



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



10

February 23, 1988

Budget & Finance Committee of  
the City Council  
Sacramento, CA

Honorable Members in Session:

**SUBJECT:** Recommendation to Select Marvin L. Oates and Robert L. Erickson, a Joint Venture, for Redevelopment of the Old Oak Park Fire Station No. 6, 3414 Fourth Avenue and Authorization to Negotiate a Disposition and Development Agreement


SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the Redevelopment Agency of the City of Sacramento.

RECOMMENDATION

The staff recommends approval of the attached resolution approving the developer selection.

Respectfully submitted,

  
WILLIAM H. EDGAR  
Executive Director

TRANSMITTAL TO COMMITTEE:

  
JACK R. CRIST  
Deputy City Manager

Attachment



# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



February 22, 1988

Redevelopment Agency of the  
City of Sacramento  
Sacramento, California

Honorable Members In Session:

**SUBJECT:** Recommendation to Select Marvin L. Oates and Robert L. Erickson, a Joint Venture, for Redevelopment of the Old Oak Park Fire Station No. 6, 3414 Fourth Avenue and Authorization to Negotiate a Disposition and Development Agreement (DDA)

## SUMMARY

This report recommends the selection of Marvin L. Oates and Robert L. Erickson, a joint venture, to redevelop the Old Oak Park Fire Station No. 6 at 3414 Fourth Avenue. Staff recommends that the developer be accepted with the following conditions incorporated in the Disposition and Development Agreement (DDA) for this project:

- a. Oates/Erickson will rehabilitate the structure to provide 3,250 square feet for artist studios and 3,250 square feet for gallery/presentation space.
- b. Oates/Erickson will enter into a 10 year master lease with the Institute for Design and Experimental Art (IDEA) under which the fire station structure will be leased to IDEA for 20¢ a square foot.
- c. Agency will provide a 10 year, 0% deferred interest loan to the developer in the amount not to exceed \$230,000.
- d. The developer will make an equity contribution of \$62,874.
- e. The Agency and developer shall agree that the Agency's construction take out loan for \$230,000 will be re-negotiated if IDEA ceases to be the project tenant and the use and lease rate for the project is no longer controlled at 20¢ per square foot.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the  
City of Sacramento  
February 22, 1988  
Page 2

The attached Agency resolution also authorizes the Executive Director to enter into an early entry agreement with the development team and to negotiate a DDA with the development team. Execution of the DDA will be conditioned upon demonstration of sub lease agreements for all second floor studio spaces.

Because the Fire Station property is currently owned by the City of Sacramento the attached City and Agency resolutions authorize sale to the Agency for \$500.

## BACKGROUND

The Old Oak Park Fire Station is an abandoned, two-story building built in 1911. This site, which is identified as a key development project in the Oak Park Implementation Strategy, is owned by the City of Sacramento. The Sacramento Housing and Redevelopment Agency was authorized to act as the City's agent for the disposition of the Fire Station on January 12, 1982 (Resolution # RA-02-002). Site and location maps are attached as Exhibits 1 and 2.

Numerous Requests for Proposals (RFP's) have been advertised to solicit development proposals for the Fire Station. Since 1982, five RFP's have been advertised. Only in the case of the fourth and fifth RFP's, have proposals been submitted for which Selection Committees were able to recommend in favor of selection. The successful proposal submitted in response to the fourth RFP was submitted by John K. Holcomb and William E. Overholtzer. This proposal was withdrawn, however, prior to execution of a Development and Disposition Agreement.

The Oates/Erickson proposal which is the subject of this report was one of two proposals submitted in response to the fifth RFP advertised for the Fire Station. The other proposal was submitted by the Institute for Design and Experimental Art (IDEA). A summary of both proposals is attached as Exhibit 3.

Oates/Erickson submitted a proposal to rehabilitate the Fire Station for office use, consistent with the direction provided in the RFP document. The sole Agency contribution requested is a \$200,000 loan through the Agency's Direct Commercial Loan Program at 7.5%, amortized over 15 years.

IDEA proposed to use the Fire Station for artist studio and gallery space. Their original proposal would require a \$400,000 grant from the Agency to rehabilitate the structure. IDEA, who would ultimately own the structure under this proposal, would fund raise approximately \$110,510 as their equity contribution to the project.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the  
City of Sacramento  
February 22, 1988  
Page 3

A Selection Committee established to review the proposals submitted in response to the fifth RFP for the Fire Station, found the Oates/Erickson proposal to be the most responsive to the criteria established in the RFP. A summary of the criteria is attached as Exhibit 4. However, because some members of the Committee felt that an arts related use at the Fire Station had superior community benefit, Oates/Erickson and IDEA were asked to spend thirty days attempting to negotiate a joint proposal.

In response to the Selection Committee's wishes, Oates/Erickson agreed to include IDEA in their redevelopment proposal under the following terms and conditions.

1. \$290,000 total development cost.
2. \$62,874 equity contribution from developer.
3. Agency financing in the form of a 10 year, 0% interest deferred payment loan for \$200,000 plus costs to provide parking (up to \$30,000).
4. Oates/Erickson will rehabilitate the structure for IDEA's use (3,250 square feet - studio space and 3,250 square feet presentation/gallery space).
5. Oates/Erickson will enter into a 10 year lease with IDEA at the rate of 20¢ per square foot, triple net.

## Agency Analysis of Development Alternatives

Agency staff has reviewed the terms of each development alternative in term of cash flow, cost to the Agency, marketability, risk, private leverage, and community benefit. A summary of this analysis is presented as Exhibit 5. Although the Oates/Erickson-IDEA proposal is more costly to the Agency in terms of forgiven loan interest, the public benefit of an arts related use is significant, desired by the community, and in our estimation, worth the additional subsidy amount.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the  
City of Sacramento  
February 22, 1988  
Page 4

## SELECTION COMMITTEE RECOMMENDATION

At their January 21, 1988 meeting the Selection Committee voted three to two in favor of the modified Oates/Erickson - IDEA proposal. The two members voting against the modified proposal felt that the additional subsidy required was not justified.

## VOTE AND RECOMMENDATION OF THE PROJECT AREA COMMITTEE (PAC)

At the February 3, 1988 meeting the Oak Park Project Area Committee (PAC) considered the recommendations summarized in this report. The PAC voted unanimously to recommend selection of the modified Oates/Erickson-IDEA proposal to redevelop the Fire Station.

## VOTE AND RECOMMENDATION OF COMMISSION

At their February 22, 1988 meeting the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES:  
NOES:  
ABSENT:

## FINANCIAL DATA

The Oates/Erickson - IDEA development proposal will require a 10 year, 0% deferred loan of \$230,000. Funds are available in the Oak Park Developer Assistance Fund (Cost Center B00730).

The purchase price for the property was established at \$500.00 in the RFP document. This price was established by an appraisal of the property as conditioned by the requirements of the RFP (ie, office use only, rehabilitation of existing structure only, and lack of space on site for required parking) completed by Professional Appraisal Services. A copy of the appraisal is on file at the Agency.

## ENVIRONMENTAL REVIEW

In 1985, an Environmental Impact Report was approved and certified for the Oak Park Redevelopment Plan. This proposal conforms to the land uses as specified under the Plan for the Fire Station. The project specific environmental review pursuant to the California Environmental Quality Act (CEQA) will be prepared, once final building plans are completed by the developer in order to obtain the necessary planning entitlements.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the  
City of Sacramento  
February 22, 1988  
Page 5

## POLICY IMPLICATIONS

The proposed project is consistent with the Adopted Oak Park Redevelopment Plan and Implementation Strategy.

## RECOMMENDATIONS

Based on the Selection Committee recommendation, staff recommends that:

1. The Oates/Erickson proposal be selected as complete and responsive to the RFP.
2. The conceptual plans as proposed for the site be accepted with the following conditions.
  - a. Oates/Erickson will rehabilitate the structure to provide 3,250 square feet for artist studios and 3,250 square feet for gallery/presentation space.
  - b. Oates/Erickson will enter into a 10 year master lease with IDEA for 20¢ per square foot.
  - c. Agency will provide a 10 year, 0% deferred interest loan to the developer in the amount of \$230,000
  - d. Developer will contribute equity capital of \$62,874.
  - e. The Agency and developer shall agree that the Agency's construction take out loan for \$230,000 will be re-negotiated if IDEA ceases to be a project tenant and the use and lease rate for the project is no longer controlled at 20¢ per square foot.
3. The Executive Director be authorized to negotiate an early entry agreement or lease for early access to the site.
4. The Executive Director be authorized to negotiate a DDA for the site with the conditions as submitted in the proposal. Execution of the DDA will be conditioned on demonstration of sub-lease agreement for all studio spaces.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the  
City of Sacramento  
February 22, 1988  
Page 6

5. The Fire Station property be purchased by the Agency from the City of Sacramento for \$500.

Respectfully submitted,

  
WILLIAM H. EDGAR  
Executive Director

TRANSMITTAL TO COUNCIL

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WALTER J. SLIPE  
City Manager

Contact Person: Trish Davey  
440-1322

0741Q

# RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO  
ON DATE OF

## SELECTION OF DEVELOPER FOR THE OLD OAK PARK FIRE STATION NO. 6 3414 FOURTH AVENUE

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY  
OF SACRAMENTO:

Section 1: The joint venture of Marvin L. Oates and Robert L. Erickson is hereby selected as the developer of the Old Oak Park Fire Station No. 6 located at 3414 Fourth Avenue, Sacramento, California.

Section 2: The scope of development and performance schedule as set forth in the staff report filed with this resolution are hereby approved.

Section 3: The Executive Director is authorized to negotiate the terms of a Disposition and Development Agreement for said property and present such proposed agreement to the Redevelopment Agency for its approval within ninety (90) days of the adoption of this resolution.

Section 4: The Executive Director is authorized to execute an early entry agreement and/or lease with the developer to allow timely completion of necessary improvements by the developer.

Section 5: The Executive Director is authorized to enter into an agreement with the City of Sacramento to acquire fee simple title of the Oak Park Fire Station No. 6 located at 3414 Fourth Avenue, Sacramento, California (APN 013-0142-031) for \$500.00 (Five Hundred Dollars).

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

1100WPP2(66)

# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

TRANSFER OF THE OAK PARK FIRE STATION NO. 6 TO THE  
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

Section 1: The City Manager is hereby authorized to enter into an agreement to transfer fee simple title of the Oak Park Fire Station No. 6 located at 3414 Fourth Avenue, Sacramento, California, (APN 013-0142-031) to the Sacramento Housing and Redevelopment Agency for \$500 (Five Hundred Dollars).

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

1100WPP2(67)

# BASE MAP

OAK PARK

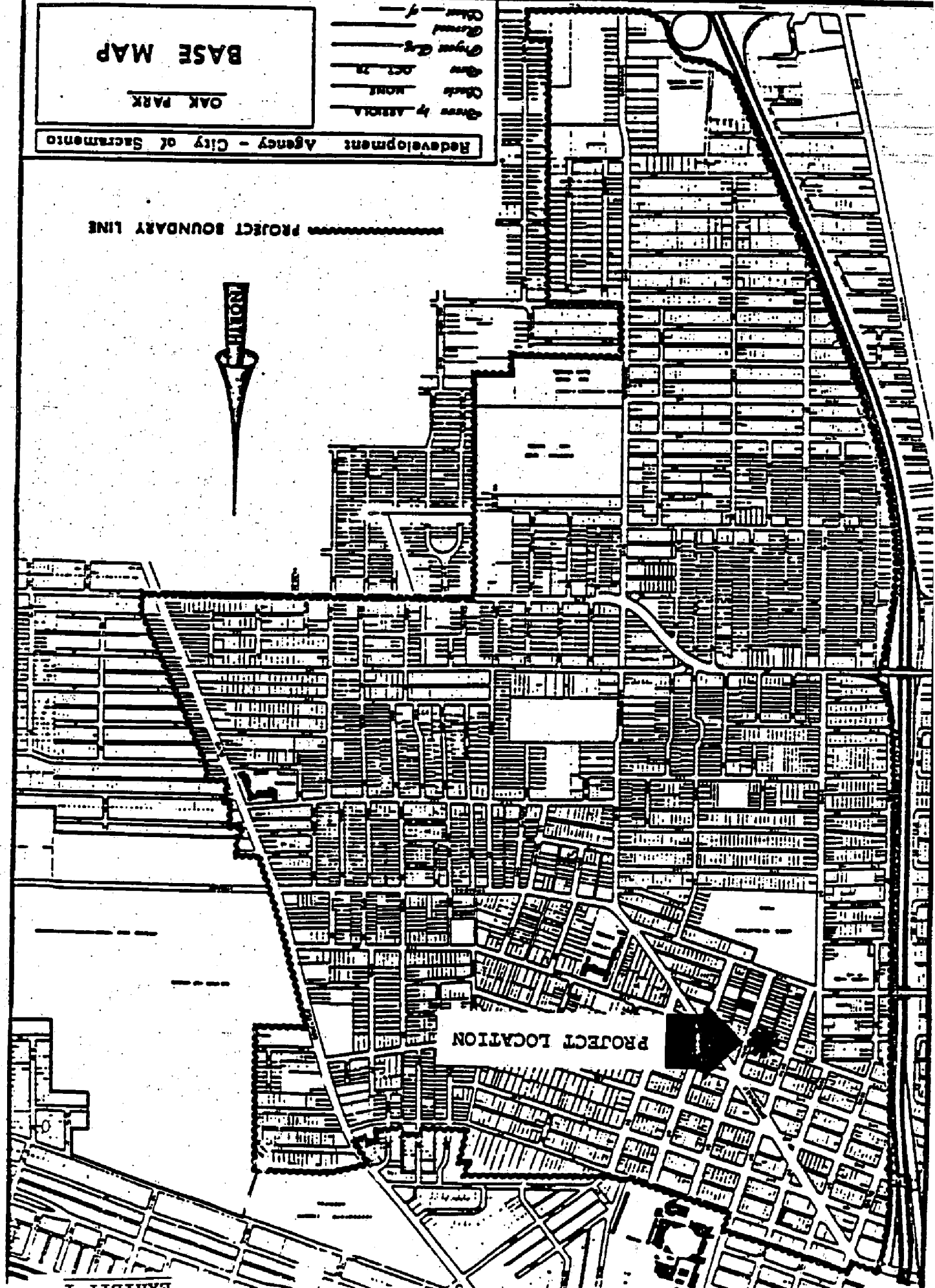
Redevelopment Agency - City of Sacramento

- Over 4 stories
- 3 to 4 stories
- 2 to 3 stories
- 1 to 2 stories
- Other

PROJECT BOUNDARY LINE



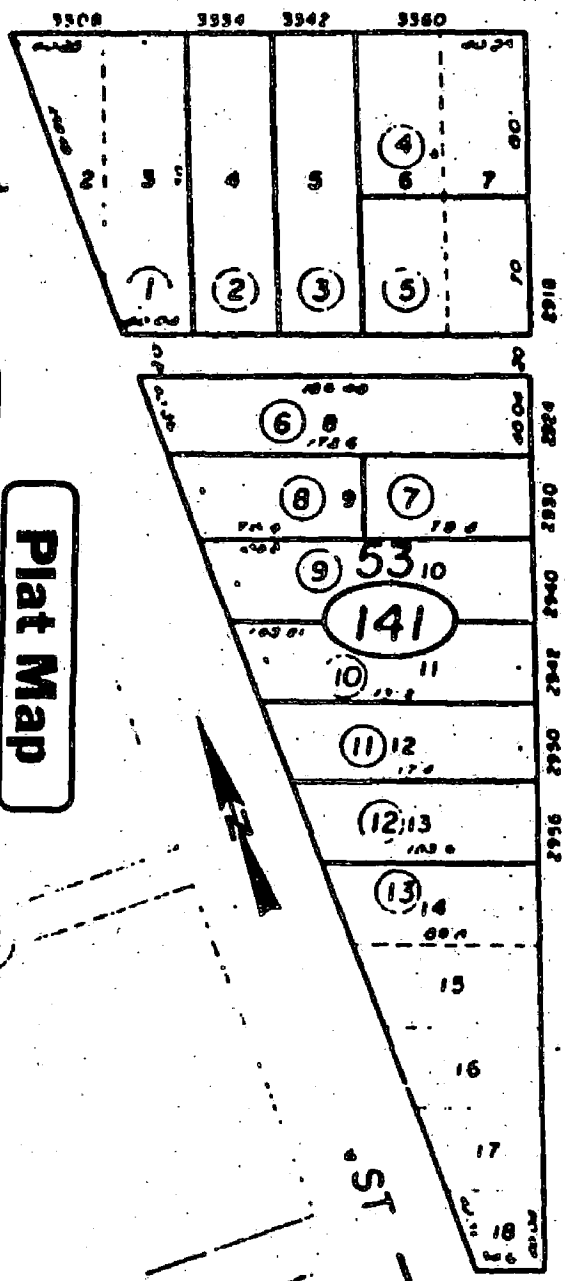
PROJECT LOCATION



WJL-B 4111

331d

Subject Property  
Plat Map

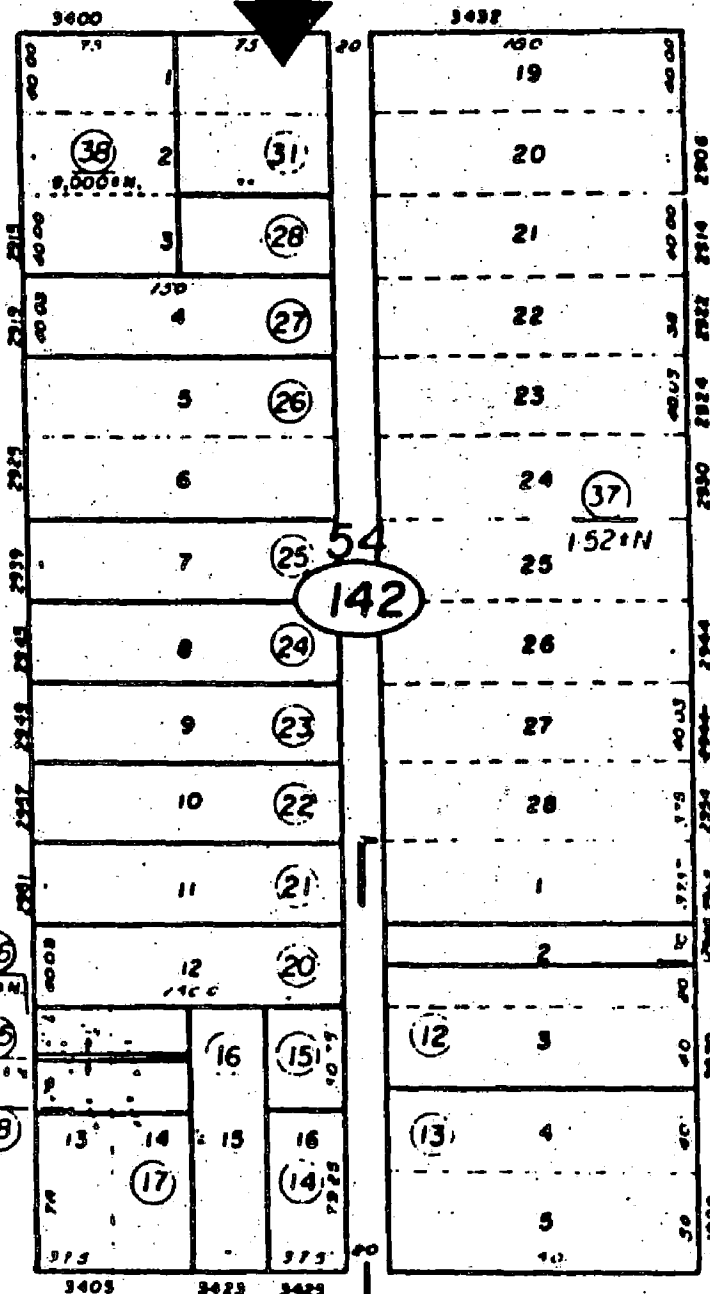


(10)

ST. 34

34th

5th



ST. 35

35th

(25)

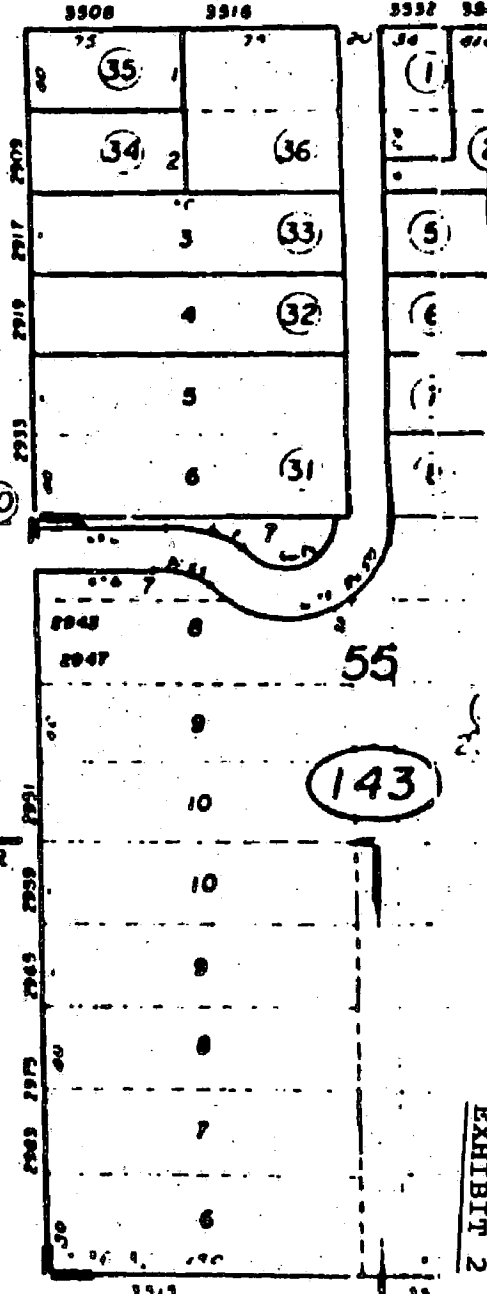


EXHIBIT 2

OLD OAK PARK FIRE STATION NO. 6  
PROPOSAL SUMMARIES  
DECEMBER 1987

	<u>PROPOSAL 1</u>	<u>PROPOSAL 2</u>
	Institute for Design and Experimental Art (IDEA)	Oates/Erickson
1. Proposal Form	yes	yes
2. Public Disclosure Form	yes	yes
3. \$5,000 Good Faith Deposit	yes	yes
4. Time Schedule	10 months	12 months
5. Total Estimated Project Cost	\$510,510	\$262,874
6. Source of Funding	\$110,510 Equity Capital to be raised through grants and fund- raising	\$62,874 Equity Capital
	\$400,000 Grant requested from City/ SHRA	\$200,000 - 7.5% SHRA Direct Commercial Loan
7. Proposed Use	Art Center, artist studios/offices and presentation space	office
8. Financial Statements	Not attached	yes*
9. Blueprints/ Architect	No	yes/C.A. Newby and Associates
10. Additional Comments	Community use of cultural facility will be encouraged	Tenants have been tentatively identified as the Sacramento Conservation Corp and Pauline Marzette and Associates

\* Confidential Financial Statement for Proposal is on file with the Agency and will be available for review at the Selection Committee meeting.

**REQUEST FOR PROPOSALS TO PURCHASE AND  
REDEVELOP THE OLD FIRE STATION NO. 6  
Page Three**

**AGENCY REVIEW:** The City Council acting as the Redevelopment Agency of the City of Sacramento and with the advice of the Oak Park Project Area Committee and the Sacramento Housing and Redevelopment Agency Commission will make the selection of a developer for the subject parcel. This selection will be based on evaluation of written information submitted and developer experience with similar projects. The Agency reserves the right to inspect any projects referenced as examples of developer's experience. The Agency also reserves the right to reject all proposals or to reject specific proposals which are incomplete or unresponsive. For further information, please contact Trish Davey or Anne Moore, 630 I Street, Sacramento, California 95814, (916) 440-1315.

**PROPOSAL SELECTION CRITERIA:** A Selection Committee established by the Agency will rank developers based on information submitted as part of the redevelopment proposal; interviews; investigation of the developer's previous projects, and performance and financial capability; and other pertinent factors. Emphasis will be placed on the qualifications and financial capability of the developer.

Members of the Selection Committee will include two representatives of the Oak Park Project Area Committee (PAC), one representative of the Sacramento Housing and Redevelopment Commission (SHRC), one representative of the Oak Park Business Association, and one agency staff person.

The following criteria will be applied by the Selection Committee to evaluate proposals rated with the following weights (140 points total):

**1. Developer Experience (30 points)**

- A. Comparable projects completed by the developer will be evaluated in terms of:
  - 1. Economic success.
  - 2. Overall architectural and design quality.
  - 3. Size.
  - 4. Successful operation with emphasis on quality management.
  - 5. Joint public-private involvement.
  - 6. Or related experience.
- B. Ability to attract tenants.
- C. Timeliness of performance.
- D. Delivery of product initially represented.

**REQUEST FOR PROPOSALS TO PURCHASE AND  
REDEVELOP THE OLD OAK PARK FIRE STATION  
Page Four**

- 2. Financial Capability of the Developer (30 points)**
  - A. Ability to raise adequate capital for the project.
  - B. Strength of current relationships with financing sources.
  - C. Ability to operate project during sale/lease up period.
- 3. Qualification of Development Team Members (20 points)**
  - A. Qualification and experience of key persons and entities included in the development team.
  - B. Proposed legal/financial relationship of development team members (partnership, corporation, etc).
- 4. Desirability, Feasibility, and Management of the Proposed Development Concept (30 points)**
  - A. Quality of proposed project including design and economic soundness of financing and project budget.
  - B. Timing of construction.
  - C. Demonstrated marketability of the project.
  - D. Ability to guarantee continued quality management of project, especially in the case of residential rental units.
- 5. Public Benefit of the Project (20 points) including**
  - A. Involvement of minority-owned or women-owned firms in the design or construction of the project.
  - B. Job creation for residents of Oak Park.
  - C. Special benefit to disadvantaged or unserved populations.
  - D. Other public benefit.

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**REQUEST FOR PROPOSALS TO PURCHASE AND  
REDEVELOP THE OLD OAK PARK FIRE STATION  
Page Five**

**6. Purchase Price Above Minimum Bid of \$500 (10 points)**

**SCHEDULE:** The proposed timeframe for review and selection of proposals is:

- |  |                   |
|--|-------------------|
| 1. Agency Issues<br>Request for Proposals              | September 7, 1987 |
| 2. Deadline for Submission of<br>Proposals             | November 18, 1987 |
| 3. SHRA Selection Committee Decision                   | December 1, 1987  |
| 4. Selection Committee Recommendation<br>Submitted to: |                   |
| Oak Park Project Area Committee                        | December 2, 1987  |
| Sacramento Housing and<br>Redevelopment Agency         | December 7, 1987  |
| City Council   | December 15, 1987 |

It is the Agency's intent to select a development proposal for the Oak Park Fire Station and begin negotiation of a Development and Disposition Agreement (DDA) with the successful developer by December 21, 1987.

0140Q-8/26/87

EXHIBIT 5

STAFF ANALYSIS OF OATES/ERICKSON  
PROPOSALS TO REDEVELOP THE OLD OAK PARK FIRE STATION

1. Modified Oates/Ericksen - /IDEA Proposal

- A. Cash flow. The cash flow to the developer on this deal is roughly equivalent to the cash flow estimated for Oates/Ericksen's original proposal. The project, if fully rented can be expected to generate \$15,600 in year 1 and (assuming an inflation factor of 3% and a 0% vacancy factor), the project income in year ten will increase to approximately \$20,354.
- B. Cost to the Agency. The cost to subsidize IDEA's rent of 20¢/square foot is significant. The difference in present value between a loan of \$230,000 at 0% for ten years and a loan for the same amount at 7.5% amortized over 10 years is approximately \$121,000.
- C. Marketability. Because it is IDEA's intention to rent out studio space on the second floor to support the gallery space on the first floor, studios must rent for 40¢ per square foot or approximately \$217. In addition, under a triple net lease, tenants must also pay monthly expenses of approximately \$81. We currently have only verbal evidence from IDEA to suggest that there is a market among artists for space at this location at this rate.
- D. Risk. The risk in this deal is linked to the financial strength of the master lease holder; IDEA. If there is difficulty leasing up the project or maintaining tenants, there is no evidence that IDEA has the financial ability to maintain its obligation to Oates/Ericksen under the master lease (almost \$16,000 a year).
- E. Private Leverage. A developer equity contribution of \$62,874.
- F. Community Benefit. IDEA's classes and events would be open to Oak Park residents. Their presence would serve as a cultural focal point which may bring artists and supporters of the arts to Oak Park.

EXHIBIT 5

STAFF ANALYSIS OF OATES/ERICKSON  
PROPOSALS TO REDEVELOP THE OLD OAK PARK FIRE STATION

2. Original Oates Erickson Proposal

- A. Cash Flow. Using the same assumptions used in the evaluation of Proposal 1, this deal will generate cash flow of around \$11,800 in year one and increasing to \$22,000 in year ten.
- B. Cost to Agency. None
- C. Marketability. An informal rent survey conducted during the review of a previous development proposal for the Fire Station indicates that commercial rents as high as 75¢/square foot may be realistic at this location. Oates/Erickson has listed several prospective tenants.
- D. Risk. Marketability and financial strength of the development team suggest a lower risk than that associated with Proposal 1.
- E. Private Leverage. A developer equity contribution of \$62,874.
- F. Community Benefit. The potential tenants identified for the building have a previous track record in providing training and employment opportunities to youth, minorities, and the underemployed.

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