



REPORT TO COUNCIL

City of Sacramento

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Staff Report
May 20, 2008

**Honorable Mayor and
 Members of the City Council**

Title: 420 Richards Boulevard Site Improvements CIP and Preliminary Ground Lease Business Terms for Greyhound Interim Terminal Project

Location/Council District: River District, District 1

Recommendation: Adopt a City Council Resolution authorizing the City Manager to 1) establish a capital improvement project (CIP) for site and public improvements for 420 Richards Boulevard; 2) transfer \$2,000,000 to this project from the \$5.4 million designation for high priority capital needs; and 3) approve preliminary business terms for the ground lease of 420 Richards Boulevard, the proposed interim location for the Greyhound Bus Terminal.

Contact: Rachel Hazlewood, Senior Project Manager, 808-8645, Leslie Fritzsche, Downtown Development Manager, 808-5450

Presenters: Rachel Hazlewood, Senior Project Manager

Department: Economic Development

Division: River District, Downtown Development Group

Organization No: 4451

Description/Analysis

Issue: Staff is seeking approval and authority to establish a CIP for studies, site and public improvements for the city-owned site at 420 Richards Boulevard and for roadway improvements to Sequoia Pacific Boulevard connecting Richards Boulevard and Bannon Street (see location shown in Attachment 2).

The 420 Richards Boulevard property is the proposed interim location for the Greyhound Bus Terminal until the Sacramento Intermodal Transportation Facility is constructed and ready for occupancy. The funds will be used for grading, road improvements, utilities and other site related and public improvements for the Greyhound project. These improvements will enhance the value of the City-owned asset for the long-term.

Staff is also seeking approval of the preliminary business terms for the Interim Terminal at 420 Richards Boulevard, which will be incorporated into a ground lease. The expenditure of the funds for the site improvements and the ground

lease will be brought to City Council for approval at a future meeting.

Policy Considerations: The use of 420 Richards Boulevard for the Interim Greyhound Terminal will require an amendment to the Discovery Centre Planned Unit Development (PUD) to allow for this interim use. The City Council has adopted a vision for the future of Sacramento, which is: "Sacramento will be linked to the rest of the region by an extensive, efficient and safe network of roadways, bridges, mass transit, bikeways, pedestrian trails, and sidewalks."

Environmental Considerations: The proposed actions are exempt under CEQA Guidelines section 15262 as a planning activity for possible future action. Environmental review will be performed in conjunction with approval of the ground lease agreement and site related improvements needed for the development of the site.

Rationale for Recommendation: As Downtown Sacramento has grown, the negative impacts of the L Street Greyhound Terminal have increased. Buses, taxis, and passenger loading negatively impact daily traffic congestion. The layout of the L Street Terminal is not conducive to modern, environmental design techniques which minimize the attractive nuisance a terminal can cause. Locating the terminal at 420 Richards Boulevard will provide for improved bus, taxis and passenger loading and circulation. Additionally, the Interim Terminal will use design and security techniques to ensure it is safe for passengers and the surrounding users. Greyhound favors the Richards Boulevard site due to its ready access to Interstates 5 and 80.

The funds committed by this Council action will be used to improve the site and other public improvements that are in the City's ownership and will benefit the City upon termination of the lease. Furthermore, the future improvement to the Sequoia Pacific Boulevard and Bannon Street intersection will improve safety and circulation. The business terms included in Attachment 4 will be incorporated into a ground lease for the Interim Terminal that will be the subject of a future staff report.

Financial Considerations: The \$2 million committed to the road, site and public improvements will come from the designation for High Priority Capital Needs identified in the FY 2006/07 Comprehensive Annual Financial Report (CAFR). It is estimated that up to \$1 million will be used for site and public improvements and approximately \$1 million for roadway improvements to extend Sequoia Pacific Boulevard. Costs associated with the relocation of Greyhound and the termination of the lease on L Street will be addressed in a future staff report for an Owner Participation Agreement for 703 L Street and the 420 Richards Boulevard Ground Lease.

Emerging Small Business Development (ESBD): There are no emerging small business development impacts from this report.

Respectfully Submitted by: Rachel Hazlewood
Rachel Hazlewood
Senior Project Manager

Approved by: Leslie Fritzsche
Leslie Fritzsche
Economic Development Manager

Recommendation Approved:

Ray Kerridge
Ray Kerridge
City Manager

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Attachment 1**Background**

The City of Sacramento has long desired to relocate the Sacramento Greyhound Terminal from its current L Street facility to a location outside of the Downtown business district, preferably as part of the Sacramento Intermodal Transportation Facility (Intermodal). The existing terminal contributes to traffic congestion, provides an attractive nuisance for crime and loitering and contributes to the overall blighting conditions existing in the immediate area. Greyhound has expressed its willingness to consider sites outside of the Downtown business district as long as they have easy access to Interstate 5 and 80, affordable rent and a long term lease.

The Intermodal remains the City's preferred long-term location for Greyhound; however, the facility will not be developed for a number of years due to the need to secure substantial federal funding. With the redevelopment of the core area of Downtown, the need to relocate Greyhound from their existing location has grown. Over the last 15 years, Greyhound has reviewed numerous site options for a new location and each, for various reasons, has been ruled infeasible or inadequate. In December 2006, the City purchased 300 Richards Boulevard, which included several adjacent vacant parcels. City staff approached Greyhound to determine if the Richards Boulevard site was feasible for their needs for use on an interim basis until the Intermodal is ready for occupancy. Greyhound's review determined that the site would adequately accommodate their operations.

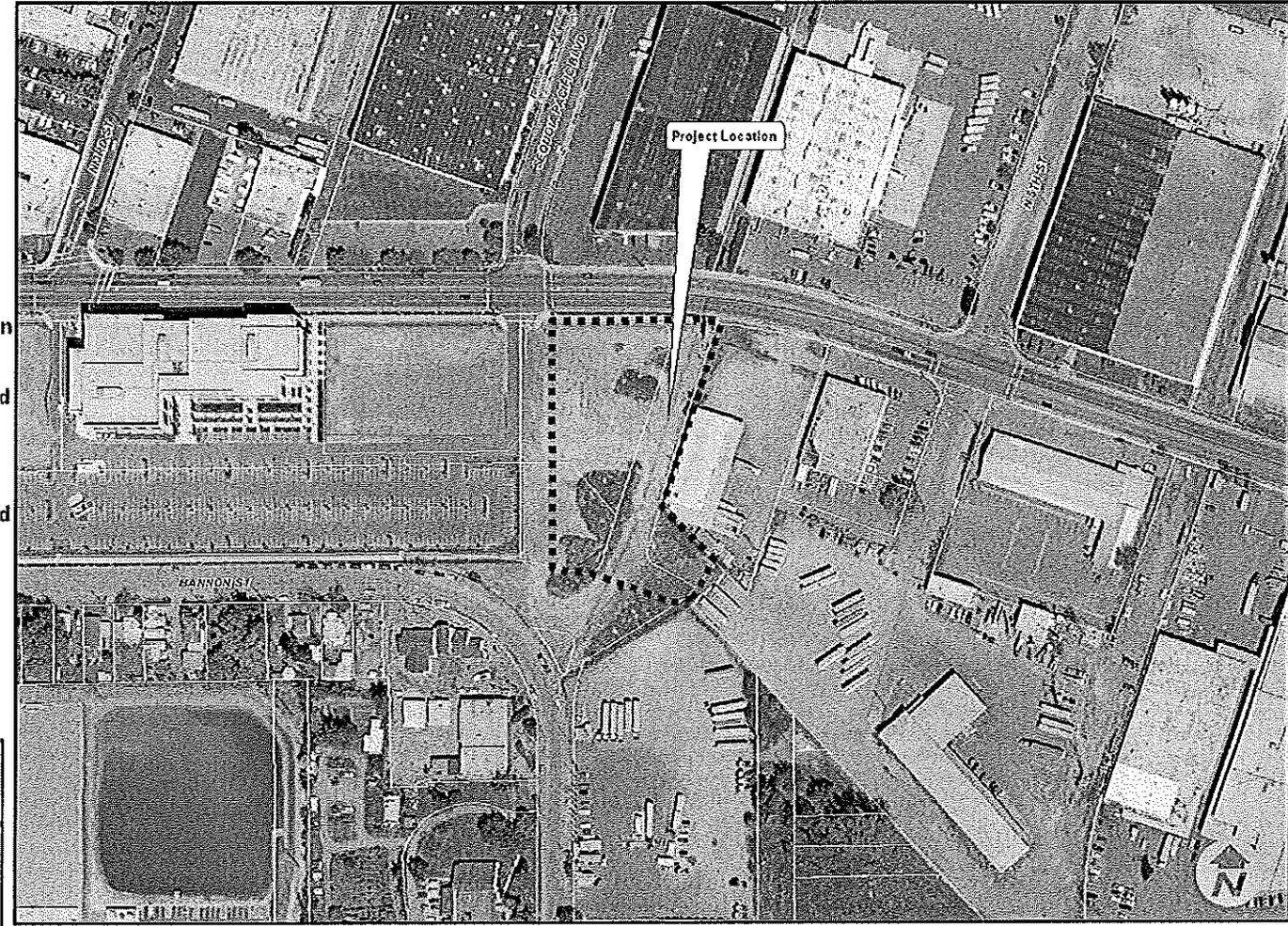
The vacant parcels that are proposed for the Interim Greyhound Terminal are on the far eastern portion of the property and lie adjacent to the existing office building which is occupied by the City's Development Services and Police Departments. The site is triangular in shape and has access to Richards Boulevard to the north and Bannon Street to the south (please see Attachment 2). The property is vacant and unimproved.

Initial estimates of required site work include grading, utilities, sidewalks, curbs and gutters and the extension of Sequoia Pacific from Richards Boulevard to Bannon Street to improve circulation are estimated at \$2 million. The draft site plan is attached as Attachment 3.

Greyhound's current landlord, DBP Realty Partners, headed by Daniel Benvenuti, has expressed a willingness to develop and construct the Interim Terminal on Richards Boulevard and serve as landlord to Greyhound until they relocate to the Intermodal. Relocating the Terminal from its current L Street location will allow the L Street property to be developed as a mixed use, high rise project. Two agreements are being drafted and will be brought to City Council for approval. They are a twenty-year ground lease for the Richards Boulevard Interim Greyhound Terminal and an Owner Participation Agreement (OPA) for 703 L Street. A summary of preliminary business terms for the Interim Terminal Ground Lease is attached as Attachment 4.

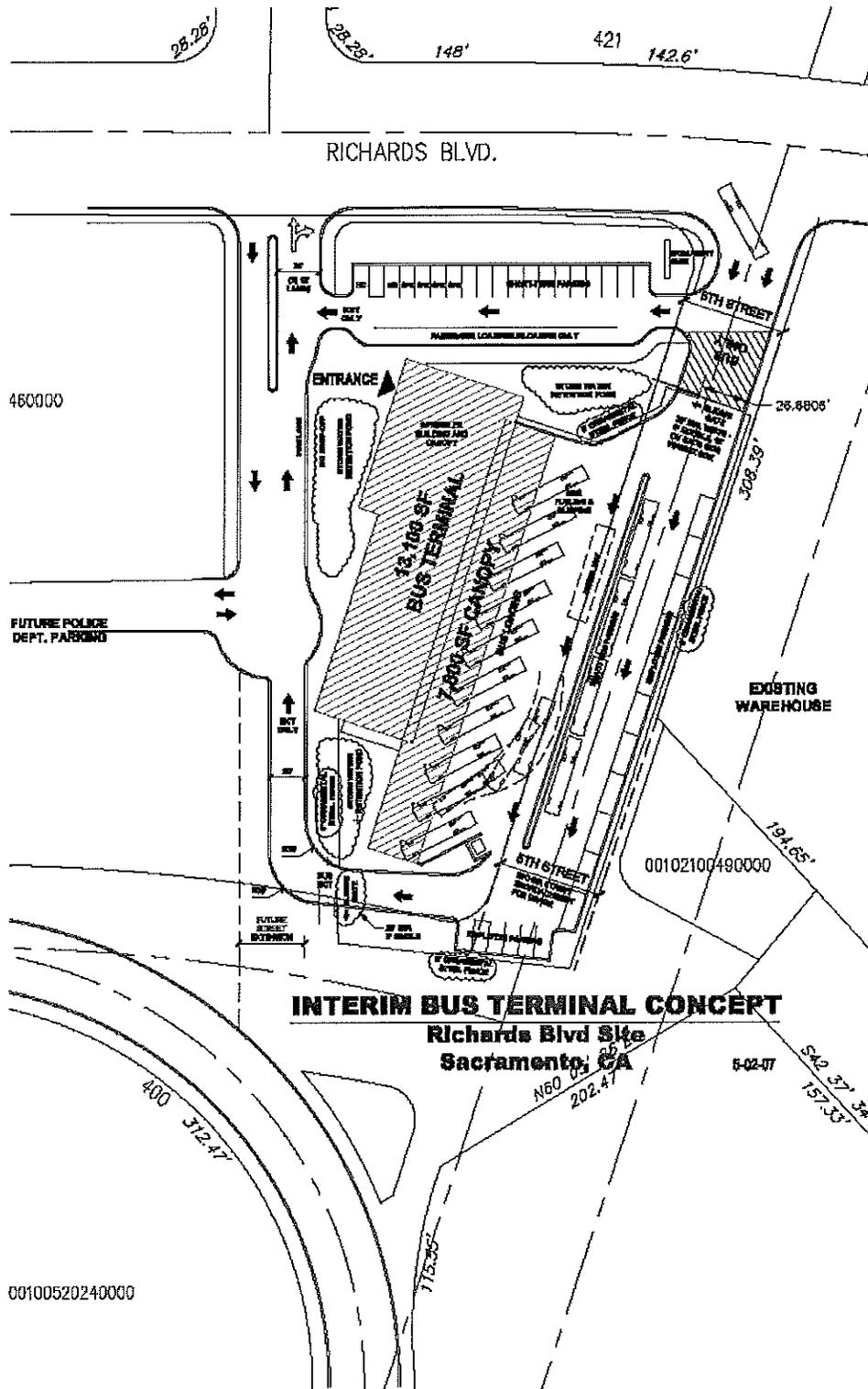
Attachment 2

Project Location



Attachment 3

Draft Site Plan



INTERIM BUS TERMINAL CONCEPT
Richards Blvd Site
Sacramento, CA

Attachment 4**Preliminary Business Terms**EXISTING FACILITY LEASE AT 703 L STREET

1. The current Greyhound lease at 703 L Street is terminated upon completion of a replacement terminal at 420 Richards Boulevard and payment of the lease termination payment as described in #2, below.
2. Upon termination of the current L Street lease and the relocation of Greyhound as a result of a redevelopment project on the site, DBP Realty Partners (DBP) would be paid an amount equal to the net present value of the remaining lease payments of \$39,263 per month at the discount rate of 6.5%, plus any prepayment penalty that will be due for the early retirement of the existing loan secured by the 703 L Street property.
3. The lease termination payment and the Richards Boulevard ground lease terms will meet the Agency and/or City's obligation for payment of Greyhound's relocation expenses. Neither the Redevelopment Agency nor the City would assume any further responsibilities or obligations to DBP or Greyhound related to the existing lease at 703 L Street.
4. DBP will rebate to the City or Agency a portion of rent received at 703 L Street for any sublease on the L Street property after consideration of DBP's operating and maintenance costs up until March 31, 2012.

NEW FACILITY AT 420 RICHARDS BOULEVARD

5. The City will ground lease the 420 Richards Boulevard site to DBP at a nominal price (\$1 per year NNN) for a 20 year term, plus one year for construction.
6. The total site improvement costs ("Site Costs") for 420 Richards Boulevard to accommodate Greyhound as the sublessee includes all costs paid by DBP and developer/construction manager profit and overhead of 12% of all costs paid by DBP.
7. The 420 Richards Boulevard ground lease will include provisions that allow the City to exercise an early termination of the lease for the purposes of relocating Greyhound to the proposed Sacramento Intermodal Transportation Facility (SITF). In exercising that provision the City, on behalf of Greyhound, would be required to buy-out the remaining Greyhound sublease from DBP at 420 Richards Boulevard as defined in #8 below.
8. The buy-out payment for the early sublease termination would be equal to sublease payments for the remaining unamortized balance of DBP's Site Costs (as defined above) estimated to be a minimum of \$3.5 million. This estimate is based on DBP's expected cash investment (currently estimated to be \$1 million) and DBP's remaining project debt (currently estimated to be \$2.5 million).
9. Subject to the final Site Costs being approved by all parties prior to commencement of construction, DBP will design, finance and construct a new bus terminal per Greyhound's specifications at the 420 Richards Boulevard site subject to compliance with all applicable codes and design and entitlement approvals by City.
10. The Site Costs will be financed with a fully amortized loan with a term that does not exceed the 20 year term of the sublease with Greyhound. Pending confirmation from the City Treasurer's Office, the City will allow the 420 Richards Boulevard property to be encumbered by DBP's loan obtained to construct the improvements.

11. DBP will sublease the improved site to Greyhound for an amount equal to the current rent at L Street (\$39,263 per month NNN) until March 2012 (a period coterminous with the existing facility lease) and commencing thereafter at an estimated initial rate of \$32,500 per month NNN.
12. The Greyhound sublease will be subject to the same termination provisions as the ground lease.
13. The City will own the improvements at 420 Richards Boulevard at the end of the lease term (or at early termination). All furnishings, equipments, trade marks and non-permanent fixtures will remain under the sole ownership of Greyhound Lines.
14. The City will fast-track any entitlements and all permits required to undertake the site improvements and establish the new Greyhound terminal, as well as preparation of any required environmental studies for the 420 Richards Boulevard site.
15. It is expected that the Site Costs for the new facility will exceed the amount that can be financed under the sublease payments over the 20 year term. The City will fund costs in excess of \$3.5 million on a reimbursement basis not to exceed \$1 million dollars (\$1,000,000). City paid costs will be limited to funding the extension of utilities, onsite or offsite improvements that would benefit the City by improving its property for use by subsequent tenants. Said reimbursements will be paid within 45 days of submittal of invoices from DBP to the City. City funding will be paid after DBP's expenditure of its cash investment and the project debt loan proceeds.
16. If Greyhound Lines should file bankruptcy, be the subject of an involuntary bankruptcy, or if the sublease is otherwise terminated by Greyhound and DBP cannot collect from Greyhound its damages for such default at any time during the term of ground lease at 420 Richards Blvd, the City will exercise its right to an early termination of the ground lease for a buy-out payment as provided above.

Attachment 5

RESOLUTION NO. 2008-

Adopted by the City of Sacramento

ESTABLISHING A CAPITOL IMPROVEMENT PROJECT FOR SITE AND PUBLIC IMPROVEMENTS AT 420 RICHARDS BOULEVARD; TRANSFER \$2,000,000 TO THIS PROJECT; AND APPROVE PRELIMINARY BUSINESS TERMS FOR THE GROUND LEASE WITH DBP REALTY PARTNERS FOR THE PROPOSED INTERIM LOCATION FOR THE GREYHOUND BUS TERMINAL

BACKGROUND

- A. The Greyhound Bus Terminal is located at 703 L Street in Downtown Sacramento, which over the years has become one of the busiest and most congested streets in Sacramento.
- B. The design of the existing Terminal does not permit efficient or safe bus, taxi and passenger loading and circulation, creates an attractive nuisance for crime and loitering in the immediate area, and contributes to the overall blighting conditions existing in Downtown.
- C. The City is in the process of planning and environmental review of the Sacramento Intermodal Transportation Facility, a multimodal station providing intercity and intracity rail and bus services, but development of the Intermodal requires substantial federal funding and it is not certain when it will be completed and could accommodate Greyhound's operations.
- D. In December 2006, the City purchased an office building at 300 Richards Boulevard for an administration office for the Police and Development Services Departments. There is excess vacant land that was part of the acquisition, generally located at 420 Richards Boulevard. The City desires that Greyhound relocate its Terminal on an Interim basis to 420 Richards Boulevard until the Sacramento Intermodal Transportation Facility is ready for occupancy.
- E. The City and DBP Realty Partners, Greyhound's current landlord, have agreed to preliminary business terms for the development, construction and lease of the Interim Terminal site at 420 Richards Boulevard.
- F. This action approves the preliminary business terms for the ground lease and authorizes a budget transfer of funding to conduct required studies and for future construction of site improvements. This action is exempt from environmental review under CEQA Guidelines Section 15262 as planning studies for possible future actions which have not yet been approved. An appropriate level of

environmental analysis will be completed prior to consideration and approval of the ground lease and site improvements.

- G. On January 22, 2008, the City Council designated \$5.4 million from the FY 2006/07 year end results (Resolution 2008-039 for High Priority Capital Needs.
- H. Initial estimates of required site work to prepare the site based on the ground lease with Greyhound include grading, utilities, sidewalks, curbs and gutters and the extension of Sequoia Pacific Boulevard from Richards Boulevard to Bannon Street to improve circulation are estimated at \$2 million.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. After due consideration of the facts presented, the findings, including the foregoing recitals and the environmental findings regarding this action, as stated in this Resolution are approved and adopted.
- Section 2. The City Manager is authorized to establish a capital improvement project (CIP) for site and public improvements at 420 Richards Boulevard
- Section 3. The City Manager is authorized to transfer \$2 million to this project from the \$5.4 million designation for High Priority Capital Needs;
- Section 4. The City Manager or his designee is directed to develop a ground lease with DBP Realty Partners for the development, construction, and lease of 420 Richards Boulevard for the Interim Greyhound Terminal in accordance with the preliminary business terms set out as Attachment 4 of the accompanying staff report.