Series B Bonds, which provided an inducement to operate and manage the hotel efficiently since repayment on the bonds were subordinate to the other obligations. All of the Bonds were set up to be paid solely from the Hotel and garage revenues after operation and maintenance costs were paid. Thus the City's General Fund was never liable for the Bonds. This, along with the establishment of a separate corporation for the Hotel, protected the City from financial and legal risk.

Since its completion in 2001, the Hotel has been a new landmark for the downtown and has surpassed expectations. Its creative incorporation of a historic structure has led to its role as a unique bridge between City's past and future. The Hotel has created a vibrant 24/7 destination and has helped the City significantly increase its convention business. The Hotel generates approximately $3.5 million annually in various types of tax revenue for the City and the Agency. In transit-occupancy tax alone, it generates over $2.2 million annually. The hotel has met the City's initial expectations and has proven to be an asset to Downtown that will provide continued economic benefit to the City.

As mentioned above, one of the original goals of the original deal was to build in an exit strategy that would allow the Hotel to be sold as soon as financially feasible. The Qualified Management Agreement between the Corporation and PMB (dated April 1, 1999) provides PMB (the Manager) both a "first right of offer" and an "option to purchase" the Hotel. Correspondingly, the Garage Sublease between PMB and the Corporation provides PMB the right to take an assignment and exercise the

Corporation's option to purchase the garage. The financing documents for the Hotel, including the Garage Lease, the Garage Sublease, and the Qualified Management Agreement, provide for the sale of the garage the Hotel is sold.

David S. Taylor Interests and The CIM Group have offered to purchase the Hotel and garage for $130,000,000, and they are forming a separate legal entity named CIM/J Street Hotel Sacramento, LLC (the "Buying Entity") to purchase and operate the Hotel and garage. The CIM Group will provide substantial cash equity to enable the Buying Entity to purchase the Hotel and garage. The purchase price paid by the Buying Entity would be used to defease the Bonds, with the balance reverting to the City.

A condition of the sale is that 50% of the net proceeds from both the garage sale and the Hotel sale be allocated to the Agency for reinvestment into projects on K Street or in the Downtown Redevelopment Area. The projects will be defined at a later date and will all be ventures undertaken by one or more entities formed by David S. Taylor Interests and The CIM Group. Once defined, each of these projects will be brought back to the Agency for approval, along with individual Owner Participation Agreements.

PMB, the original developer of the Hotel, has had an investment and management interest in the property all along and will continue as Qualified Manager of the Hotel if this sale does not go through. As the Qualified Manager, PMB saw an opportunity to provide a substantial return on investment to the City and to provide an opportunity to initiate projects in the downtown core during a time when financing for capital projects is difficult to obtain.

Following notification of a potential sale, staff from the Authority contracted with PKF Consulting for a fair-market appraisal of the Hotel and the garage. This appraisal was completed by Tom Callahan, the Chief Executive Officer – West, PKF Consulting. Mr. Callahan is an MAI appraiser as well as a CPA, CRE, and FRICS affiliate. PKF Consulting is one of the premier consulting firms dealing in the hospitality industry internationally.

The appraisal was completed on January 21, 2008, and indicated a value of $111,000,000 million for the Hotel and $20,000,000 for the garage—a total of $131,000,000. This appraisal was provided to the following City departments for review: Real Estate, Economic Development, Parking, and Treasurer. All the departments found the logic utilized to be sound and the practices employed in the methodology of establishing fair-market value to be reasonable.

Staff reviewed the current offer in light of the appraisal and concluded that the offer of $130,000,000 is within the range of fair-market value when the following factors are considered:

- The offer does not include any sales-brokerage commissions, which would be a normal part of a sales transaction. These typically range from 1% to 3%.

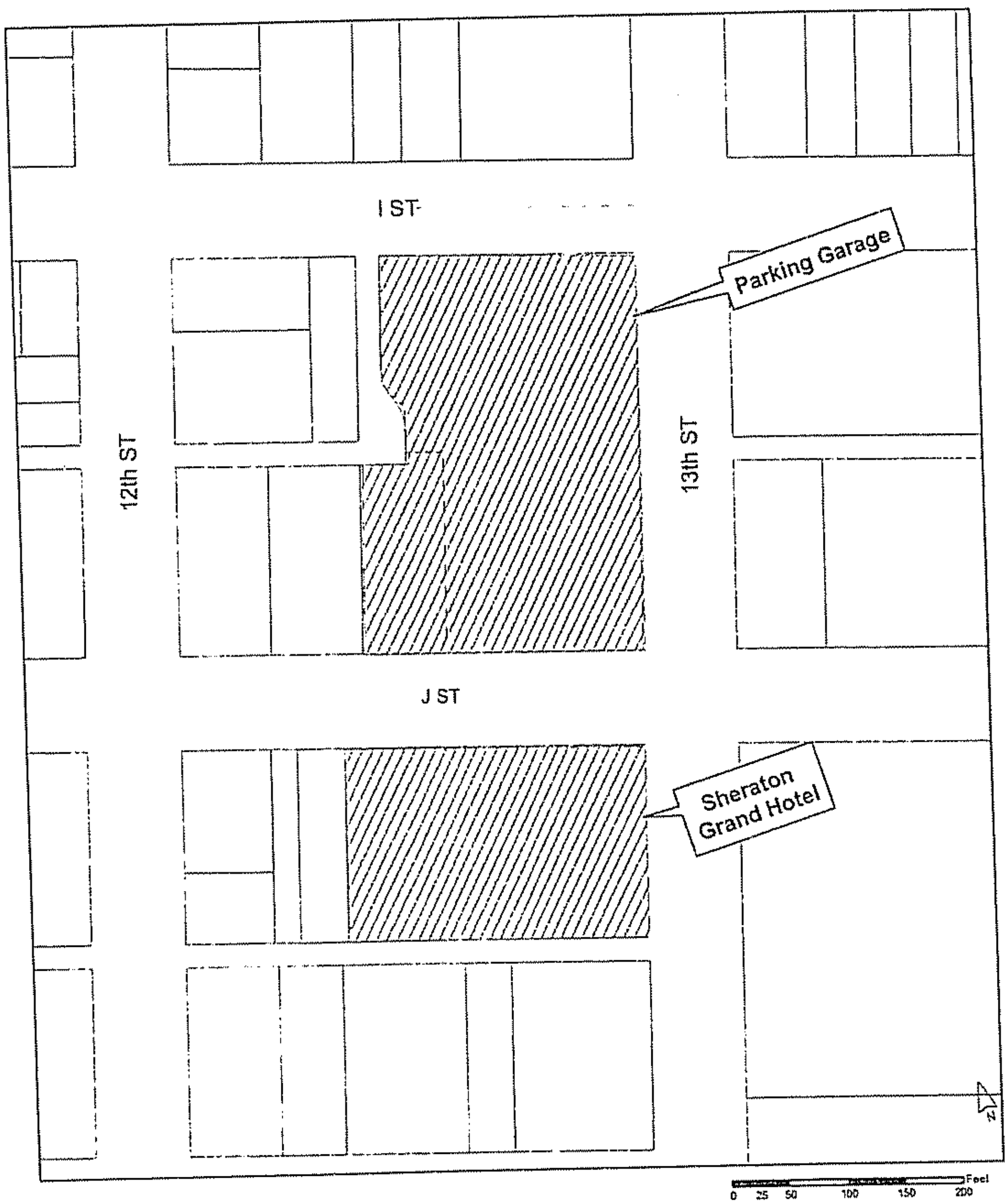
- This is an all-cash offer with no financing or reliance on capital markets. Cash offers often are lower than those utilizing outside financing or debt.

Sheraton Grand Hotel Parking Garage;
Bond Defeasance; Owner Participation Agreement

March 25, 2008

Attachment 2

Site Location Map
Sheraton Grand Hotel & Parking Garage



Attachment 3

List of Related Documents

The following documents are on file at the Office of the City Clerk and Agency Clerk and are available for review at www.cityofsacramento.org.

Documents Related to Real Estate Transaction

1. Garage Purchase and Sale Agreement
2. Hotel Purchase and Sale Agreement
3. Redevelopment Agency Financing OPA
4. Amended Sacramento Hotel Corporation Charter Documents

Documents Related to Bond Defeasance

1. Escrow Agreement relating to the Senior Bonds (Series A) and the Subordinate Bonds (Series B)

Attachment 4

RESOLUTION NO. 2008-________

Adopted by the Sacramento City Council

Authorizing the Sale of the Garage at 13th and J Street (Lot E Garage) in Connection with the Sale of the Sacramento Sheraton Grand Hotel and the Defeasance of the Sacramento City Financing Authority Senior Revenue Bonds (Sacramento Convention Center Hotel Project) 1999 Series A and Sacramento City Financing Authority Subordinate Revenue Bonds (Sacramento Convention Center Hotel Project) 1999 Series B

Background:

A. The City of Sacramento, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), is authorized pursuant to its charter (the "Charter") and the laws of the State of California to sell the City's real and personal property when necessary and proper for municipal purposes. In addition, under section 3.88.090 of the Sacramento City Code, the City Council may, by resolution, provide for the sale of real property without first calling for bids when it finds that such action will be in the best interest of the City.

B. The Sacramento City Financing Authority, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), determined to assist the City in furtherance of the City's municipal purposes.

C. The City is authorized pursuant to its Charter; Ordinance No. 83-022, adopted on February 15, 1983 (as amended by Ordinance No. 99-004, enacted on February 9, 1999), known as the City of Sacramento Economic Development Bond Law (the "Law"); and the laws of the State of California to provide financial assistance to a Participating Party (as defined in the Law) in financing the acquisition, construction, installation, rehabilitation, improvement and/or equipping of a convention center hotel within the City limits which is necessary, essential, a public purpose and a municipal affair.

D. The Authority determined to assist the City and the Sacramento City Redevelopment Agency (the "Agency") in exercising a common power of the City and the Agency to issue bonds and loan the proceeds to the Sacramento Hotel Corporation, a California nonprofit public-benefit corporation (the "Corporation").

E. The Corporation applied to the City for approval as a Participating Party and for approval of a Facility (as defined in the Law) for financing under the Law, which approvals were duly made by the City.

F. The City determined it was a municipal purpose and of public benefit to assist the Corporation in the acquisition of certain real property and the construction, installation, rehabilitation, improvement, and/or equipping of facilities thereon which comprise a convention center hotel (the "Hotel Project").

G. The Authority issued its Senior Revenue Bonds (Sacramento Convention Center Hotel Project) 1999 Series A (the "1999 Series A Bonds") pursuant to an indenture (the "Indenture"), dated as of April 1, 1999, between the Authority and The Bank of New York Trust Company, N.A., as successor trustee (the "Trustee").

H. The Authority also issued its Subordinate Revenue Bonds (Sacramento Convention Center Hotel Project) 1999 Series B (the "Subordinate Bonds" and, together with the 1999 Series A Bonds, the "Bonds") pursuant to an indenture (the "Subordinate Indenture"), dated as of April 1, 1999, between the Authority and The Bank of New York Trust Company, N.A., as successor trustee (the "Subordinate Trustee"), which Subordinate Bonds are subordinate in all respects to payments of principal, redemption premium, if any, and interest on the 1999 Series A Bonds.

I. The proceeds of the Bonds were loaned to the Corporation pursuant to a loan agreement (the "Loan Agreement"), dated as of April 1, 1999, between the Authority and the Corporation, for the purpose of financing the acquisition of certain real property and the construction, installation, rehabilitation, improvement, and/or equipping of the Hotel Project.

J. The Bonds were to be repaid from the operating revenues from the Hotel Project and the City's 13th and J Street Garage (Lot E Garage) (the "Garage"), which was leased by the City, as lessor, to the Corporation, as lessee, pursuant to a garage lease (the "Garage Lease"), dated as of April 1, 1999.

K. At the time the Bonds were issued, various agreements relating to the Hotel Project and the Garage were entered into, including (1) a garage sublease (the "Garage Sublease"), dated as of April 1, 1999, between the Corporation, as sublessor, and Public Market Building, LLC, a California limited liability company (the "Manager"), as sublessee, which grants the Manager a conditional option to purchase the Garage; (2) a qualified management agreement (the "Qualified Management Agreement"), dated as of April 1, 1999, between the Corporation and the Manager, which grants the Manager a conditional right of first offer to purchase as well as a conditional option to purchase the Hotel Project; and (3) a hotel operating agreement (the "Hotel Operating Agreement"), dated as of April 1, 1999, between the Manager and Sheraton Operating Corporation (the "Hotel

Operator"), which grants the Hotel Operator the conditional right to terminate the Hotel Operating Agreement if the Hotel Project is sold by the Corporation.

L. The Garage Sublease, the Qualified Management Agreement and the Hotel Operating Agreement (collectively, the "Hotel Project Documents") afford the Manager substantial and important property rights with respect to the operation, control and possible ownership of the Hotel Project and the Garage for a substantial period of time into the future, including the conditional right to purchase the Hotel Project and the Garage pursuant to, and subject to the terms and conditions of, the Hotel Project Documents.

M. The City, the Authority, the Corporation, the Agency, and the Manager have determined that sale of the Hotel Project and the Garage at this time would be mutually beneficial; in addition, the City has determined that the sale would constitute a municipal affair, would achieve substantial public purposes, and would provide significant public benefits for the City by providing a significant return on investment to the City and the Agency and by generating needed funds to accelerate the development, construction, acquisition, and enhancement of various facilities, projects, and improvements within the City. In particular, 50% of the net proceeds from the sale would be used on underutilized and economically depressed sites in the Merged Downtown area of the City to develop, construct, acquire, and enhance those sites on a much more rapid schedule than would otherwise be possible if the Hotel Project and the Garage were not sold together at this time (the "Economic Development Benefits").

N. In accordance with the requirements of the Indenture, the Subordinate Indenture, and the Loan Agreement, all of the Bonds are to be defeased using a portion of the cash purchase price paid to the Corporation for the Hotel Project, a portion of the cash purchase price paid to the City for the Garage, and certain other available funds relating to the Hotel Project and the Garage. The Corporation is to make the remaining portion of the cash purchase price for the Hotel Project available to the City. The City manager is to allocate the sum of that remaining portion and the cash purchase price for the Garage as follows: 50% to the Agency to fund the Economic Development Benefits, 25% to the City's Economic Reserve, and 25% to the Agency and Parking for reinvestment into income-generating projects.

O. The City is currently considering using the Corporation for other economic-development projects after the sale of the Hotel Project. Accordingly, effective as of the closing of the sale of the Hotel Project, the Corporation proposes to amend its articles of incorporation and bylaws, in the form presented at this meeting and on file with the City Clerk (the "Amended Corporation Documents"). Among other things, the Amended Corporation Documents expand the purpose of the Corporation to include lessening the burdens of government by assisting the City, the Office of Economic Development, and the Redevelopment Agency of the City to revitalize areas within the City and to assist in economic growth within the City.

P. All acts, conditions, and things required by the Constitution and laws of the State of California, the Law, and the Charter to exist, to have happened, and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the City is now duly authorized and empowered, pursuant to every requirement of law, to consummate such transactions for the purpose, in the manner, and upon the terms herein provided.

Based on the Facts Set Forth in the Background, the City Council Resolves as Follows:

Section 1. Based upon the facts, circumstances and documents described in the recitals, presentations made by the City Manager and other City staff to the City Council at the time of the adoption of this resolution and such other matters as have previously been presented to the City Council, the City Council does hereby determine that all of the statements, findings and determinations of the City set forth in the above recitals are true and correct.

Section 2. The City Council hereby finds that the actions authorized in this resolution constitute and are with respect to municipal affairs of the City. In addition, for the reasons set forth above in the Background, and in accordance with Sacramento City Code section 3.88.090, the City Council hereby finds it is in the best interests of the City to provide for the sale of the Garage without first calling for bids.

Section 3. The form of the Agreement of Purchase and Sale relating to the Garage (the "Garage Sale Agreement"), presented to this meeting and on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Garage Sale Agreement, with such changes as the City Manager may require or approve after review by the City Attorney, such approval to be conclusively evidenced by the execution and delivery thereof. The City Manager is hereby further authorized to accept the net proceeds of the sale of the Hotel Project from the Corporation and to allocate the sum of those net proceeds and the net proceeds of the sale of the Garage as follows: 50% to the Agency, 25% to the City's Economic Reserve, and 25% to the Agency and Parking for reinvestment into income generating projects.

Section 4. The City hereby approves the defeasance of all of the Bonds by the Authority and authorizes the use of a portion of the cash purchase price paid to the Corporation for the Hotel Project and a portion of the cash purchase price paid to the City for the Garage, together with other available funds relating to the Hotel Project and the Garage, for such defeasance.

Section 5. The City hereby approves the Amended Corporation Documents.

Section 6. The City Clerk is hereby authorized and directed to attest the signature of the Mayor, the Vice Mayor, the City Manager, and City Treasurer, and to affix the seal of the City, as may be required or appropriate in connection with the execution and delivery of the Garage Sale Agreement, and any other documents executed and delivered pursuant to the authority granted in this resolution.

Section 7. The City Manager, City Treasurer, City Attorney, City Clerk, and any and all other officers, agents and employees of the City are hereby further authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, including without limitation a grant deed, a bill of sale and assignment of intangible property, assignments and assumptions of leases, contracts and warranties and guarantees, affidavits and notices to title companies, contractors and utility companies, escrow instructions and similar documents, that they may deem necessary or advisable to carry out, give effect to, and comply with the terms and intent of this resolution, the Garage Sale Agreement and any other documents executed and delivered pursuant to the authority granted in this resolution. Any such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 8. This resolution takes effect immediately upon its passage.

Attachment 5

RESOLUTION NO. FA2008-___

Adopted by the Sacramento City Financing Authority

Authorizing Execution and Delivery of Escrow Agreement for Defeasance of the Sacramento City Financing Authority Senior Revenue Bonds (Sacramento Convention Center Hotel Project) 1999 Series A and Sacramento City Financing Authority Subordinate Revenue Bonds (Sacramento Convention Center Hotel Project) 1999 Series B

Background:

A. The City of Sacramento, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), is authorized pursuant to its charter (the "Charter") and the laws of the State of California to sell the City's real and personal property when necessary and proper for municipal purposes.

B. The Sacramento City Financing Authority, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), determined to assist the City in furtherance of the City's municipal purposes.

C. The City is authorized pursuant to its Charter; Ordinance No. 83-022, adopted on February 15, 1983 (as amended by Ordinance No. 99-004, enacted on February 9, 1999), known as the City of Sacramento Economic Development Bond Law (the "Law"); and the laws of the State of California to provide financial assistance to a Participating Party (as defined in the Law) in financing the acquisition, construction, installation, rehabilitation, improvement and/or equipping of a convention center hotel within the City limits which is necessary, essential, a public purpose and a municipal affair.

D. The Authority determined to assist the City and the Sacramento City Redevelopment Agency (the "Agency") in exercising a common power of the City and the Agency to issue bonds and loan the proceeds to the Sacramento Hotel Corporation, a California nonprofit public-benefit corporation (the "Corporation").

E. The Corporation applied to the City for approval as a Participating Party and for approval of a Facility (as defined in the Law) for financing under the Law, which approvals were duly made by the City.

F. The City determined it was a municipal purpose and of public benefit to assist the Corporation in the acquisition of certain real property and the construction, installation, rehabilitation, improvement, and/or equipping of facilities thereon which comprise a convention center hotel (the "Hotel Project").

G. The Authority issued its Senior Revenue Bonds (Sacramento Convention Center Hotel Project) 1999 Series A (the "1999 Series A Bonds") pursuant to an indenture (the "Indenture"), dated as of April 1, 1999, between the Authority and The Bank of New York Trust Company, N.A., as successor trustee (the "Trustee").

H. The Authority also issued its Subordinate Revenue Bonds (Sacramento Convention Center Hotel Project) 1999 Series B (the "Subordinate Bonds" and, together with the 1999 Series A Bonds, the "Bonds") pursuant to an indenture (the "Subordinate Indenture"), dated as of April 1, 1999, between the Authority and The Bank of New York Trust Company, N.A., as successor trustee (the "Subordinate Trustee"), which Subordinate Bonds are subordinate in all respects to payments of principal, redemption premium, if any, and interest on the 1999 Series A Bonds.

I. The proceeds of the Bonds were loaned to the Corporation pursuant to a loan agreement (the "Loan Agreement"), dated as of April 1, 1999, between the Authority and the Corporation, for the purpose of financing the acquisition of certain real property and the construction, installation, rehabilitation, improvement, and/or equipping of the Hotel Project.

J. The Bonds were to be repaid from the operating revenues from the Hotel Project and the City's 13th and J Street Garage (Lot E Garage) (the "Garage"), which was leased by the City, as lessor, to the Corporation, as lessee, pursuant to a garage lease (the "Garage Lease"), dated as of April 1, 1999.

K. At the time the Bonds were issued, various agreements relating to the Hotel Project and the Garage were entered into, including (1) a garage sublease (the "Garage Sublease"), dated as of April 1, 1999, between the Corporation, as sublessor, and Public Market Building, LLC, a California limited liability company (the "Manager"), as sublessee, which grants the Manager a conditional option to purchase the Garage; (2) a qualified management agreement (the "Qualified Management Agreement"), dated as of April 1, 1999, between the Corporation and the Manager, which grants the Manager a conditional right of first offer to purchase as well as a conditional option to purchase the Hotel Project; and (3) a hotel operating agreement (the "Hotel Operating Agreement"), dated as of April 1, 1999, between the Manager and Sheraton Operating Corporation (the "Hotel Operator"), which grants the Hotel Operator the conditional right to terminate the Hotel Operating Agreement if the Hotel Project is sold by the Corporation.

L. The Garage Sublease, the Qualified Management Agreement and the Hotel Operating Agreement (collectively, the "Hotel Project Documents") afford the Manager substantial and important property rights with respect to the operation, control and possible ownership of the Hotel Project and the Garage for a substantial period of time into the future, including the conditional right to purchase the Hotel Project and the Garage pursuant to, and subject to the terms and conditions of, the Hotel Project Documents.

M. The City, the Authority, the Corporation, the Agency, and the Manager have determined that sale of the Hotel Project and the Garage at this time would be mutually beneficial; in addition, the City has determined that the sale would constitute a municipal affair, would achieve substantial public purposes, and would provide significant public benefits for the City by providing a significant return on investment to the City and the Agency and by generating needed funds to accelerate the development, construction, acquisition, and enhancement of various facilities, projects, and improvements within the City. In particular, 50% of the net proceeds from the sale would be used on underutilized and economically depressed sites in the Merged Downtown area of the City to develop, construct, acquire, and enhance those sites on a much more rapid schedule than would otherwise be possible if the Hotel Project and the Garage were not sold together at this time (the "Economic Development Benefits").

N. In accordance with the requirements of the Indenture, the Subordinate Indenture, and the Loan Agreement, all of the Bonds are to be defeased using a portion of the cash purchase price paid to the Corporation for the Hotel Project, a portion of the cash purchase price paid to the City for the Garage, and certain other available funds relating to the Hotel Project and the Garage. The Corporation is to make the remaining portion of the cash purchase price for the Hotel Project available to the City. The City, in turn, is to allocate the sum of that portion and the cash purchase price for the Garage as follows: 50% to the Agency to fund the Economic Development Benefits, 25% to the City's Economic Reserve, and 25% to the Agency and Parking for reinvestment into income generating projects.

O. All acts, conditions, and things required by the Constitution and laws of the State of California and the Law to exist, to have happened, and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to every requirement of law, to consummate such transactions for the purpose, in the manner, and upon the terms herein provided.

Based on the Facts Set Forth in the Background, the Authority's Board of Directors Resolves as Follows:

Section 1. All of the above recitals are true, and the Authority so finds and determines.

Section 2. The Escrow Agreement in substantially the form presented at this meeting is hereby approved (the "Escrow Agreement"). The Treasurer, any Assistant Treasurer of the Authority, and any officer designated by the Treasurer or Assistant Treasurer (each, an "Authorized Officer"), each acting alone, are hereby authorized and directed, for and on behalf of the Authority, to execute and deliver the Escrow Agreement and the Secretary or any Assistant Secretary of the Authority shall attest to such Authorized Officer's signature, with such changes therein as the officer executing the same, with the advice of the Authority's counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The Authorized Officers, each acting alone, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, certificates and other instruments, including but not limited to requests for reconveyance of deeds of trust, notices of termination of security interests in deposit accounts, termination of UCC financing statements, a supplemental tax certificate and a remediation notice to the Internal Revenue Service, which they may deem necessary or advisable to carry out, give effect to, and comply with the terms and intent of this resolution and any other documents executed and delivered pursuant to the authority granted in this resolution. Any such actions heretofore taken by such officers are hereby ratified, confirmed, and approved.

Section 4. This resolution takes effect immediately.

RESOLUTION NO. 2008-_____

Adopted by the Redevelopment Agency of the City of Sacramento

MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT AREA: AUTHORIZATION FOR EXECUTION OF A MASTER OWNER PARTICIPATION AGREEMENT AND AGENCY FUNDING AGREEMENT WITH TAYLOR/CIM REDEVELOPMENT COMPANY, LLC

BACKGROUND

A. The Redevelopment Agency of the City of Sacramento ("Agency") has adopted the Merged Downtown Sacramento Redevelopment Plan ("Redevelopment Plan") and an "Implementation Plan" for the Merged Downtown Redevelopment Project Area ("Project Area");

B. Subject to the transference of one half of the net proceeds from the sale of the Sheraton Grand Hotel from the City to the Agency, the Agency and Taylor/CIM Redevelopment Company, LLC ("Developer") desire to enter into a Master Owner Participation Agreement and Agency Funding Agreement ("Financing OPA"), with any and all incorporated documents, a copy of which is on file with the City and Agency Clerk, which would pledge and set aside such funds for reinvestment into projects in the Merged Downtown Redevelopment Project

C. The proposed Financing OPA, requires that individual projects be proposed to and accepted by staff according to the provisions and priorities of the Financing OPA, and after preparation and due environmental review, that such proposed projects be considered by the governing board of the Redevelopment Agency in the form of an individual Owner Participation Agreements for each proposed project, as further described in the Financing OPA (collectively, "Project").

D. The Agency, as a Responsible Agency pursuant to the California Environmental Quality Act has determined that the financing OPA is a financing mechanism that does not involve any commitment to any specific project that could result in a potentially significant physical impact on the environment. Therefore, approval of the financing OPA does not constitute a project under CEQA Guidelines 15378(b)(4).

NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1. The foregoing recitals are true and correct and are hereby adopted, and the actions proposed by this resolution, including approval of the Financing OPA are exempt from further CEQA review.

Section 2. Subject to the approval of the allocation of funding, as described above, by the City to the Agency as set forth in the Financing Owner Participation Agreement, the Financing Owner Participation Agreement is approved, and the City Manager of the City of Sacramento or his designee is authorized to execute the Financing OPA on behalf of the Redevelopment Agency of the City of Sacramento, in substantially the same form as that which is on file with the City and Agency Clerks and to take all such actions, to execute said instruments, and to amend the budget as may be necessary to effectuate and implement this resolution and the Financing OPA to receive and allocate the net proceeds of the sale of the Sheraton Grand, to the purposes of the Financing OPA, as described above.

Section 3. The Executive Director of the Agency and the City Manager on behalf of the Agency or a designee of either of them, are each individually authorized and directed to take any and all actions they determine to be necessary or appropriate to maintain the tax-exempt status of the Agency's Merged Downtown Sacramento Redevelopment Project Tax Allocation Bonds, Series 1998 A (the "Bonds"). A portion of the Bonds were expended in connection with the Convention Center Hotel and in order to comply with applicable federal income tax laws concerning the tax-exempt status of the Bonds a portion of the purchase price for the hotel (as determined by the Executive Director or City Manager on behalf of the Agency upon consultation with nationally recognized bond counsel) shall be applied: (i) for redevelopment capital expenditures for projects to be used for public purposes within the Merged Downtown Project Area; or (ii) to redeem a portion of the Bonds, in either case to the extent necessary to maintain the tax-exempt status of the Bonds, or such other action as may be approved in writing in advance by such bond counsel. Any actions heretofore taken by the Executive Director or City Manager in accordance with this Section are hereby ratified, confirmed and approved.

____
CHAIR

ATTEST:

____
SECRETARY