



**REPORT TO THE
REDEVELOPMENT AGENCY
of the City of Sacramento**
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

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CONSENT
May 30, 2006

Honorable Mayor and
Members of the City Council

Subject: OWNER PARTICIPATION AGREEMENT WITH U.S. NATIONAL LEASING, LLC FOR IMPROVEMENTS AT DEPOT PARK

Location/Council District: Depot Park, 16 Business Park Way (Buildings 2, 3, 7 & 8) / District 6

Recommendation: Staff recommends approval of the attached resolution on page 6 which authorizes the Executive Director, or her designee to execute an Owner Participation Agreement between the Redevelopment Agency and U.S. National Leasing, LLC to provide a forgivable loan in the amount of \$545,800 to replace window frames and glazing in four 60-year old buildings at Depot Park that provide more than one million square feet of light industrial space and will enhance commercial tenant recruitment/retention.

Contact:

Chris Pahule, Redevelopment Manager (916) 440-1399 x 1442
Greg Ptucha, Redevelopment Planner (916) 440-1399 x1249

Presenters: Not applicable

Department: Sacramento Housing and Redevelopment Agency

Summary:

Approval of the attached resolutions will authorize the Redevelopment Agency to execute an OPA (on file with the Agency Clerk) with U.S. National Leasing, LLC. The attraction and retention of commercial tenants at Depot Park is vital to ensure the long-term viability of the business park, and a key element of the Army Depot Redevelopment Plan. This report recommends providing financing in the form of a \$545,800 forgivable loan for the purpose of replacing window frames and glazing in four buildings at Depot Park to support tenants. Each building was constructed in 1946.

RAC Action:

At its April 27, 2006 meeting, the Army Depot Redevelopment Advisory Committee (RAC) was briefed by Agency staff on the background and scope of the proposed work.

OWNER PARTICIPATION AGREEMENT WITH U.S. NATIONAL LEASING, LLC

Commission Action:

At its meeting of May 17, 2006, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The vote was as follows:

AYES: Burns, Burruss, Coriano, Fowler, Gale, Hoag, Piatkowski, Shah, Simon, Stivers.

NOES: None.

ABSENT: Gore.

Background Information:

U.S. National Leasing, LLC (Developer), operates the City-owned Depot Park (see Location Map, Attachment 1) under an Industrial Development Lease and Option to Purchase agreement. The City Council approved a Settlement Agreement (dated January 31, 2006) and a Master Project Agreement (dated February 1, 2006) with the Developer. These agreements provide a protocol for funding of capital improvement and other projects at Depot Park that are eligible for the tax increment funding allocated in the Settlement Agreement.

With this request, the Developer proposes to remove and replace existing window frames and plastic panels at the south façade of four Depot Park buildings, commonly known as building numbers 2, 3, 7 and 8. The work is being proposed to resolve chronic maintenance, water leakage and energy inefficiency of the existing window frames and plastic panels in the clerestories of buildings 2, 3, 7 and 8. These sixty-year old warehouse buildings date from the era when Depot Park was a military facility. Each building provides approximately 261,000 square feet of leaseable space. They are now occupied by a variety of commercial tenants—none of which would be displaced by the proposed work.

The contractor for the project would install new bronze anodized window frames (4 x 5 feet in size) with ¾ inch dual-pane (insulated) fixed glazing and vertical mullions to resist wind forces. Scope of work for the four buildings would total 1,440 window frames/panes, totaling about 5,670 linear feet of clerestory openings. The new glazing would have a reflective surface to limit heat gain while increasing indoor natural light quality as compared to existing translucent panels. The contractor would be required to obtain a building permit issued by the City of Sacramento for the proposed work.

Total costs, based on the bid that the Developer has tentatively accepted, are \$545,800. Contract administration/oversight by the Developer will be absorbed into the property management budget for Depot Park. The funds would be released according to percentage of work completed with a 10% hold-back until 100% completion. Upon execution of the funding agreement and issuance of a Notice to Proceed, Developer expects completion within four months of project start.

OWNER PARTICIPATION AGREEMENT WITH U.S. NATIONAL LEASING, LLC

Financial Considerations: Staff recommends authorizing the Executive Director to execute a Construction and Permanent Loan Agreement, an Owner Participation Agreement and a Regulatory Agreement to finance the replacement of approximately 1,440 clerestory window frames and glazing in four buildings at Depot Park at an estimated cost of \$545,800. Tax increment funds for this proposed work are available as permitted by the Settlement Agreement between the Agency and the Developer. If funded, approximately \$454,200 would remain for future projects that may be proposed to improve Depot Park. Future increases in tax increment generated by Depot Park will supplement this funding source.

Environmental Considerations: The proposed action to provide funding to rehabilitate an existing building is in furtherance of the Sacramento Army Depot Redevelopment Plan. In addition, rehabilitation of an existing building with no expansion or change in use is exempt from environmental review under CEQA Guidelines Section 15301. NEPA does not apply.

Policy Considerations: The proposed Depot Park improvements are consistent with the community development goals in the Army Depot Redevelopment Implementation Plan for 2005 – 2009, and are in accord with the Settlement Agreement and Master Project Agreement between the Developer and the Agency. The project will further the Redevelopment Plan and Implementation Plan by assisting in the effective conversion of a former military facility to uses for local jobs and business development, will eliminate blighting influences by physical improvements to existing structures, and will stimulate economic growth by providing improved commercial facilities.

This proposed work will upgrade the quality of facilities that house and support light industrial, warehousing and other business activities at Depot Park. As such, the project is consistent with the City's Strategic Plan goal to promote and support economic vitality. The proposed action supports the Guiding Principle of that goal which states that City programs should support the development and success of new and existing targeted businesses of all sizes within the City.

M/WBE Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

May 30, 2006

OWNER PARTICIPATION AGREEMENT WITH U.S. NATIONAL LEASING, LLC

Respectfully Submitted by: _____



ANNE M. MOORE
Executive Director

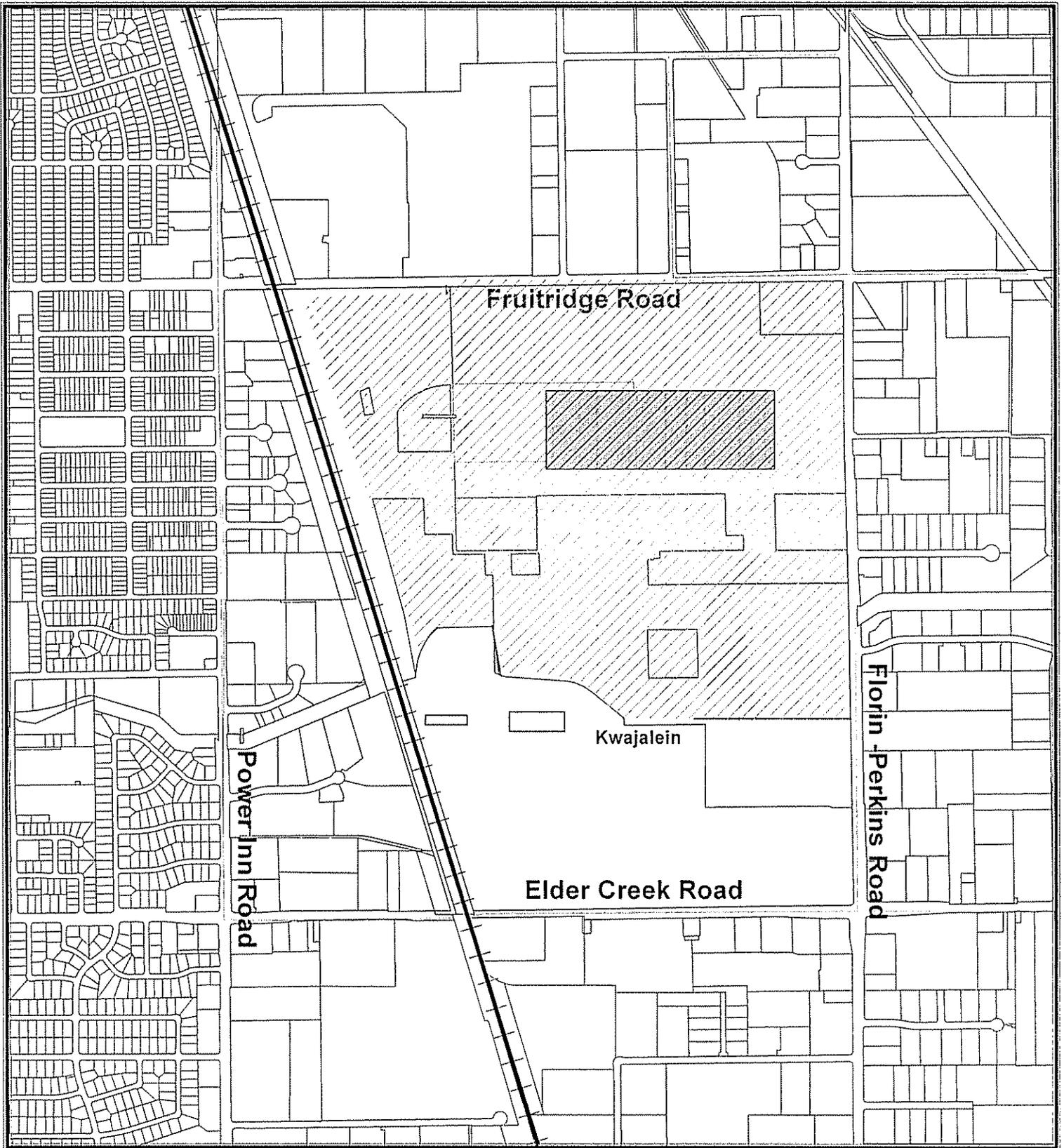
Recommendation Approved:

Cassandra H. B. Jennings
for RAY KERRIDGE
City Manager

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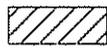
Pg	Description
5	Attachment I – Location Map
6	Redevelopment Agency Resolution

ATTACHMENT I



Project Location Map

Depot Park Window Replacement



Depot Park



Approx Location Bldgs 2,3,7,8

Miles

0 0.05 0.1 0.2 0.3 0.4 0.5



RESOLUTION NO. 2006 -

Adopted by the Redevelopment Agency of the City of Sacramento

ON DATE OF

AUTHORIZE EXECUTIVE DIRECTOR TO EXECUTE AGREEMENTS TO FUND CLERESTORY WINDOW REPLACEMENT PROJECT, DEPOT PARK BUILDINGS 2, 3, 7 AND 8, AND RELATED ACTIONS

BACKGROUND

- A. The repair, maintenance and upgrading of the City-owned and privately-operated Depot Park is consistent with the City's Strategic Plan Goal to enhance and preserve the economic vitality of its business and industrial sector.
- B. The Agency and U.S. National Leasing, LLC, lessee of Depot Park, have entered into a Settlement Agreement to provide funding for certain improvements at Depot Park and a Master Project Agreement protocol for the review and approval of proposed projects.
- C. The Agency has determined that the Depot Park Window Replacement Project is eligible for use of Army Depot Tax Increment funds allocated in the Settlement Agreement. The Project will assist in the effective conversion of a former military facility to uses for local jobs and business development, will eliminate blighting influences by physical improvements to existing structures, and will stimulate economic growth by providing improved commercial facilities

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

Section 1. The foregoing findings are acknowledged, approved, and adopted. The Executive Director is directed to prepare a Notice of Exemption for the for the Project based on the findings in the accompanying staff report in accordance with CEQA Guidelines Section 15301.

Section 2. The Executive Director is authorized to execute a Construction and Permanent Loan Agreement, an Owner Participation Agreement and a Regulatory Agreement with U.S. National Leasing LLC, substantially in the form of such documents on file with the Agency Clerk, for the implementation of the Clerestory Window Replacement Project at Depot Park Buildings 2, 3, 7 and 8, ("Project") and to perform other actions as reasonably necessary to implement and enforce the terms of such documents.

Section 3. The Executive Director is authorized to amend the Agency budget to allocate \$545,800 in Army Depot Tax Increment Funds for the Project.