

STAFF REPORT

DATE: November 18, 2024
TO: Sacramento Regional Transit Board of Directors
FROM: Chris Flores, Chief of Staff/VP, Real Estate
SUBJ: APPROVAL TO ENTER INTO A PURCHASE AND SALE AGREEMENT WITH THE CODE SOLUTION, INC. FOR SURPLUS PROPERTY LOCATED IN SACRAMENTO, CA AND DELEGATION OF AUTHORITY TO THE GENERAL MANAGER/CEO TO EXECUTE ONE OR MORE GRANT DEEDS AND LEASE AGREEMENT

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

If adopted, this action will approve entering into a Purchase and Sale Agreement (PSA) with The Code Solution, Inc. (or their assignee) for the sale of surplus property located in Sacramento, CA: Assessor's Parcel Numbers 007-0274-013; 007-0274-012; 007-0274-026; 007-0273-022; 007-0273-008; 007-0273-004; 007-0273-015; 007-0273-014; 007-0273-003 and a delegation of authority to the GM/CEO to execute one or more grant deeds and a lease agreement.

FISCAL IMPACT

Based on the current purchase price offered by The Code Solution, Inc., the sale of the surplus property will generate \$15,600,000 of Capital Revenue to Sacramento Regional Transit District (SacRT), which includes \$100,000 to pay any parcel taxes that may be levied on the two parcels that house the building at 1400 29th Street during the term of the lease, to be paid through the proceeds of the sale.

The agreement will include a 10-year net lease-back of 1400 29th Street at no cost to SacRT except utilities, operations and maintenance.

DISCUSSION

On July 24, 2023, SacRT's Board of Directors declared the above listed properties as surplus property ("the Properties"). SacRT has moved the majority of its administrative support staff to 1102 Q Street, 2710 R Street and 1225 R Street under favorable lease terms and has consolidated Bus Operations support staff into the 1400 29th Street

building, which would be leased back for up to ten years at no cost to SacRT (except utilities, operations and maintenance) under this PSA.

SacRT has been following the mandated state Surplus Land Act (SLA) requirements (Government Code Section 54220 and following, as well as the SLA Guidelines issued by the State of California Department of Housing and Community Development (HCD) in August 2024), federal requirements set out in 49 U.S.C. Section 5334 and FTA Circular 5010.1E, and Title VII of SacRT's Administrative Code for this disposition.

The SLA spells out the steps public agencies must follow when disposing of publicly owned real property. It requires agencies to give a "first right of refusal" to other public agencies, nonprofit housing developers, schools, and parks and recreation departments. After notifying all eligible entities that the property is available, the disposing agency must negotiate in good faith for a minimum of 90 days with interested parties to try to come to agreement. If the parties cannot come to agreement over the terms and conditions of the proposed property disposition, the disposing agency can market and sell the real property in the open market.

- On January 17, 2024, SacRT issued a Notice of Availability (NOA) to the HCD that SacRT's surplus properties were available and provided the NOA to statutorily specified agencies and to entities on the state's list of affordable housing developers.
- The SLA provides a period of 60 days for a qualifying entity or association to notify SacRT of its interest in the real property. In response to the NOA, SacRT received responses from 19 parties.
- On March 18, 2024, SacRT sent a request for additional information to the interested parties requesting that each proposer provide more detailed information regarding their proposals for purchase and use of the real property by April 17, 2024. In response to the request for additional information, six proposers from the original 19 responded.
- After best and final offers were received and reviewed, SacRT presented those offers that met SacRT's desired terms and SLA's criteria to the Board of Directors in closed session on August 26, 2024, and received direction to negotiate a PSA with The Code Solution, Inc. ("TCS") wherein TCS would purchase all nine parcels to develop affordable housing on each of the parcels.

TCS's proposal meets and exceeds SacRT's desired terms and the SLA's requirement for development of affordable housing. TCS has offered \$15,500,000 (above the total appraised value of the parcels), with up to 5.00% nonrefundable deposits for an up to 21 months escrow period (initial one year term to close and an option for a 9-month extension). They are also offering a \$0 lease-back rate for SacRT to remain in 1400 29th Street (APN: 007-0273-008, 007-0273-022) for up to ten years (valued at over \$2.5 million). During negotiations the parties agreed that Code would increase the purchase price to \$15,600,000 and that the additional \$100,000 would be set aside by SacRT to cover the cost of one or more parcel fees or taxes imposed by Sacramento County on the two parcels that house the leased back administrative building over the 10 year term of the lease. TCS proposes to build 304 residential units, 100% affordable in accordance

with the definition of affordable housing set out in the SLA (resulting in 162 dwelling units per gross acre). Following is the proposed affordability breakdown:

- 64 units set aside at 60% AMI or low-income level
- 12 units set aside at 80% AMI or lower-income level
- 114 units set aside at 100% AMI or moderate-income level
- 114 units set aside at 110% AMI or workforce-income level

TCS is a multi-disciplinary real estate development firm based in Los Angeles that provides a multitude of services for each phase of real estate development. TCS has a long track record of specializing in mixed-use projects, multifamily residential, retail and single-family residential in California. The team, led by Executive Vice President David Park, has been together since 2004 and have expertise in Low Income Housing Tax Credit, Bond Financing, as well as building transit-oriented communities. Construction management partner, Todd Pennington, is a native Sacramento developer, who built the Sacramento DMV HQ and the California Prison reform project and has delivered over 300 projects, 28,000 units equating to over \$22 billion in project programs. The partnership's recent developments include the Solair, a 186-unit high rise and bus transfer center adjacent to a Los Angeles METRO station and a 229 senior low-income housing development in Oxnard.

TCS has also partnered with California Community Housing Agency, a state Joint Powers Authority, to develop a number of TOD mixed-income, mixed-use affordable housing developments in the City of Los Angeles, creating over 1,700 affordable housing units over three years, by utilizing housing bonds to fund the entire development from land sale through construction.

Pursuant to the Board's direction at its August 26, 2024, Board meeting, Staff has finalized the terms and conditions of a PSA with TCS. Staff recommends approving the PSA with TCS to develop affordable housing and delegating authority to the GM/CEO to execute one or more grant deeds and to execute a lease for 1400 29th Street to SacRT for continuing operations up to ten years, contingent upon securing the concurrence of both the California Department of Housing & Community Development and the Federal Transit Administration in the US Department of Transportation.



RESOLUTION NO. 2024-11-123

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

November 18, 2024

APPROVAL TO ENTER INTO A PURCHASE AND SALE AGREEMENT WITH THE CODE SOLUTION, INC. FOR SURPLUS PROPERTY LOCATED IN SACRAMENTO, CA AND DELEGATION OF AUTHORITY TO THE GENERAL MANAGER/CEO TO EXECUTE ONE OR MORE GRANT DEEDS AND LEASE AGREEMENT

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

THAT, the Board hereby reaffirms the delegation of authority it approved in Closed Session during the Board's August 26, 2024 Board Meeting, authorizing the General Manager/CEO to finalize negotiations for the sale of the parcels known as Assessor Parcel Numbers 007-0274-013; 007-0274-012; 007-0274-026; 007-0273-022; 007-0273-008; 007-0273-004; 007-0273-015; 007-0273-014; 007-0273-003 to The Code Solution, Inc. and to execute the final Purchase and Sale Agreement with The Code Solution, Inc. or its assignee and any other documents necessary to effectuate the sale of the parcels to The Code Solution, Inc., or its assignee for a purchase price of \$15,600,000 to develop affordable housing, which includes \$100,000 to cover the cost of parcel fees and/or taxes for 1400 29th Street, conditioned upon concurrence of the transaction by both the California Department of Housing & Community Development and the Federal Transit Administration.

THAT, the Board hereby delegates authority to the General Manager/CEO to execute a zero net cost lease for up to 10 years with The Code Solution, Inc., or its assignee, for the building located at 1400 29th Street, Sacramento at close of escrow.

THAT, the Board hereby delegates authority to the General Manager/CEO to execute one or more Grant Deeds, necessary to effectuate the transfer of the parcels told to The Code Solutions or its assignee, at close of escrow.

THAT, the Board hereby delegates authority to the General Manager/CEO to execute any and all applications, forms, or documents that may be necessary to effectuate the transaction approved herein by the Board.

PATRICK KENNEDY, Chair

A T T E S T:
HENRY LI, Secretary

By: _____
 Tabetha Smith, Assistant Secretary