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## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

APPROVED  
SACRAMENTO REDEVELOPMENT AGENCY  
CITY OF SACRAMENTO

June 7, 1982

Redevelopment Agency of the  
City of Sacramento  
Sacramento, California

CITY MANAGER'S OFFICE  
**RECEIVED**  
JUN 8 1982

JUN 15 1982

Honorable Members in Session:

**SUBJECT:** Public Hearing for Final Selection of Redeveloper and Execution of Contract for the Sale of Land - Morse Building, Old Sacramento Parcel No. 118, Project No. 3

### SUMMARY

The Agency has advertised for the sale of the Morse Building. The sale of the Morse Building is necessary in order to close out the federal financing of Project No. 3. Two (2) proposals for purchase of the Morse Building have been received. Both are for amounts below the appraisal value and required that the Agency "carry back" a contract. Upon receipt and consideration of revisions to the better of the two proposals to purchase, staff is recommending that the proposal from Morse Building Investors, Ltd. be accepted and that the Agency, after the necessary public hearing, sell the Morse Building to Morse Building Investors, Ltd.

### BACKGROUND

As part of the close-out of the federal financing of Project Area No. 3, the Agency-owned Morse Building, 1027-1031 Second Street, Old Sacramento Parcel No. 118, is to be sold. Proceeds from the sale are proposed to be used to assist in the payoff of the federal note associated with the Project No. 3 deficit.

The Agency commenced advertising for the sale of the Morse Building on January 2, 1982 with proposals due no later than February 16, 1982. Although fourteen (14) bid packets were taken by potential bidders, only two (2) proposals were received. Both proposals require that the Agency accept a price below the appraised value of \$605,000 and propose that the Agency enter into a loan agreement for the purchase.

A proposal from Nineteenth Century Investors proposes a purchase price of \$306,000 and an eighteen (18) month performance schedule. They propose submission of evidence of financing for rehabilitation in ten (10) months with the possible participation of the City in an offering of tax exempt revenue bonds. The proposed use is for general retail/commercial and offices.

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# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the  
City of Sacramento

Page Two

The second proposal is from Morse Building Investors, Ltd. and proposes a purchase price of \$505,000 with twenty percent (20%) down and an eight (8) month performance schedule.

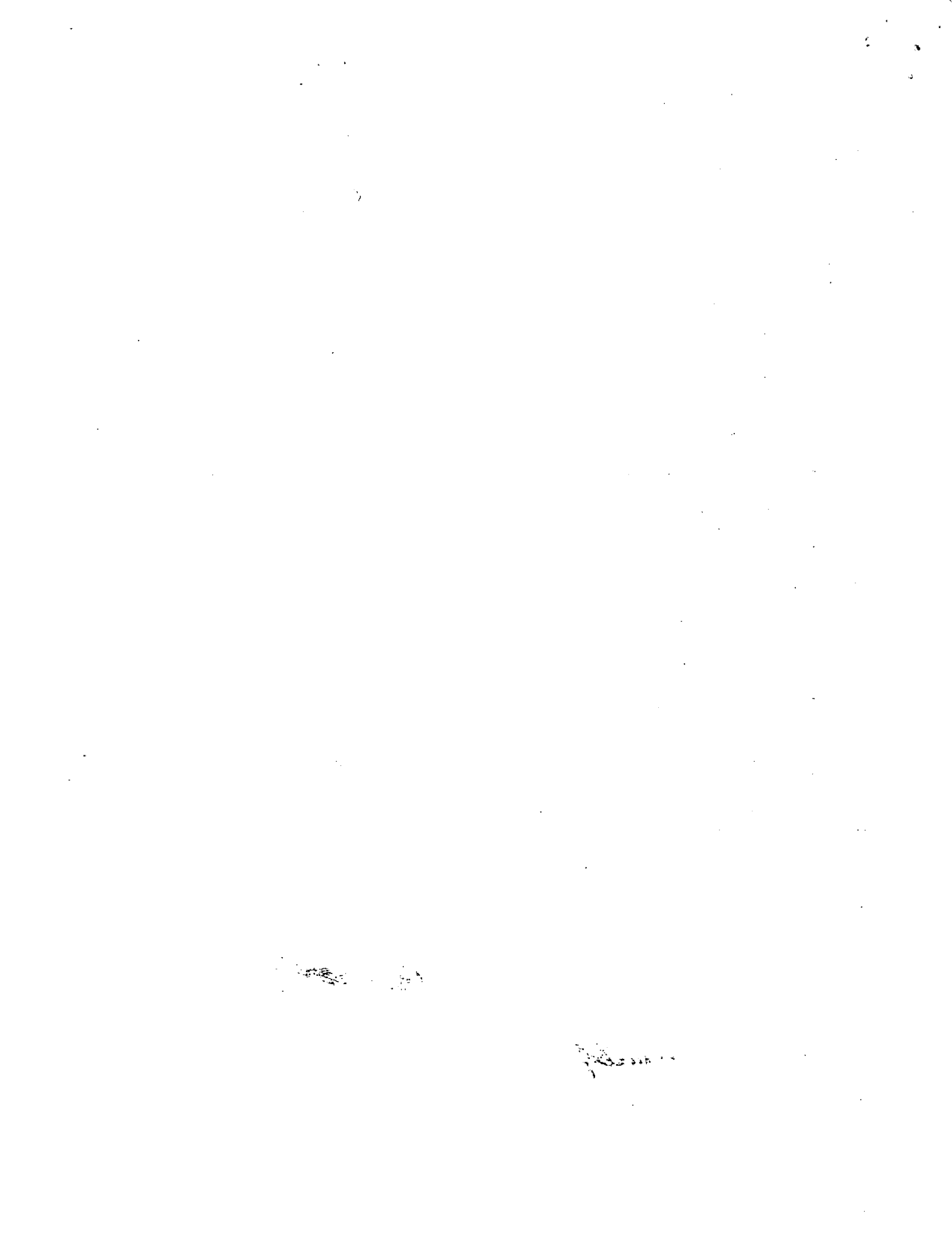
Subsequent to the submittal of their original proposal, Morse Building Investors, Ltd. has revised their proposal by letter dated March 3, 1982 with subsequent written clarification dated April 2, 1982. Morse Building Investors, Ltd. revised proposal still proposes a purchase price of \$505,000 with a twenty percent (20%) down payment of \$101,000, per their original proposal. However, the balance would be carried by the Agency at an interest rate of fourteen percent (14%) for a term of forty-eight (48) months. Over the term of the agreement, interest payments only will be made. The first six (6) months of interest payments will be deferred and paid as a "balloon payment" at the end of the term of the agreement or at the time of "take out" of the loan, whichever occurs first. Should the loan be carried to full term, interest payments will total \$226,240. No payment against the principal will be required or made during the term of the agreement; however, there shall be no pre-payment penalty.

The first six (6) months interest payments are proposed to be deferred as present Morse Building tenants, including the Old Sacramento Visitors' Center and the Golden Era Handicrafts, will remain in place for at least that period of time which will preclude the commencement and completion of the proposed renovation work. Further, the rental rates being paid by the existing tenants are insufficient to support the interest payments.

From the original interest shown in the purchase of the Morse Building, the two proposals received reflect the time and nature of the current market. Of the two proposals, the Morse Building Investors, Ltd. proposal is the better, both in dollar amount, the terms for purchase and time of performance. Their proposed purchase price of \$505,000 matches identically the informal pro forma offered the Agency upon the Morse Building by Potter, Taylor and Scurfield, property managers and property owners in Old Sacramento.

## FINANCIAL DATA

The sale of the Morse Building is required for the federal financial "close-out" of Project Area No. 3. Proceeds from the sale will be used to assist in paying off the federal loan for Project Area No. 3 deficit and repay the Emergency Reserve Fund which has advanced \$175,820 to Project No. 3 with the expectation that it would be returned upon Project No. 3 federal financing close-out. The appraised value of the Morse Building has been established by appraisal as of



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the City of Sacramento

Page Three

August 1981 as being \$605,000. An informal pro forma estimated the value at \$505,000. The Morse Building Investors, Ltd. proposal is for this amount and proposed to pay twenty percent (20%) down which is \$101,000. Interest payments, if the loan is carried to full term, will total \$226,240. The amount received for the Morse Building would be the purchase price of \$505,000 plus the interest, for a total of \$726,240.

Should the Morse Building Investors, Ltd. proposal for the purchase of the Morse Building not be accepted, it will be necessary to re-advertise the property for sale. Approximately Four Thousand Dollars (\$4,000) has been spent on advertising. It is estimated that a like amount would be spent for a readvertisement over a similar period of time as the original advertising. A readvertisement should contain provision for the Agency to help finance the project by carrying back a note.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of April 19, 1982 the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Angelides, Dickinson, Fisher, Kneprath, Luevano, A. Miller, B. Miller, Teramoto, Walton

NOES: None

ABSENT: None

RECOMMENDATION

Based upon the proposals received the staff recommends that the necessary public hearing be held and the Morse Building be sold to Morse Building Investors, Ltd.

Respectfully submitted,

*Bob Mueller*  
WILLIAM H. EDGAR  
Executive Director

*Deputy*

TRANSMITTAL TO COUNCIL:

*Walter J. Slipe*  
WALTER J. SLIPE  
City Manager

Contact Person: Theodore R. Leonard

# RESOLUTION NO. 82-040

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

June 15, 1982

**APPROVED**  
SACRAMENTO REDEVELOPMENT AGENCY  
CITY OF SACRAMENTO

APPROVING FINAL SELECTION OF REDEVELOPER AND  
AUTHORIZING EXECUTION OF CONTRACT FOR SALE  
OF LAND FOR PRIVATE REDEVELOPMENT  
MORSE BUILDING INVESTORS, LTD.  
OLD SACRAMENTO PARCEL NO. 118

JUN 15 1982

WHEREAS, the Redevelopment Agency of the City of Sacramento is presently engaged in carrying out the redevelopment of the Capitol Mall Extension, Project No. 3; and

WHEREAS, the Agency has received a proposal entitled "Contract for Sale of Land for Private Redevelopment" (herein sometimes referred to as the "Proposal"), from MORSE BUILDING INVESTORS, LTD., a partnership (herein sometimes referred to as the "Redeveloper"), for the purchase from the Agency of the real property described herein; and

WHEREAS, pursuant to an advertisement for proposals for the development of said real property, other proposals were presented to the Sacramento Housing and Redevelopment Commission; and

WHEREAS, after reviewing said proposals, the Sacramento Housing and Redevelopment Commission recommended that the Governing Body of the Agency enter into a Contract for Sale of Land for Private Redevelopment with MORSE BUILDING INVESTORS, LTD., a partnership; and

WHEREAS, the Agency has examined data and analyzed various methods of disposing of said real property; and

WHEREAS, the said Contract for Sale of Land for Private Redevelopment and a Statement for Public Disclosure have been filed with the Redevelopment Agency by the proposed Redeveloper and have been available for public examination at the offices of this Agency for fourteen (14) days after public notice thereof; and

WHEREAS, based on said Statement for Public Disclosure, other information submitted to the Agency by the Redeveloper, and information submitted by the staff, the Agency finds that the Redeveloper can undertake and complete the redevelopment of said

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real property in accordance with the provisions of said Contract for Sale of Land for Private Redevelopment; and

WHEREAS, a public hearing of said Proposal was duly held on June 15, 1982 by the Agency after notice as required by the California Health and Safety Code, Sections 33430 and 33431; and

WHEREAS, no other proposals were presented to the Agency at said public hearing and no one appeared at said public hearing to contest or otherwise object to the Agency accepting said Proposal and entering into said Contract for Sale of Land for Private Redevelopment with the Redeveloper; and

WHEREAS, the Agency has concluded that the public interest will best be served by disposing of such property to MORSE BUILDING INVESTORS, LTD., a partnership, in accordance with the terms of the Proposal.

NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1. The real property in the Capitol Mall Extension, Project No. 3, described below, will be disposed of for redevelopment to MORSE BUILDING INVESTORS, LTD., a partnership, substantially in accordance with the provisions of the Contract for Sale of Land for Private Redevelopment submitted to the Agency by said Redeveloper and considered by the Agency at the aforesaid public hearing and at this meeting:

All that certain real property situated in the City of Sacramento, County of Sacramento, State of California, particularly described as follows:

A portion of the South one-half of the West one-half of Lot 8 in the block bounded by J, K, 2nd and 3rd Streets, of the City of Sacramento, according to the official map or plan of said City.

Section 2. The disposition of the land in accordance with the said Contract for Sale of Land for Private Redevelopment is the most prudent method of disposing of such land by negotiation, is in accordance with this Agency's established land disposition policy, and is hereby determined to be in the best interest of the public and the City of Sacramento.

Section 3. It is hereby found and determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the land for uses in accordance with the Redevelopment Plan for Project No. 3.

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Section 4. The Chairman and Secretary are hereby authorized to execute for and on behalf of the Agency said Contract for Sale of Land for Private Redevelopment.

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CHAIRMAN

ATTEST:

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SECRETARY