

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
10	11/13/17	Open	Action	11/08/17

Subject: Surplus Property at 65th Street, Sacramento, CA

ISSUE

Whether to reaffirm the Delegation of Authority allowing 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, following a presentation on the offer and the proposed project for the property.

RECOMMENDED ACTION

- A. Adopt Resolution No. 17-11-_____, Reaffirm 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; or
- B. Adopt Resolution No. 17-11-_____, Revoking the April 10, 2017 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 and Requiring Staff to Bring Back a Final Agreement for Board Approval

FISCAL IMPACT

The sale of the surplus property will generate a net \$2M of Capital Revenue to SacRT and SacRT will receive a reconfigured bus transfer facility, at the expense of the Purchaser, which is estimated to provide approximately \$1M of additional value to SacRT.

DISCUSSION

The subject property is located in the vicinity 65th Street (APN 015-0010-021) and is further identified in Attachment "A." The parcel will be referred to hereinafter as the "Subject Property."

Subject Property description:

SacRT current operations use the Subject Property for bus services and an operator restroom. Since 2007, SacRT has been analyzing and developing design plans to relocate the existing bus transfer functions to be adjacent to the light rail station and along a newly-dedicated 67th Street in order to vacate the Subject Property for development. RT received multiple grants from the Sacramento Housing and Redevelopment Agency (SHRA) for this work and engaged Psomas to prepare design plans for the relocation project. Vacating the site is in line with the goals of increasing ridership, while finding opportunities to improve the region's infrastructure and providing much needed housing options for the community. It has always been understood that any

Approved:

Presented:

Final 11/08/17

General Manager/CEO

VP, Finance/Chief Financial Officer

J:\Board Meeting Documents\2017\16 November 13, 2017\Declaring Property Surplus - 65th Street Issue Paper mn edits.doc

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proposal to develop the site would need to take into account the cost and timing of relocating the bus transfer facility and be cost-neutral or revenue positive to SacRT.

Staff prepared a space needs analysis and design plan that outlines the requirements and challenges for the Purchaser to provide, at no expense to SacRT, improvements to ensure that SacRT is able to continue to provide bus services and a transfer point in the area. The design plan will require the construction of a replacement bus transfer facility and public infrastructure improvements along 67th Street and Q Street (“Relocation Project”). The new location will improve pedestrian safety, by locating three bus berths at the light rail platform, creating controlled crosswalks, and adding a fenced median on Q Street to prevent jay-walking across Q Street between 65th and 67th Streets. The total number of bus berths will not change.

Previous attempts to market and sell the Subject Property since 2007 were stymied by economic conditions, prevailing wage requirements, and the cost of the Relocation Project.

Background on the property disposition process:

In November 2014, Staff presented the Board with an Information Item reviewing existing Regional Transit Owned Properties for Disposition/Transit Oriented Development. The Subject Property was included on the list as a potential Transit Oriented Development site based on the work that had been done to date to prepare plans to vacate the Subject Property. In July 2016, SacRT hired Turton Commercial to market the properties, find and vet buyers, and assist in the negotiations. The offers were then presented to an internal committee at SacRT to evaluate and provide recommended actions for the Board to evaluate. On April 10th, 2017, staff provided the Board with an offer from Symphony Development and sought approval from the Board to delegate authority to the General Manager/CEO to enter into an agreement with the Purchaser if the purchase price was within a specified percentage of an independent appraisal. On May 10, 2017, the appraisal was received and the offer met the criteria set out by the Board. At that time, Staff began working on a joint development agreement with the Purchaser. However, due to Purchaser issues with the joint development characterization, as set out in the Issue Paper for the October 23, 2017 Board meeting, staff sought approval from the Board to declare the Subject Property excess to transit operations, conditioned on the Purchaser providing a suitable replacement bus transfer facility and ensuring the use of the property remains transit supportive. At the meeting, the Board approved the declaration of surplus, while directing staff to return to the Board on November 13, 2017 to present the Purchaser’s information and the proposed project for the 65th Street property.

Summary of offers received and potential buyer’s information:

Throughout the process, Turton Commercial met with 44 buyers and realtors representing buyers. Turton Commercial screened the offers to ensure that offers were reasonable and solid. Turton Commercial narrowed the initial offers down to two offers for the internal SacRT committee to review.

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Below are summaries of each of the two offers received:

Summary of Offers Considered by SacRT		
	<u>Offer #1</u>	<u>Offer #2</u>
Offeror:	Symphony Development	Laguna2
Original Purchase Price:	\$3,425,000 (no off-site street improvements) *	\$3,250,000 (no off-site street improvements) *
Final Purchase Price:	\$2,000,000 (plus cost of replacement bus transfer facility)	No second offer, declined
Deposit:	\$100,000	N/A - Final offer was not submitted
Due Diligence:	90 days	N/A - Final offer was not submitted
Close Escrow:	No later than 180 days after Due Diligence	N/A - Final offer was not submitted
Proposed Use:	Student housing development	Student housing development
<p>* Note: SacRT could not accept a purchase whereby the buyer would not pay for the costs to complete the necessary bus stop relocation improvements. The buyer for Offer #2 did not meet SacRT's requirements.</p>		

Offer #1, Symphony Development, offered \$3,425,000 with an initial deposit of \$100,000 and a 90-day due diligence period. The initial offer did not include the cost associated with the Relocation Project. After pricing out the potential costs associated with the Relocation Project, the Purchaser reduced its offer price to \$2,000,000. When presenting the offer, the Purchaser provided Staff with a vision of constructing a 145-unit mixed-use high-density student housing project with approximately 10,000 square feet of retail space. The Purchaser also provided examples of two other similar projects that were recently completed with outstanding results, the first being a 478-bed student housing development, referred to as "27 North" located in San Jose, and the second a 375-bed student housing development referred to as "West 27th Place" in Los Angeles.

Offer #2, Laguna2, another strong interested buyer, provided an offer of \$3,250,000 with an initial deposit of \$100,000, 90-day due diligence period. When the buyer learned that relocating and constructing SacRT's bus transit center to 67th Street and Q Street would be borne by the buyer, Laguna2 withdrew its offer for the Subject Property.

As noted within the above table, Laguna2 rescinded its offer, leaving SacRT with one remaining offer. As a result, staff had three options: 1) to evaluate offer #1 and bring it forward to the Board; 2) ask Turton Commercial to continue the search; or 3) continue the current use. The internal Real Estate committee at SacRT met and discussed the options and concluded that Symphony Development's offer to purchase the land for \$2M was a strong offer considering the additional offsite improvements that will be required to be paid by the buyer, and the potential value of the development to the community and SacRT.

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Symphony Development is a state-wide development corporation founded in 1992, with a long track record of specializing in student housing, mixed-use projects, multifamily residential, and retail and single-family residential in California. Previous developments include a 478-bed student housing development in San Jose which provides housing for the students of California State University San Jose and a 375-bed student housing development which provides housing for the students of University of Southern California. With this experience, staff sees great opportunities for the Sacramento region as this development could provide much needed housing and ridership opportunities for the students at Sacramento State University.

As indicated in the October 23, 2017 Issue Paper, as a result of the shift from a joint development project to a surplus property designation: (1) under the Government Code, the Subject Property must first be offered to qualified entities before it can be sold to Symphony; and (2) RT will be obligated by federal regulations to reinvest the proceeds of the sale (both the cash proceeds and the value of the Relocation Project) in another eligible capital project; otherwise, it will be obligated to return the federal share of the proceeds (estimated to be about 75%) to the FTA.

Pursuant to the Board's October 23, 2017 direction, Staff is requesting that the Board make a determination at this time whether to maintain and reaffirm the existing delegation of authority to the General Manager/CEO or to revoke the delegation and require that the final purchase and sale agreement be brought to the Board of Directors for approval at a future date.

Site Location

Real Property Excess

Property Name: 65th Street

TOD Parcels: 015-0010-21

ATTACHMENT A



RESOLUTION NO. 17-11-_____

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

November 13, 2017

REAFFIRM 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.

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

THAT, the General Manager/CEO is hereby is 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 in immediately available funds and relocate SacRT's bus transfer center to 67th Street and Q Street.

THAT, notwithstanding the foregoing delegation, the sale of APN 015-0010-021 must not be consummated unless and until SacRT has fully complied with all obligations under Government Code Section 54220 and following.

ANDREW J. MORIN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary

AGENDA ITEM REVIEW

**AGENDA ITEMS NOT RECEIVING APPROPRIATE SIGN-OFF OR
NOT RECEIVED BY DEADLINE WILL NOT BE INCLUDED IN AGENDA PACKET**

ISSUE PAPER TITLE: Surplus Property at 65th Street, Sacramento, CA
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MANAGER/DIRECTOR of ORIGINATING DEPT

Initials _____ Date _____

RESPONSIBLE EMT PERSON*

Initials _____ Date _____

PARALEGAL – Documents Received _____ Yes

Initials _____ Date _____

CLERK TO THE BOARD

Initials _____ Date _____

CHIEF COUNSEL

Initials _____ Date _____

VP, PLANNING & ACCOUNTABILITY

Initials _____ Date _____

GENERAL MANAGER

Initials _____ Date _____

VP, FINANCE/CHIEF FINANCIAL OFFICER

Initials _____ Date _____

Comments:

RESOLUTION NO. 17-11-_____

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

November 13, 2017

**REVOKING THE APRIL 10, 2017 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
AND REQUIRING STAFF TO BRING BACK A FINAL AGREEMENT FOR
BOARD APPROVAL**

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

THAT, the authority delegated to the General Manager/CEO on April 10, 2017 to complete the transfer of the property known as APN 015-0010-021 from the Sacramento Regional Transit District, to Symphony Development is hereby revoked.

THAT, any Purchase and Sale Agreement for the property known as APN 015-0010-021 must be approved by the Board of Directors.

ANDREW J. MORIN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary