

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
18	12/11/17	Open	Action	12/08/17

Subject: Purchase and Sale Agreement between Sacramento Regional Transit District (SacRT) and Symphony Development (Purchaser) for the Sale of the 65th Street Property (APN 015-0010-021) located in Sacramento, CA

ISSUE

Whether to amend the delegation of authority to the General Manager/CEO to enter into a Purchase and Sale Agreement between Sacramento Regional Transit District (SacRT) and Symphony Development (Purchaser) for the sale of the 65th Street property (APN 015-0010-021) located in Sacramento, CA (Subject Property).

RECOMMENDED ACTION

Adopt Resolution 17-12-___, Amending the Delegation of Authority to the General Manager/CEO to Enter into a Purchase and Sale Agreement Between Sacramento Regional Transit District (SacRT) and Symphony Development (Purchaser) for the Sale of the 65th Street Property (APN 015-0010-021) Located in Sacramento, CA

FISCAL IMPACT

Proceeds from sale may be reduced up to \$100,000 due to environmental remediation.

DISCUSSION

On November 13, 2017, the Board voted to reaffirm the April 2017 delegation of authority to allow the General Manager/CEO to enter into a Purchase and Sale Agreement with Purchaser based on the terms and conditions presented in the Issue Paper and during closed session on April 10, 2017.

During the course of negotiations, Purchaser proposed modifications to a few terms that fall outside the delegation of authority issued to the General Manager/CEO.

Summary of Proposed Modifications

Entitlement Contingency

During negotiations, staff discovered a discrepancy between information presented to the Board and the original Letter of Intent (LOI) the Purchaser sent to SacRT's real estate broker. The terms of the LOI call for an entitlement contingency that would allow Purchaser to terminate the agreement and receive a refund of its deposit in the event that the City of Sacramento (City) fails to approve a six story, 145-unit building on the property. Under the changes requested during negotiations, Purchaser will retain a due diligence period of 90 days as originally agreed to and will limit the additional approval period for the entitlements to 180 days. If Purchaser's entitlements

Approved:

Presented:

Final 12/08/17

General Manager/CEO

VP, Finance/Chief Financial Officer

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are not received within 270 days of the effective date of the Purchase and Sale Agreement, the Purchaser would retain the option of terminating the agreement and receive a refund of its deposit or waive the entitlement contingency and make the deposit nonrefundable. Since entitlements are vital to the project success, staff understands the request and believes this to be reasonable.

Extension of Close of Escrow

The Purchase and Sale Agreement will specify that escrow will close 60 days after the earlier of: (1) Purchaser’s receipt of development approvals; or (2) 270 days after the effective date. However, the Purchaser may elect to extend close of escrow up to six additional 30-day extensions by making an additional nonrefundable deposit of \$60,000 for each 30-day extension. Because the relocation project must be completed first, and there are timelines in the relocation agreement and restrictive covenant that run from close of escrow, the Purchaser may need to extend the close of escrow to optimally time its project construction with the start of the school year. Since SacRT would receive compensation for these extensions, staff believe this to be reasonable.

Environmental Remediation Reserve

During the course of the transaction, SacRT granted Purchaser a Right of Entry to conduct an environmental survey of the site. The results of the survey showed the presence of diesel fuel and motor oil in soil samples and remediation efforts may be required before the Subject Property is suitable for development. A service station occupied the site prior to SacRT’s use and was identified as the probable source of the contamination. Purchaser has proposed the costs of remediation be paid by establishing an environmental remediation reserve fund to be held in escrow through the completion of any needed remediation. Of the purchase proceeds, \$100,000 will be retained in escrow. SacRT and Purchaser will each pay 50% of the actual costs of the remediation, up to a maximum contribution for SacRT of \$100,000. Costs in excess of \$200,000 will be the sole responsibility of Purchaser.

Pursuit Costs

The Purchaser will be expending significant sums prior to close of escrow in the pursuit of entitlement approvals for its project and the necessary approvals for the relocation of SacRT’s bus transfer facility. The Purchaser has requested that a portion of these costs up to \$20,000 be recoverable from SacRT if the transaction does not close due to a SacRT default.

While these term revisions create some additional risk for SacRT, Staff feels that these are reasonable requests on the part of the Purchaser, which has demonstrated a continued commitment to this Project. Therefore, Staff is recommending that the Board approve an amendment to the General Manager/CEO’s delegation of authority to include incorporation of these changes.

RESOLUTION NO. 17-12-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

December 11, 2017

**AMENDING THE DELEGATION OF AUTHORITY TO THE GENERAL
MANAGER/CEO TO ENTER INTO A PURCHASE AND SALE AGREEMENT
BETWEEN SACRAMENTO REGIONAL TRANSIT DISTRICT (SACRT) AND
SYMPHONY DEVELOPMENT (PURCHASER) FOR THE SALE OF THE 65TH
STREET PROPERTY (APN 015-0010-021) LOCATED IN SACRAMENTO, CA**

WHEREAS, on November 13, 2017, by Resolution 17-11-0157, the Board of Directors reaffirmed the April 2017 delegation of authority to the General Manager/CEO to enter into a Purchase and Sale Agreement with Symphony Development based on the terms and conditions specified in the Issue Paper; and

WHEREAS, in subsequent negotiations, Symphony Development requested changes to the proposed terms and identified a discrepancy between the terms presented to the Board of Directors and its original letter of intent; and

WHEREAS, the Board desires to amend the existing delegation of authority to permit the General Manager/CEO to enter in a Purchase and Sale Agreement with the revised terms.

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the General Manager/CEO is hereby authorized to execute a Purchase and Sale Agreement, and any other documents necessary to complete the transfer of property, between the Sacramento Regional Transit District, therein referred to as "SacRT" and Symphony Development, therein referred to as "Purchaser", whereby Purchaser agrees to purchase the property known as APN 015-0010-021 for \$2,000,000 (subject to reduction of up to \$100,000 to pay for necessary environmental remediation related to the current condition of the property) and relocate SacRT's bus transfer center to 67th Street and Q Street, on substantially similar terms to those set out in the Issue Paper presented to the Board at the December 11, 2017 Board meeting.

ANDREW J. MORIN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary