

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	11/13/17	Open	Action	11/8/17

Subject: Property at Power Inn Road, Sacramento CA

ISSUE

Whether to reaffirm the Delegation of Authority to the General Manager/CEO to enter into a Purchase and Sale Agreement between Sacramento Regional Transit District (SacRT) and Jonathan Sweet (Purchaser) for the sale of a portion of the Power Inn Park and Ride lot (APN 079-0310-006-0000), 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 Jonathan Sweet (Purchaser) for the Sale of a Portion of the Power Inn Park and Ride Lot (APN 079-0310-006-0000) 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 Jonathan Sweet (Purchaser) for the Sale of a Portion of the Power Inn Park and Ride Lot (APN 079-0310-006-0000) Located in Sacramento, CA and Requiring Staff to Bring Back a Final Agreement for Board Approval

FISCAL IMPACT

The offer originally presented to the Board was for \$3.9 million. However, that offer assumed that the Purchaser would acquire the entirety of the property. Because the Board requested that RT retain ownership and control of 200 spaces, the ultimate purchase price may be reduced, but Staff is still negotiating this issue with the Purchaser. The Federal share of the revenue received would be Capital Revenue to SacRT, which must be reinvested in other FTA eligible Capital Projects or returned to the Federal Transit Administration (FTA).

DISCUSSION

The subject property is located in the vicinity of Power Inn Road (APN 079-0310-006) and is further identified in Attachment "A". The entire parcel will be referred to hereinafter as the "Subject Property" but only a portion of the Subject Property will be conveyed to the Purchaser.

Subject Property description:

The Subject Property is approximately 3.25 acres and adjacent to the Park and Ride Lot, access to the site is limited because the entrance to the Power Inn Light Rail Station Park and Ride is the

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 - Power Inn Road Issue Paper mn edits - new template.doc

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
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only right of way to site. There is no access right of way to the site from Cucamonga Avenue. The existing park and ride lot occupies only a portion of the site and only a portion of its 299 parking spaces are used on a regular basis. For that reason, SacRT has, since 1996, pursued a variety of development opportunities for the site, none of which came to fruition.

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. 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 a potential buyer and requested a delegation of 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 and an arrangement was reached for SacRT to retain ownership of at least 200 parking spaces (at that time, Staff assumed the agreement would be entered into with Laguna2; however, the principal of Laguna2, Jon Sweet, has since requested that the agreement be entered into with him personally, for later assignment to a project-specific LLC). On May 10, 2017, the appraisal was received and the offer met the criteria set out by the Board (assuming acquisition of the entire parcel). 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 as Surplus and waive the requirements in Title VII of the SacRT Administrative code that Federally-acquired real property be sold to the “highest bidder” while ensuring the property remains transit supportive in an effort to move the deal forward. 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 Power Inn property.

Summary of offer’s received and potential buyer’s information:

Throughout the process, Turton Commercial met with 52 buyers and realtors representing buyers. Turton screened the offers to ensure that offers were reasonable and solid. Turton Commercial narrowed the initial offers down to three offers for the internal SacRT committee to review.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	11/13/17	Open	Action	11/8/17

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Below are summaries of each of the three offers:

Summary of Offers Considered by SacRT			
	<u>Offer #1</u>	<u>Offer #2</u>	<u>Offer #3</u>
Offeror:	Score Soccer Centers	Lewis Homes	Jon Sweet, Laguna2
Original Purchase Price:	\$1,542,000 (\$5,000 per month triple net lease 20-yr lease)	\$1,650,000	\$3,900,000 - cash
Final Purchase Price:	\$5,000 per month triple net 20-yr lease (5% annual increases)	No second offer, declined	\$3,900,000
Deposit:	\$7,850	N/A – Final offer was not submitted	\$50,000
Due Diligence:	180 days	N/A – Final offer was not submitted	90 days
Close Escrow:	N/A – Ground Lease	N/A – Final offer was not submitted	30 days after Entitlements receive
Proposed Use:	Outdoor Soccer complex	Single-family detached residential community	Student housing, multi-family housing, hotel, and retail

Offer #1, Score Soccer Centers, develops and operates small soccer centers across North America and offered SacRT a 20-year triple net ground lease beginning with \$5,000 per month and an initial deposit of \$7,850 and 180-days due diligence period, with 5% increases. Total revenue at the end of the 20-year period would total \$1,542,000. The Board rejected that offer because the Board felt the offer did not meet the Board requirements of selling or leasing the property to a transit oriented development buyer.

Offer #2, Lewis Homes, was an interested buyer and provided an offer of \$1,650,000. Lewis Homes requested to construct single-family detached residential community, small commercial and retail. The purchase price was below market value and the offer was rejected.

The internal committee concluded that Offer #3 was the best option as this was a cash-offer to SacRT in the amount of \$3,900,000. The initial offer assumed that ownership of the entire parcel would be transferred and all the parking would be shared between SacRT and the Developer. At the Board’s request, SacRT presented a counterproposal whereby SacRT would retain ownership of 200 spaces, which is well above the maximum spaces currently used, while granting a license agreement to the Purchaser for shared use of 80 spaces to the Purchaser, which could be terminated in the future based on additional SacRT customer demand. The final site configuration has not yet been determined, but SacRT and the Purchaser would also grant reciprocal access easements to ensure both parties and their customers can access their properties. The Purchaser has not yet responded to that counterproposal.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	11/13/17	Open	Action	11/8/17

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The Purchaser intends to construct multi-family housing that could include student housing, hotel and retail. As with any surplus property disposition, the language in the agreement will not specify what the developer must build, however SacRT will include a term requiring that the development be generally transit-supportive. Jon Sweet is a local developer with experience developing master planned communities both locally and nationally. Jonathan Sweet has been involved with the acquisition, entitlement and disposition of more than 35,000 units throughout the west and southwest. The benefit of this project is that currently there are no multifamily residential projects that are easily accessible from the light rail station. Additionally, the current 299 parking spaces well exceed SacRT's maximum capacity and as a result, the property is left undeveloped and has become an additional cost burden for SacRT to maintain. Allowing a developer to improve on this land will provide a positive image to the community and provide for additional opportunities for new residents, employees or visitors to experience SacRT's transit system.

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, under the Government Code, SacRT must first offer the Subject Property to qualified entities before it can be sold to Jonathan Sweet. Assuming no other qualified entities are interested, SacRT would have the opportunity to enter into an agreement with Jonathan Sweet. RT will be obligated by federal regulations to reinvest the proceeds of the sale in another eligible capital project; otherwise, it will be obligated to return the federal share of the proceeds (believed to be approximately 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

Property Name: Power Inn
Parcel: 079-0031-006

Real Property Excess

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 JONATHAN SWEET (PURCHASER) FOR THE SALE OF A PORTION OF THE POWER INN PARK AND RIDE LOT (APN 079-0310-006-0000) 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 Jonathan Sweet, therein referred to as "Purchaser", whereby Purchaser agrees to purchase a portion of the property known as APN 079-0310-006-0000 subject to retention by SacRT of 200 park and ride spaces and the granting of access easements necessary to access those spaces and SacRT's Power Inn Light Rail station, for a price per square foot acquired by Purchaser that is not less than 95% of the appraised price per square foot .

THAT, notwithstanding the foregoing delegation, the sale of APN 079-0310-006-0000 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

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
JONATHAN SWEET (PURCHASER) FOR THE SALE OF A PORTION OF THE
POWER INN PARK AND RIDE LOT (APN 079-0310-006-0000) 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 079-0310-006-0000 from the Sacramento Regional Transit District to Laguna2 (Jonathan Sweet) is hereby revoked.

THAT, any Purchase and Sale Agreement for the property known as APN 079-0310-006-0000 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