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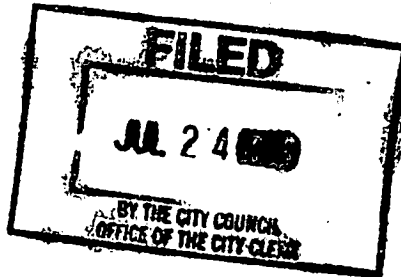
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OFFICE OF THE
CITY MANAGER

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July 18, 1990

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT

**STATUS REPORT CONCERNING THE PRIVATE PROPOSAL TO RELOCATE
THE MERRIUM APARTMENT BUILDING**

SUMMARY

On June 20, 1990 the Merrium Group, a private development partnership, submitted a proposal to relocate the Merrium Apartment building to the Mayor and City Manager. City staff conducted a preliminary evaluation of the proposal and recommended the City Council postpone action on the proposal for thirty (30) days and allow time for additional discussion and coordination between City staff and the Merrium Group partnership. Information provided in this report represents the current status of discussions and coordination.

BACKGROUND

On May 1, 1990, the City Council, by Resolution No. 90-340, directed staff to receive private proposals to relocate and rehabilitate the Merrium Apartment building for housing in the downtown core area. The City Council further directed that all proposals addressing relocation of the Merrium apartment building be submitted by June 15, 1990, forty-five (45) days following adoption of the resolution. Staff was directed to evaluate and present all proposals the City Council on July 3, 1990, sixty (60) days following adoption of the resolution.

On June 20, 1990, Mr. Thomas, representing the Merrium Group, submitted a relocation proposal five (5) days after the filing deadline. Staff completed a preliminary review of the proposal within the remaining time and recommended that the Council postpone action on the proposal for thirty (30) days to allow additional time for further discussions between the Merrium Group and the City staff necessary to clarify the full extent and implications of the proposal.

On July 3, 1990 the City Council granted the time extension until August 14, 1990, and directed staff to return on July 24, 1990 with an interim status report responding to written comments submitted by the Merrium Group. City staff has reviewed the written response submitted by the Merrium Group, and contacted Mr. Thomas to arrange a opportunity to discuss their response and questions still remaining concerning their original proposal. Mr. Thomas requested that City staff provide the Merrium Group with comments, questions and concerns in writing for evaluation before any further discussions are conducted. Staff prepared, and plans to deliver, the requested written documentation to Mr. Thomas on July 19, 1990 and await the opportunity to meet with Mr. Thomas and members of the Merrium Group to discuss the project proposal in detail.

ANALYSIS

The proposal submitted by the Merrium Group and augmented by their response to questions presented in the staff report of July 3, 1990 still does not clearly define the full extent of public funds and liability exposure associated with execution of the building relocation. Key assumptions remain unstated, and there is insufficient technical information to evaluate the relocation methodology and the potential impact this may have on the Merrium Apartment building and adjacent structures.

It is essential that the Merrium Group review the written staff comments included in Appendix A, respond in detail to each item and meet with City staff in coordination meeting(s) over the next two weeks to clarify the full extent of responsibilities and project scope. The information requested is necessary in order for staff, and ultimately the City Council, to arrive at an objective determination of the implications, responsibilities and feasibility of the proposal.

FINANCIAL

It is not possible to determine the full extent of City funds required based on the information supplied by the Merrium Group at this time.

POLICY CONSIDERATIONS

The review and consideration of this proposal is consistent with the Council's intent to consider options to demolition of the Merrium Apartments building.

MBE/WBE

There is no indication that the Merrium Group would qualify as either a minority or women's business enterprise.

RECOMMENDATION

This item is for City Council information, no action is required.

Respectfully submitted,



SOLON WISHAM, JR.
Assistant City Manager

Approved for City Council Information:



WALTER J. SLIPE
City Manager

July 24, 1990
District 1

Attachment: Appendix A

Contact Persons:

Solon Wisham, Jr.
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**MERRIUM APARTMENT RELOCATION
Original Questions, Responses &
Request for Clarification**

GENERAL ISSUES

Question #1 of 9

The proposal does not address the acquisition of the Merrium Apartments building by the private group. Does the Merrium Group propose to purchase the building or request that the City gift it to them?

Response

Proposal assumes City will sell structure to partnership for one dollar. The avoided demolition cost will be a credit against land acquisition.

Staff Comment

Current construction industry cost information indicate demolition for the structure should average between \$2.00-\$2.50/s.f. This would place demolition in the range of \$60,000-\$75,000. Part or all of the demolition cost can be credited against land acquisition provided it is not needed to mitigate site conditions resulting from relocation activities.

Request for Clarification

Before demolition costs can be reallocated for other purposes the City needs a description of the proposed relocation plan. The plan should include the following items as a minimum.

- A. Will the City be required to complete any actions prior to relocation activities such as:
1. Tenant relocation and/or demolition of adjacent structures;
 2. Land acquisition beyond current holdings;
 3. Abandonment, closure and/or utility relocations;
 4. Preparation of environmental impact analysis.
 5. Additional actions necessary to prepare for relocation of building, but not previously specified in the proposal.

(con't)

Question #1 of 9
Page 2

- B. A description of the relocation methodology (i.e. rubber tire dollies, steel roller, etc.). The description should include as a minimum:
1. Site plan showing the proposed relocation route and affected sites.
 2. Description of the physical relocation methodology. The description should explain how the building will be moved and the impact to the site and surrounding structures, such as:
 - a. Excavation, trenching, staging.
 - b. Specific methodology used to protect adjacent buildings during move.
 - c. Impact on operations of adjacent buildings.
 - d. Scheduling restrictions and/or additional costs resulting from inclement weather.
 - e. Restoration of existing site and relocation route to conditions prior to move.
 - f. Extent of building demolition to adjacent site (i.e. does Scofield Building need to be demolished before the building can be moved?
 - g. Description of fiscal responsibility for each item described above.

GENERAL ISSUES

Question #2 of 9

The proposal does not address the acquisition of site to which the Merrium would be relocated. Does the Merrium Group propose to purchase the site or request that the City acquire it and gift it to them?

The proposed site, facing 15th Street, between St. Paul's Church and the Panattoni office building, involves five landowners: The church, the other two condominium suite owners in the Panattoni building, the Naify's and the City. The City owns the alley north of the Panattoni building and the second floor suites of the building and is in the process of acquiring the Naify property.

Moving the Merrium to this location would require acquisition the church parking lot, approximately 3,700 square feet, relocation of the handicap entrance for the church, relocation of the main electrical and phone connections for the church; acquisition of the City's alley; acquisition of a small portion of land currently owned by the Naify's; changes to the parking entrance to the Panattoni building, elimination of the windows on the north side of the Panattoni building; and acquisition of air rights above both the Panattoni building and the church for the cornice of the Merrium which will extend over each of the adjacent properties.

Response

Site acquisition. The proposal assumes a preferred site facing 15th Street between the Panattoni Building and St. Paul's Church. The timing and nature of site acquisition is conditional on the Convention Center expansion and acquisition plan. Proposal assumes city will acquire replacement housing site as staff recommend in report of March 20, 1990.

Request for Clarification

Land acquisition for the proposed site between St. Paul's Episcopal Church and the Panattoni office building, while technically feasible, presents significant logistical complications, including:

- A. Timing in relationship to the environmental impact review. Since the proposed site is beyond the project scope defined in the original Convention Center EIR, this proposal must be addressed in detail in the current Supplemental Investigation Report. However, if you believe this project qualifies for special exemption please specify the basis for your request.

(con't)

Question #2 of 9

Page 2

- B. Consolidation of the parcels will require abandonment of the alley and purchase from the adjacent owners. Explain in detail the responsibility associated cost and scheduling implications.
- C. Given current lot restrictions it will be impossible to prevent the existing cornice overhang from extending over St. Paul's Church and the Panattoni office building. Explain, in detail, how encroachment permits for the cornice overhang will be obtained from adjacent land owners if they object to voluntarily granting this condition to exist.

GENERAL ISSUES

Question #3 of 9

The proposal to relocate the entrance to the first floor parking to the Panattoni building moves it from the alley to 15th Street, a State highway. Cal Trans approval is required. Will Cal Trans agree, and how long will it take the State to respond?

Response

Project Proponents are aware a Cal-Trans encroachment permit is required. This permit is generally ministerial in nature.

Request for Clarification

Explain your understanding of the Cal-Trans approval process and how it will interface with approval of Supplemental Environmental Impact Report, including any special studies potentially required to demonstrate acceptability of requirements on 15th Street.

Explain who will be responsible for obtaining required contract documents, permits and completing necessary construction activities. Indicate when these activity milestones must occur in relationship to the total relocation schedule.

GENERAL ISSUES

Question #4 of 9

How will parking be provided for the tenants of the Merrium?

Response

Parking. The structure currently has no on-site parking and we would preserve the status quo. Low and moderate income tenants have fewer automobiles and one of the urban planning goals the project will implement is to place a greater number of center city residents in a transit dependent lifestyle.

Request for Clarification

Your recommendation is not consistent with current zoning ordinance requirements. Is it your intention to include a separate parking study analysis in the SEIR that justifies your position? What are the scheduling implications of this action?

GENERAL ISSUES

Question #5 of 9

From the information supplied in the proposal, it appears that only the moving companies have been involved with a major structure relocation; how does the experience of the other members of the Merrium Group team relate to this project? (The largest building relocated by the movers was 1,650 tons, a world's record, the Merrium is 3,000 tons).

Response

While the Merrium is heavier than other moved buildings it is structurally in excellent condition in contrast to the 1650 ton unreinforced masonry hotel moved in San Antonio, Texas.

Request for Clarification

Provide the background and experience of each member of the Merrium Group as it relates to renovation and relocation of projects similar in size and scope to the Merrium Apartments.

Describe previous projects where this group has worked together. Provide a description of each project regarding size, scope of work and current status.

GENERAL ISSUES

Question #6 of 9

Who will pay for the liability insurance associated with the relocation and what is the scope of coverage proposed?

Response

Liability insurance is included in current price and insurance coverage will be proved by the relocation contractors.

Request for Clarification

What are the specific types and levels of insurance coverage you plan to provide?

Is there one policy that covers all activities or will multiple policies be used? If multiple policies, explain how you intend to distribute liability.

Do you intend to provide performance bond for the entire execution of the project? What will be the extent of the coverage in duration, deductible, and total value.

What coverage will you provide to protect adjacent landowners?

Have the cost for these policies been incorporated in your total project cost?

GENERAL ISSUES

Question #7 of 9

Will both the Scofield building and the Naify property need to be demolished prior to moving the Merrium? The City does not currently own this property, but is in the process of acquiring it. If the Naify property must be demolished prior to moving the Merrium, this will delay their schedule.

Response

The Merrium schedule will be timed for consistency with other City acquisition efforts.

Request for Clarification

Your response is vague and needs to specifically address the items noted in the original question. Based on your current response it is impossible to determine if your proposal will delay the overall Convention Center project schedule.

Once the additional detail is provided we can more clearly ascertain the full schedule impact and adjustments necessary to assist in expediting completion.

GENERAL ISSUES

Question #8 of 9

Will the two large elm trees on 15th Street, between the church and the Panattoni building need to be removed to accommodate the placement of the Merrium?

Response

It is likely the elm trees will be removed although discussions are continuing on the issue.

Staff Comment

No additional information is necessary at this time. This issue must be evaluated and mitigated during the environmental review process.

GENERAL ISSUES

Question #9 of 9

Will the Merrium Group provide a bond to insure the project will be completed and will compensate the City if delays in relocating the Merrium result in increased construction costs for the Expansion project?

Response

The Bond issue is negotiable. It is the intent of the project proponents to fully secure performance as appropriate.

Request for Clarification

Please clarify your position on this item. Is the scope as described above and associated cost of the Bond described included in your proposal?

The City has no intent of holding your development group responsible for delays in execution of the relocation unless the delays result from schedules supplied by your group, that impose unrealistic or accelerated execution of activities that you have not specifically highlighted and informed the City prior to acceptance of your proposal.

HISTORICAL ISSUES

Question #1 of 2

Would relocating the handicap entrance to St. Paul's Church, as proposed, require approval of the State Office of Historic Preservation? If so, would this delay the project?

Response

It is our understanding that the new handicap entrance will not require approval of SHPO.

Request for Clarification

Until you identify the funding source for the relocation it is impossible to determine if SHPO will be required to approve the modifications you propose. However, St. Paul's Episcopal Church is a significant historic structure and any modification to the church must not adversely impact the original design.

In addition, any modification to the church must be approved by the Design Review and Preservation Board.

HISTORICAL ISSUES

Question #2 of 2

The proposed relocation of the Merrium and the proposed modifications to the church would need to be reviewed by the Design Review and Preservation Board. Does the proposal consider how this impacts their schedule?

Response

The Design review board will be consulted per local ordinance.

Request for Clarification

The Design Review Board only meets twice a month and they have specific criteria that must be submitted for review at least one month prior to any public hearing. Provide a schedule indicating how the associated activities necessary to prepare the documentation for the Design Review Board will impact the overall project schedule.

ENVIRONMENTAL ISSUES

Question #1 of 2

Would the proposed relocation require any environmental review?

The City asked the firm of Nichols-Berman (currently under contract to complete the Supplemental Environmental Impact Report for the Community/Convention Center Expansion) to review this proposal. They concluded that the relocation of the Merrium to the proposed site is an integral part of the Community/Convention Center Expansion project and should be incorporated into the scope of work of the SEIR.

The City could not award a contract based upon the proposal until the SEIR was modified and certified. This is scheduled for December 1990. This would delay the Merrium Group's schedule by three months.

How much will this additional work cost and who will be responsible for the increase?

Response

Considering that the addition of several thousand convention center parking spaces was not an adverse environmental impact we fail to see the logic in the consultant's position.

Request for Clarification

The question posed above is clearly stated in the last sentence of the original question. Does the Merrium Group plan to pay for the additional environmental investigation cost associated with the relocation, as a part of their current proposed cost, or does the Merrium Group expect the City to pay for the cost of the additional study?

ENVIRONMENTAL ISSUES

Question #2 of 2

A special permit is required to place housing in a C-3 zone. Does the proposal anticipate this?

Response.

Special Permit--It is anticipated that a single variance hearing will be required which will include such miscellaneous permits as cornice encroachments, use permits and set back variances.

Request for Clarification

Indicate who is responsible for preparing all necessary documentation and obtaining all approvals.

Indicate where these activities will occur in relationship to your schedule.

LEGAL ISSUES

Question #1 of 5

Can the City require the Panattoni building owners to close their north-facing windows (as would be required by code) because the City allows a building to be placed too close on the neighboring property? Is this a taking requiring compensation beyond the cost of the work itself?

Response

The Panattoni issue is make weight as the City is one of the two affected parties and the variance, if granted, should immunize the city against claims. The development group will discuss the issue with Panattoni tenants.

Request for Clarification

Provide information on previous similar projects that clearly establish the City is immunized against all claims.

Provide comments received from the remaining Panattoni office building owners and St. Paul's Church in response to your recent discussions.

LEGAL ISSUES

Question #2 of 5

If the Merrium Group expects the City to gift the land to which the Merrium is to be moved, and if the property owners do not voluntarily sell their property:

Can the City acquire the church property by eminent domain for the purpose of gifting it to a private sector group?

Can the City acquire the Naify property by eminent domain and subsequently gift a portion of it to a private sector group?

The alley, upon being abandoned as a right-of-way, does not vest in the City the right to use it as the City desires (that is, to gift to the Merrium Group), rather it vests in the abutting neighbors. One-half of the alley would go to each adjoining property and, thus, would need to be acquired. If the owners do not sell voluntarily, may the City condemn for the purpose of gifting it to the Merrium Group?

Air rights over the church and the Panattoni would need to be acquired for the Merrium cornice overhang. Can air rights be obtained by eminent domain if the owners are unwilling to sell?

Response

Eminent Domain issues should be discussed in the context of the convention center expansion. Additional Legal research can be conducted in the 90 day contract negotiation period. This procedure is necessary to protect the integrity of any site acquisition efforts.

Staff Comment

The use of Eminent Domain is clearly different when addressing the Merrium Apartment (a private venture) verses the Convention Center expansion (a public use facility). Specific responses to the questions listed above are necessary to disclose the potential liability and anticipated exposure.

LEGAL ISSUES

Question #3 of 5

Can the Panattoni building condominium owners successfully object to the City abandoning the alley?

Response

This issue is speculative and should be deferred until discussions with the building owners begin.

Staff Comments

Since an objection by the existing owners could impede progress with the relocation and ultimately completion of the Convention Center it is imperative the Merrium Group meet with the owners and report their findings to the City Council before any action is taken.

LEGAL ISSUES

Question #4 of 5

What is the legal nature of the Merrium Group partnership?

Response

NONE

Staff Comment

Please respond in detail by describing the basic structure, administrative and financial responsibilities of the partnership.

LEGAL ISSUES

Question #5 of 5

Who is liable for incidents arising out of the Merrium Groups' efforts to relocate the building? How can the City insulate itself from damages caused by the Merrium Group?

Response

Insurance issues can be discussed during the contract negotiations. The partnership will be fully insured to industry standards.

Request for Clarification

Define your interpretation of "Industry Standards". Exactly how much protection are you planning to provide the City? How will this protection be provided and under what conditions and limitations?

FINANCIAL ISSUES

Question #1 of 6

Table 1, "Comparative Cost Summary", on page 4 of the proposal presents an invalid comparison between the proposed relocation project and a replacement housing project. The cost for land acquisition is omitted from the relocation project column. The City has not proposed to construct and own replacement housing, rather the City would subsidize the private construction of low income housing. According to the Sacramento Housing and Redevelopment Agency, the required subsidy would be in the range of \$20 - 35,000 per unit.

Response

The staff have made a number of valid comments regarding the financial pro forma submitted as a part of the proposal. We have attempted to correct the deficiencies noted and will here respond to each comment.

1. We believe that the "Comparative Cost Summary" presents a valid comparison between the moving and the replacement cost of new housing. However, even using the SHRA estimate of subsidy required at \$35,000 per unit, the Merrium group is only requesting slightly more than the \$1,435,000 estimate of SHRA. We believe that this estimate is higher for downtown housing and thus justifies the \$1.5 million requested for the preservation of the Merrium.
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-

Request for Clarification

The response provided does not address the basic question of validity in the "Comparative Cost Summary" by omission of the land acquisition cost for the relocation analysis. Explain why land acquisition cost for the relocation site should not be considered a cost to the project.

FINANCIAL ISSUES

Question #2a of 6

The following relate to the Pro Forma analysis on page 8 of the proposal:

There are 24 studios and 17 one-bedroom units in the Merrium. The proposal assumes 17 studios and 24 one-bedroom units. Is this an error or do they plan to a new configuration of the interior?

Response

The staff have correctly pointed out that there are 24 studios and 17 one-bedroom apartments in the building. We are not proposing to modify this configuration, and we have adjusted the pro forma accordingly.

Request for Clarification

NONE

FINANCIAL ISSUES

Question #2b of 6

The following relate to the Pro Forma analysis on page 8 of the proposal:

What market data was used to substantiate the proposed rents; how do they compare to other apartments in the downtown area?

Response

The rents included in the proforma are those allowed under the low-income housing tax credit program for Sacramento County. It is difficult to compare the rents with other projects because these rents include all utilities. One-bedroom rents in the central city average \$375 per month. When utilities are added to this number, it is very close to the \$450 rent we anticipate. It should also be remembered that these are not current rents, we do not expect to have the building open until 1992.

Staff Comments

While the source of rental rate information utilized by the Merrium Group may serve as an adequate indicator for its intended purpose it clearly is not intended to serve as a site specific market evaluation. Provide a market comparison of the Merrium Apartments with similar facilities around the Capitol Park area that specifically addresses rental rates base on equivalent amenities, size parking restrictions and utility cost.

FINANCIAL ISSUES

Question #2c of 6

The following relate to the Pro Forma analysis on page 8 of the proposal.

The cost of site acquisition is omitted. How will this impact the analysis?

Response

We believe that the savings to the city in not paying for the demolition of the Merrium, the toxic removal and the demolition of the existing basement more than compensates the City for the building and the new site.

Staff Comments

The applicant has identified three sources of cost savings to the City if the Merrium Apartments are relocated.

1. Toxic removal cost
2. Demolition cost
3. Basement Demolition

As current legal owners of the structure the City is responsible to insure the toxic materials are removed and disposed to insure public safety. Since the current proposal does not state that the Merrium Group will assume responsibility for toxic removal it is unreasonable to assume this will be a cost savings to the City.

The remaining two items address demolition cost that Turner Construction projects will cost \$2.00-\$2.50/s.f. This equates to approximately \$60,000-\$75,000 (including basement demolition). This is clearly a savings to the City but significantly less than the projected land acquisition cost.

FINANCIAL ISSUES

Question #2d of 6

The following relate to the Pro Forma analysis on page 8 of the proposal:

The proposal assumes a 10% commercial rate loan, although a favorable rate in today's market would be 10.5 percent. This reduces the amount the Merrium Group could borrow, thereby increasing the requested loan from the City. Which lenders were contacted?

Response

We have estimated a loan of 10% interest, and we recognize that this is an advantageous rate. We intend to approach local lenders to consider this project under the new community reinvestment requirements of the Financial Institutions Relief Act. We have not contacted any lenders to date but will be approaching local savings and loans and the Savings Association Mortgage Company.

Request for Clarification

A significant portion of the projects financial feasibility resides with this assumption. It is essential that the City be provided with information that indicates the 10% loan rate is available and will reasonably be available in the near future. If the 10% loan rate is not available will the Merrium Group expect the City to pay the difference. If so, how much additional exposure will the City be expected to assume.

FINANCIAL ISSUES

Question #2e of 6

The following relate to the Pro Forma analysis on page 8 of the proposal:

A 25% vacancy factor should be used in the first year, with 5% used thereafter. Lenders will not allow an assumption that all units will be rented from the first day of operation. How will this change the analysis?

Response

We have elected to capitalize the vacancy during rent-up. We have added a \$40,000 line item to the development budget to cover this expense.

FINANCIAL ISSUES

Question #2f of 6

The following relate to the Pro Forma analysis on page 8 of the proposal:

The form of the developers equity is not identified. Is the Merrium Group's equity in the form of in-kind services? This minimized their financial exposure resulting in an almost fully leveraged project.

Response

The fees being charged by the consultants and contractors for a project of this scope. All consultants will be paid the fees shown in the pro forma, and if they choose to invest this fee, it is their business.

Request for Clarification

What form of developers equity do you intend to use for this project? The City is assuming a very high level of equity exposure on this project, it is reasonable that the developer should disclose this information.

FINANCIAL ISSUES

Question #2g of 6

The following relate to the Pro Forma analysis on page 8 of the proposal:

Is the interest and principal on the \$400,000 loan from the City deferred or forgiven? If it is forgiven, the opportunity cost to the City (the income that the City would accrue from investing the funds) would be over \$160,000. This should be included within the City's costs.

Response

We are requesting that the interest on the \$400,000 loan be forgiven during the first five years of the project. We will begin paying 7% interest in the sixth year and request an amortized loan of 30 years.

Request for Clarification

The proposal should clearly document the \$160,000 as an additional cost to the City. This cost would not exist in a typical replacement housing scenario.

FINANCIAL ISSUES

Question #2h of 6

The following relate to the Pro Forma analysis on page 8 of the proposal:

When will the Merrium Group need the City's funds? A construction fund cash flow should be provided. Can a conventional loan be secured before the Merrium has been relocated?

Response

We want to draw against the city's funds as we incur hard costs for the project. City funding is requested for construction of the new foundation and the moving of the Merrium to the new site.

Request for Clarification

You have discussed draws for the foundation and physical move, but several other areas remain in your proposal that are undeclared. Given your projected schedule identify when funding will be necessary from the City and in what amount. This information is necessary to determine what method the City will implement to control funding for this project.

FINANCIAL ISSUE

Question #3 of 6

The following relate to the Income and Expense Analysis from page 9 of the proposal:

- the rental income on this exhibit does not match the rental income from the pro forma on page 8. Why is this different?
- the other income does not match the other income from the pro forma on page 8. \$9,600 for other income seems unrealistically high. Why is this different? What is the source of the other income?
- several of the expense items are considerably lower than the City, or the previous owner, has experienced in the operation of the Merrium.

<u>Item</u>	<u>Merrium Group Estimate</u>	<u>City Experience</u>
Management Salary	\$500 per month	\$ 900 monthly
Management Rent	378 for studio	448 1 bd rm
Electricity	810	1,000
Gas	750	780
Water	180	219
Sewer/storm/reg. san.	422	625
Payroll, W/C, health	360	378

These corrections add \$950 per month, or \$11,400 annually. This substantially changes the income/loss cash flow for the proposal. What were the assumptions and sources of information for their expenses?

Response

Income and Expense

The rental income on this page now conforms with the new projection for income.

Other income was also misrepresented on this page.

The normal cost for management services is 6%, and we have allocated just slightly more than this level. The cost of an on-site manager is \$20 per unit, which would be \$800 including apartment rent per month. We have allocate this amount. The city may have experienced a higher fee due to the fact that it was

(con't)

Question #3 of 6

Page 2

dislocating all of the tenants during its tenure as manager. The balance of the numbers in our pro forma were developed from the operating costs experienced by Hank Fisher while he managed the building.

In reviewing the costs, we noted that the maintenance costs experienced by Fisher were much greater than will be experienced after the move. We are planning to upgrade the elevator, replace most of the windows, replace most plumbing fixtures, and paint the interior. These capital improvements will save \$10,100 in annual maintenance expenses.

FINANCIAL ISSUES

Question #4 of 6

The following relate to the cash flow projection on page 11 of the proposal:

- an income growth of 3% per year seems realistic. What assumptions and sources of information were used in determining only 2% growth in expenses? SMUD, PG&E, and City utilities have all been growing at substantially faster rates. At a minimum, expenses should be projected to grow at the rate of inflation, about 4% per year.
- why does the cash flow omits the repayment of the \$400,000 loan from the City beginning in year 6 (about \$32,000 annually if the first five years are forgiven, or about \$45,000 if it is capitalized)? How does this change the profit/loss scenario?

Response

Cash Flow Projections

We have revised the cash flow projections per the staff suggestions.

FINANCIAL ISSUES

Question #5a of 6

The following relate to the Cost Analysis presented on page 10 of the proposal:

Why was the cost of acquiring the Merrium omitted?

Response

As stated earlier, we have omitted both the cost of acquiring the Merrium and the cost of acquiring the site because we believe that the savings to the city by avoiding the demolition costs more than offset these costs.

Staff Comment

There is no question that the original acquisition cost of the Merrium is outside the cost of this proposal; However, the acquisition cost for a relocation site is far in excess of the anticipated demolition cost.

FINANCIAL ISSUES

Question #5b of 6

The following relate to the Cost Analysis presented on page 10 of the proposal:

Why was the cost for the loss of parking spaces to the Panattoni building omitted?

Response

We do not believe that it has been determined that the Panattoni building will lose parking spaces.

Staff Comments

The parking issue has been discussed with M. Wayne Donaldson, the Project Architect, and there appears to still be disagreement concerning this issue.

In order to clarify this issue you need to prepare a drawing of the revised parking layout indicating how you avoid removal of existing trees and still retain the existing parking stall count.

In lieu of this you may incorporate a mutually acceptable cost for loss of parking stalls in the Panattoni Office Building.

FINANCIAL ISSUES

Question #5c of 6

The following relate to the Cost Analysis presented on page 10 of the proposal:

Are the costs presented in 1990 dollars or have they been escalated to match the proposed schedule?

Response

All of the costs assume that the work will not begin until 1991.

FINANCIAL ISSUES

Question #5d of 6

The following relate to the Cost Analysis presented on page 10 of the proposal:

Where is the detail to support any of the cost estimates?

Response

The estimated rehab costs were developed by M. Wayne Donaldson and Rural California Housing Corp. Each of these organizations have extensive experience in the rehabilitation of property. The detail was not submitted with the proposal due to the short timeline for submission.

Request for Clarification

The request still stands. Where is the detail to support the estimates?

FINANCIAL ISSUES

Question #5e of 6

The following relate to the Cost Analysis presented on page 10 of the proposal:

Where are the project contingencies and how much has been allowed?

Response

There is a 10% contingency in the Rehab Cost Estimate. There is a contingency factor built into the moving cost. The closing and miscellaneous line item provides a contingency for the development costs. As a result of staff comments, we are requesting \$66,300 in supplemental financing over and above the budget.

Request for Clarification

Provide the detailed cost estimates for the rehabilitation cost and the moving cost.

You state that you are requesting \$66,300 in supplemental financing. What is the source of your supplemental financing? Where is this indicated in your pro forma?

FINANCIAL ISSUES

Question #5f of 6

The following relate to the Cost Analysis presented on page 10 of the proposal:

How was the estimate for the construction of a temporary road base determined? \$15,000 seems far too low to accomplish this task (construction of approximately a 300' by 100' road bed capable of withstanding the 3,000 ton load).

Response

The bid for the temporary road base was supplied by the moving contractor.

Request for Clarification

Provide estimate and assumptions used in developing construction cost for temporary road base.

FINANCIAL ISSUES

Question #5g of 6

The following relate to the Cost Analysis presented on page 10 of the proposal:

Where is the cost to relocate the 6" water utility in the alley? (the Expansion project will require only the relocation of sewer and electrical utilities from the alley).

Response

We are unaware of the six-inch water line in the alley.

Request for Clarification

The six-inch water line and other utilities are clearly indicated on the civil engineering plan provided to M. Wayne Donaldson on May 11, 1990.

Indicate what impact this information will have on your projected cost.

FINANCIAL ISSUES

Question #5h of 6

The following relate to the Cost Analysis presented on page 10 of the proposal:

Where is the cost to replace the sidewalk on 15th street?

Response

NONE

Request for Clarification

Please respond in detail.

FINANCIAL ISSUES

Question #5i of 6

The following relate to the Cost Analysis presented on page 10 of the proposal:

How much of the overhead and profit (\$38,350), the developer's fee (\$120,000), the construction supervision (\$60,000), and the architectural and engineering (\$170,000) are expenses to be paid to others, in-kind contributions, or cash to the members of the Merrium Group?

Response

NONE

Request for Clarification

Please respond in detail.

FINANCIAL ISSUES

Question #5j of 6

The following relate to the Cost Analysis presented on page 10 of the proposal:

Where are the costs for soils and other testing?

Response

All costs for soils and other testing are included in the Architect and Engineering line item.

Request for Clarification

Does this include testing during the construction phase to verify compliance and performance of work by the contractor? Explain where this cost is covered.

FINANCIAL ISSUES

Question #5k of 6

The following relate to the Cost Analysis presented on page 10 of the proposal:

What costs are included for protection of the church (the proposal would involve driving piles within 8 feet of the church)?

Response

The proposed foundation would not require protection of the church.

Request for Clarification

While pile driving may be far enough away from the church's foundation to reduce the demand for extensive foundation protection the remainder of the church still requires some level of protection and monitoring during the construction phase of the project. Since relocation will need to occur before the City can bid construction for the Convention Center, the City will not have a monitoring system in place during your relocation efforts. How do you plan to resolve this issue? Is your solution acceptable to the church? What items do you intend to monitor and who is responsible for this task? Who will pay for this service?

FINANCIAL ISSUES

Question #51 of 6

The following relate to the Cost Analysis presented on page 10 of the proposal:

The rehabilitation costs refer to "elevator", although there are two elevators in the building. Is this a grammatical error or an oversight?

Response

We were unaware of the second elevator, and we do not think that it will be required for the project.

Staff Comment

The second elevator is located at the rear of the building and is designed to handle service equipment and furniture during move-in and relocation of tenants. Elimination of this elevator would require tenants to use the passenger elevator for service and utility purposes and would significantly increase maintenance and repair costs.

FINANCIAL ISSUES

Question #6 of 6

Who will be responsible for cost over-runs, income deficits and new costs not anticipated in the Merrium Group's proposal?

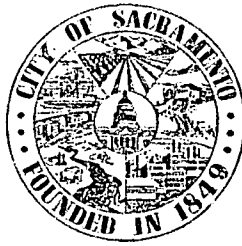
Response

Cost over-runs

The Merrium rroup will be responsible for cost overruns. We are asking the city for a specific commitment, and we are confident that we can handle the balance of the financing.

Request for Clarification

Explain exactly how the Merrium Group will address cost over-runs. What assets are available to guarantee the City will not assume this potential liability through default. Your response must address all phases of the project from design through the first ten years of operation.



3.12
8.3

OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 101
915 I STREET
SACRAMENTO, CA
95814-2684

July 3, 1990

City Council
Sacramento, California

CONTINUED
FROM 7-2-90
TO 7-24-90
8-14-90

916-449-5704
FAX 916-449-8618

Honorable Members in Session:

SUBJECT

**Status Report on the Private Proposal to Relocate the Merrium
Apartments Building**

SUMMARY

On June 20, 1990, a private proposal to relocate the Merrium Apartments building was submitted to the Mayor and to the City Manager. At this time staff is requesting that the City Council postpone consideration of this item for thirty days as a result of the delay in receiving the proposal and the many questions raised by the proposal. The additional time will allow staff an opportunity to complete a more thorough review for a final recommendation to the City Council.

BACKGROUND

On October 25, 1988, the City Council approved the East Alternative for the Community/Convention Center Expansion project. This alternative requires that several properties be acquired and removed in order to complete the expansion of the Center. The Merrium Apartments building, located at 1017 14th Street, was acquired by the City and is one of the structures which must be removed.

The Council has considered the feasibility of relocating the Merrium Apartments building on several occasions. City staff has employed several expert consultants in evaluating the potential of moving the structure. In each instance it has been concluded that although it is technically possible to move the building, it is financially and programmatically infeasible to relocate the building either on-site or off-site.

On May 1, 1990, the Council, by Resolution No. 90-340, directed staff to receive private proposals to relocate and rehabilitate the Merrium Apartments building for housing in the downtown core area. Such proposals were to be submitted by June 15, 1990, 45

days after the adoption of the resolution. Staff was further directed to evaluate and present such proposals to the City Council by July 3, 1990, 60 days after adoption of the resolution.

Only one group has expressed an active intent to propose relocating the structure, the Merrium Group. This group is led by Hal Thomas and M. Wayne Donaldson. Over the past six weeks they have requested considerable information from staff regarding the Merrium Apartments building. Staff cooperated by providing all materials which were available in a timely manner (see Appendix B). In addition, staff met with Mr. Thomas and three members of the Council on June 1, 1990.

Mr. Thomas delivered one copy of his proposal to relocate the Merrium Apartments building to the Mayor and to the City Manager on June 20, 1990, 5 days after the Council deadline. Copies of the proposal were made and distributed to members of the Council and to several key City departments and consultants.

ANALYSIS

The proposal submitted by the Merrium Group would require a substantial contribution of public funds. The extent of the contribution cannot be fully determined from the information presented in the proposal. Generally, the proposal raises many new questions that make a thorough and objective review very difficult. Key assumptions have been left unstated, there is no technical information supporting the proposal, and there are obvious errors in the pro forma. Clarification of these areas may or may not reveal a valid proposal.

With the limited time and information available, staff has developed a list of issues associated with the proposal which is included as Appendix A. A fully detailed response to each is necessary in order for staff, and ultimately the City Council, to arrive at an objective determination of the feasibility of the proposal.

FINANCIAL

It is not possible to determine the full extent of City funds required from the information supplied in the proposal. A summary of the stated and possible costs are outlined in Appendix A.

The budget for the Community/Convention Center Expansion project includes funds for causing the construction of replacement housing. A total of \$1.2 million has been included in the project budget for this purpose. An additional \$300,000 could be used from the land acquisition contingency, for a total of \$1.5 million. Commitments beyond this would require reductions in other areas of the Expansion project.

POLICY CONSIDERATIONS

The review and consideration of this proposal is consistent with the Council's intent to consider options to demolition of the Merrium Apartments building.

The proposal to relocate the Merrium Apartments building requests that the Council grant conceptual approval and enter into contract discussions. The City Charter requires contracts in excess of \$25,000 to be competitively bid. Council may, however, waive competitive bidding when it is deemed to be in the best interests of the City.

MBE/WBE

There is no indication that the Merrium Group would qualify as either a minority or women's business enterprise.

RECOMMENDATION

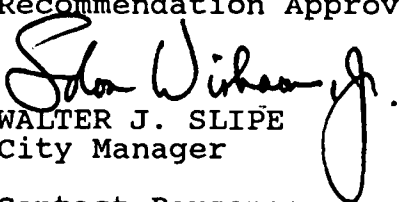
This item is for information only, no City Council action is required. It is recommended that due to the delay by the Merrium Group in submitting their proposal and the many issues identified by staff in this report, that the Council defer consideration of this proposal and require staff to report back in 30 days with a specific recommendation.

Respectively submitted,


KEITH T. KRAMER
Senior Management Analyst


SOLON WISHAM, JR.
Assistant City Manager

Recommendation Approved:


Per: WALTER J. SLIPE
City Manager

July 3, 1990
District 1

Contact Persons:
Keith T. Kramer
449-5845

Solon Wisham, Jr.
449-5704

APPENDIX A

General Issues

1. The proposal does not address the acquisition of the Merrium Apartments building by the private group. Does the Merrium Group propose to purchase the building or request that the City gift it to them?
2. The proposal does not address the acquisition of site to which the Merrium would be relocated. Does the Merrium Group propose to purchase the site or request that the City acquire it and gift it to them?

The proposed site, facing 15th Street, between St. Paul's Church and the Panattoni office building, involves five landowners: the church, the other two condominium suite owners in the Panattoni building, the Naify's and the City. The City owns the alley north of the Panattoni building and the second floor suites of the building and is in the process of acquiring the Naify property.

Moving the Merrium to this location would require acquisition the church parking lot, approximately 3,700 square feet, relocation of the handicap entrance for the church, relocation of the main electrical and phone connections for the church; acquisition of the City's alley; acquisition of a small portion of land currently owned by the Naify's; changes to the parking entrance to the Panattoni building, elimination of the windows on the north side of the Panattoni building; and acquisition of air rights above both the Panattoni building and the church for the cornice of the Merrium which will extend over each of the adjacent properties.

3. The proposal to relocate the entrance to the first floor parking to the Panattoni building moves it from the alley to 15th Street, a State highway. Cal Trans approval is required. Will Cal Trans agree, and how long will it take the State to respond?
4. How will parking be provided for the tenants of the Merrium?
5. From the information supplied in the proposal, it appears that only the moving companies have been involved with a major structure relocation; how does the experience of the other members of the Merrium Group team relate to this project? [The largest building relocated by the movers was 1,650 tons, a world's record, the Merrium is 3,000 tons]
6. Who will pay for the liability insurance associated with the relocation and what is the scope of coverage proposed?

7. Will both the Scofield building and the Naify property need to be demolished prior to moving the Merrium? The City does not currently own this property, but is in the process of acquiring it. If the Naify property must be demolished prior to moving the Merrium, this will delay their schedule.
8. Will the two large elm trees on 15th Street between the church and the Panattoni building would need to be removed to accommodate the placement of the Merrium?
9. Will the Merrium Group provide a bond to insure the project will be completed and will compensate the City if delays in relocating the Merrium result in increased construction costs for the Expansion project?

Historical Issues

1. Would relocating the handicap entrance to St. Paul's Church, as proposed, require approval of the State Office of Historic Preservation? If so, would this delay the project?
2. The proposed relocation of the Merrium and the proposed modifications to the church would need to be reviewed by the Design Review and Preservation Board. Does the proposal consider how this impacts their schedule?

Environmental Issues

1. Would the proposed relocation require any environmental review?

The City asked the firm of Nichols-Berman (currently under contract to complete the Supplemental Environmental Impact Report for the Community/Convention Center Expansion) to review the proposal. They concluded that the relocation of the Merrium to the proposed site is an integral part of the Community/Convention Center Expansion project and should be incorporated into the scope of work of the SEIR.

The City could not award a contract based upon the proposal until the SEIR was modified and certified. This is scheduled for December 1990. This would delay the Merrium Group's schedule by three months.

How much will this additional work cost and who will be responsible for the increase?

2. A special permit is required to place housing in a C-3 zone. Does the proposal anticipate this?

Legal Issues

1. Can the City require the Panattoni building owners to close

their north-facing windows (as would be required by code) because the City allows a building to be placed too close on the neighboring property? Is this a taking requiring compensation beyond the cost of the work itself?

2. If the Merrium Group expects the City to gift the land to which the Merrium is to be moved, and if the property owners do not voluntarily sell their property:

Can the City acquire the church property by eminent domain for the purpose of gifting it to a private sector group?

Can the City acquire the Naify property by eminent domain and subsequently gift a portion of it to a private sector group?

The alley, upon being abandoned as a right-of-way, does not vest in the City the right to use it as the City desires (that is, to gift to the Merrium Group), rather it vests in the abutting neighbors. One-half of the alley would go to each adjoining property and, thus, would need to be acquired. If the owners do not sell voluntarily, may the City condemn for the purpose of gifting it to the Merrium Group?

Air rights over the church and the Panattoni would need to be acquired for the Merrium cornice overhang. Can air rights be obtained by eminent domain if the owners are unwilling to sell?

3. Can the Panattoni building condominium owners successfully object to the City abandoning the alley?
4. What is the legal nature of the Merrium Group partnership?
5. Who is liable for incidents arising out of the Merrium Groups' efforts to relocate the building? How can the City insulate itself from damages caused by the Merrium Group?

Financial Issues

1. Table 1, "Comparative Cost Summary", on page 4 of the proposal presents an invalid comparison between the proposed relocation project and a replacement housing project. The cost for land acquisition is omitted from the relocation project column. The City has not proposed to construct and own replacement housing, rather the City would subsidize the private construction of low income housing. According to the Sacramento Housing and Redevelopment Agency, the required subsidy would be in the range of \$20 - 35,000 per unit.
2. The following relate to the Pro Forma analysis on page 8 of the proposal:

- there are 24 studios and 17 one-bedroom units in the Merrium. The proposal assumes 17 studios and 24 one-bedroom units. Is this an error or do they plan to a new configuration of the interior?
 - what market data was used to substantiate the proposed rents; how do they compare to other apartments in the downtown area?
 - the cost of site acquisition is omitted. How will this impact the analysis?
 - the proposal assumes a 10% commercial rate loan, although a favorable rate in today's market would be 10.5 percent. This reduces the amount the Merrium Group could borrow, thereby increasing the requested loan from the City. Which lenders were contacted?
 - a 25% vacancy factor should be used in the first year, with 5% used thereafter. Lenders will not allow an assumption that all units will be rented from the first day of operation. How will this change the analysis?
 - the form of the developers equity is not identified. Is the Merrium Group's equity in the form of in-kind services? This minimizes their financial exposure resulting in an almost fully leveraged project.
 - is the interest and principal on the \$400,000 loan from the City deferred or forgiven? If it is forgiven, the opportunity cost to the City (the income that the City would accrue from investing the funds) would be over \$160,000. This should be included within the City's costs.
 - when will the Merrium Group need the City's funds? A construction fund cash flow should be provided. Can a conventional loan be secured before the Merrium has been relocated?
3. The following relate to the Income and Expense Analysis from page 9 of the proposal:
- the rental income on this exhibit does not match the rental income from the pro forma on page 8. Why is this different?
 - the other income does not match the other income from the pro forma on page 8. \$9,600 for other income seems unrealistically high. Why is this different? What is the source of the other income?

- Several of the expense items are considerably lower than the City, or the previous owner, has experienced in the operation of the Merrium.

<u>Item</u>	<u>Merrium Group Estimate</u>	<u>City Experience</u>
Management Salary	\$500 per month	\$ 900 monthly
Management Rent	378 for studio	448 1 bd rm
Electricity	810	1,000
Gas	750	780
Water	180	219
Sewer/storm/reg. san.	422	625
Payroll, W/C, health	360	378

These corrections add \$950 per month, or \$11,400 annually. This substantially changes the income/loss cash flow for the proposal. What were the assumptions and sources of information for their expenses?

4. The following relate to the cash flow projection on page 11 of the proposal:
 - an income growth of 3% per year seems realistic. What assumptions and sources of information were used in determining only 2% growth in expenses? SMUD, PG & E, and City utilities have all been growing at substantially faster rates. At a minimum, expenses should be projected to grow at the rate of inflation, about 4% per year.
 - why does the cash flow omits the repayment of the \$400,000 loan from the City beginning in year 6 (about \$32,000 annually if the first five years are forgiven, or about \$45,000 if it is capitalized)? How does this change the profit/loss scenario?
5. The following relate to the Cost Analysis presented on page 10 of the proposal:
 - why was the cost of site acquisition omitted?
 - why was the cost of acquiring the Merrium omitted?
 - why was the cost for the loss of parking spaces to the Panattoni building omitted?
 - are the costs presented in 1990 dollars or have they been escalated to match the proposed schedule?
 - where is the detail to support any of the cost estimates?
 - where are the project contingencies and how much has been allowed?
 - how was the estimate for the construction of a temporary

road base determined? \$15,000 seems far too low to accomplish this task (construction of approximately a 300' by 100' road bed capable of withstanding the 3,000 ton load).

- where is the cost to relocate the 6" water utility in the alley? (the Expansion project will require only the relocation of sewer and electrical utilities from the alley).
 - where is the cost to replace the sidewalk on 15th Street?
 - how much of the overhead and profit (\$38,350), the developer's fee (\$120,000), the construction supervision (\$60,000), and the architectural and engineering (\$170,000) are expenses to be paid to others, in-kind contributions, or cash to the members of the Merrium Group?
 - where are the costs for soils and other testing?
 - what costs are included for protection of the church (the proposal would involve driving piles within 8 feet of the church)?
 - the rehabilitation costs refer to "elevator", although there are two elevators in the building. Is this a grammatical error or an oversight?
6. Who will be responsible for cost over-runs, income deficits and new costs not anticipated in the Merrium Group's proposal?

Architectural and Construction Issues

1. What is the extent of rehabilitation of the dwelling units?
2. The structural system proposed (pages 15 and 23) to transfer the Merrium and to support it in the proposed new location is unclear. Are there drawings, calculations, etc, describing this system?
3. The fire protection system (page 16) must be extended into the living units and smoke detectors must be installed in each unit. Does the proposal include this requirement?
4. A distance of 39 inches is not sufficient to allow access by fire equipment or egress by tenants (page 16). A fire escape system would be required on the south side of the building to allow emergency egress by the tenants. Would the State Historical Building Code allow a fire escape?

5. The Fire Department requires access from two sides. Is there sufficient access from the rear of the Merrium?
6. The proposed rear exit passage from the Merrium onto 15th Street by going through the Panattoni is not acceptable to the Fire Department. An exit to J Street behind the church is possible, but would require an easement from the City.
7. The church currently has a handicap ramp in compliance with State requirements at 1:15. The proposed replacement, at a 1:9 ratio, is considerably more steep. Will additional approval from the Handicap Access Appeals Board be required? Will the new ramp encroach onto the public sidewalk? A drawing should be provided.
8. Is there a drawing for the proposed new entrance and parking layout for the Panattoni building?
9. Has the Merrium Group discussed any of the modifications they propose to the Panattoni building or the church with the property owners?
10. Who will be responsible for the design work, permits, owner approvals and construction at the church?
11. What are the specific historic preservation plans and costs?

Scheduling Issues

1. Environmental review requirements, acquisition of the Naify property, acquisition of the proposed new site parcels, approvals by Cal Trans, the State Office of Historic Preservation, the Handicap Access Appeals Board, and the Design Review and Preservation Board, were not included in the Merrium Group's schedule. How will these elements impact the proposed schedule and, in turn, how will it impact the Expansion project schedule? How will these delays impact their cost estimates?

Each month of delay in the Expansion project construction schedule adds \$150,000 to the project's costs.

The issues identified above were compiled following only five days of review and, therefore, may not represent all of the issues which the City should raise. As more information is provided there will, no doubt, be additional questions.

Possible City Costs

A summary of the stated and possible costs are outlined below:

City cash grant	\$1,475,700
City loan (may be greater based upon modifying the pro forma)	400,000 to ??
Opportunity loss on forgiven payments on loan	160,000
Site acquisition:	
church property	600,000
portion of Naify property	113,300
impacts on Panattoni building	??
air rights to church and Panattoni	??
Delay in Expansion project	\$1,000,000 to 1,500,000

The actual cost of the proposal to the City may be substantially more or less depending upon the unstated assumptions used by the Merrium Group.

APPENDIX B

1. Letter from M. Wayne Donaldson requesting information on the Merrium Apartments.
2. Letters from City of Sacramento transmitting requested information to Mr. Donaldson.

MILFORD WAYNE DONALDSON
ARCHITECT



May 1, 1990

846 FIFTH AVENUE SUITE 300
SAN DIEGO CALIFORNIA 92101
HISTORIC GASLAMP QUARTER

CITY OF SACRAMENTO
DEPT. OF GENERAL SERVICES
5730-24th Street, Bldg. One
Sacramento, CA 95822-3699

Attention: Mr. Duane J. Wray, Facilities Manager

Subject: Merrium Apartments
Request for Information

Dear Mr. Wray:

Yesterday I spoke with Mr. Hal Thomas regarding additional information I need for our analysis. Please review the following list and, if possible, please supply the items by the date indicated:

<u>Item Requested</u>	<u>Date to be Received</u>
1. "Report Back on the Feasibility..." Budget and Finance and Community Development Committees, dated March 20, 1990.	May 7, 1990
2. Existing soil tests conducted for the site. In particularly, the proposed siting between the Panattoni Office and St. Paul's Episcopal Church.	May 14, 1990
3. Floor plans, sections and structural drawings of the proposed convention center as they pertain the proposed site and along the west side of the Church (See diagram).	May 14, 1990
4. Plans of utility lines, underground utility services within the site, in particularly the alleyway easement.	May 21, 1990
5. All existing drawings, including the structural Calculations of the Panattoni Office Building.	May 14, 1990

MILFORD WAYNE DONALDSON
ARCHITECT

Mr. Duane J. Wray
MERRIUM APARTMENTS
May 1, 1990
Page 2



6. Existing drawings, recent improvement drawings and permit applications of the Merrium Apartments. Also include any recent code violations including fire, health or asbestos abatement compliance. May 14, 1990
7. Existing exterior photographs of the Merrium Apartments, Panattoni Building and the Church including all views. May 21, 1990
8. Structural calculations relating to the Relocation Study dated March 3, 1990 by Cole/Yee/Schubert CYS Job No. 88271-002. May 14, 1990
9. Cost estimate by N.D. Montgomery, the proposed building movers. May 16, 1990
10. A more detailed cost estimate by Spencer, White & Prentis regarding their \$1,420,550 lump sum costs as noted in a report dated December 19, 1989. May 16, 1990
11. Geotechnical reports used as the basis for the opinions summarized by Wallace/Kuhl and Associates dated March 2, 1990. May 14, 1990
12. Any plans or additional field notes generated by H & B Management used as a basis for their cost estimate in a letter dated December 20, 1989 and a report dated December 15, 1989. May 16, 1990
13. Any additional field notes, conference notes or memorandum regarding meetings between the Sacramento Building Inspection Division and the Fire Marshal with Favro, McLaughlin & Associates. At present, we have copies of a March 5, 1990 letter from FMA to Turner Construction; a Merrium Apt. Inspection Report dated December 21, 1989; and a Memo of a meeting dated February 23, 1990 from P. McLaughlin to T. Sullivan, City of Sacramento. May 16, 1990

MILFORD WAYNE DONALDSON
ARCHITECT

Mr. Duane J. Wray
MERRIUM APARTMENTS
May 1, 1990
Page 3



14. All work-up sheets to arrive at the cost estimate for Option 1 - Relocate the Merrium Building between the Panattoni Building and the Church. A cost summary sheet dated March 13, 1990, along with a cost estimate "Relocation as a Historical Apartment Building" for \$4,138,600 have been reviewed. May 16, 1990
15. Valuation of the proposed site as now owned by the Church as substantiated by a bonafide report. May 16, 1990
16. Current real estate valuation of the Merrium Apartments and property tax assessment. May 16, 1990
17. Operating costs, insurance, proposed rental income, utilities and maintenance management costs of the Merrium Apartments. May 18, 1990
18. Sources of possible funds that the City of Sacramento has available for affordable housing projects. May 18, 1990

Thank you very much for your cooperation. Please call if you have any questions.

Sincerely,

Milford Wayne Donaldson
President

MWD:em

RECEIVED

MAY 04 1990

DEPARTMENT OF GENERAL SERVICES
FACILITY MANAGEMENT



DEPARTMENT OF
GENERAL SERVICES

FACILITY MANAGEMENT
DIVISION

CITY OF SACRAMENTO
CALIFORNIA

5730-24TH STREET
BUILDING ONE
SACRAMENTO, CA
95822-3699

916-449-5445

DUANE J. WRAY
FACILITY MANAGER

May 11, 1990

Milford Wayne Donaldson, Architect
840 Fifth Avenue, Suite 300
San Diego, California 92101

Attn: Mr. Donaldson

Subject: Merrium Apartment Building
Information Request Dated May 1, 1990

Dear Mr. Donaldson:

The City of Sacramento has received your request for information concerning the Merrium Apartments dated May 1, 1990. Several items you requested were hand delivered to Hal Thomas following the City Council meeting on May 1 and should be in your possession. An itemized response to your request is provided below:

#	REQUEST	CITY RESPONSE	REQUEST DATE	RESPONSE DATE	STATUS
1.	"Report Back on the Feasibility...." Budget and Finance and Community Development Committees, dated March 20, 1990.	This document was contained in the package delivered to Hal Thomas on May 1, 1990.	5/7/90	5/1/90	Complete

#	REQUEST	CITY RESPONSE	REQUEST DATE	RESPONSE DATE	STATUS
2.	Existing soil tests conducted for the site. In particular, the proposed siting between the Panattoni Office and St. Paul's Episcopal Church.	Based on the architects recommendations no soils tests will be performed on the expansion site until the Schematic Design has been completed and the structural system clearly identified. Previous studies have relied on information obtained from the original convention center soils tests and pile driving records. Copies of these tests are enclosed along with recent soils tests completed on the Memorial Auditorium. No additional information is available at this time and the City has no plan to conduct any tests on the area between St. Paul's Episcopal Church and the Panattoni Office Building since this is outside the boundaries of the original expansion .	5/14/90	5/11/90	Complete
3.	Floor Plans, sections and structural drawings of the proposed convention center as they pertain to the proposed site and along the west side of the Church (See Diagram).	The architects are currently completing the Conceptual Design Phase necessary to adapt the architectural program to site specific conditions. No floor plans, sections or structural drawings exist at this time; however, the architects area developing relationship diagrams that may be available by late June. If you would like copies of this information when it is finished please contact our office.	5/14/90	5/11/90	Not Avail.

#	REQUEST	CITY RESPONSE	REQUEST DATE	RESPONSE DATE	STATUS
4.	Plans of utility lines, underground utility services within the site, in particular the alleyway easement.	A copy of the boundary survey was provided to Hal Thomas on May 1, 1990. Enclosed is an updated version of the same site plan with available utility information. As stated in our previous correspondence, this information is very preliminary and has not been finalized. Additional utilities may be uncovered during further investigation and site preparation. Use this information at your own risk.	5/21/90	5/11/90	Complete
5.	All existing drawings, including the structural calculations of the Panattoni Office Building.	Enclosed are copies of the architectural and structural drawings obtained from the original owners. Our records do not include a copy of the structural calculations; however you may be able to obtain these documents directly from the Structural Engineer.	5/14/90	5/11/90	Complete
6.	Existing drawings, recent improvement drawings and permit applications of the Merrium Apartments. Also include any recent code violations including fire health or asbestos abatement compliance.	In an attempt to evaluate and document the Merrium Apartments our staff has conducted research at the building department, historical archives and various other locations, but we have been unable to secure any drawings on the building. If you uncover any documentation during your research the City would appreciate a copy for our records. All reports referencing code violations are provided in the two feasibility studies completed by Turner Construction Company.	5/14/90	5/11/90	Not Avail.

#	REQUEST	CITY RESPONSE	REQUEST DATE	RESPONSE DATE	STATUS
7.	Existing exterior photographs of the Merrium Apartments, Panattoni Office Building and the Church including all views.	The only photographs currently available for the three buildings you describe are available in the last feasibility study. Slides of the buildings are being processed for our records and copies will be forwarded to your office within the next seven to ten days.	5/14/90		Pending Avail. Slides
8.	Structural calculations relating to the Relocation Study dated March 3, 1990 by Cole/Yee/Schubert CYS Job No. 88271-002	An executive summary relating to the structural calculations prepared by Cole/Yee/Schubert is available in the original relocation feasibility study. If you need specific calculations you will need to contact Cole/Yee/Schubert directly.	5/14/90	5/11/90	Not Avail.
9.	Cost Estimate by N.D. Montgomery, the proposed building movers.	Mr. Montgomery was involved in several cost estimating sessions with Turner Construction prior to completion of the last feasibility study. The estimate provided in the March 20, 1990 feasibility study reflects Mr. Montgomery's cost estimating input. No separate estimate was developed by Mr. Montgomery at the Direction of the City. If you secure a copy of this document our office would appreciate a copy.	5/16/90	5/11/90	Not Avail.
10.	A more detailed cost estimate by Spencer, White & Prentis regarding their \$1,420,550 lump sum costs as noted in a report dated December 19, 1989.	The detailed cost estimate you request is available in the original cost estimate feasibility study provided to Hal Thomas on May 1, 1990.	5/16/90	5/1/90	Complete

#	REQUEST	CITY RESPONSE	REQUEST DATE	RESPONSE DATE	STATUS
11.	Geotechnical reports used by Wallace/Kuhl and Associates dated March 2, 1990.	Wallace/Kuhl and Associates retain a reference file of all projects they have completed, and use this background information for development of recommendations. While their reference file it quite extensive and contains both public and private projects, they are not at liberty to share copies of reports without approval of individual owners. I recommend you contact Wallace/Kuhl and Associates directly and discuss your needs with their engineers. If you need copies of any documents they have prepared for the City I am sure we can obtain duplicates, but I will need you to supply specific job numbers to insure we secure the correct documents.	5/14/90	5/11/90	Not Avail.
12.	Any plans or additional field notes generated by H&B Management used as a basis for their cost estimate in a letter dated December 20, 1989 and a report dated December 15, 1989.	As noted earlier, there are no plans available for the Merrium Apartment Building; however, we have enclosed copies of correspondence dated January 4 and 25, 1990 discussing the toxics investigations and lab results.	5/16/90	5/11/90	Complete

#	REQUEST	CITY RESPONSE	REQUEST DATE	RESPONSE DATE	STATUS
13.	Any additional field notes, conference notes or memorandum regarding meetings between the Sacramento Building Inspection Division and the Fire Marshall with Favro, McLaughlin & Associates. At present, we have copies of a March 5, 1990 letter from FMA to Turner Construction; a Merrium Apt. Inspection Report dated December 21, 1989; and a Memo of a meeting dated February 23, 1990 from P. McLaughlin to T. Sullivan, City of Sacramento.	Our records indicate you have all the information currently available concerning code compliance evaluation of the existing structure.	5/16/90	5/11/90	Complete
14.	All work-up sheets to arrive at the cost estimate for Option 1 - Relocate the Merrium Building between the Panattoni Building and the Church. A cost summary sheet dated March 13, 1990, along with a cost estimate "Relocation as a Historical Apartment Building" for \$4,138,600 have been reviewed.	Turner Construction will be contacting your office directly to determine the extent of information you need for evaluation. Information should arrive at your office by May 16, 1990.	5/16/90	5/11/90	Pending Turner Const. response
15.	Valuation of the proposed site as now owned by the Church as substantiated by a bonified report.	The valuation of the Church's property was based on comparable sales in the vicinity of the church. No appraisal has been conducted on the Church property, at the request of the City, since it clearly is outside the expansion site.	5/16/90	5/11/90	Not Avail.
16.	Current real estate valuation of the Merrium Apartments and property tax assessment.	Copies of appraisal information completed on the Merrium Apartment Building are enclosed for your information.	5/16/90	5/11/90	Complete
17.	Operating costs, insurance, proposed rental income, utilities and maintenance management costs of the Merrium Apartments.	Refer to the attached management contract for the Merrium Apartments.	5/18/90	5/11/90	Complete

#	REQUEST	CITY RESPONSE	REQUEST DATE	RESPONSE DATE	STATUS
18.	Source of possible funds that the City of Sacramento has available for affordable housing projects.	The Community Convention Expansion Project has identified \$1.2 million for replacement housing and/or relocation costs associated with the Merrium Apartments. You might wish to contact the Sacramento Housing and Redevelopment Agency to determine if any additional funding is available.	5/18/90	5/11/90	Complete

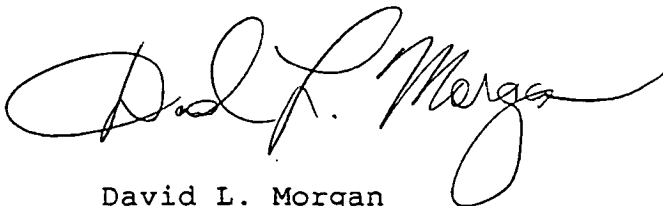
To insure expedient response please send all requests for information to:

City of Sacramento
 Facility Management Division
 1030 15th Street
 Suite 200
 Sacramento, CA 95814

(916) 449-6745
 (916) 449-6747 (fax)

If you need additional information or clarification please contact our office directly. We will endeavour to supply you with all the information maintained in our files.

Sincerely,



David L. Morgan
 Project Manager

cc: Distribution
 File



DEPARTMENT OF
GENERAL SERVICES

FACILITY MANAGEMENT
DIVISION

CITY OF SACRAMENTO
CALIFORNIA

5730-24TH STREET
BUILDING ONE
SACRAMENTO, CA
95822-3699

916-449-5445

DUANE J. WRAY
FACILITY MANAGER

May 18, 1990

Milford Wayne Donaldson, Architect
840 Fifth Avenue, Suite 300
San Diego, California 92101

Attn: Mr. Donaldson

Subject: Merrium Apartment Building
Information Request Dated May 1, 1990

Dear Mr. Donaldson:

Subsequent to the City response, dated May 11, 1990, our office has received copies of slides referenced in item #7. Please find the enclosed copies and attached slide index sheet. Additionally, limited inspection of the Merrium Apartments monumental cornice by City staff has provided the following preliminary information:

Cornice depth: $\pm 4'-0''$

Cornice width: $\pm 7'-0''$

Structure: Steel trusses approximately $\pm 6'-6''$ (length) x $\pm 3'-6''$ (depth) @ 32" centers; top chord of trusses are 2-1/8" x 2-1/8" x 1/4" angles.

Roof: 1" x 6" wood decking (does not appear to be T&G) with metal roof applied directly over trusses by means of wood nailers attached to trusses).

Cornice face: Plaster applied directly over metal lath. Visual inspection very limited.

Cornice/facade connection: Appears that top chord of truss extends over parapet wall and is encased in concrete; no evidence of anchor bolts and/or welds; Visual inspection very limited.



If you need additional information or clarification please contact our office directly.

Sincerely,

Thomas S. Morris, III

FOR David L. Morgan
Project Manager

cc: Distribution
File

Merrium Apts. Slide Index

- #1: View of roof parapet wall/cornice connection.
- #2: View of cornice truss/parapet wall connection.
- #3: View of cornice structure.
- #4: View of cornice structure.
- #5: View of cornice structure @ bottom.
- #6: View of southwest corner of cornice.
- #7: View of southwest corner detail.
- #8: View of underside of cornice.
- #9: View of southwest corner of cornice.
- #10: View of southwest corner of cornice.
- #11: View of southwest corner of cornice.
- #12: View of southwest corner of cornice.
- #13: View of southwest corner of cornice.
- #14: View of southwest corner of cornice.
- #15: View of Panattoni Bldg. north elevation from 15th St.
- #16: View of Panattoni Bldg. west elevation from parking lot.
- #17: View of Panattoni Bldg. south elevation from 15th & K St.
- #18: View of Panattoni Bldg. east elevation from 15th St.
- #19: View of Merrium Apts. east elevation from parking lot.
- #20: View of Merrium Apts. north elevation from alley.
- #21: View of Merrium Apts. west elevation from 14th St.
- #22: View of Merrium Apts. south elevation from 14th St.
- #23: View of St. Paul's Church east elevation from 15th St.
- #24: View of St. Paul's Church south elevation from 15th St.
- #25: View of St. Paul's Church south & west elevations from parking lot.
- #26: View of St. Paul's Church north elevation from 15th & J St.
- #27: View of St. Paul's Church east elevation by side entrance.



DEPARTMENT OF
GENERAL SERVICES

CITY OF SACRAMENTO
CALIFORNIA

5730-24TH STREET
BUILDING ONE
SACRAMENTO, CA
95822-3699

FACILITY MANAGEMENT
DIVISION

916-449-5445

May 24, 1990

DUANE J. WRAY
FACILITY MANAGER

Milford Wayne Donaldson ARCHITECT
840 Fifth Avenue, Ste. 300
San Diego, CA. 92101

Attn: M. Wayne Donaldson , President

Subject: Conv. Ctr. Exp. - Merrium Apt. Request (PA-11)

Dear Mr. Donaldson

Pursuant to the City's response (dated 5.11.90) to your request for information concerning the Merrium Apartments, our office is in receipt of an updated version of the utility and boundary analysis survey forwarded to you previously. This document represents preliminary information and should be used at your own risk.

As always, do not hesitate to contact our office directly if you need additional information or clarification.

Sincerely,

David L. Morgan, Associate Architect

cc: Distribution
File (Hardcopy)

3.12

**MERRIUM APARTMENT
RELOCATION:
RESPONSES TO STAFF CONCERNS**

**Prepared for
Mayor Anne Rudin
Sacramento City Council
and
City Manager Walter Slipe**

July 2, 1990

**Prepared by
Merrium Group
1823 Eleventh Street
Sacramento, CA 95814**

July 3, 1990

Mayor Anne Rudin
City Manager and Members of the Council
915 I Street
Sacramento, CA 95814

Dear Mayor Rudin, Mr. Slipe and Members of the Council:

Enclosed are the Merrium Group's responses to staff concerns as outlined in the staff report for the Tuesday, July 3rd meeting. We have attempted to provide as comprehensive a response as possible in light of the short time line available. We received the staff report late on Friday afternoon June 29, 1990.

Many of the issues raised are technical and in the nature of scheduling concerns, both of which are typical of the development process. This is an unusual redevelopment effort; however, the technical concerns are those faced by any large construction project.

We feel confident that if the financial commitments outlined in our proposal are acceptable, the city will have preserved forty-one units of quality housing for future downtown residents.

Sincerely,

Harold M. Thomas
for the Merrium Group

APPENDIX A

ANSWERS TO STAFF QUESTIONS

GENERAL ISSUES

General Issues

1. Proposal assumes City will sell structure to partnership for one dollar. The avoided demolition cost will be a credit against land acquisition.
2. Site acquisition. The proposal assumes a preferred site facing 15th Street between the Panattoni Building and St. Paul's Church. The timing and nature of site acquisition is conditional on the Convention Center expansion and acquisition plan. Proposal assumes city will acquire replacement housing site as staff recommend in report of March 20, 1990.
3. Project proponents are aware a Caltrans encroachment permit is required. This permit is generally ministerial in nature.
4. Parking. The structure currently has no on-site parking and we would preserve the status quo. Low and moderate income tenants have fewer automobiles and one of the urban planning goals the project will implement is to place a greater number of center city residents in a transit dependent lifestyle.
5. While the Merrium is heavier than other moved buildings it is structurally in excellent condition in contrast to the 1650 ton unreinforced masonry hotel moved in San Antonio Texas.
6. Liability insurance is included in current price and insurance coverage will be proved by the relocation contractors.

7. The Merrium schedule will be timed for consistency with other City acquisition efforts.

8. It is likely the elm trees will be removed although discussions are continuing on the issue.

9. The Bond issue is negotiable. It is the intent of the project proponents to fully secure performance as appropriate.

HISTORICAL ISSUES

Historical Issues

1. It is our understanding that the new handicap entrance will not require approval of SHPO.
2. The Design review board will be consulted per local ordinance.

11
12

ENVIRONMENTAL ISSUES

Environmental Issues

1. Considering that the addition of several thousand convention center parking spaces was not an adverse environmental impact we fail to see the logic in the consultant's position.

2. Special Permit—It is anticipated that a single variance hearing will be required which will include such miscellaneous permits as cornice encroachments, use permits and set back variances.

LEGAL ISSUES

Legal Issues

1. The Panattoni issue is make weight as the City is one of the two affected parties and the variance, if granted, should immunize the city against claims. The development group will discuss the issue with Panattoni tenants.
2. Eminent Domain issues should be discussed in the context of the convention center expansion. Additional Legal research can be conducted in the 90 day contract negotiation period. This procedure is necessary to protect the integrity of any site acquisition efforts.
3. This issue is speculative and should be deferred until discussions with the building owners begin.
5. Insurance issues can be discussed during the contract negotiations. The partnership will be fully insured to industry standards.

FINANCIAL ISSUES

FINANCIAL ISSUES

The staff have made a number of valid comments regarding the financial pro forma submitted as a part of the proposal. We have attempted to correct the deficiencies noted and will here respond to each comment.

1. We believe that the "Comparative Cost Summary" presents a valid comparison between the moving and the replacement cost of new housing. However, even using the SHRA estimate of subsidy required at \$35,000 per unit, the Merrium Group is only requesting slightly more than the \$1,435,000 estimate of SHRA. We believe that this estimate is higher for downtown housing and thus justifies the \$1.5 million requested for the preservation of the Merrium.

2. Pro Forma

The staff have correctly pointed out that there are 24 studios and 17 one-bedroom apartments in the building. We are not proposing to modify this configuration, and we have adjusted the pro forma accordingly.

The rents included in the pro forma are those allowed under the low-income housing tax credit program for Sacramento County. It is difficult to compare the rents with other projects because these rents include all utilities. One-bedroom rents in the central city average \$375 per month. When utilities are added to this number, it is very close to the \$450 rent we anticipate. It should also be remembered that these are not current rents, we do not expect to have the building open until 1992.

We believe that the savings to the city in not paying for the demolition of the Merrium, the toxic removal and the demolition of the existing basement more than compensates the city for the building and the new site.

We have estimated a loan of 10% interest, and we recognize that this is an advantageous rate. We intend to approach local lenders to consider this project under the new community reinvestment requirements of the Financial Institutions Relief Act. We have not contacted any lenders to date but will be approaching local savings and loans and the Savings Association Mortgage Company.

We have elected to capitalize the vacancy during rent-up. We have added a \$40,000 line item to the development budget to cover this expense.

The fees being charged by the consultants and contractors associated with this project are below the customary fees for a project of this scope. All consultants will be paid the fees shown in the pro forma, and if they choose to invest this fee, it is their business.

We are requesting that the interest on the \$400,000 loan be forgiven during the first five years of the project. We will begin paying 7% interest in the sixth year and request an amortized loan of 30 years.

We want to draw against the city's funds as we incur hard costs for the project. City funding is requested for construction of the new foundation and the moving of the Merrium to the new site.

3. Income and Expense

The rental income on this page now conforms with the new projection for income.

Other income was also misrepresented on this page.

The normal cost for management services is 6%, and we have allocated just slightly more than this level. The cost of an on-site manager is \$20 per unit, which would be \$800 including apartment rent per month. We have allocated this amount. The city may have experienced a higher fee due to the fact that it was dislocating all of the tenants during its tenure as manager. The balance of the numbers in our pro forma were developed from the operating costs experienced by Hank Fisher while he managed the building.

In reviewing the costs, we noted that the maintenance costs experienced by Fisher were much greater than will be experienced after the move. We are planning to upgrade the elevator, replace most of the windows, replace most plumbing fixtures, and paint the interior. These capital improvements will save \$10,100 in annual maintenance expenses.

4. Cash Flow Projections

We have revised the cash flow projections per the staff suggestions.

5. Cost Analysis

As stated earlier, we have omitted both the cost of acquiring the Merrium and the cost of acquiring the site because we believe that the savings to the city by avoiding the demolition costs more than offset these costs.

We do not believe that it has been determined that the Panattoni building will lose parking spaces.

All of the costs assume that the work will not begin until 1991.

The estimated rehab costs were developed by M. Wayne Donaldson and Rural California Housing Corp. Each of these organizations have extensive experience in the rehabilitation of property. The detail was not submitted with the proposal due to the short timeline for submission.

There is a 10% contingency in the Rehab Cost Estimate. There is a contingency factor built into the moving cost. The closing and miscellaneous line item provides a contingency for the development costs. As a result of staff comments, we are requesting \$66,300 in supplemental financing over and above the budget.

The bid for the temporary road base was supplied by the moving contractor.

We are unaware of the six-inch water line in the alley.

All costs for soils and other testings are included in the Architect and Engineering line item.

The proposed foundation would not require protection of the church.

We were unaware of the second elevator, and we do not think that it will be required for the project.

6. Cost over-runs

The Merrium Group will be responsible for cost overruns. We are asking the city for a specific commitment, and we are confident that we can handle the balance of the financing.

MERRIUM APARTMENTS
PRO FORMA

INCOME SUMMARY		Monthly Income	Annual Income
Low income: 41 Units			
(Below 60% of median) 24 @	\$394	\$9,456	\$113,472
17	450	\$7,650	\$91,800
<hr/>			
GROSS MO. RENT		\$17,106	\$205,272
Vacancy rate	5%	\$855	\$10,264
<hr/>			
NET MO. RENT		\$16,251	\$195,008
OTHER INCOME		\$200	\$2,400
<hr/>			
GROSS INCOME		\$16,451	\$197,408

EXPENSE SUMMARY (see detail attached)

Administration		\$30,060
Operations		\$34,092
Maint/Reserves		\$20,500
Taxes/Ins.		\$22,520

Total \$107,172

Net Annual Income	197,408
Expenses	107,172
<hr/>	
NET INCOME	\$90,236

DEBT ANALYSIS

Debt coverage ratio 1.1
Amount available for debt service: \$82,033

MAXIMUM SUPPORTABLE DEBT AT:

TERM	RATE	Debt
30	10.0%	\$773,318

PROJECT COST SUMMARY

Total Project Cost	3,003,700
Project Financing:	
State Funding	0
Developer Equity	400,000
Conventional Loan	770,000
City Loan	400,000
City Grant	1,500,000
<hr/>	
Total Financing	3,070,000
GAP/(SURPLUS)	(66,300)

INCOME AND EXPENSE ANALYSIS

INCOME		MAINTENANCE & RESERVE EXPENSES	
Rent income - apts	205,272	Gardening	600
Vacancies - 5%	10,264	Elevator	3,000
	-----	A/C - heat	1,200
Effective Gross Rents	\$195,008	Plumbing	3,600
Interest & Other Income	2,400	Appliances	600
	-----	Electrical	600
GROSS INCOME	197,408	Draperly	1,200
		Carpet	1,800
ADMINISTRATIVE EXPENSES:		Hardware	2,500
Advertising	3,000	Furniture	
Security deposit refunds	1,200	Glass	1,200
Office supplies	480	Interior painting	3,600
Management fee	12,000	Roof	600
Management salaries	4,440	Renovation	0
Management rent	5,400		-----
Legal	1,200	TOTAL MAINTENANCE	20,500
Accounting	1,440		
Telephone	540	TAXES AND INSURANCE	
Dues & Subscriptions	360	Payroll, W/C, health	4,320
	-----	Taxes - property	14,000
TOTAL RENTING/ADMIN	\$30,060	Insurance - fire/liab	4,200

OPERATING EXPENSES:		TOTAL TAXES/INSURANCE	\$22,520
Cleaning - labor	1,800		
Cleaning - supplies	600	TOTAL OPERATING	\$107,172
Supplies - general	1,560		
Electricity	9,720	NET OPERATING INCOME	\$90,236
Water	2,628		
Gas	9,000		
Sewer	5,064		
Exterminating	600		
Garbage	3,120		
TOTAL OPERATING EXPENSES	34,092		

COST ANALYSIS

MOVING COST 1,350,000

SITE WORK:

Foundation/Utilities	434,000
Demolition	100,000
Temp. Road Base	15,000
Permits/Ins/Bonds	150,000
Church & Panattoni Imp.	37,000

TOTAL SITE 736,000

REHABILITATION COSTS:

Electrical	20,000
Windows	28,000
Plumbing	22,000
Sprinklers	72,000
Elevator	20,000
Doors/Fire Walls	17,000
Fire/Smoke Detection	32,000
Roofing	18,500
Misc. Patch & Repair	25,000
Painting	20,000
Flooring	20,000
Airconditioning	35,000
Toxics	54,000
Contingency	38,350
Overhead & Profit	38,350

TOTAL REHAB 460,200

DEVELOPMENT COSTS

Developer's fee	120,000
Construction Supervision	60,000
Legal Fees	10,000
Arch & Eng	170,000
Loan fee	20,000
Rent up/Market	40,000
Closing/Misc	20,000
Interest	17,500

TOTAL FEES 457,500

TOTAL PROJECT 3,003,700

loan guarantee
deferred loan for 5 years

10 YEAR INCOME AND EXPENSE PROJECTIONS

Year	1	2	3	4	5	6	7	8	9	10
Income*	\$197,408	\$203,331	\$209,431	\$215,713	\$222,185	\$228,850	\$235,716	\$242,787	\$250,071	\$257,573
Expense**	107,172	111,459	115,917	120,554	125,376	130,391	135,607	141,031	146,672	152,539
Debt Service	81,088	81,088	81,088	81,088	81,088	81,088	81,088	81,088	81,088	81,088
City Loan Return	9,149	10,784	12,426	14,072	15,721	(14,828)	(13,178)	(11,531)	(9,889)	(8,254)4471.429

*assumes 3% growth per year
 **assumes 4% growth per year

32234.56140

ARCHITECTURAL, CONSTRUCTION
AND
SCHEDULING ISSUES

July 3, 1990

MR. HAL THOMAS
2635 Portola Way
Sacramento, CA 95818

Attention: Mr. Hal Thomas

Subject: MERRIUM APARTMENTS
Response to Staff's Review

Dear Hal:

The following information is a response to City Staff's Review letter dated July 3, 1990 and received in my office July 2, 1990. As per your direction we are responding to questions found on paragraph 9 and 10 under the heading Architctural and Construction Issues. The number of the item corresponds to the City's letter.

1. Rehabilitation

The extend of rehabilitation consist of the following items:

- a. Repair of the building due to potential damage that may be caused by relocation.
- b. Rework of 8 units to comply with light and ventilation codes.
- c. Rehabilitation of the elevator as a budgetary limit.
- d. Provide all units with window type air conditioning units. Provide 8 units with fan and exhaust systems.
- e. Provide sprinklers and smoke detectors throughout.
- f. Provide rated corridor at stairs and exitway. Strengthen existing fire escape.
- g. Provide new roof.
- h. Patch and repair throughout (minimal work).
- i. New paint throughout, one coat on walls and exterior. No paint on interior woodwork.
- j. New carpet at living and sleeping rooms of the units.
- k. Miscellaneous plumbing and electrical upgrade as a budget.

Does not include:

Furnishes other than described above.
Fixtures or furniture.
Equipment, stoves and refrigerators other than currently existing in the units.
Final cleaning and maintenance.

2. Structural System

The structural system is presented in terms of a construction sequence. No calculations have been performed because there are no soil tests available of the site.

- a. New reinforced concrete piles to be installed at the location of the existing building columns except for the row of building columns next to the Church and Panattoni Building. Piles to extend to height of first floor and will be approximately 24" to 36" in diameter.
- b. Excavate to level of the new basement and expose the interior concrete piles.
- c. The outside columns will provide the tie-back and support for the retaining walls at the basement.
- d. The basement slab will be poured to stabilize the piles laterally.
- e. Provide cribbing to support the move on and level the building around the piles.
- f. A reinforced concrete mat will be poured to join the top of the piles and the bottom of the existing columns. Rebar from the old columns will be tied to the new piles. The mat will cantilever approximately 12 feet. The mat will be heavily reinforced and may be 24" to 30" thick.

3. Fire Protection

The building will be fully fire sprinklered and have smoke detectors in each unit.

4. Fire Escape

The existing fire escape on the relocated (south side) of the building could remain under the State Historical Building Code (SHBC) Section 8-704. The fire escape must be shown to be structurally safe.

5. Fire Exiting

An exit easement of 10' wide will be required along the west side of St. Paul's Church and exit onto "J" Street.

6. Handicap Ramp / St. Paul's Church

The State Historical Building Code (SHBC) is the mandatory code for use on St. Paul's Church. Approval from the Handicap Access Appeals Boards is required but under the provisions of the SHBC and not the regular code. The ramp will not encroach into the public right of way. No drawings are available.

7. New Garage Entrance to the Panattoni Building

There are no drawings available showing the new automobile entrance and parking layout to the Panattoni Building. The driveway is technically feasible and two parking spaces will be lost.

8. Discussion of Modifications to Adjacent Buildings

The Merrium Group has not met with the owners of the Panattoni building or St. Paul's Church.

9. Design Responsibility for St. Paul's Church

The responsibility of design work, permits, owner approval and construction costs would be a condition to be negotiated at the time of the sale of the property.

10. Specific Historical Preservation Plans and Costs

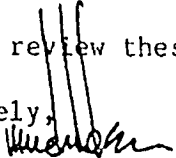
This work will commence following an exclusive contract with the City.

Scheduling Issues

1. Several items were noted as impacting the schedule for both the relocation of the Merrium and the expansion of the new Convention Center. To date, the schedule for rehabilitation to occupy the Merrium is estimated to take 21 months. Further discussion with staff is required to jointly prepare a schedule and itemize all of the events following acceptance of the proposal. A Development and Disposition Agreement would be prepared to reflect the schedule and description of responsibilities.

Please review these responses and give me a call if you have any questions.

Sincerely,



Milford Wayne Donaldson
President