



REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento 4

915 I Street, Sacramento, CA 95814-2604

Consent
February 2, 2010

Honorable Chair and Members of the Board:

Title: 700 & 800 Blocks of K & L Streets Property Management Agreement & Budget Allocation

Location/Council District: 700 and 800 blocks of K and L streets, Council District 1

Recommendation: Adopt a **Redevelopment Agency Resolution** authorizing the Executive Director or her designee to 1) Execute an agreement with Ray Stone Incorporated for the commercial property management services of Agency-owned properties located in the 700 and 800 blocks of K and L streets ("Properties"); 2) Allocate \$171,345 from Merged Downtown redevelopment tax-exempt bond funds to the K Street Property Management budget for commercial property management services, utility bills, and property maintenance of the Properties; and 3) Authorize staff to hire a brokerage firm to identify potential tenants for the Agency-owned 731 K Street building.

Contact: Jennifer Witz, Economic Development Administrative Analyst, 808-2796;
Leslie Fritzsche, Downtown Development Manager, 808-5450.

Presenters: Not applicable

Department: Economic Development

Division: Downtown Division

Organization No: 18001021

Description/Analysis

Issue: The Redevelopment Agency of the City of Sacramento ("Agency") has acquired multiple Properties on the 700 and 800 blocks of K and L streets (see Background in Attachment 1 and a site map in Attachment 2). The Properties are slated for redevelopment with a Request for Qualifications due on February 26, 2010. Until the Agency has selected a development team(s) and negotiated a Disposition and Development Agreement, the Properties will require ongoing

property management. In an effort to provide quality property management for the Properties, the Agency issued a Request for Proposals on December 15, 2009, seeking proposals for commercial property management firms. The selected firm would be responsible to serve as the main point of contact for all property management-related items including rent collection, utility payments, arrangement for any required repairs and resolution of any health and safety issues. The Agency received one (1) proposal on January 5, 2010, from Ray Stone Incorporated ("Ray Stone").

After evaluating the submitted proposal, Agency staff recommends Ray Stone to provide the management services for the Properties. Ray Stone is a family-owned Sacramento based business that has been managing and investing in commercial real estate since 1969. Ray Stone's commercial department manages over eighteen (18) properties totaling over 1 million square feet, including the Agency's Hotel Berry and Kmart Plaza. The firm was selected through a previous bid process conducted by the Agency in 2006 and has managed the Properties since that time. They have been a responsive and conscientious firm, performing an excellent job. With Board approval, the Agency and selected property management firm will enter into a one (1) year contract with the option to enter into not more than two (2) additional one (1) year extensions. A copy of the proposed contract is on file with the Agency and City clerks.

One of the properties that will be managed includes the 731 K Street building. This building once housed the California District Attorneys' Association and Immigration and Naturalization Services. The building is in good and rentable condition. Staff is recommending leasing the building on a short-term basis (up to 3 years) while redevelopment work is pursued on the southern portion of the 700 and 800 blocks of K Street. Since redevelopment funds are limited, staff is focusing initial efforts on the successful redevelopment of the properties that are in the most blighted condition and present the greatest opportunity for catalytic change. These properties are all on the south side of K Street and were included in the recently released Request for Qualifications (RFQ). Responses to the RFQ are due on February 26th. The 731 K building can be used in the interim to generate some income and offset some of the ongoing operational costs for property management. Staff recommends hiring a brokerage firm to find an appropriate tenant for the office and retail space. When a tenant has been identified, Staff will return to the Governing Board for consideration of the lease.

Policy Considerations: This recommendation supports the Merged Downtown Implementation Plan goal of eliminating blight. Quality property management ensures that the Agency's properties are well maintained and remain an asset to the downtown for the long term.

Environmental Considerations: This recommendation is exempt from environmental review under CEQA Guidelines, California Code of Regulations, title 14, section 15262.

Sustainability Considerations: The proposed agreement is consistent with the City's Sustainability Master Plan goals to help improve the health of residents by promoting a safe public right of way.

Rationale for Recommendation: This recommendation contributes to the revitalization of K Street and the elimination of blight by providing quality commercial property management and bringing more tenants onto K Street. Entering into an agreement with a commercial property management firm will allow the Agency to keep its Properties safe and clean, while maintaining strong tenant relations with the existing tenants (Tex-Mex restaurant, Metro PCS, and Little Dragon restaurant). Leasing the 731 K Street building will bring new activity to the K Street corridor.

Financial Considerations: Existing funds of \$45,630 remain from the original property management contract. Staff is recommending an allocation of an additional \$171,345 for the commercial property management services, utility bills, and maintenance costs for the Properties over a three (3) year period, totaling a budget of \$216,975 (see Attachment 2 for detailed budget). These funds would be allocated from Merged Downtown redevelopment tax exempt bond funds (Downtown Acquisition) to the K Street Property Management budget. The brokerage firm that Staff hires will be paid from leasing commission, and therefore, will not need an allocation of funds.

M/WBE: Staff's recommendations are consistent with Agency's priorities to assist emerging and small businesses in enhancing their participation in public contracts and awards. Staff posted the RFP on the City's competitive bid web site. Staff only received one bid from Ray Stone Incorporated who is not M/WBE certified but is a Sacramento-based small business.

Respectfully Submitted by: Leslie Fritzsche
Leslie Fritzsche
Downtown Development Manager

Approved by: John Dangberg
John Dangberg
Assistant City Manager

Recommendation Approved:

Ray Kerridge
Ray Kerridge
City Manager

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Attachment 1

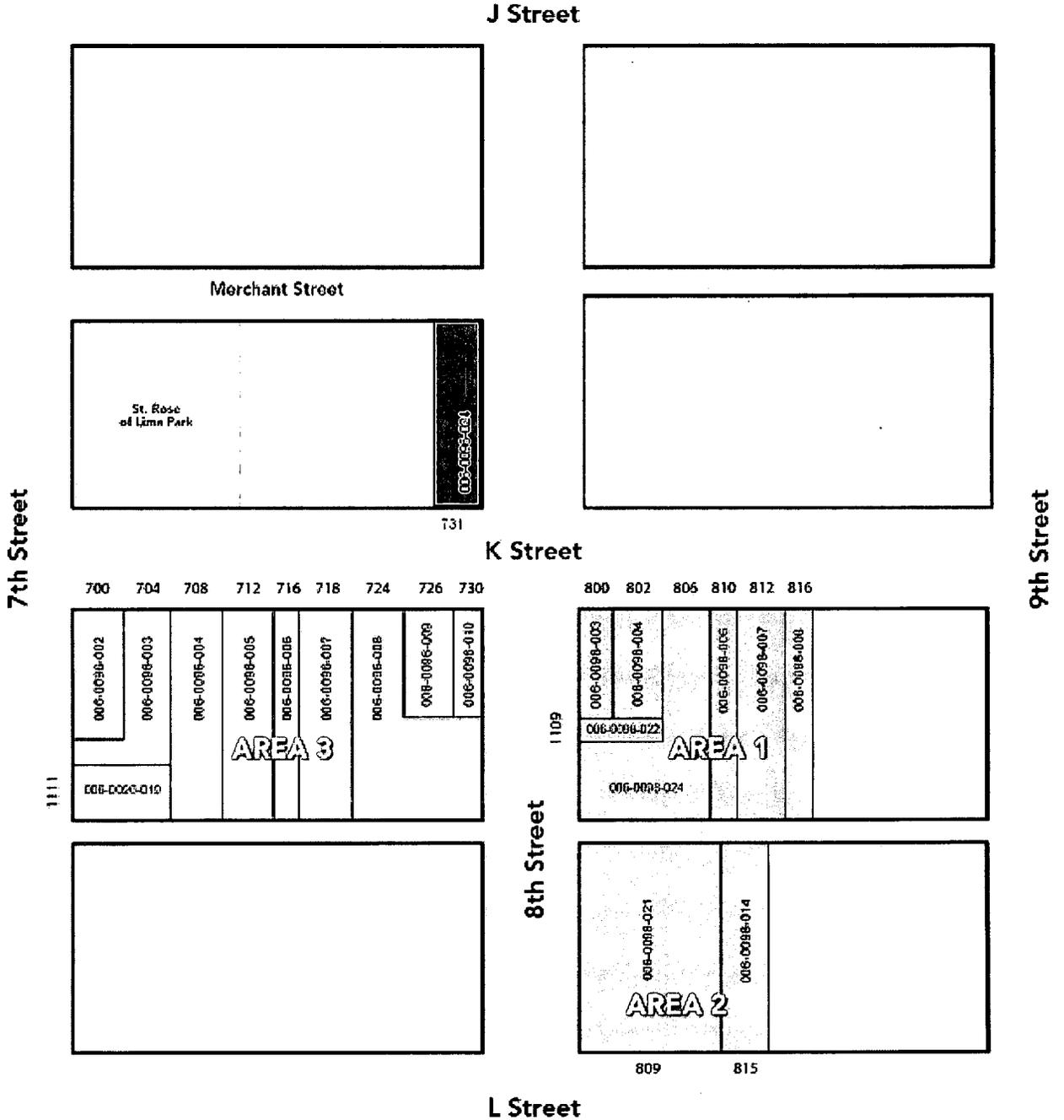
Background

Between January 2006 and October 2008 the Redevelopment Agency of the City of Sacramento ("Agency") acquired multiple properties in the 700 and 800 blocks of K and L streets (APN: 006-0096-002, 006-0096-003, 006-0096-004, 006-0096-005, 006-0096-006, 006-0096-007, 006-0096-008, 008-0096-009, 006-0096-010, 006-0096-019, 006-0098-003, 006-0098-004, 006-0098-006, 006-0098-007, 006-0098-008, 006-0098-024, 006-0096-024, 006-0098-021, and 006-0096-014) as part of its ongoing efforts towards redevelopment of these blighted properties.

The Agency released a Request for Proposals ("RFP") in Spring 2006 for a commercial property management firm. In April 2006, the Agency received five proposals. After reviewing the proposals and interviewing firms the Agency selected Ray Stone Incorporated. The Agency entered into an agreement with Ray Stone Incorporated on May 1, 2006, with a budget allocation of \$165,625. The agreement expired on December 31, 2008, and was extended to December 31, 2009. The agreement was extend once more to February 28, 2010, to allow time for the release of the new RFP on December 22, 2009.

Currently, the Agency still owns the properties and has released a Request for Qualifications for the redevelopment of the 700 and 800 blocks of K and L streets. Pending the land's redevelopment, the Agency will continue to manage and maintain the properties.

Location of Agency Properties



Budget

	2009 Actual	2010 TOTAL BUDGET
TOTAL INCOME	71,483	80,376
EXPENSES		
UTILITIES	45,194	42,660
MAINTENANCE	46,910	48,785
PROPERTY MANAGEMENT FEES	54,250	56,256
TOTAL EXPENSES	146,354	147,701
ADJUSTED GROSS	-74,871	-67,325
RESERVE		-5,000
TOTAL ANNUAL ALLOCATION		-72,325
x3 YEARS (One year contract, with an option of two additional one year extensions)		-\$216,975

K STREET PROPERTY MANAGEMENT FUND	
Remaining Balance in Original Property Management Contract	\$45,630
New Contract Allocation (3 years)	-\$216,975
Total Additional Allocation	-\$171,345

RESOLUTION NO. 2010-

Adopted by the Redevelopment Agency of the City of Sacramento

AUTHORIZE THE EXECUTIVE DIRECTOR OR HER DESIGNEE TO EXECUTE AN AGREEMENT WITH RAY STONE INCORPORATED FOR THE COMMERCIAL PROPERTY MANAGEMENT OF AGENCY-OWNED PROPERTIES IN THE 700 AND 800 BLOCKS OF K AND L STREETS; ALLOCATE \$171,345 FROM MERGED DOWNTOWN REDEVELOPMENT TAX EXEMPT BOND FUNDS TO THE 700/800 K/L PROJECT BUDGET FOR PROPERTY MANAGEMENT OF AGENCY-OWNED PROPERTIES IN THE 700 AND 800 BLOCKS OF K THROUGH L STREETS; AND AUTHORIZE STAFF TO HIRE A BROKERAGE FIRM TO IDENTIFY A TENANT FOR THE AGENCY OWNED 731 K STREET BUILDING.

BACKGROUND

- A. An Agreement with a property management firm is consistent with the Amended Merged Downtown Redevelopment Plan and the 2005-2009 Merged Downtown Redevelopment Plan.
- B. Between January 2006 and October 2008 the Redevelopment Agency of the City of Sacramento ("Agency") acquired multiple properties in the 700 and 800 blocks of K and L streets (see Exhibit A for property locations).
- C. The Agency entered into an agreement with Ray Stone Incorporated on May 1, 2006, with a budget allocation of \$165,625. The agreement expired on December 31, 2008, and was extended to December 31, 2009. The agreement was extend once more to February 28, 2010, to allow time for the release of the new Request for Proposals on December 22, 2009.
- D. Currently, the Agency still owns the properties and has released a Request for Qualifications for the redevelopment of the 700 and 800 blocks of K and L streets. Pending the land's redevelopment, the Agency will continue to manage and maintain the properties.

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 but not limited to the environmental findings regarding this action, are approved.

- Section 2. The Executive Director or her designee is authorized to execute an Agreement for a one (1) year contract with the option to enter into not more than two (2) additional one (1) year extensions with Ray Stone Incorporated for the commercial property management of Agency-owned properties located at the 700 and 800 blocks of K and L streets (APN: 006-0096-002, 006-0096-003, 006-0096-004, 006-0096-005, 006-0096-006, 006-0096-007, 006-0096-008, 008-0096-009, 006-0096-010, 006-0096-019, 006-0098-003, 006-0098-004, 006-0098-006, 006-0098-007, 006-0098-008, 006-0098-024, 006-0096-024, 006-0098-021, and 006-0096-014).
- Section 3. The budget for the K Street Property Management is amended to include an allocation of \$171,345 from Merged Downtown redevelopment tax exempt bond funds.
- Section 4. Agency Staff is directed to hire a brokerage firm to find an appropriate tenant for the office and retail space for the Agency-owned 731 K Street building.

Exhibit A- Location of Agency Properties

Location of Agency Properties

