



May 18, 1994

Redevelopment Agency of the  
City of Sacramento  
Sacramento, California

Honorable Members in Session:

SUBJECT: MASTER LEASE FOR PIONEER HALL

LOCATION AND COUNCIL DISTRICT: 1011-1013 7th Street, District 1

STAFF RECOMMENDATION

Staff recommends the adoption of the attached resolution which authorizes the Executive Director to enter into a master lease with the Sacramento Pioneer Association, Inc. for the building known as "Pioneer Hall," located at 1011-1013 7th Street.

CONTACT PERSON

Thomas V. Lee, Deputy Executive Director (440-1333)  
Gene Masuda, Asst. Director, Downtown Development (264-1515)

FOR COUNCIL MEETING OF: May 31, 1994

SUMMARY

This report authorizes the Redevelopment Agency of the City of Sacramento (Agency) to enter into a master lease agreement with the Sacramento Pioneer Association (SPA). The purpose of the master lease is to:

- ◆ prevent the potential default by SPA on the three existing loans;
- ◆ permit the Agency to receive sufficient revenue to manage and maintain the property and service all existing loans until such time as the property is debt free and can be returned to SPA; and
- ◆ aid SPA in preserving and protecting a significant historical landmark representing Sacramento's history and settlement of the west.



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## COMMISSION ACTION

At its meeting of May 18, 1994, the Sacramento Housing and Redevelopment Commission recommended approval of the attached resolution. The votes were as follows:

AYES: Amundson, Harland, Holloway, Moose, Rotz, Simon,  
Yew, Diepenbrock

NOES: Cespedes, Dobbins

ABSENT: Williams

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## BACKGROUND

The Pioneer Hall building is located in a designated Preservation Area by the City of Sacramento, and is listed on its Essential Structure list. The estimated age of the building is 135 years. It is owned by SPA, a private non-profit corporation organized for the purpose of collecting and preserving historical artifacts related to the earliest days of Sacramento.

In September 1987, the Agency approved an Owner Participation Agreement (OPA) with SPA for the rehabilitation of the structure, including restoring the facade to its original design. The OPA committed \$379,000 to the Pioneer Hall rehabilitation as a loan from the Downtown Developer Assistance Program. Additional funding for the project included a \$400,000 construction loan from Wells Fargo Bank and approximately \$215,000 in cash from SPA.

Subsequently, in August 1991, the Agency approved an additional loan of \$69,000 for the purpose of installing an elevator to provide public and handicapped access to the second floor offices. SPA had not installed such an elevator during the remodeling period because the City of Sacramento's building code provides an exemption to elevator improvements or access in historic buildings. The elevator improvements were necessary to market the second floor office; in October 1991, the Agency leased the space for its Downtown Development Division.

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In December 1993, representatives of SPA approached Agency staff regarding financial difficulties in servicing the debt on the three outstanding loans (Wells Fargo Rehabilitation Loan, Redevelopment Agency Rehabilitation Loan, and the Agency Elevator Loan). These payments total \$56,000 annually and require balloon payments in either 1996 or in 2002. SPA specifically requested that the Agency master lease all of the space in the building, thereby assisting the private non-profit in an effort to consolidate all debts and maintain a significant historic structure in the downtown area. SPA also requested that the corporation be permitted to retain title to the building because of previous efforts as well as name association.

Agency staff undertook this analysis and reported back to SPA the terms and conditions under which it would consider such a lease agreement.

The terms of the proposed master lease are summarized below:

1. Lease Term: Twenty-one years from the execution date of the lease.
2. Rent: Five thousand four hundred dollars (\$5,400) monthly, or sixty-eight thousand eight hundred dollars (\$68,800) annually. This rent will be used for servicing the loans on the premises.
3. Operations: The Agency is responsible for all maintenance, taxes, insurance, utilities and all other expenses in the operation of property.
4. Retail Space: The Agency will collect all rental income during the term of the master lease.
5. Wells Fargo Loan: The Agency will service this loan, including final payoff.
6. Redevelopment Agency Loans: The Agency will service these loans, including payoff.
7. Occasional Use of Facility: The Agency will honor the prior lease agreement to permit SPA's use of the meeting room and to conduct tours for the public at such times as are mutually agreeable.

The current use of the building is retail and office. The building contains 5,700 square feet on two floors, and has a 1,200 square foot basement. The first floor is divided into two areas of 1,500 square feet and 1,000 square feet net leasable

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space. The 1,500 square foot area was leased effective May 1, 1994 to Pioneer Espresso Cafe. The remaining 1,000 square foot space was vacated by Capitol Plaza Florist in January, 1994; on April 27, 1994, this space was leased to the Downtown District for retail users and programs operated by the District (e.g., City Marketplace, In Line Space, and Vendor Cart programs). These areas will be open and available to the public.

## FINANCIAL CONSIDERATIONS

The purpose of the master lease is to consolidate all existing loans, service all debts, and manage and maintain the property in order that it may be returned to SPA with clear title at the end of the lease.

Below is a summary of debt services requirements, operating expenses and potential revenue.

### I. Debt Service on Loans

A. Wells Fargo		
1. Loan Balance 12/15/93	\$389,756	(7.61%)
2. Annual Payments	36,045	
3. Note Due 6/15/96		
B. Agency Rehabilitation Loan		
1. Loan Balance 12/15/93	\$332,208	(5%)
2. Annual Payments	16,610	
3. Note Due 2/1/02		
C. Agency Elevator Loan		
1. Loan Balance 12/15/93	\$ 69,000	(5%)
2. Annual Payments	3,450	
3. Note Due 2/1/02		
TOTAL LOAN PAYMENTS	<u>\$ 56,105</u>	

### II. Annual Operating and Maintenance Expenses \$ 33,000 (Pro-rated)

A. District	\$ 2,500
B. Cafe	7,500
C. Agency	<u>23,000</u>
	\$33,000

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III. Repair and <u>Replacement Reserve</u> [HVAC, Roofing, Carpeting, Fixtures]	\$ 12,000	
TOTAL OPERATING EXPENSES	<u>\$ 45,000</u>	
TOTAL DEBT SERVICE AND EXPENSES		\$100,700
IV. <u>Income</u>		
A. Downtown District (1/1/95)	\$ 13,000	
B. Pioneer Espresso Cafe (1/1/95)	18,900	
C. Agency division (annualized average rent)	<u>68,800</u>	
	<u>\$100,700</u>	
TOTAL ANNUAL INCOME		\$100,700

Staff has calculated that, over the term of the master lease, there will be no net cash outlay other than monthly rent, utilities and janitorial services, which are normal budgeted expenditures, on the part of the Agency as a result of entering into this agreement, and recommends that the master lease with SPA be executed for the 21-year term.

## POLICY CONSIDERATIONS

The recommended action in this report assists in saving an "Essential" building on the City's Historic Preservation List, and is consistent with previous Agency actions that have allowed the modification of loan terms in order to maintain the viability of projects in which the Agency has participated and in particular to historic structures. The action is also consistent with the Merged Downtown Redevelopment Plan and the economic development strategies of the Agency and the City of Sacramento. No policy changes are recommended.

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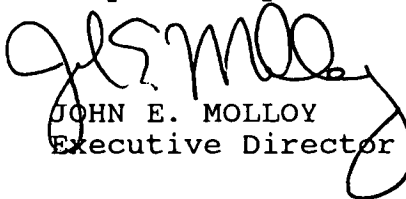
## ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under CEQA per Guidelines Section 15378(b)(3), nor a federal undertaking under NEPA.

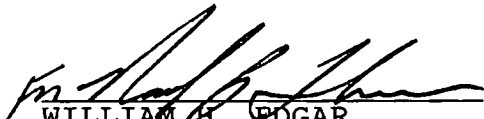
## M/WBE CONSIDERATIONS

The items discussed in this report have no M/WBE impact, therefore M/WBE considerations do not apply.

Respectfully submitted by,

  
JOHN E. MOLLOY  
Executive Director

TRANSMITTED TO COUNCIL BY:

  
WILLIAM H. EDGAR  
City Manager

F:\cmc\staffrpt\Pioneer

**RESOLUTION NO. 94-029**

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF \_\_\_\_\_

**MASTER LEASE AGREEMENT FOR PIONEER HALL,  
1011-1013 7TH STREET**

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

Section 1. The Executive Director is authorized to enter into a master  
lease agreement with the Sacramento Pioneer Association for property located at 1011-  
1013 7th Street, known as Pioneer Hall, in the form on file with the Agency Clerk,  
subject to modification as approved by Agency Counsel.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

APPROVED  
MAY 1 1961  
STATE DEPARTMENT  
WASHINGTON, D.C.