

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/14/18	Open	Action	05/03/18

Subject: Purchase and Sale Agreement between Sacramento Regional Transit District and Community HousingWorks for the Sale of 880-936 Arden Way (APN: 277-0134-003 through 005)

ISSUE

Whether to amend the Purchase and Sale Agreement between Sacramento Regional Transit District (SacRT) and Community HousingWorks (Purchaser) for the sale of 880-936 Arden Way (APNs: 277-0134-003 through 005) located in Sacramento, CA (Subject Property).

RECOMMENDED ACTION

Adopt Resolution No. 18-05-____, Approving the Second and Third Amendments to the Purchase and Sale Agreement Between Sacramento Regional Transit District (SacRT) and Community HousingWorks (Purchaser) for the Sale of 880-936 Arden Way (APNs: 277-0134-003 through 005) Located in Sacramento, CA.

FISCAL IMPACT

Proceeds from the sale of the Subject Property will be reduced by the amount determined by the Board in Closed Session.

DISCUSSION

On November 13, 2017, the Board voted to reaffirm the Delegation of Authority to the General Manager/CEO to enter into a Purchase and Sale Agreement (PSA) for the Subject Property subject to the terms and conditions presented to the Board at the November 13, 2017 Board meeting and during closed session at the August 23, 2017 meeting. On January 17, 2018, the General Manager/CEO executed the PSA between SacRT and Purchaser.

The terms approved by the Board and detailed in the PSA included a 90-day due diligence period, during which the Purchaser was entitled to conduct an investigation of the Subject Property to determine its suitability for the Purchaser's intended purpose of developing an affordable housing project.

During the course of the transaction, SacRT staff provided Purchaser with a Preliminary Title Report (PTR) on the Subject Property from Fidelity National Title Company dated September 22, 2017 and an updated PTR dated January 11, 2018. At the time of both the initial and updated PTR, Fidelity's title examiner determined that there were no known exceptions to a free and clear title that could impact Purchaser's ability to develop the property for its intended purpose or otherwise encumber the property.

Approved:

Presented:

Final 05/09/18

General Manager/CEO

Manager, Real Estate

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On January 23, 2018, the PSA was updated to include a survey requested by SacRT and performed by PSOMAS Engineering. The survey showed the presence of a drainage line easement that bisects the Subject Property and is further detailed in Attachment A. Fidelity was made aware of the discrepancy between the PTR provided and the survey performed by PSOMAS. After reviewing the survey, Fidelity agreed that the drainage easement was mistakenly omitted from the first two PTRs and a third, revised PTR was issued listing the recorded drainage easement.

The Purchaser retained civil engineering firm Wood Rodgers, Inc. to investigate the drainage easement and attempt to minimize its impact on the proposed project. Wood Rodgers was able to determine the drainage easement encompassed an active 60" x 38" corrugated metal storm drain owned and maintained by the City of Sacramento (City). In addition to the development limitations caused by the drainage pipe, the City's easement prevents development within 20 feet of the pipe, significantly reducing the developable land of the Subject Property.

Several alternatives to address the drainage pipe easement were explored and reviewed by Purchaser, its consultants, and SacRT staff. After assessing the alternatives, Purchaser determined the option most suitable for its intended project is to relocate the pipe to an area of the Subject Property more compatible with its development plans.

Purchaser worked with its consultants to develop a cost estimate for the cost of relocating the drainage pipe. In addition to construction and other costs associated with the relocation, the relocated pipe will still impact development on approximately 7,300 square feet of the Subject Property. Purchaser then sent a letter to SacRT staff requesting the purchase price be reduced to offset the cost of addressing the drainage easement and additional loss of developable land. Staff engaged in negotiations with Purchaser and both parties agreed to a reduction in the sale price subject to approval by SacRT's Board. The amount of the price reduction and revised purchase price will be determined by the Board in Closed Session. Relocation of the drainage pipe will occur after close of escrow and will be at the Purchaser's sole cost and expense.

In addition to the discovery of the drainage easement, an environmental Phase II study revealed the presence of lead and benzene gas soil contamination above the limits suitable for residential development. Purchaser has agreed to accept all costs associated with the remediation of any environmental contamination.

Furthermore, because the Purchaser's due-diligence period expired April 19, 2018, SacRT staff agreed to amend the PSA extending the period by 35 days through May 24, 2018, subject to Board approval. Because there was no Board meeting available before the expiration of the due diligence period and because the unexpected condition discovered on the Subject Property required additional due diligence by the Buyer, the General Manager/CEO executed the Second Amendment to the PSA extending the Due Diligence period, subject to Board ratification at tonight's Board meeting. Finally, the Purchaser, Community HousingWorks, assigned its rights to a wholly owned subsidiary called CHW Arden Way Development LLC on April 20, 2018. The

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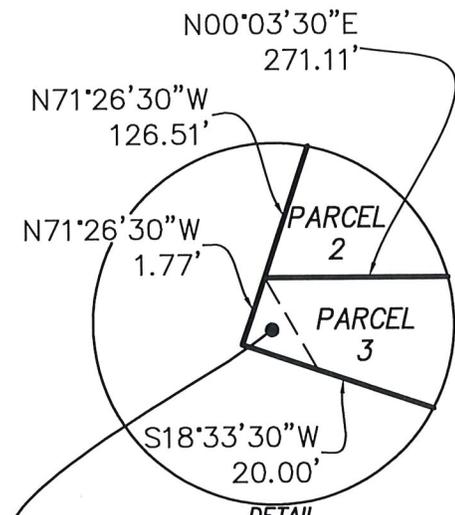
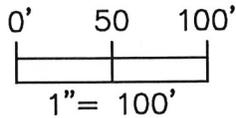
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Third Amendment would release Community HousingWorks from its obligations under the Purchase and Sale Agreement and will assign those rights and responsibilities to CHW Arden Way Development LLC, which will take the place of the original purchaser and complete the transaction.

Staff recommends the Board ratify the Second Amendment wherein the Due Diligence was extended 35 days to May 24, 2018 and approve the Third Amendment to the PSA wherein the purchase price is reduced by an amount determined by the Board in Closed Session, CHW is released of its obligations under the PSA and the rights and obligations of the PSA are assigned to CHW Arden Way Development LLC and the Buyer agrees to complete the relocation of the drainage pipe on the subject property, if it so elects, and perform necessary environmental remediation at its sole cost and expense in consideration of the price reduction and the General Manager/CEO is authorized to execute the Third Amendment and any other documents necessary to complete the sale of the Subject Property.

LEGEND

-  Property Line
-  Adjacent Property Line
-  Right of Way Line
-  Easement Line

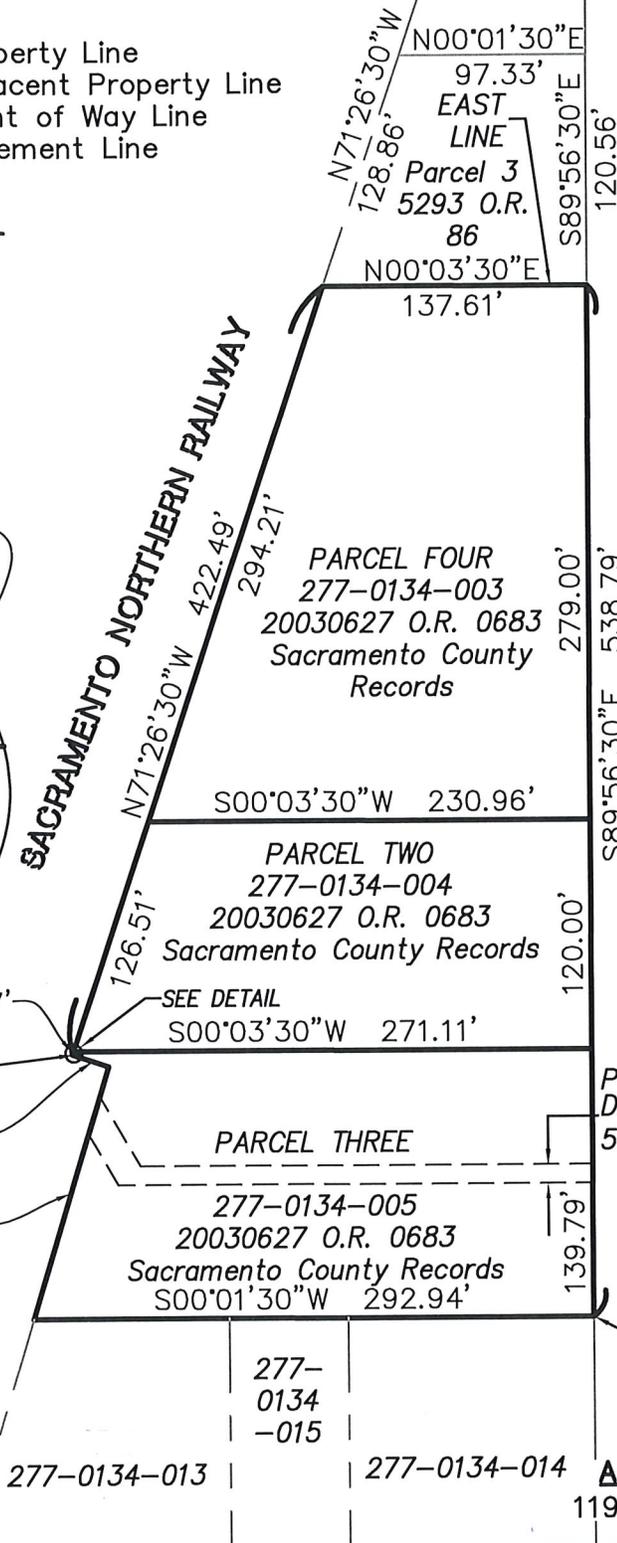


DETAIL

Parcel NO. 2
Drainage Pipeline
Easement 5361 O.R. 546
S18°33'30"W 20.00'



SACRAMENTO NORTHERN RAILWAY



ARDEN WAY

ERICKSON STREET

POINT OF BEGINNING

AREA of FEE PARCELS
119,630±Sq.Ft./2.746±Ac.

SACRAMENTO REGIONAL TRANSITS DISTRICT FEE PARCEL

CITY OF SACRAMENTO

COUNTY OF SACRAMENTO

STATE OF CALIFORNIA

DATE: 01/05/2018

SCALE: 1" = 100'

DRWN. BY: JMC CHK. BY: SAB

SHEET 1 OF 1

PSOMAS

1075 Creekside Ridge Drive, Suite 200
Roseville, CA 95678
(916) 788-8122 (916) 788-0600 (FAX)

RESOLUTION NO. 18-05-_____

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

May 14, 2018

APPROVING THE SECOND AND THIRD AMENDMENTS TO THE PURCHASE AND SALE AGREEMENT BETWEEN SACRAMENTO REGIONAL TRANSIT DISTRICT AND COMMUNITY HOUSINGWORKS FOR THE SALE OF 880-936 ARDEN WAY (APN: 277-0134-003 THROUGH 005) LOCATED IN SACRAMENTO, CA

WHEREAS, on November 13, 2017, by Resolution 17-11-0160, the Board of Directors reaffirmed the August 2017 delegation of authority to the General Manager/CEO to enter into a Purchase and Sale Agreement (PSA) with Community HousingWorks (Purchaser) based on the terms and conditions specified in the Issue Paper; and

WHEREAS, on January 17, 2018, the General Manager/CEO executed a Purchase and Sale Agreement with Community Housingworks for the sale of 880-936 Arden Way, Sacramento, California; and

WHEREAS, during the course of the Purchaser's due diligence investigation of the property both parties became aware of a drainage pipe easement that may affect the viability of Purchaser's proposed project; and

WHEREAS, the Purchaser requested the terms of the PSA be revised to extend its due-diligence period by 35 days and reduce the purchase price to reflect the additional costs of addressing the drainage pipe easement; and

WHEREAS, because the due diligence period was set to expire before the next available Board meeting and because of the changed condition in the Subject Property, the General Manager/CEO executed the Second Amendment to the PSA on April 17, 2018, extending the due diligence period by 35 days, conditioned upon Board ratification of the action; and

WHEREAS, on April 20, 2018, Community Housingworks advised Sacramento Regional Transit District that it had formed an LLC to complete the development and had assigned all its rights and obligations under the PSA to a wholly owned subsidiary called CHW Arden Way Development LLC; and

WHEREAS, the Board desires to ratify execution of the Second Amendment and approve the Third Amendment to the PSA to incorporate the revised terms and conditions of the sale and authorize the General Manager/CEO to execute the Third Amendment.

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

THAT, the Second Amendment to the Purchase and Sale Agreement between Sacramento Regional Transit District, therein referred to as "Seller" and Community Housingworks, there in referred to as "Buyer", executed by the General Manager/CEO on April 17, 2018, is hereby ratified.

THAT, the Third Amendment to the Purchase and Sale Agreement between and among Sacramento Regional Transit District, therein referred to as "SacRT" or "Seller", and

Community Housingworks, therein referred to as "Assignor" and CHW Arden Way Development, LLC., therein referred to as "Buyer", wherein SacRT consents to the assignment of the PSA from Community Housingworks to CHW Arden Way Development LLC. and to reduce the purchase price to an amount determined by the Board in Closed Session, and in consideration of the price reduction, the Buyer agrees to perform the relocation of a drainage pipe, if it so elects, and environmental remediation at its sole cost and expense, is hereby approved.

THAT, the General Manager/CEO is hereby authorized to execute the Third Amendment and to execute any other forms or documents necessary to complete the sale of the Subject Property.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary