



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



4

August 13, 1986

Budget & Finance Committee and
Transportation/Community Development
Committee of the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Central Library Expansion

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 recommendations outlined in the attached report.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:

Walter J. Slive

SOLON WISHAM JR.
Assistant City Manager

FOR

Attachment



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



August 13, 1986

Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session

SUBJECT: Central Library Expansion

SUMMARY

The Central Library Expansion study concludes there is sufficient developer interest to recommend approval of the redevelopment of the block, including renovation of the existing Library and construction of a new Central Library and incorporation of private uses such as retail and offices as a part of a mixed use project. The report conceptually commits the City and Agency to jointly fund the land assembly if a loan and development agreement with a developer cannot be reached. The report also conceptually commits the City to increasing the Library annual budget up to \$1 million per year for a given time period to make up any shortfall between what the project costs and what it can pay for. Approval of the Request for Qualifications (RFQ), selection of a developer through an RFQ process and identification of land assembly costs by an MAI appraiser are also recommended.

BACKGROUND

The City Council, by Resolution No. 84 dated March 27, 1984, approved the Library Master Plan which included the policy decision to expand the Central Library at its present downtown location. The Downtown Redevelopment Plan Update approved by the Redevelopment Agency on April 2, 1985 included as a project the Central Library Expansion Project. As a follow-up to the approved Library Master Plan and Downtown Redevelopment Plan, a report dated October 22, 1985 (Resolution 85-892) set forth an approach for the development of a building/financing program and design plans. The report recommended an overall scope of development for the Central Library Project and how the Central Library could become a key factor in the redevelopment of the block bounded by 8th-9th-I-J Streets. The results of the

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preliminary building and financial study as authorized in the October 22, 1985 staff report is hereby presented for review and action.

Central Library

The Draft Central Library Building Program, dated March 10, 1986, projects a total gross area of 166,388 sq.ft. as the space requirements for the Central Library. The staff report requesting approval of the Central Library Building Program will be forthcoming within 30 days of the approval of this report. The 166,388 sq. ft. included 25,000 sq. ft. of the existing Library.

In conjunction with McManis Associates, (who concentrated on the market analysis and economic projections,) the City/County Library Department consulted with Jack Housden, an Education Research Consultant, who looked at the feasibility of a child care and education center as components of the Central Library. The conclusions reached in his report, (available at the Agency for review) dated January 27, 1985 are as follows:

a. Child Care

There is agreement among those who have studied the issue that the demand for child care will continue to expand in the downtown Sacramento area as redevelopment occurs. The prerequisites for a full commitment to build a new child care facility as part of the Central Library Expansion Project are present, with the exception of a clearly identifiable source of capital funds. Some alternatives exist for joint venturing of city/county/state and private corporations. They need to be explored. Perhaps establishing a Downtown Child care Foundation and soliciting donations or seeking an endowment for child care centers downtown are feasible financing options.

NOTE: Conclusions reached from the Agency's study of child care programs in downtown highrise structures (Riverview housing project) indicate that the cash flow generated by child care programs cannot pay for the market cost of space. Assuming the absence of any of the funding sources identified above, the City would have to fund the major portion of the capital funds necessary to incorporate a child care center into the Central Library if it so desires.

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b. Education Center

There is no doubt about the need for a downtown Education Center. The market is clearly visible. Downtown has appeal because Sacramento is a center of government which has a pool of potential students and other adults seeking continuing education experiences. There are at least sixteen education institutions which are offering programs in the downtown Sacramento area.

Considering only classroom, office, student lounge and study areas, the food-service space, the square footage of usable space needed is estimated to be between 38,250 and 47,850 sq. ft. Design priorities should be given to classrooms first, then to offices, and then to "electronic age" installations.

Prospective lessees for the Education Center do exist. Some institutions would be willing to move their entire operation to the Education Center, others see the center as a source of space for education and training facilities during times when enrollments exceed their own capacities. Leasing arrangements from hour-to-hour up to five year terms are desired, depending upon the institution.

Clear, and simple, market is there. The student population is there. The variety of learning program alternatives is there. These are the ingredients which give confidence to the city planners to proceed with design and development of the downtown Central Library Expansion.

Economic Studies

The Agency contracted with McManis Associates, Inc. to prepare a report and recommendations. McManis staff met with a number of appropriate agencies, private sector persons, developers, City and Agency staff and others to ascertain their feelings and comments about the block in question. McManis also subcontracted with Forrar & Williams to assist in the preparation of a site plan and perspective illustrating the land use and density of the proposed activities on the block.

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Recommendations by McManis

As a result of discussions with a number of persons previously described, doing their own research and taking into account the effect of probable new projects nearby such as the Renaissance Project by RJB, the consultants have suggested a mixed use project of modest proportions that includes office, retail, library expansion, education center and parking. The project could be developed in two phases to suit market demands. The project is summarized below.

Concept: Integration of commercial and retail development with Public Library facility resulting in redevelopment of underutilized portion of block bounded by 8th, 9th, I and J Streets.

Project: 133,000 gross square feet of new central library space on four levels.

35,000 square feet of retail space on I, J and 8th street circumference of library/office building and parking structure.

129,000 gross square feet of commercial office space on five levels over the library.

495 parking spaces in a five level parking structure adjacent to the library/office building plus 100 spaces below the library/office building (2.5 space per 1,000 square feet office plus 4 spaces per 1,000 square feet retail and 60 spaces for library and education center).

56,250 gross square feet and 185 additional parking spaces for Phase II development on top of the parking structure.

Timing: 19 month construction required for the library/office, retail and parking structure. Fourth year construction of additional parking/office space.

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ESTIMATE OF COSTS:

FIRST PHASE

Land assembly, relocation and demolition	\$ 4,835,000
Existing Library renovation	1,800,000
Library	11,270,000
Library expansion space	2,450,000
Library soft costs	<u>3,430,000</u>

Acquisition and Library Sub-Total \$23,785,000

Office Building in Library	8,514,000
Educational center	2,310,000
Retail	1,824,000
Parking, (Library Building Parking)	4,412,520
Commercial development soft costs	4,265,130
Library Plaza	<u>36,000</u>

Sub-Total Commercial \$21,361,650

FIRST PHASE TOTAL \$45,146,650

SECOND PHASE

Library expansion equipment	\$ 1,772,676
Spec. office building	4,178,451
Spec. office building parking	1,395,068
Commercial development soft costs	<u>1,044,613</u>

SECOND PHASE TOTAL \$ 8,390,808

GRAND TOTAL \$53,537,458

Details of the study and recommendations, including a site plan, are included in Exhibit 1.

Private/Public Partnership

The suggested development and financing of the project is through a unique partnership between the public and private sector. The scale of the project involving a city block and potentially over 53 million dollars would be attractive to a major developer and is of a sufficient size to create its own environment and have a significant impact on downtown revitalization.

The fundamental development relationship between the public and private partners are identified below:

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1. Agency to use a loan of private funds, backed up by City funds if necessary to acquire property, demolish buildings and relocate people and business. Agency staff has researched the legal ability for the Agency to receive loan funds from the private sector for redevelopment purposes and have determined it to be legal, if there is no legal obligation on the part of the Agency to use the power of eminent domain in furtherance of the project until after a resolution of necessity has been adopted.
2. Developer would construct the entire project and lease the Central Library portion back to the City who will eventually own the library after a given period of time.
3. City would receive land lease payments from the developer. City and Agency would contribute some mix of funds, for example a one time payment for a portion of the parking garage, construction or acquisition funds, lease revenues from the developer, revenues from office space designated for future library expansion, tax increments generated from new private development on site and on-going annual lease payment as required.

These monies would be paid to the developer for debt amortization of the Central Library and initial funding of acquisition, demolition and relocation costs. This entire financing arrangement is proposed to be done through a loan from the developer. If public debt financing were to be used, the debt amortization numbers would be different and probably significantly higher because of reserve requirements, etc.

Examples of different funding scenarios:

1. Based on the above relationships, the following scenarios are presented to show the variety and types of funding structures that might be possible. They are by no means the only ones possible, and serve only to illustrate possible relationships. Each of the scenarios assumes a different mix of City/Agency involvement. Detail descriptions are contained in exhibit 1.

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Scenario 1

This scenario assumes a minimum initial City participation and contribution. It is restricted to the \$1.5 million one time capital contribution already committed to this project from the Agency, use of tax increments generated on site and site specific revenues.

a. Total Cost of Library	\$23,785,000
b. Revenue (capitalized value of income stream)	<u>-9,614,317</u>
Shortfall	= \$14,170,683
c. Annual City subsidy required.	
The annual debt service on \$14,170,683	
would be about \$1,440,883 (9.5%, 30 years)	

Scenario 2

This alternative assumes the same provisions as scenario 1 except the library expansion space is assumed to be occupied for an initial four year period at 85% market value with City offices.

a. Total Cost of Library	\$23,785,000
b. Revenues	<u>-9,957,878</u>
Shortfall	= \$13,827,122
c. Annual City subsidy required	
The annual debt service on \$13,827,122	
is above \$1,405,950.	

Scenario 3

This alternative is the same as scenario 2, except the library expansion space is assumed to be occupied for an initial four year period at market rate.

a. Total Cost of Library	\$23,785,000
b. Revenues	<u>-10,284,098</u>
Shortfall	= \$13,500,902
c. Annual City subsidy required	
The annual debt service on \$13,500,902	
is above \$1,372,780.	

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Scenario 4

This alternative assumes scenario 3 provisions plus the diversion of 125 parking spaces from the proposed 10th street parking garage.

a. Total Cost of Library	\$23,785,000
b. Revenues	<u>-11,134,098</u>
	Shortfall = \$12,650,902
c. Annual City subsidy required The annual debt service on \$12,650,902 is about \$1,286,357	

Scenario 5

This alternative assumes scenario 3 provisions plus the diversion of 495 parking spaces from the proposed 10th Street parking garage.

a. Total Cost of Central Library	\$23,785,000
b. Revenues	<u>-14,696,578</u>
	Shortfall = \$ 9,088,422
c. Annual City subsidy required. The annual debt service on \$9,088,422 is about \$924,116	

(Note: Revenues from 495 spaces assumes to pay off parking bonds. This parking contribution of 495 cars at a cost of \$4.4 million would greatly enhance the viability of the project because it would reduce the developers up front costs of construction. The City should benefit by its participation. Any benefits would come as a result of developer negotiations, e.g. reduced annual debt, shorter time period for loan, etc.

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Scenario 6

This alternative assumes scenario 4 and assumes the City will pay for land assembly, relocation and demolition. (\$4,835,000)

a. Total Cost of Central Library	\$23,785,000
Less initial one time cost by City to pay for land assembly, relocation and demolition	<u>-4,835,000</u>
Total	\$18,950,000
b. Revenues	<u>-11,134,098</u>
Shortfall =	\$ 7,815,902

c. Annual City subsidy required.
The annual debt service on \$7,815,902 is about \$794,725.

Scenario 7

This alternative is radically different from the others by assuming that the City does not want to pay any annual payments for the Library, but is willing to make the Library a priority by defunding or deferring other capital improvement projects. This approach would mean a large initial outlay of funds by the City in addition to using the revenues from the site to pay for a debt. This alternative assumes provisions of Scenario 3.

a. Total Cost of Library	\$23,785,000
b. Revenues	<u>-10,284,098</u>
Shortfall =	\$13,500,902
c. One time City contribution	
- Land assembly	\$ 4,835,000
- Parking, etc.	<u>8,665,902</u>
	\$13,500,902
d. Annual City Subsidy =	\$ -0-

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Future Space needs for the City and County

Meetings were held with the County Executive and City Manager to see if the City and the County would require office space in the future that could be located in this project. A guarantee of office space leasing by the City and County would obviously assist in the financing and attractiveness of this project.

County - The County will be experiencing some office space needs in the future (1989 to 90 period) when this project could come on line but cannot quantify or commit at this time.

City - The City's initial phase of their space study (available from City Manager's Office for review) indicates a desire to centralize future City offices. There does not appear to be an identifiable and quantifiable amount of square footage that the City can commit at this time, even for a short period of time.

Conclusion: Do not count on the City and County as a lease guarantor.

Discussions with Developers

One of the critical portions of this feasibility study centered on the reaction of developers to the initial recommendations of the consultant. The purpose of requesting developers to react to the initial ideas and recommendations were to test the entire concept in the real world. A packet was prepared (including exhibit 1) and a number of local developers were asked to review and comment. Nine developers and twelve architects are included in a mail out of the packet.

Based on the positive reactions from three local developers, staff concludes that there would be a positive reaction in the development community from certain developers seeking a large project to any request for qualifications.

Other Discussions

In addition to feedback from developers, meetings were held with the Library Foundation and Central Library Development Group (City and County staff and others).

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ECONOMIC BENEFITS FOR LIBRARY TO BE DEVELOPED WITHIN A MIXED USE PROJECT

The following is an analysis of the savings in cost in intergration of the central library into a larger, mixed use redevelopment project.

a. Cost for the library to occupy space developed for a free standing library (using McManis per sq. ft. numbers).

1. Land Assembly (Library site only)	\$ 2,306,000
2. Pro-rata share demolition/relocation (library site only)	\$ 268,000
3. Renovation of existing library	\$ 1,800,000
4. Library	\$11,270,000
5. Library expansion space	2,450,000
6. Library sq. ft. costs (soft)	<u>3,430,000</u>
Total	\$21,524,000

(Note: Total does not include land assembly, relocation and demolition costs for other portions of block not related to library.)

7. Annual debt service on \$21,524,000:
@ 9.5% 30 years = \$2,188,573 -
133,000 sq. ft. = \$16.46/year
or \$1.37/sq.ft. lease payments/mo.

b. Cost for library to occupy space developed as a part of scenario 1 through 6.

1. Scenario 1

Annual City cost = \$1,440,883 divided by 133,000 sq. ft. =
\$10.83 or \$.90/Sq.Ft/Mo

2. Scenario 2

Annual City cost = \$1,405,950 divided by 133,000 sq. ft. =
\$10.57 or \$.88/Sq.Ft./Mo.

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3. Scenario 3

Annual City Cost = \$1,372,780 divided by 133,000 sq. ft. =
\$10.32 or \$.86 Sq.Ft./Mo.

4. Scenario 4

Annual City cost = \$1,286,357 divided by 133,000 sq. ft. =
\$9.67 or \$.81/Sq.Ft./Mo.

5. Scenario 5

Annual City cost = \$924,116 divided by 133,000 sq. ft. =
\$6.95 or \$.58/Sq.Ft./Mo.

6. Scenario 6

Annual City cost = \$794,725 divided by 133,000 sq. ft. =
\$5.98 or \$.50/Sq.Ft./Mo.

WORK PROGRAM

A work program for land assembly and plan preparation is charted by activity and time on exhibit 2.

ADVANTAGES OF PROPOSED PROJECT

1. Entire block development (Hotel California assumed to be excluded for purposes of this report unless chosen developer wishes to purchase and integrate building or land into total development) would be of a scale sufficient to be of interest to large quality developers with substantial experience, track record and financial capacity to ensure a good project.
2. This project provides one of the major building blocks and a catalyst towards the continued revitalization of downtown.
3. The project is consistent with the recommendations of the downtown redevelopment plan update.
4. The project is large enough to create its own environment and qualities such as safety can be incorporated into the design.
5. The layout for the library as proposed is much better than a highrise addition to the existing building and future expansion can be easily built in.

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6. A joint public and private partnership approach provides a comfort level for developers in a new major downtown project that is greatly enhanced and there could be trade offs for mutual advantage.
7. The cost per square foot shows a substantially lower cost for a library project to be built in a combined project rather than one that is free standing.

FINANCIAL DATA

Because the Agency is fully committed to light rail and a number of other projects, the financing of this project must be accomplished by non traditional methods. There are two critical portions of the financing approach recommended in this report.

1. Land assembly costs (estimated @ \$4.835 million)

The Agency has committed \$1.5 million for land assembly. Payment to McManis for their research and recommendations are also being covered by the \$1.5 million as well as the related costs such as acquisition appraisals (\$90,000) and developer selection.

In order to ensure financial capacity for the Agency to assemble the property, it is recommended that a sum of money (\$4.835 million less \$1.5 = \$3.335 million be conceptually committed by the City. The specific amount, funding source and projects that would be deferred or defunded would be identified by City staff at the 8th month on the bar chart at the time of the hearing on just compensation which would also include approval of the plan and pre-development agreement.

These land assembly monies are assumed to be used for additional land needed by the Library that is over and above the amount previously spent (\$1 million) for land assembly and other costs. This means the reimbursement from the Agency to the City as previously assumed by use of a portion of the \$1.5 would not be possible if the \$1.5 is used for new land assembly. Should the City Council decide to use \$1 million of the \$1.5 for reimbursement then the total cost of the Library would go up by \$1 million and the annual lease payments would be adjusted accordingly, e.g. under scenario 5, the annual City lease payment would increase from \$924,116 to \$1,025,796.

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It is anticipated that the development agreement with the selected developer will have a provision for the developer to loan the Agency the land assembly funds including reimbursement to the City for any funds previously spent. City funds therefore would act as a guarantee if for some reason the developer's funds were not available or as a bridge loan to enable the Agency to acquire the first parcels prior to the developers funds being available.

2. On-going annual cost to repay debt

As illustrated in the various scenarios of this report, there is no free lunch, even when building a library. Besides the cost of the library construction, the cost of land assembly must be repaid. The scenarios clearly show that even with the use of tax increments, revenues generated on site, insertion of parking revenue based funds, etc., the project (at the level of development intensity suggested by McManis) will not pay for itself and therefore the City will have to pay an annual sum of approximately \$900,000 to \$1,000,000 per year for a given time period to amortize a loan from the developer.

The City Council, through this report, is being asked to conceptually agree to fund an annual amount for the Central Library project at a level of \$900,000 to \$1,000,000 per year assuming a scenario 5 level of commitment which includes the insertion of 495 spaces funded by the City. The specific amount, funding source, terms and conditions and projects that would have to be defunded or deferred would be identified and recommended by City staff during the 8th month at the time of the public hearing on just compensation. There should be a high degree of comfort at this point for the council because the plan for the project, including the financing and pre-development agreement with the developer will have been worked out and agreed upon by the developer and staff.

ENVIRONMENTAL

This report recommends a conceptual approval for redevelopment of the block including a new Central Library and the obtaining of appraisals and selection of a developer through an RFQ process. Upon preparation of a specific plan, the environmental process will take place and appropriate determinations made.

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VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of August 16, 1986, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

POLICY IMPLICATION

The actions proposed in this staff report are consistent with previously approved policy and there are no policy changes being recommended.

RECOMMENDATION

The staff recommended adoption of the attached resolution.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: Leo T. Goto, 440-1320

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

CENTRAL LIBRARY EXPANSION

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

Section 1: The general approach outlined in the staff report for this resolution relating to the expansion of the Central Library within a mixed use project for the block bounded by 8th and 9th, I & J is hereby approved.

Section 2: The proforma for such staff report assumed retention of the Hotel California. Should a developer require its acquisition as part of a total plan, and is willing to pay the fair market value, the Agency shall consider inclusion of this parcel for acquisition purposes.

Section 3: The Executive Director is authorized to hire an MAI appraiser to prepare acquisition and goodwill appraisals for all remaining parcels on such block except for the Hotel California. Payment for services shall come from the previously approved \$1.5 million for land assembly.

Section 4: The Request for Proposal for the proposed Central Library expansion is hereby approved. The Executive Director is authorized to seek a qualified developer through a request for qualification process in the shortest time possible.

Section 5: Policy direction for the proposed project include the following:

- a. Agency seeks a quality developer and a quality project.

- b. Staff should strive to produce a quality project at the lowest possible public cost.
- c. Existing owners and tenants on such block who wish to relocate in the proposed project shall be encouraged and assisted to the fullest extent of the law.

Section 6:

The parameters of City/County support as indicated in the staff report for this resolution relating to land assembly and annual lease payments are conceptually approved with the understanding that City and Agency staff shall prepare appropriate recommendations identifying specific costs and adjustments for such assembly and annual lease payments.

Section 7: This resolution shall take effect immediately.

CHAIR

ATTEST:

SECRETARY

0412L



McManis

ASSOCIATES, INC.

Management and
Research Consultants

July 7, 1986

Leo Gotto
Community Development Director
Sacramento Housing Development
Agency
630 Eye Street
Sacramento, CA 95815

Dear Leo:

Enclosed is the revised analysis given the lower land acquisition costs. Please note that this change affects only the city subsidy required as we assumed that the developer would lease the land based on rental income. The net effect on the annual subsidy required is equal to the amortization of the savings over 30 years.

The implications of the contribution of 495 spaces (all but those required for the expansion) is a reduction in the developer cost and we assume that this reduction is passed directly to the city, leaving the return to the developer about the same because the net income from the parking space rental is about equal to the amortization of the investment.

The result of the city leasing additional space in the library building would be to reduce the risk to the developer. The only increase in revenue would be the lease-up costs during the first three years. The building is assumed to be fully occupied after that. This savings has a present value of about \$1.4 million or would reduce the annual city subsidy required by \$142,000 if the developer's return were to remain constant.

I hope this information is useful to you.

Sincerely,

McMANIS ASSOCIATES, INC.

L.P.

Louis Pavia, Jr. (f.w.)
Vice President

Attachment

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1000 Louisiana Street • Houston, Tx. 77002 • (713) 739-7000
201 Sansome Street • San Francisco, Ca. 94104 • (415) 398-3087



MEMORANDUM

TO: Leo Gotto
FROM: Lou Pavia
DATE: April 17, 1986 (revised July 7, 1986)
SUBJECT: Sacramento Library Project

McManis Associates, Inc., in conjunction with Forrar, Williams, Architects, has examined the likely market for the use of retail and commercial office space, taken the requirements for library expansion and cost estimates, and projected the likely range of revenues and expenses over a seven-year period based on early development of the library block. All figures must be considered estimates before more specific plans and specifications are drawn up and priced out, but they are based on local experience.

Please keep in mind the following assumptions:

- A master developer will be chosen, land leased to the developer, who in turn will lease to the library, and own and manage the additional office and retail space as well as the parking garage. This maximizes tax allocation bond financing.
- The office portion of the project cannot achieve either satisfactory rents or early occupancy levels without parking on-site, based upon our market analysis, interviews and local experience.
- Based on the study done for the library by Housden/Brown, the Library Education Center will be fully leased up for year 1 of operation. We assume this will be accomplished by a master lease to a home office-type firm, who will, in turn, manage and sublease the space to individual educational interests.
- Rents and expenses will increase per square foot and by parking space at the rate of 3 percent per year.
- The lease figures between the library and the developer will be equivalent to the retirement of a 100 percent mortgage, 9½ percent interest, for 30 years.
- Depreciation of the buildings will be on a 30 year basis, as is proposed in both the House and Senate tax bills.

- ° Primary financing will be on the basis of a taxable mortgage at 10 percent for 30 years, 80 percent financing of the private office, retail and garage, permitting the project to move ahead without regard to the tax-exempt financing debate in Congress.

Where we could identify alternative choices, we have used the most conservative figures and assumptions. There are several areas, however, where we believe a bid and negotiation process with private developers could produce additional savings or project income. Among these are:

- ° Soft costs. Fees, especially developer fees and general conditions, could be capped, or tradeoffs arranged between charges to the library development costs and to the commercial/retail/garage development costs. For a developer with ownership in the project, a development fee at half of that normally expected by a fee only developer would not be out of line.
- ° Education Center. The City or library could be its own manager of the space, receiving appropriate income from fees and/or rents.
- ° The land lease/air rights lease could be adjusted upwards based upon performance above set gross income levels, providing both a front-end relief and encouragement to the developer and retail leasees, and higher future income for the City.
- ° City guarantees of the library lease, and any other space usage in the first years, could lead to lower interest costs and/or higher lease revenues.

Attached are the Project Development Assumption Summary, printouts covering the basic assumptions, and an analysis of four scenarios covering the library expansion space through the first four years. Depending upon the choice made, the annual subsidy needed to support the library expansion costs range from \$1.29 million to \$1.44 million. These four approaches were chosen to provide some range of the likely subsidy needed, and are not meant to be exclusive of other alternatives, especially those that may evolve from negotiations with developers.

PROJECT DEVELOPMENT ASSUMPTION

Summary

Concept: Integration of commercial and retail development with Public Library facility resulting in redevelopment of underutilized portion of block bounded by Hard I and 8th as 9th streets.

Project: 133,000 gross square feet of new central library space on four levels.

35,000 gross square feet for a commercial training and education center.

30,400 square feet of retail space on I, J and 8th street circumference of library/office building and parking structure.

129,000 gross square feet of commercial office space on five levels over the library.

495 parking spaces in a five level parking structure adjacent to the library/office building plus 100 spaces below the library/office/building (2.5 space per 1,000 square feet office plus 4 spaces per 1,000 square feet retail and 60 spaces for library and education center).

56,250 gross square feet and 185 additional parking spaces for Phase II develop on top of the parking structure.

Timing: 19 month construction required for the library/office, retail and parking structure. Fourth year construction of additional parking/office space. Stabilized office operation at 4 percent vacancy in year 4 with 20 percent pre-lease.

Stabilized retail operation at 4 percent vacancy in year 3 with 40 percent pre-lease.

Capital Costs:
(Including Tenant
Improvement
Allowance)

Library structure	\$70/gross square feet
Library equipment	\$45/gross square feet
Office space	\$66/gross square feet
Retail	\$60/gross square feet
Parking (below grade)	\$7,416 per space
Parking (structure)	\$6,700 per space
Plaza area	\$12 per square feet
Soft costs (fees, interest, etc.)	25% of construction cost

Income:
(1987)

Office rent	\$21,000 per sq. ft., net rentable
Retail rent	\$ 1,560
Parking	\$ 720 per space
Operation and Maintenance:	
Occupied office	\$ 4.50 per sq. ft.
Vacant office	\$ 2.50 per sq. ft.
Occupied retail	\$ 3.00 per sq. ft.
Vacant retail	\$ 1.50 per sq. ft.
Parking	\$ 10.00 per space

Land Lease/
Air Rights:

5 percent commercial revenues (excluding library)

Total
Development
Costs:

Library	\$ 23,785,000
Commercial Development	\$ 21,361,650
Total	<u>\$ 45,146,650</u>
Commercial Expansion	\$ 6,618,132

Commercial
Development
Cash Flow
Available
for Debt
Service:

Year 1	\$ 1,197,032
Year 2	2,048,842
Year 3	3,071,277
Year 4	3,353,977
Year 5	3,881,440
Year 6	4,308,488
Year 7	4,743,610

Discount
Cash Flow
ROI:

10 percent

Stabilized
Revenue
ROI:

11.5 percent

SCENARIO 1

Summary Net Income (PV)

Library

Expansion Space Rent	\$1,038,991
City Investment	\$1,500,000
Tax Increment - Library	\$2,588,990
Tax Increment - Spec.	\$2,100,858
Land Lease/Sale	\$2,385,478
Total	<u>\$9,614,317</u>

Annual City Subsidy Required \$1,440,883

Minimum City participation in project.

Investment restricted to one time capital contribution, tax increment and site specific revenue.

SCENARIO 2

Summary Net Income (PV)

Library

Expansion Space Rent	\$1,382,552
City Investment	\$1,500,000
Tax Increment - Library	\$2,588,990
Tax Increment - Spec.	\$2,100,858
Land Lease/Sale	<u>\$2,385,478</u>
Total	<u>\$9,957,878</u>
Annual City Subsidy Required	\$1,405,950

In addition to initial capital contribution, tax increment and site specific revenues City lease; library expansion space for initial four years at 85 percent market value.

SCENARIO 3

Summary Net Income (PV)

Library

Expansion Space Rent	\$ 1,708,772
City Investment	\$ 1,500,000
Tax Increment - Library	\$ 2,588,990
Tax Increment - Spec.	\$ 2,100,858
Land Lease/Sale	<u>\$ 2,385,478</u>
Total	\$10,284,098
Annual City Subsidy Required	\$1,372,780

Same as Scenario 2 except City leases library expansion spec. at market rate.

SCENARIO 4

Summary Net Income (PV)

Library

Expansion Space Rent	\$ 1,708,772
City Investment	\$ 1,500,000
Tax Increment - Library	\$ 2,588,990
Tax Increment - Spec.	\$ 2,100,858
Land Lease/Sale	\$ 2,385,478
Parking Contribution	\$ 850,000
Total	<u>\$11,134,098</u>

Annual City Subsidy Required \$1,286,351

Same as Scenario 3 except City also diverts 125 parking spaces from proposed 10th street parking garage.

SCENARIO 5

Summary Net Income (PV)

Library

Expansion Space Rent	\$ 1,708,772
City Investment	1,500,000
Tax Increment - Library	2,588,990
Tax Increment - Spec.	2,100,858
Land Lease/Sale	2,385,478
Parking Contribution (495 Cars)	<u>4,412,520</u>

Total \$14,696,518

Annual City Subsidy Required \$ 924,116

Same as Scenario 3 except City also diverts 495 parking spaces from proposed 10th Street parking garage.

0169M

SCENARIO 6

Summary Net Income (PV)

Library

Expansion Space Rent	\$ 1,708,772
City Investment	1,500,000
Tax Increment - Library	2,588,990
Tax Increment - Spec.	2,100,858
Land Lease/Sale	2,385,478
Parking Contribution	<u>850,000</u>

Total \$11,134,098

Annual City Subsidy Required \$ 794,725

Same as Scenario 4 plus city contributes all land and land assembly costs. Therefore, total investment is reduced to \$18,950,000.

0169M

SCENARIO 7

Summary Net Income (PV)

Library

Expansion Space Rent	\$ 1,708,772
City Investment	1,500,000
Tax Increment - Library	2,588,990
Tax Increment - Spec.	2,100,858
Land Lease/Sale	<u>2,385,478</u>
Total	\$10,284,098

Initial Capital Investment

Land Assembly	\$ 4,835,000
Parking, etc.	<u>8,665,902</u>
Total	\$13,500,902

Same as Scenario 3 plus subsidy is met through capitalization rather than annual subsidy.

0169M

SACRAMENTO LIBRARY

SACRAMENTO LIBRARY FACILITY ([ft])	year 0	year 4
Library	98,000	
Library exp.	35,000	
Library spec. off.	129,000	
Library Ed. Ctr.	35,000	
Library Bldg. Retail	30,400	
Spec. office bldg	0	56,250
Lib. bldg. park(spaces)	595	
Spec bldg park(spaces)	0	185
Library plaza	3,000	

DEVELOPMENT COSTS (\$/[ft])		
Library w/equip	\$115	
Library exp. w/o equip	\$70	
Library equip.	\$45	\$51
Library spec. off.	\$66	
Spec. office bldg	\$66	\$74
Retail	\$60	
Library bldg. park	\$7,416	
Spec bldg. park	\$6,700	\$7,541
Plaza	\$12	\$14

DEVELOPMENT COSTS (total)		
Land Assembly	\$4,330,000	
Relocation	\$375,000	
Demolition	\$130,000	
Renovation	\$1,800,000	
Library	\$11,270,000	
Library exp. w/o equip.	\$2,450,000	
Library expans. equip.	\$0	\$1,772,676
Library soft costs	\$3,430,000	
Subtotal library	\$23,785,000	
Library spec. off.	\$8,514,000	
Spec. office bldg	\$0	\$4,178,451
Library Ed. Ctr.	\$2,310,000	
Retail	\$1,824,000	
Library bldg. park	\$4,412,520	
Spec bldg. park	\$0	\$1,395,068
Commer.devel.soft costs	\$4,265,130	\$1,044,613
Library plaza	\$36,000	
Subtotal commercial	\$21,361,650	\$6,618,132
AGGREGATE	\$45,146,650	\$8,390,809

DEVELOPER RETURN

depreciation-library	\$881,833
depreciation-office	\$712,055
depreciation-spec. office	\$220,604
debt service @10%, 30 years	\$1,812,322
spec. development	\$561,637
Present value @10%	\$23,310,828

		year 1	year 2	year 3
RENTAL RATES ([ft]/yr)				
Library	\$0.00	\$0.00	\$0.00	\$0.00
Library exp.	\$21.00	\$21.63	\$22.28	\$22.95
Library spec. off.	\$21.00	\$21.63	\$22.28	\$22.95
Spec. office bldg	\$21.00	\$21.63	\$22.28	\$22.95
Library Ed. Ctr.	\$21.00	\$21.63	\$22.28	\$22.95
Retail	\$15.60	\$16.07	\$16.55	\$17.05
Library bldg. park	\$720.00	\$741.60	\$763.85	\$786.76
Spec. bldg. park	\$720.00	\$741.60	\$763.85	\$786.76
OPER. EXPENSES ([ft]/yr)				
Office occ.	\$4.50	\$4.64	\$4.77	\$4.92
Retail occ.	\$3.00	\$3.09	\$3.18	\$3.28
OFFICE VAC.	\$2.50	\$2.58	\$2.65	\$2.73
RETAIL VAC.	\$1.50	\$1.55	\$1.59	\$1.64
Parking	\$10	\$10.30	\$10.61	\$10.93
OCCUPANCY (%)				
Library	0.0%	100.0%	100.0%	100.0%
Library exp.	0.0%	100.0%	100.0%	100.0%
Library spec. off.	0.0%	30.0%	55.0%	90.0%
Library ED. Ctr.	0.0%	100.0%	100.0%	100.0%
Spec. office bldg	0.0%	0.0%	0.0%	0.0%
Retail	0.0%	50.0%	75.0%	96.0%
Library bldg. park	0.0%	40.0%	75.0%	90.0%
Spec bldg. park	0.0%	0.0%	0.0%	0.0%
ANNUAL REVENUES				
Library	\$0	\$0	\$0	\$0
Library exp.	\$0	\$651,063	\$670,595	\$690,713
Library spec. off.	\$0	\$719,890	\$1,359,392	\$2,291,193
library retail	\$0	\$210,041	\$324,513	\$427,838
Library Ed. Ctr.	\$0	\$651,063	\$670,595	\$690,713
Spec. office bldg	\$0	\$0	\$0	\$0
Library bldg. park	\$0	\$176,501	\$340,867	\$421,312
Spec. bldg. park	\$0	\$0	\$0	\$0
TOTAL	\$0	\$2,408,557	\$3,365,962	\$4,521,768
ANNUAL EXPENSES				
Library exp.	\$0	\$139,514	\$143,699	\$148,010
Library spec. off.	\$0	\$354,231	\$423,706	\$521,277
Library retail		\$60,589	\$72,807	\$83,991
Library Ed. ctr.		\$139,514	\$143,699	\$148,010
Spec. office bldg	\$0	\$0	\$0	\$0
Library bldg. park	\$0	\$6,129	\$6,312	\$6,502
Spec. bldg park	\$0	\$0	\$0	\$0
Land lease/air rights		\$87,875	\$134,768	\$191,553
TOTAL	\$0	\$787,850	\$924,992	\$1,099,342
NET REVENUES				
Library expansion	\$0	\$511,550	\$526,896	\$542,703
Land lease/air rights		\$87,875	\$134,768	\$191,553
Subtotal library		\$599,424	\$661,664	\$734,256
Library spec. office	\$0	\$365,658	\$935,685	\$1,769,916
Retail	\$0	\$149,452	\$251,706	\$343,848
Ed. ctr.	\$0	\$511,550	\$526,896	\$542,703
Spec. office	\$0	\$0	\$0	\$0
Library park	\$0	\$170,372	\$334,555	\$414,810
Spec. park	\$0	\$0	\$0	\$0
Land lease/air rights		(\$87,875)	(\$134,768)	(\$191,553)
subtotal-developer	\$0	\$1,109,157	\$1,914,073	\$2,879,724

INITIAL RATES ([ft]/yr)	year 4	year 5	year 6	year 7
Library	\$0.00	\$0.00	\$0.00	\$0.00
Library exp.	\$23.64	\$0.00	\$0.00	\$0.00
Library spec. off.	\$23.64	\$24.34	\$25.08	\$25.83
Spec. office bldg	\$23.64	\$24.34	\$25.08	\$25.83
Library Ed. Ctr.	\$23.64	\$24.34	\$25.08	\$25.83
Retail	\$17.56	\$18.08	\$18.63	\$19.19
Library bldg. park	\$810.37	\$834.68	\$859.72	\$885.51
Spec. bldg. park	\$810.37	\$834.68	\$859.72	\$885.51

OPER. EXPENSES ([ft]/yr)				
Office occ.	\$5.06	\$5.22	\$5.37	\$5.53
Retail occ.	\$3.38	\$3.48	\$3.58	\$3.69
OFFICE VAC.	\$2.81	\$2.90	\$2.99	\$3.07
RETAIL VAC.	\$1.69	\$1.74	\$1.79	\$1.84
Parking	\$11.26	\$11.59	\$11.94	\$12.30

OCCUPANCY (%)				
Library	100.0%	100.0%	100.0%	100.0%
Library exp.	100.0%	0.0%	0.0%	0.0%
Library spec. off.	96.0%	96.0%	96.0%	96.0%
Library ED. Ctr.	100.0%	100.0%	100.0%	100.0%
Spec. office bldg	0.0%	50.0%	75.0%	100.0%
Retail	96.0%	96.0%	96.0%	96.0%
Library bldg. park	100.0%	100.0%	100.0%	100.0%
Spec bldg. park	0.0%	50.0%	80.0%	100.0%

ANNUAL REVENUES				
Library	\$0	\$0	\$0	\$0
Library exp.	\$711,434	\$0	\$0	\$0
Library spec. off.	\$2,517,257	\$2,592,775	\$2,670,558	\$2,750,675
library retail	\$440,673	\$453,894	\$467,510	\$481,536
Library Ed. Ctr.	\$711,434	\$732,777	\$754,760	\$777,403
Spec. office bldg	\$0	\$588,839	\$909,756	\$1,249,398
Library bldg. park	\$482,168	\$496,633	\$511,532	\$526,878
Spec. bldg. park	\$0	\$66,399	\$109,425	\$140,885
TOTAL	\$4,862,967	\$4,931,316	\$5,423,542	\$5,926,774

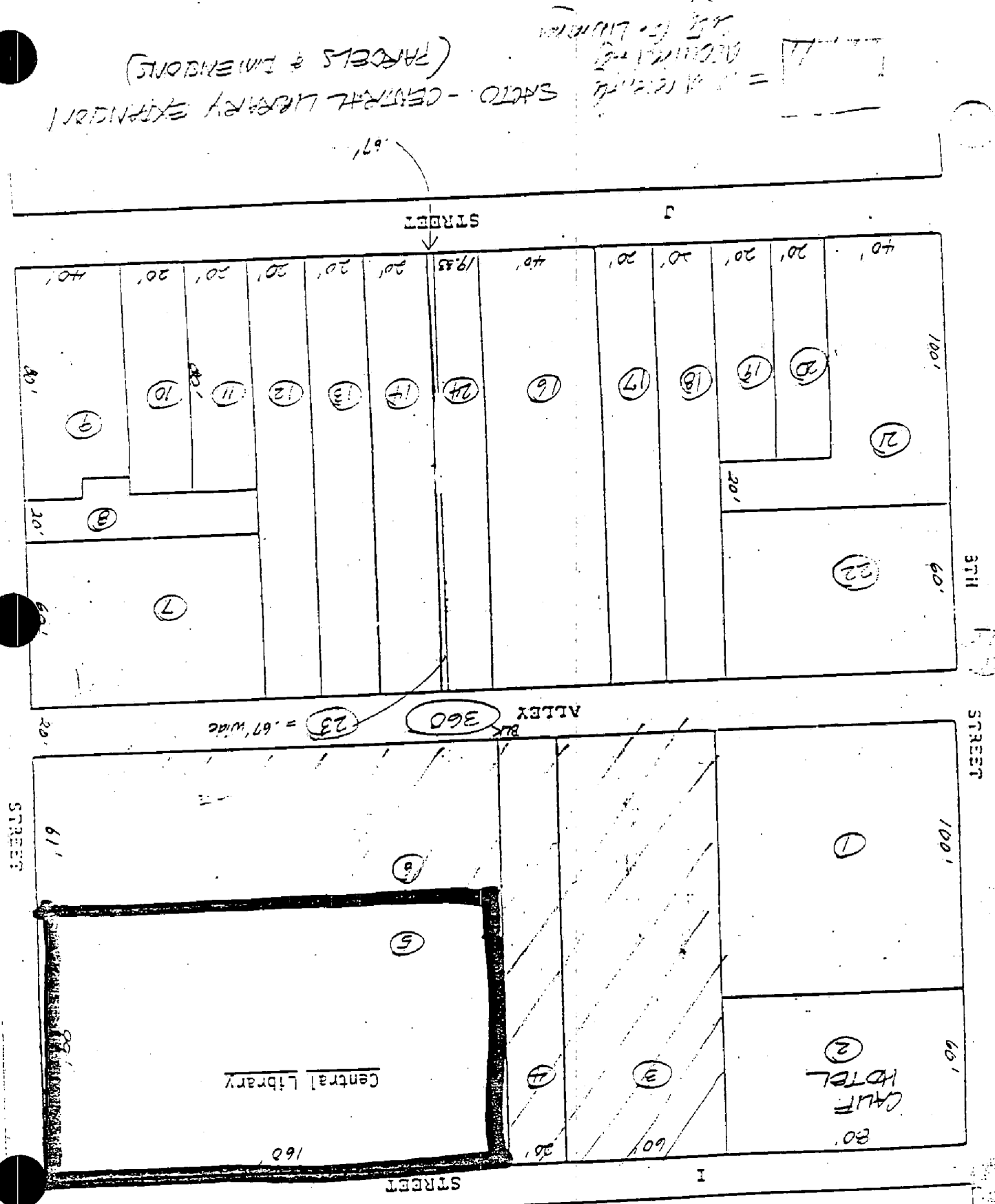
ANNUAL EXPENSES				
Library exp.	\$152,450			
Library spec. off.	\$551,899	\$568,456	\$585,509	\$603,075
Library retail	\$86,510	\$89,106	\$91,779	\$94,532
Library Ed. ctr.	\$152,450	\$157,024	\$161,734	\$166,586
Spec. office bldg	\$0	\$228,232	\$268,662	\$311,312
Library bldg. park	\$6,697	\$6,898	\$7,105	\$7,318
Spec. bldg park	\$0	\$161	\$265	\$341
Land lease/air rights	\$207,577	\$246,566	\$271,177	\$296,339
TOTAL	\$1,157,583	\$1,296,441	\$1,386,231	\$1,479,503

NET REVENUES				
Library expansion	\$558,984	\$0	\$0	\$0
Land lease/air rights	\$207,577	\$246,566	\$271,177	\$296,339
Subtotal library	\$766,561	\$246,566	\$271,177	\$296,339
Library spec. office	\$1,965,359	\$2,024,319	\$2,085,049	\$2,147,600
Retail	\$354,163	\$364,788	\$375,731	\$387,003
Ed. ctr.	\$558,984	\$575,753	\$593,026	\$610,817
Spec. office	\$0	\$360,607	\$641,094	\$938,086
Library park	\$475,471	\$489,735	\$504,427	\$519,560
Spec. park	\$0	\$66,238	\$109,160	\$140,543
Land lease/air rights	(\$207,577)	(\$246,566)	(\$271,177)	(\$296,339)
subtotal-developer	\$3,146,400	\$3,634,875	\$4,037,311	\$4,447,272

Plat Map

EXHIBIT A

25



(PARCELS & DIMENSIONS)
STREET - CENTRAL LIBRARY EXPANSION

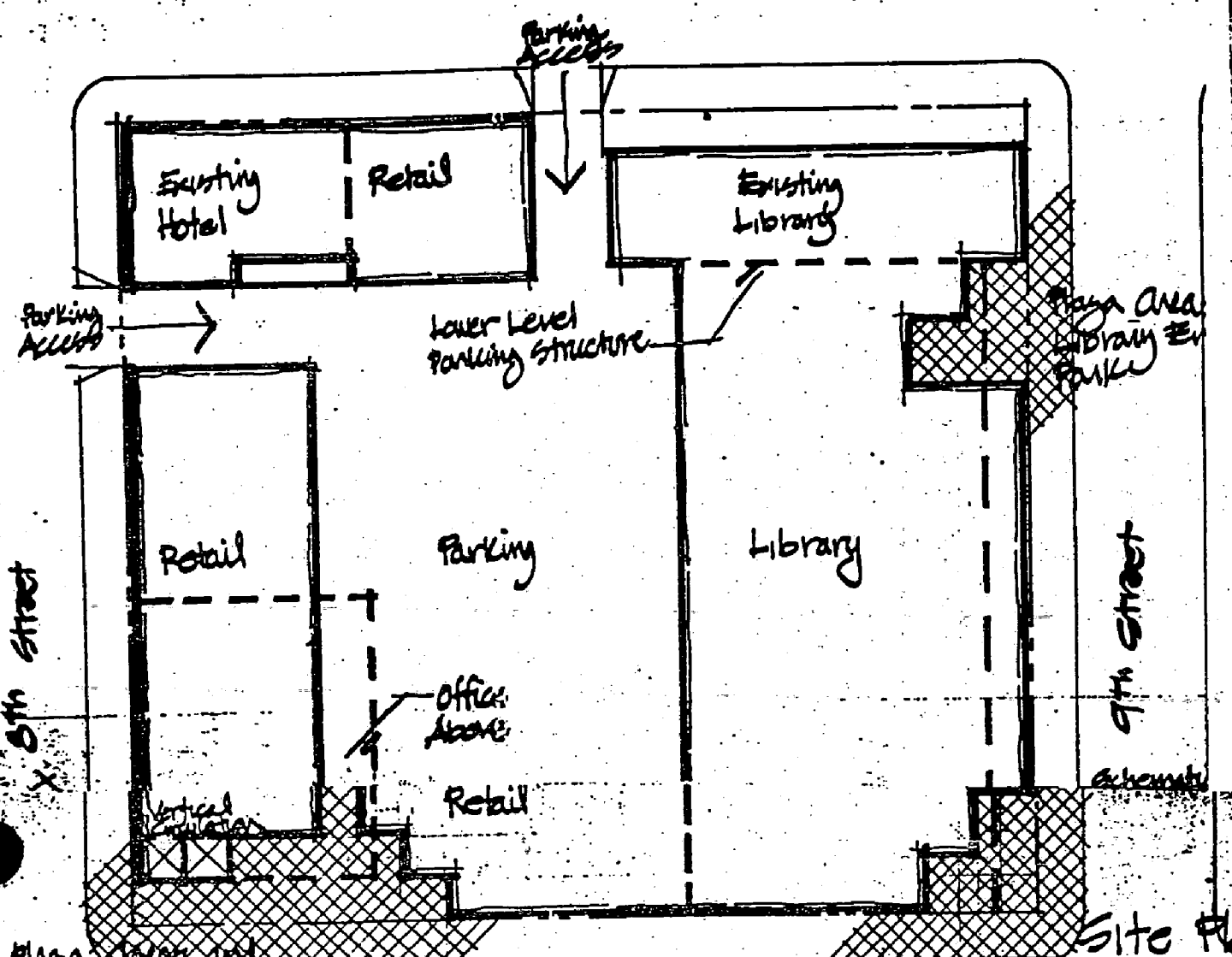
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CENTRAL LIBRARY EXPANSION
(Development Steps)

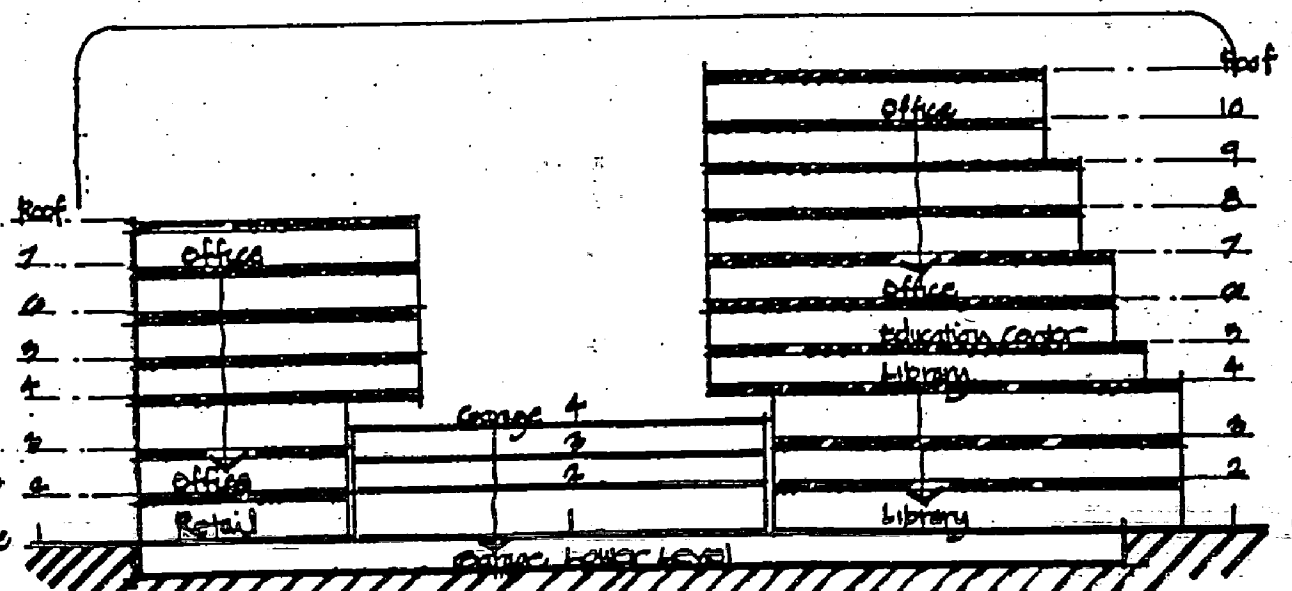
1. Agency approves overall plan, including commitment of City funds as necessary to ensure financial feasibility.
2. Agency puts out Request for Proposal (RFP) for master developer who responds with proposal including financing plan.
3. Agency selects developer and both parties agree on detailed plan and commitment of funds.
4. Agency obtains upfront loan funds from developer.
5. Agency buys building and land, relocates and demolishes.
6. Agency leases vacant land to developer who in turn obtains private financing to construct all buildings including parking.
7. After construction, developer leases buildings to Library and private persons.
8. Agency receives land lease revenues from developer as well as annual tax increment cash flow from project.
9. Agency repays to developer original upfront loan and developer's debt service on Library construction from proceeds of land lease, tax increment cash flow and City contribution.

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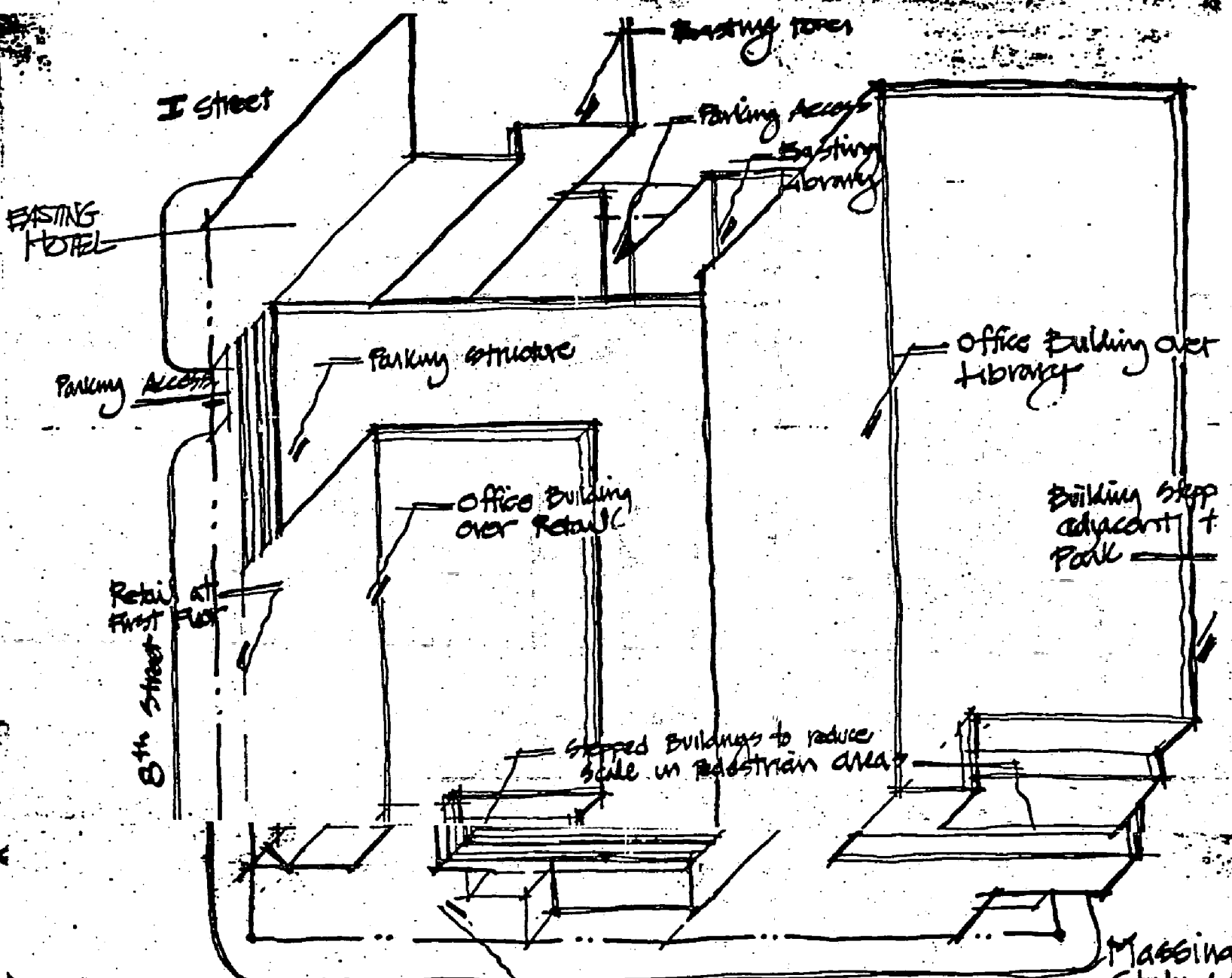
I Street



J Street



Schematic Section



Massing Study

Plaza Areas w/ Building Setbacks to relate to Pedestrian Activities

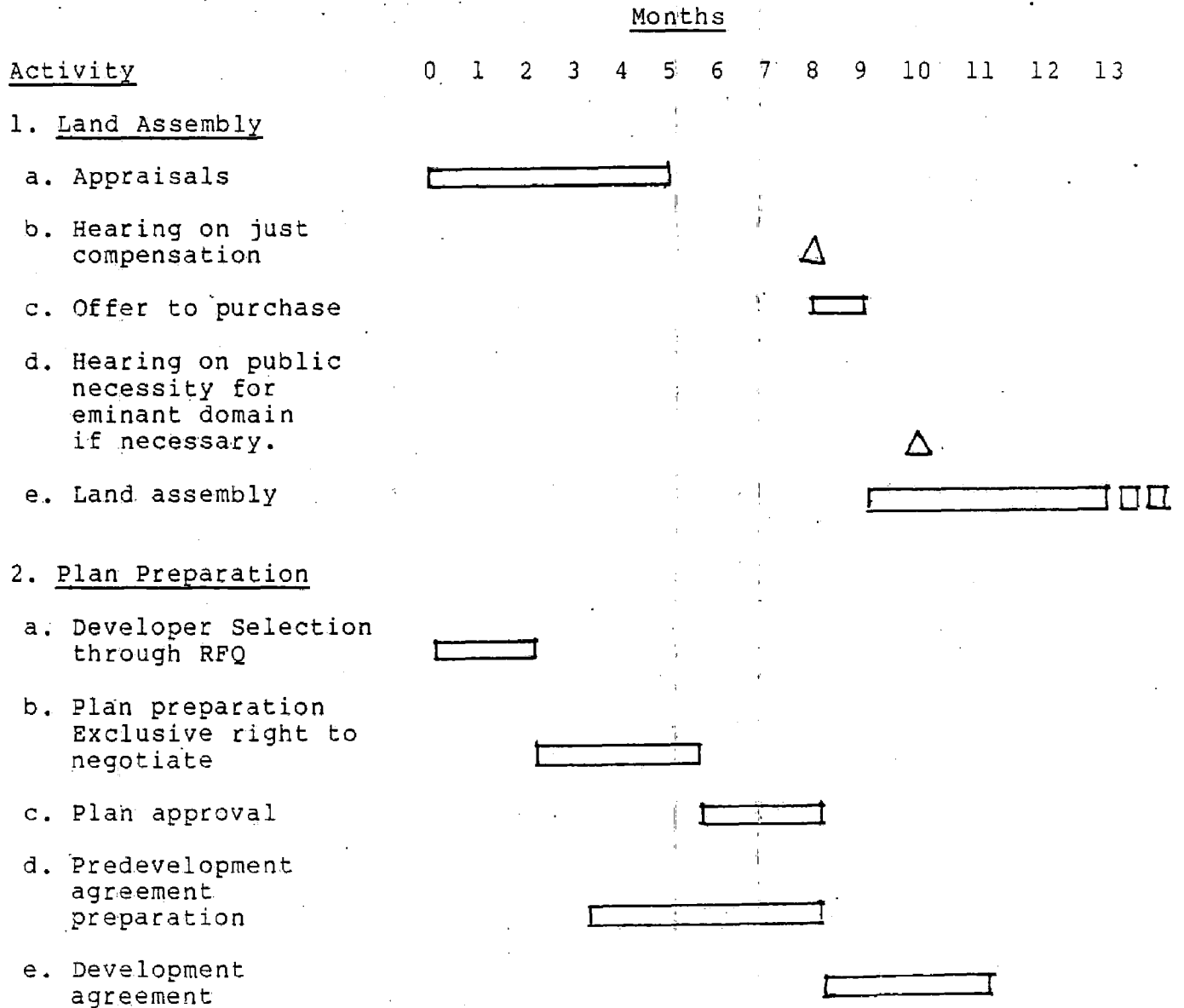


FORRER WILLIAMS ARCHITECTS
111330-0
4/18/86

SITE RESUME	LIBRARY	RETAIL	PARKING	OFFICE	
				SPACE	FOUR CENTER
LL			200 CARS		
1	33,000 (1E)	30,000	80		
2	2,600 (E)		20	2,000 (1)	
3	23,000		20	2,000 (1)	
4	6,000		120	11,000 (1)	
5	42,000			11,000 (1)	34,000
6	34,000			11,000 (1)	
7				30,000 (2)	
8				11,000 (1)	
9				28,000 (2)	
10				26,000 (2)	
11				24,000 (2)	
12				22,000 (2)	
TOTAL	133,000 (NET) 22,000 (E)	30,000	700 CARS	60,000 (1) 150,000 (2)	34,000

NOTES
(1) OFFICE SPACE ON 8TH STREET ABOVE RETAIL
(2) OFFICE SPACE ON 9TH STREET ABOVE LIBRARY

WORK PROGRAM



Procedures for Developer Selection
for the Central Library

1. The developer selection shall be by a request for qualifications (RFQ). A copy is attached.
2. One of the key factors in the financial viability of this project is to secure one or more large office tenants. Several opportunities may exist now and therefore it would be in the best interest of the City to conduct a selection process in the shortest reasonable time.
3. The RFQ shall be advertised for a 2 week period and circulated as follows:
 - a. An RFQ package will be sent to interested parties who have requested RFQ's in writing.
 - b. An RFQ package will be sent to developers and architects on Agency's various mailing lists.
 - c. Notice of an RFQ to be published in a local paper and in a local minority paper.
4. Agency staff and the City/County Librarian shall review the RFQ's and recommend to the Sacramento Housing and Redevelopment Commission and Agency.
5. The RFQ process from date of notice until selection by the Agency is estimated to be six weeks.

0170M

Central Library Expansion Project
Request for Qualifications

BACKGROUND

The Redevelopment Agency of the City of Sacramento, in conjunction with the City and County Library Department has approved a mixed use redevelopment project on the block bounded by 8th to 9th, I to J Streets. The project will include the renovation of the existing Central Library for library administration, construction of a new Central Library, and other possible uses such as parking, retail, and offices.

This project will be a joint project between the Agency and a private developer. The preliminary studies prepared by Mc Manis Associates indicate a probable development level of about \$53 million. See enclosed staff report for details and further background information. A summary of the Central Library building program is also enclosed.

TYPE OF DEVELOPER

The City/Agency is seeking a quality developer with a proven track record, background, experience and financial capacity to undertake the project from beginning to end.

CRITERIA FOR SELECTION

1. Developer Experience

- a. Successful completion of mixed use projects of a similar scale with this proposal.
- b. Previous experience in development within Sacramento County would be helpful.
- c. Evidence of consistent high quality development of major projects.
- d. Evidence of the ability of the developer to attract quality tenants.
- e. Evidence of a consistent completion of major projects on time and within budget.

2. Financial Capacity

- a. Net Worth - In keeping with the size, scale and complexity of the project, developers should have a minimum net worth of about \$20 million. One copy of a financial statement shall be submitted. This information will be kept confidential.
- b. Evidence, through appropriate letters from lenders, of the ability of the developer to raise necessary capital for the project including the initial sum of approximately \$5 million as a loan to the Agency for land assembly.

3. Management experience

Demonstrated commitment for high quality maintenance and operation of large scale projects.

4. Organization and Management Approval

- a. Identification of clear lines of structure and responsibility within the developers organization which the Agency can rely on to be effective and responsible.
- b. Availability of a full-time representative of the developer during development of the project.
- c. Qualifications and experience of key people and entities associated with developer.

5. References

- a. Financial institutions.
- b. Corporate and public.

6. Other relevant information as deemed appropriate by the developer.

EXCLUSIVE RIGHT TO NEGOTIATE

Upon selection by the City Council, acting as the Redevelopment Agency, the developer shall be given an exclusive right to negotiate with the Agency. During this time, the developer would be responsible for the preparation of the preliminary master plan including incorporation of the Central Library's expansion program, cost estimates and financial plan. The specific phases requiring developer participation include items 2b (plan preparation) 2c (plan approval) 2d (pre-development agreement) and 2e (development agreement) and are illustrated in the bar chart in the staff report

At the beginning of the right to negotiate, the developer shall give the Agency \$100,000 as a good faith deposit to ensure timely performance. This money would be returned to the developer, with interest, if the project's planning phase (phase 2a through 2e) noted above are successful and a development agreement is approved or if the project cannot proceed because of action or delays caused by the City/Agency or other governmental entities. The monies would not be returned if the developer did not diligently proceed during the planning phase and consistently did not meet an agreed upon schedule of times and events.

REJECTION OF RFQ'S, RIGHT TO SELECT AND DEVELOPER CONTACT WITH AGENCY

The Agency has the right to reject any and all RFQ's and selection by the Agency shall be final. Upon submission of the RFQ, developers shall not contact the Agency or Commission members. Contact with either group will result in a disqualification.

TIME AND DELIVERY LOCATION OF RFQ'S AND NUMBER OF COPIES

1. The content of the RFQ's should be in the same sequence as requested above under criteria for selection, i.e.
 1. Developer experience
 2. Financial capacity
 3. Management experience
 4. Organization and management approach
 5. References
 6. Other relevant information as deemed appropriate by developer.

2. Developer shall deliver 20 copies of the RFQ with one separate financial statement to the Agency's clerk by 5:00 P.M. September 12, 1986. Any entries stamped later than the above date and time by the clerk shall not be accepted.
3. The RFQ's should be delivered to:

Joan Roberts, Agency Clerk
Sacramento Housing & Redevelopment Agency
630 I Street
Sacramento, CA 95814

FOR FURTHER INFORMATION

Contact Leo T. Goto, Director of Special Projects
(916) 440-1320