



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



4

December 3, 1985

Budget and Finance Committee  
of the City Council  
Sacramento, California

Honorable Members in Session:

SUBJECT: Feasibility Analysis - Donner School Site Business  
Incubator Proposal

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the report and execution of necessary loan and lease agreements.

Respectfully submitted,

*William H. Edgar*

WILLIAM H. EDGAR  
Executive Director

TRANSMITTAL TO COMMITTEE:

*Solon Wisham, Jr.*  
\_\_\_\_\_  
SOLON WISHAM, JR.  
Assistant City Manager

Attachment



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



December 2, 1985

Sacramento City Council  
Redevelopment Agency of the  
City of Sacramento

Honorable Members in Session:

SUBJECT: Feasibility Analysis - Donner School Site Business  
Incubator Proposal

SUMMARY

This report presents the results of the financial feasibility analysis for establishment of a "Business Incubator" at the Donner School site on Stockton Boulevard and recommends favorably on proceeding with renovation of the existing school structure and incubator development as originally planned. Development will be conditioned on deposit of the private contribution portion of the construction funds required into a joint construction escrow account by March 1, 1986, and adherence to the development schedule outlined in Exhibit A.

It also provides conceptual plans for development of the balance of the site and recommends that Superior Valley Small Business Development Corporation (Superior Valley) be given six months to report back with specific plans for development of the balance of the site in consonance with the general parameters outlined in Phase II, of the conceptual plans. This phase calls for development of a child care facility and expanded incubator/office space on the site.

BACKGROUND

On August 27, 1985, your Council approved a report which authorized an augmentation to our contract with Superior Valley under which they were to analyze the feasibility of a "Business Incubator" development on the Donner School site on Stockton Boulevard, just south of Broadway, within the Oak Park Redevelopment Project Area.

(1)

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As you may recall, the "Business Incubator" was to provide affordable and stable rents and special business assistance services to small, minority- and/or female-owned, and other "start-up" business ventures in the Oak Park area. The incubator was to be located in the (to be) renovated Donner School structure. An important aspect of the incubator concept, in addition to the special assistance services to be provided by Superior Valley, is the availability of a "seed capital" fund which is to be established through one of the several options outlined on Exhibit B. A second important feature of the project would be renovation of a prominent structure on a commercial strip which we have been trying to revitalize for many years.

Exhibit C is the feasibility analysis which has been developed with consultation from the National Economic Development Law Project in Berkeley. It is based on a market review to determine the potential for obtaining prospective tenants, an "investment potential" analysis to determine the feasibility of raising the \$450,000 +, which is the estimated maximum private investment required to accomplish the renovation work, and the cost estimates as prepared by the architectural firm of Herbert Niiya. As indicated in the analysis, the cost estimate for the renovation is \$1.3 + million. This is still an estimate for complete execution of the plans as outlined in Exhibit C. Based on the final amount of syndication proceeds which can be raised, it may be necessary to modify the internal renovation plans to achieve cost savings. If necessary, the 1,650 square feet add-on space could be scaled back as well. Based on the terms of our loan, the land lease, the potential for raising the private investment capital, and the projected per square foot leasing charge of \$.65 per square foot per month to incubator tenants\*, it is our opinion that the incubator project is feasible. Exhibit D summarizes the proposed terms of our loan, the land lease and other project conditions. Your consent has already been given to execute the loan and lease documents pending a positive outcome of the feasibility analysis. Final execution will not take place until firm evidence of the availability of the private investment capital is obtained and it has actually been deposited in a joint construction escrow.

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\*A somewhat higher \$.75 - .85 per square foot charge will be necessary for non start-up businesses. A mix of brand new, growing and "small but stable" business will be necessary to make the project work as a real estate deal.

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Phase II is conceptual only at this time. The land lease will therefore be divided into two portions: 1) a 59 year lease on the portion underlying the existing structure, and appurtenant parking and grounds, with an option to buy exercisable at the five year point, (coincident with the due date on the loan). The option on this portion will be set at the estimated current value of that portion of the property.\* The lease will be for \$1.00 per year and will be cancelled should Superior Valley cease to operate an incubator on the site; and 2) a six month lease/option on the balance of the property pending development of specific plans for use of the balance. The lease will be for \$1.00. The option price will be set at the estimated value of the balance of the property but will be negotiable depending on the public benefit to be derived from the projects to be developed there. If no plans are developed which are suitable to the Agency, the option will expire.

## FINANCIAL DATA

The total amount of the rehabilitation loan to Superior Valley is \$852,000 which will be secured by a first deed of trust on the renovated building. Of that amount, \$426,000 will come from Community Development Block Grant funds and \$426,000 from Oak Park Tax Increments. The balance of the construction funding, totalling \$450,000 ±, will come from private investment sources. The existing building will be deeded to the investment partnership, headed by Superior Valley, for \$1.00, subject to a regulatory deed restriction limiting its use to a "business incubator".

The property will be leased to the partnership and Superior Valley, as outlined above.

Any excess profits or investment income will be utilized to establish a seed capital fund under one or more of the methodologies outlined in Exhibit B.

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\*An appraisal is currently underway and will be completed prior to execution of the lease/option.

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## ENVIRONMENTAL DATA

Both California Environmental Quality Act (CEQA) and National Environmental Protection Act (NEPA) reviews of this project are currently being prepared. Given the fact that it is a rehabilitation project and is in agreement with existing zoning on the property, a Negative Declaration and Finding of No Significant Effect is likely.

## POLICY IMPLICATIONS

This project is in agreement with previously adopted policies regarding renewal of Oak Park and implementation of our economic development objectives.

## VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of December 2, 1985, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES:

NOES:

ABSENT:

## RECOMMENDATION

Staff recommends that the following actions be taken:

1. Receive and file the feasibility analysis; and

EXHIBIT A

PERFORMANCE SCHEDULE

November/December 1985	Completion of: a) Feasibility Analysis b) Preliminary Architectural Plans and Cost Estimates c) Investment Prospectus
March 1, 1986	Deposit of Investment Funds into Construction Escrow Execution of Loan and Lease Agreements
March/April 1986	Working Drawings Prepared
April 1986	Construction Bids Circulated
May 1986	Bid Award
June 1986	Construction Begins
December 1986	Construction Completed
January 1, 1987	Initial Occupancy
1987	Lease Up Completed Program Implemented

## Exhibit B: Financing Options for Seed Fund Capital

The Seed Capital Fund, called the Donner Venture Fund, will provide equity and debt financing that is not generally available to start-up enterprises. Venture capital companies are the principal institutional source of equity (debt service-free) financing. But these institutions are generally oriented to new product companies, typically involve advanced technologies, require large amounts of investment capital, and have strong potential for a public stock offering. Most new firms in the economy are service oriented, require small amounts of start-up capital, and will never "go public". Similarly, these firms may require small loans (debt capital) to get started or expand to that initial threshold that will allow the firm to grow in line with its market potential. Commercial banks typically do not or will not make commercial term loans under \$50,000 because of the relative low profitability of such loans. Consequently, most start-up firms, including those with strong market potential, will not be able to secure the equity and debt capital necessary to secure or expand their market potential.

The Donner Venture Fund must be designed to provide small amounts (less than \$50,000) of capital at low-cost or flexible terms. The cost of the source of funds for the Donner Venture Fund is a key determinant of how well small businesses in Sacramento will be served. To this end, the following three sources have been identified and ranked by Superior Valley SBDC as likely candidates for the Venture Fund. It should be noted that the proposed loan commitment from SHRA will permit a stream of income (profits from office rentals) over at least the first five years of the project to support or expand the Fund. The sources listed below represent possible initial capital for the Fund.

1. Economic Development Administration (EDA)-a grant from EDA of \$250-500,000 for a Revolving Loan Fund could provide the low (zero) cost debt capital for the firms. In this scenario, Superior Valley would match this grant with a dollar-for-dollar contribution from the Loan Guarantee Trust Fund as an equity fund. The weakness of this alternative is the uncertainty of EDA funding.
2. State Department of Commerce, Office of Small Business (OSB) - a low interest loan from OSB over five years could be used to set up the fund. The profits from space rentals would cover the debt service to repay the state loan. This scenario would provide low cost financing for small firms, but it would be at a higher cost and with less flexible terms than the EDA grant. However, the State might be more motivated than EDA to provide assistance. Again, Superior Valley would match this loan in the same manner as alternative #1.

3. Finally, Superior Valley could, with the approval of OSB, dedicate \$500,000 of Loan Guarantee Trust Account to secure \$500,000 in a bank line of credit to make small loans to target firms. While the probability of securing funds through this approach is high, the cost of the money would be such that loans could be offered only at market rates. While this may be better for some firms than no debt financing at all, the cost of the funds would constrain or prohibit the flexibility desired for start-ups or small scale expansions. Again Superior Valley would match this source as described in alternative #1.

DONNER BUSINESS CENTER FEASIBILITY STUDY

EXECUTIVE SUMMARY

This report examines the feasibility of converting the vacated Donner Elementary School into office space for use as a small business incubator. The feasibility study is divided into four sections. Section I describes an analysis of six alternative sites for possible use as a small business incubator. Section II contrasts alternative development plans at the three-acre school site. Section III examines the market demand for incubator space and service. Section IV compiles the results of the three previous sections into detailed financial projections for the incubator over the first five years.

The study indicates that the former school building can successfully be converted to an incubator. The conversion will cost \$1.3 million and require \$450,000 of private capital. The incubator, the Donner Small Business Center, will house a minimum of 12 businesses within its 22,000 square feet of space renovated during Phase I. An additional 22,400 square feet of office/medical space and 2,400 square feet of child care space can and should be built in Phase II within twelve months after Phase I becomes operational. Phase II could double the number of firms served by the Center and provide another 75 jobs for a minimum of 150 jobs for the entire site.

Phase I alone will generate ample revenues to cover expenses (about \$200,000/year), pump over \$300,000 into a seed capital fund (called the Donner Venture Fund), and cover debt service on the loan from the Sacramento Housing and Redevelopment Agency (SHRA) beginning in the sixth year of operations. Phase II will increase the income potential of the Center as the land and building subsidies provided in Phase I are fully utilized with the complete development of the site. If another 22,000 square feet of office/medical space is built during Phase II, the revenue potential for the entire site would more than double.

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  - B. Commercial Construction Prospects
  
- III. **Market Demand**
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- IV. **Financing the Donner Business Center**
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## I. Analysis of Alternative Sites

### A. THE DONNER SCHOOL BUILDING AND SITE

During the course of a year of research, twenty-two (22) potential sites were identified and examined for suitability as an incubator site. Six sites (Donner School included) immediately surfaced as the most feasible alternatives. After careful analysis, the Donner School building and site ranked clearly superior to all other sites examined as most likely to succeed as a small business incubator.

Factors evaluated to arrive at this conclusion were:

- A) **Location** - proximity to commercial areas, freeway access, area leasing rates, redevelopment area, zoning, etc.
- B) **Size** - must support a minimum of 10-15 small businesses in order to be economically justifiable.
- C) **Cost** - of property and building.
- D) **Tax Benefits** - potential rehabilitation credits, restoration potential, alternative energy credits etc.
- E) **Economic Feasibility** - weighed economics of potential revenue versus cost of site or debt service on site, including rehabilitation costs.

This section contains (in order) a site report on the Donner School building and property, situation map, proposed master site plan, floor schematics and news articles on the site.

## THE DONNER ELEMENTARY SCHOOL SITE

**Location:** Subject structure is located at 2600 Stockton Boulevard in Sacramento city limits on a 3.4 acre otherwise unimproved parcel. It is bordered, 1) on the north by 8th Avenue, 2) on the south by 9th Avenue, 3) on the west by 45th Street, and 4) on the east by Stockton Boulevard, a major commercial boulevard which used to be Highway 99.

. Subject site is located approximately 1.5 miles from the freeway interchange which connects the three major freeways traversing the city, Highway 99, Highway 50, and Business 80. It is also one mile from the University of California Medical Center. The parcel is located in the Oak Park Community which has been designated a redevelopment area by the City of Sacramento. The site is on four major public transportation routes.

**Physical Description:** Subject structure is a two-story, stucco-frame abandoned elementary school building, constructed in 1921. Two main entrances are located facing Stockton Boulevard. The structure is set back approximately 50 feet from the street.

. Zoning for the parcel is R-0 (residential-office), a compromise designation reached until an acceptable site usage can be determined.

. There is a dilapidated asphalt covered parking area for approximately 10-15 cars.

. There are 22,500 square feet of space in the building with approximately only 15,000 square feet of leasable space in its present configuration.

. The school has been abandoned for five years and in a considerable state of disrepair. It has been vandalized of most heating ventilating and air conditioning (HVAC) components and other tenant improvements.

**Summary:** Subject property is currently owned by the City of Sacramento under the jurisdiction of the Sacramento Housing and Redevelopment Agency (SHRA).

. The building and property are available at a cost to be negotiated to any developer able to put together an economically feasible and socially/politically acceptable site usage plan.

. The Police Athletic League (PAL) held a master lease on the site for three years but was unable to affectuate its plan to convert the school into a community recreational athletic center. The PAL has since moved to the old Parks and Recreation building adjacent to McClatchy Park.

. Although there is considerable rehabilitation to be done to the site to bring it up to code, the city recognizes the situation and seems willing to negotiate an economically feasible arrangement for a proposal which is acceptable to the community.

. The excellent business location and accessibility to the three major freeways makes this an attractive site for a small business incubator.

. The economic feasibility detailed in section IV rates this site as the first choice for the proposed usage.

## B. ALTERNATIVE SITE REVIEW REPORT

In this section we will review possible alternative sites in which a business incubator could be located within Sacramento city limits. One of the reasons for prioritizing sites within the city limits is to meet the objective of supporting the revitalization of already targeted commercial revitalization areas.

After a preliminary review of the above mentioned twenty-two sites, six sites were identified as most closely meeting the criteria of our incubator concept and perceived client needs.

Several of these sites were currently owned by the City of Sacramento, and were existing in an abandoned state, providing no useful function. The other sites were privately owned, and located in areas which were either socially depressed or economically depressed or a combination of both, and in need of some revitalization. The incubator program could possibly provide some relief.

The following site reports will describe these properties, their locations, leasing rates, physical/configuration, zoning and special notes as to their applicability to house a "Business Incubator" project. By comparison, we feel these reports demonstrate the superior value of the chosen Donner School site as the priority site for the proposed business incubator.

Site #1 (The Norwood Technical Business Park/Building "B")

**Location:** Subject structure is located in Del Paso Heights at the intersection of Norwood Boulevard and Interstate-80, in the Norwood Technical Business Park (Address: 3950 Development Drive).

**Physical Description:** Subject structure is a newly constructed, single story, prefabricated, multi-purpose (Business Office/Warehouse/Light Manufacturing) facility.

. Subject structure dimensions are:

152° in Depth x 369° in frontage = 56,088 sq. ft. (Raw Shell)

. Subject structure has its main entrances access located facing west on Development Drive, and shares a common rear access loading dock area with building "A" on the eastern side of building.

. Subject structure has parking accommodations for:

- Warehouse Space (60%) - 26 stalls
- Office Space (40%) - 72 stalls
- Total Parking Provided = 98 stalls.

. Subject structure and surrounding developments are zoned "M-1" (light manufacturing)

**Summary:** Property is owned by RJB Inc. (a Private Investment Company) with all leasing activities being handled by Grubb & Ellis (leasing agent in charge is Mr. Michael Fischer #448-3806). The property is not for sale, however the leasing rates are as follows:

\$ .20 per sq. ft. unimproved

\$ .65 per sq. ft. improved (offices)

Currently there are approximately 53,000 sq. ft. available for lease. Special note should be given to developers offered an option of obtaining or leasing available space in 8,000 sq. ft. sections at the above mentioned rates. These rates are at a net cost (Tenant to absorb taxes, etc.)

This site is not well suited as an incubator designed to serve a lower-skilled labor market because the rents would have to be too high. Higher rents would likely necessitate higher technology firms or more established firms that would defeat the purpose of this incubator. If the property were to be sold at below market prices, then the incubator concept might be viable.

Site #2 (Commonly referred to as the "Old Sacramento Fairgrounds Building".)

**Location:** Subject site is located in the 2900 block of North Stockton Boulevard, at the corner of Stockton Boulevard and Broadway, in the City of Sacramento. This structure is bordered, 1) on the North by the Sacramento County JOB-SKILLS Center, 2) on the South by the Fairgrounds Cafe, 3) on the West by Stockton Boulevard, and 4) on the East by the Sacramento County Department of Health offices.

. Subject site is located on Stockton Boulevard, a major traffic throughfare, and approximately two miles from the freeway interchange which connects Highway 99, U.S. 50, and Business-80. This provides for excellent transportation access to surrounding business and interstate traffic. Site is also serviced by local public transportation (Sacramento Regional Transit).

**Physical Description:** Subject structure is a one-story, brick masonry building, constructed circa 1931. Structure has its main entrance on Stockton Boulevard, with additional entrances and receiving facilities on its northern side.

. Currently the structure is shared with Sacramento County Department of Health "Primary Health Care Center" which occupies the eastern portion of this structure.

. Zoning in this area is designated "C" (Commercial)/"LI" (Light Industrial)

. There appears to be sufficient parking accommodations in proportion to structure size (75-85 designated spaces) with egress and ingress available from either Stockton Boulevard or Broadway.

. There are some 70,000 sq. ft. of leasable space exempting the portion currently occupied by the Department of Health.

**SUMMARY:** Subject property is currently being managed by the leasing firm of Sylva & Kirk (S&K). Mr. Lockland Richard is the leasing agent. Rates are as follows: \$.25 per sq. ft. flat rate vs. \$.60-.85 per sq. ft. improved.

NOTE: Currently this property is unavailable due to a pending execution of a lease between S & K, and the State of California. This lease hold not been executed as of September 10, 1985, However all parties concerned expected to negotiate a lease by the end of the year.

- The following should be considered in the event this facility became available:

- . This is privately owned property and available only for lease.

- . The cost of improvements tend to be priced at the high end of the estimate, approximately \$.80 per sq. ft. improved. That pricing base would put the lease rates of the incubator at above market rate when the additional support service costs are added. (Approximately \$1.05/sq. ft.).

- . There also might be a mix problem involving having light industrial activities combined with or in close proximity to a medical care facility.

Site #3 (Del Paso Jr. High School)  
(AKA-Grants West Jr. High)

**Location:** Del paso Jr. High is located at 1221 South Avenue in Del Paso Heights.

. Subject site is bordered by residential developments (R1/R2) on the North, South, East and West. (**Note:** The northern most portion is also shared by Grant Jr. High, which is currently operational.)

**Physical Description:** The subject site is approximately sixty acres, and consists of several single-story stucco connected structures, with a large gymnasium and workshop facilities.

**Note:** Subject site appears to be unacceptable for the following reasons:

. An undetermined portion of this school has been reactivated by the Del Pso Unified School District, under the name of "Grant West Jr. High School". This information was verified by Mr. Ira Carter's Office (Business Services Manager). In addition, this property has been removed from open sales market completely.

. Subject site is not located well with respect to access to any major traffic artery.

. Subject site is also located in a predominantly residential environment, thus seriously limiting any commercial or business interaction.

**Site #4: Las Palmas Jr. High School**

**Location:** Subject site is located in the northwestern part of the city of Sacramento, and is part of the Del Paso Unified School District. (575 Kesner Avenue, Del Paso Heights)

. Subject site is bordered by 1.) Las Palmas Avenue on the South, 2.) Fairfield Street on the East, 3.) Norwood Avenue on the West, and 4.) by Del Norte Jr. High on the North.

. Subject site is located in a predominantly residential (R1/R2) area, with the major traffic artery being Norwood Avenue.

**Physical Description:** Subject site is approximately 60,877 sq. ft. (see attached plot plan) consisting of eleven (11) single-story, stucco/frame classroom structures, all connected by a permanent walkway awning.

. Buildings appear to be in need of moderate-heavy repair (ie. painting, windows, etc.), and is currently abandoned.

**Summary:** The subject site has been abandoned for approximately three to four years.

. The Del Paso Unified School District has had this property on the open market for sale or lease, up until approximately three months ago, at which time the property listed at \$1,503,000. Subject site had been scheduled to be renovated into a senior citizens care facility, and has received a zoning variance designation of "H" (Hospital) for this purpose. This was facilitated by a concerned citizens community activist group, which negotiated this compromise of "disposition of sale", with the school district.

Recently this negotiated sale has fallen through, and according to school district officials in the district, due to increased enrollment, this site has been removed from the open market and scheduled for renovation and reactivation as a Jr. High School.

In conclusion the following conditions render this site inappropriate as a potential Business Incubator facility: (1) Property no longer for sale or lease; (2) Possible problem related to zoning; (3) No significant commercial or industrial activity in the immediate vicinity; and (4) Possible objections by community activist groups regarding change of intended land use from Senior Citizen Care Facility to service oriented/light commercial activities.

**Note:** The following should be considered prior to acceptance of this site as a potential business incubator site:

. In contacting the Alkali Flat Project Area Committee representatives it was determined that the portion of the site currently available has been abandoned for some time.

. Subject site appears unacceptable in configuration, in that massive renovation would be required to adjust the site to the office/light industrial business format as outlined in Superior Valley's proposal for a business incubator.

. Subject site does not have sufficient space to provide adequate parking to accommodate staff employed in a multi-function facility, such as a business incubator, and provide parking for outside clientele.

. Surrounding developments and structure are predominantly industrial in nature (ranging from light to moderate, to some heavy manufacturing).

. Noise levels are exceedingly high due to the heavy transportation vehicle traffic on 12th Street (diesel traffic, heavy auto, etc.)

## Section II: ALTERNATIVE DEVELOPMENT PLANS

This section contrasts the alternative uses for the remaining two acres of the site that is zoned r.o. (residential-office). Four alternatives were considered: office, light industrial, housing, and open space. Each alternative was considered separately and in combination. Each alternative was examined based on recent market studies prepared for the Oak Park area by the Redevelopment Agency or its consultants and new information gathered by Superior Valley. Finally, each alternative was evaluated for its compatibility with the immediate surrounding area and the longer term impact on Stockton Boulevard's commercial revitalization.

The most intensive industrial alternative would construct up to 40,000 square feet of space in a variety of configurations. The light industrial category would include warehousing and assembly uses. No uses that would generate air, water, or significant sound pollution would be allowed. A review of the Phase I report for the Oak Park Redevelopment Area indicates that while Sacramento had 38,600 acres of industrial land of which 7,800 were vacant in 1983, Oak Park has "a few scattered sites" with industrial potential. Given the economies of scale available to large industrial developments, the smaller Oak Park sites would not be very competitive. Thus, unless there were a specific users in hand for the two-acre Donner site, the industrial alternative would not be feasible.

Superior Valley's contacts revealed two potential light industrial tenants including an existing Stockton Boulevard merchant and landowner. One of the companies requires limited warehouse space but 5,000 square feet of office space. The other company could use up to 10,000 square feet of assembly space but was not yet motivated to seek larger quarters. Consequently, the intensive industrial alternative does not appear feasible at this time. However, some lesser amount of industrial space might be feasible particularly if it was also suitable for higher demand uses.

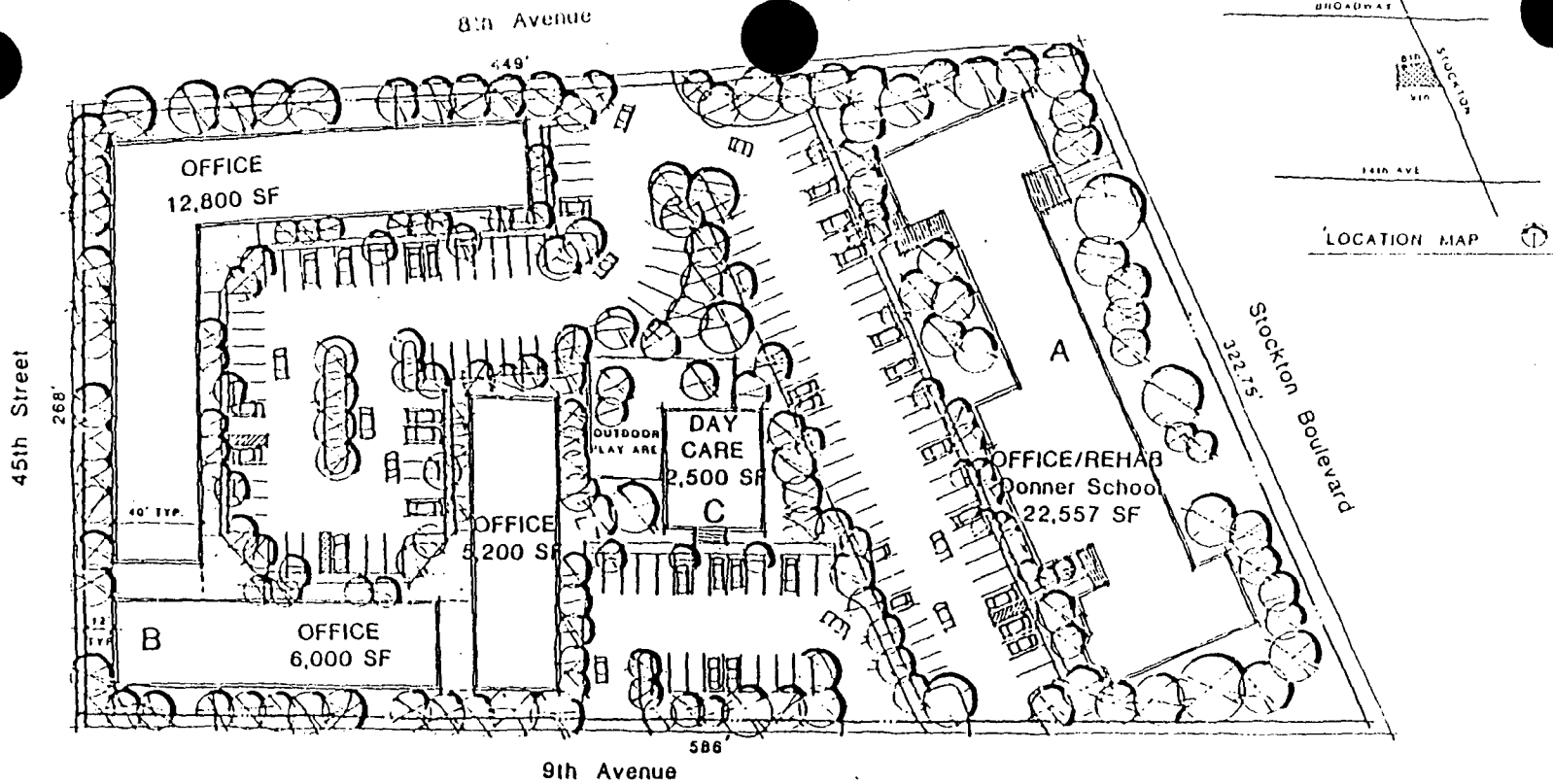
The most intensive housing use would construct 40,000 square feet of residential space into 50 units. The units would be leased at market rates because no new government rent subsidies are available. The project would also not be large enough to permit a mixed income approach so few moderate income renters could be accommodated. The Phase I report mentioned above suggests that a "minimum size project of 350-400 units would be needed to support the amenities necessary to achieve a marketable environment" for market rate housing. In addition, Superior Valley's draft of the Stockton Boulevard Commercial Revitalization Plan suggests that the Fairgrounds site located east of Stockton Boulevard and north of Broadway is the only area large enough to build a market rate project. Finally, though rental subsidies for the elderly are available, site standards require surrounding amenities not available on the Donner site including appropriate recreational space, circulation patterns,

public transportation, and complementary public services. Consequently, housing is not a feasible use of the Donner site consistent with long term commercial revitalization of Stockton Boulevard.

The current use of the remaining two acres is recreational open space. If the recreational use were further developed, the City Parks Department would be required to maintain the developed park land. City Officials indicate that current budgets do not permit maintenance of additional recreational acreage. In addition, the Oak Park Project Area Committee has voiced its opposition to further recreational development because they fear it would lead to gatherings of undesirable elements in the community similar to those that frequent McClatchy Park. Superior Valley's draft Revitalization Plan for Stockton Boulevard indicates a need for recreational space and/or programming in the area to assist revitalization of the boulevard economy. However, revenue to sustain a recreational development or program was not identified in that Plan as a short term objective. Moreover, the two-year experience of the Police Athletic League in trying to obtain funds for recreational development indicates that a recreational use of the Donner site is not feasible at this time. Nevertheless, there does appear to be a need for further investigation of alternative recreational financing for the Stockton Boulevard area.

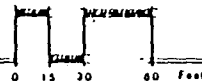
The most intensive office use of the site would construct 40,000 square feet of office/light industrial space in single story construction. Analysis of the local market indicates that office or office-medical are in greatest demand. Both office and office-medical have higher parking ratios than industrial uses. Consequently, a modified development plan would construct up to 22,800 square feet for office or medical office uses (see Map 1). Market samplings (see Section III) indicate significant demand for general office space and health related offices strong enough to warrant construction of the remaining two acres in 1987 in a Phase II development of the site. Consequently, office/office-medical appears to be the most feasible usage for the remaining two acres.

It should be noted that during the course of this investigation, demand for child care space on site was indicated. While this study did not consider a detailed evaluation of development for child care facilities, preliminary indications are that such a facility would be used by tenants at the Donner site as well as by local residents. The Oak Park PAC and number of the Stockton Boulevard Business Association have both endorsed the need for additional child care facilities. Accordingly, the proposed development plan indicated in Map 1 includes 2,400 square feet of space for child care to be developed in Phase II.



# MASTER SITE PLAN

SC 1"=30'-0"



## PROJECT TABULATION

SITE: 3.34 Acres ±

A	OFFICE/REHAB (Two Stories):	22,557 SF ±
B	OFFICE (One Story - Three Bldgs.):	24,000 SF ±
C	DAY CARE (One Story):	2,500 SF ±

PARKING REQ'D

PARKING PROVIDED

A	56	63
B	60	63
C	-	15

TOTAL: 49,057 SF ±

TOTAL: 141 Spaces

### Section III: Market Demand for Space

The incubator concept is based on a selected blend of established business services and newly emerging enterprises. In combination, the survival rate of younger firms is improved by the proven expertise of older firms. This blend of old and new firms is equally important to the real estate aspect of the Donner Center.

As a real estate project, the Donner Business Center must attract established local firms and new firms entering growing markets. Accordingly, the following listing of prospective tenants reflects five firms established in business (insurance, accounting, and finance) and health services (stress reduction and dentistry) with eight newer firms engaged in real estate (property management and development) and information technologies (telecommunications and computer services). Business and health services are the dominant themes of the Center as they comprise 60% of Phase I available space and are expected to anchor Phase II new construction as well.

#### Proposed Tenant Roster

##### A. Anchor Tenants:

Name/Address/Phone No.	Business Type	Square Footage
1. Superior Valley 817 14th Street Sacramento, Ca 95814 (916) 442-1729	Finance	3000
2. Koehler Finance Services 1214 F Street Sacramento, Ca 95814 (916) 448-3283	Bookkeeping	600
3. Stockman and Yew Certified Public Accountants 154 Hughes Rd. Suite 2 Grass Valley, Ca 95945 (916) 272-2606	Accounting	200
4. Hawkins Insurance 6856 Franklin Blvd Sacramento, Ca 95823 (916) 424-2555	Full Service Insurance Agency	1536

Name/Adress/Phone No.	Business Type	Square Footage
5. Alfred Walden DDS 5337 37th Ave Sacramento, Ca 95821 (916) 395-0608	Dentistry	1500

B. Incubator Tenants

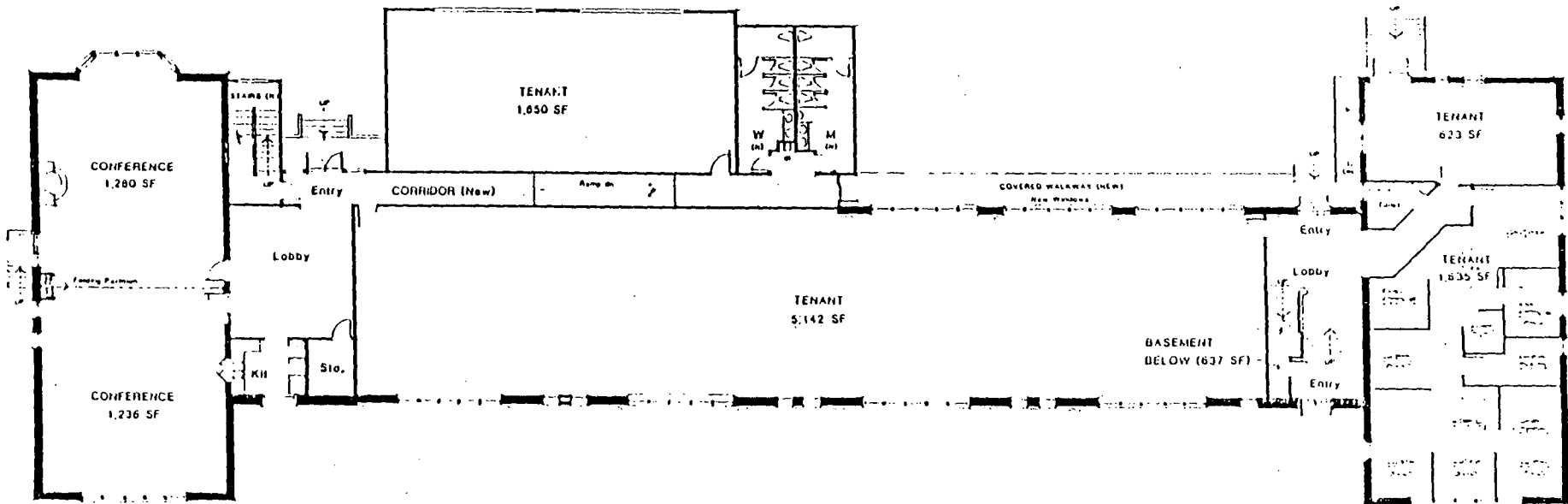
1. Duran Development Co. (start-up)	Real Estate Development Consulting	200
2. W.E. Property Mgmt. (start-up)	Real Property Mgmt.	200
3. J.F. Computer Solutions (start-up)	Computer Systems Design and Training	200
4. Vector Telcom 7667 Folsom Blvd Suite 3 Sacramento, Ca 95826 (916) 386-8777 (recent start)	Telephone Systems Design, Services, Installation	5000
5. Sac Omni Realty P. O. Box 5038 Sacramento, Ca 95817 (916) 453-1384	Business Brokerage	2400
6. Donner Management Assoc. (start-up)	Centralized Secretarial and Management Services	400
7. Service First Janitorial (start-up)	Janitorial Serv.	1200
8. Okikawa Law Offices (start-up)	Legal Services	200

In addition, the south wing of the Center will be used as a multi-purpose conference room. This facility will seat a minimum of 225 persons in theatre style conference room setting. It should also be adaptable to any number of uses, e.g. town hall meetings, business seminars, or receptions. The design of the facility will allow for the full conference room to be converted into two smaller rooms of contrasting size.

At \$.75 per square foot, the 2,500 square foot facility must generate approximately \$1,750.00 per month. At \$25.00 per half of the conference room for non-profit groups and \$50.00 per half for business groups, it is anticipated that 12 non-profit events and 12 business functions would have to occur for the facility to earn its projected monthly rental revenues. Information from comparable facilities such as the Sierra II School and Coloma Community Center indicate that these numbers are not unrealistic. Through marketing efforts targeting church, community, governmental, and business groups in addition to the public at large, it is anticipated that a minimum of 20 events per month can be expected for this facility.

In conclusion, commitments are in hand for all leasable space in the Center except the conference room spaces. Given the rent structure of \$.65/square foot for incubator tenants, \$.75 for non-medical anchor tenants, and \$.85 for medical tenants, the feasibility of the Center as a real estate project is proven. In the next section, the feasibility of the Center's incubator services is examined.

19



FIRST FLOOR PLAN

14,889 SF ± (Gross)

BUILDING TOTAL: 22,557 SF ± (Gross)



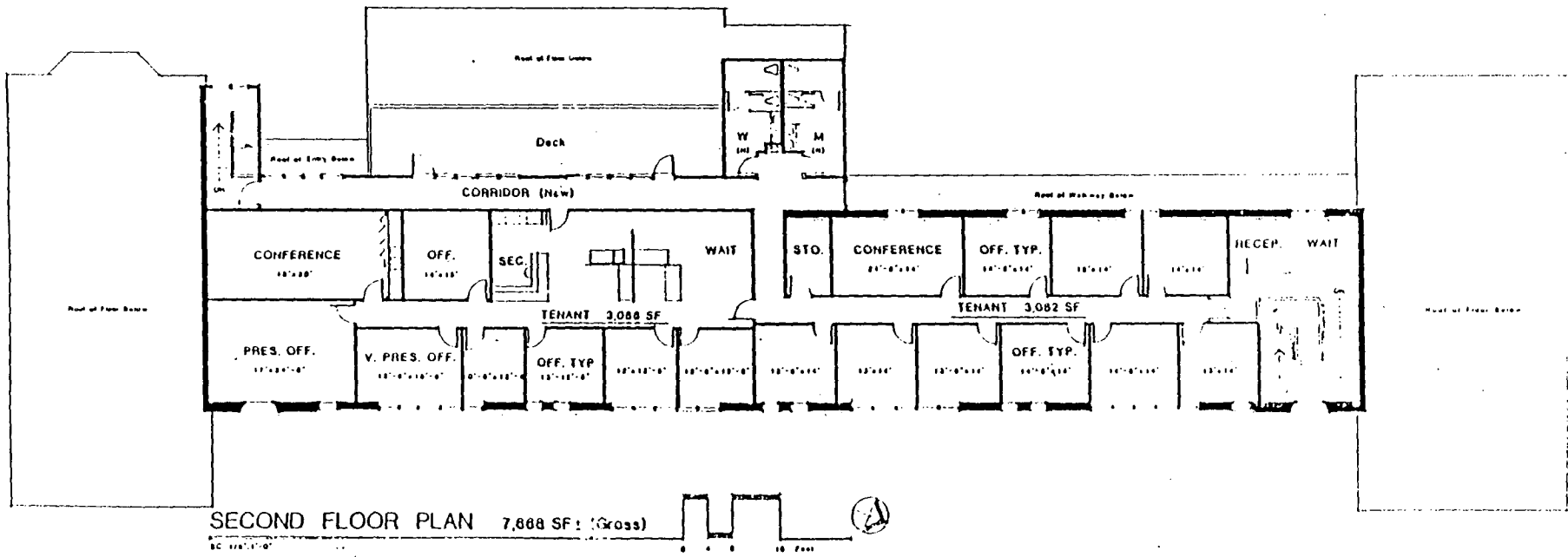
DONNER BUSINESS CENTER

**NIA** NIYA ARCHITECTS, INC.

OCT 11/03

(29)

20



DONNER BUSINESS CENTER

**NIA** NIIYA ARCHITECTS, INC.

DC 3 17/83

(30)

## Section III.B Market Demand For Services

The service component of the incubator is the most difficult demand to project. Comparative evaluations of other incubators have shown that the array of services should be designed to meet the needs of specific incubator tenants and clients rather than based on the incubator owners' ability to provide certain services profitably. Accordingly, this study included a direct survey of potential incubator clients to determine their service needs. One hundred persons representing 50 existing and 50 start-up companies were asked to rank 19 proposed services. These persons were selected from Superior Valley's monthly seminars, existing clients, and merchants located on Broadway and Stockton Boulevards.

The results of the survey indicate two-tiers of potential client services. Tier A comprises basic administrative services that received scores of 60 or higher. They include telephone answering, mailing address, copying, and wordprocessing (secretarial). Tier B includes more skilled services that received scores of 30-59. They include accounting, business planning, loan packaging, and receiving.

PLEASE CHECK THE SERVICE YOU REQUIRE FOR YOUR BUSINESS, OR A BUSINESS YOU PLAN TO START.

TYPE OF BUSINESS: 66 SERVICE 4 MANUFACTURING 21 <sup>RETAIL</sup> OTHER

82 Mailing Address  
67 Location  
87 Telephone Answering Service  
21 Conference Room  
9 Training  
63 Secretarial  
74 Copying Services  
23 Mailing  
7 Shipping  
32 Receiving  
46 Accounting  
19 Billing  
13 Filing  
37 Business Plan  
53 Loan Package  
16 Marketing Plan  
3 Warehouse Space  
4 Equipment Rental  
4 Computer Rental

START-UP 36  
BUSINESS

EXISTING 64  
BUSINESS

The fact that you have a good idea or a special skill that you know will be successful, should be sufficient enough justification for a business loan.

YES 22 NO 69

Is a professional quality loan package a concern to you in regard to financing.

YES     NO    

Would you pay \$50.00 per hour for assistance in developing your loan package? (10-15 hours average).

YES 44 NO 17

To obtain the highest degree of professionalism in my loan package, I would pay up to \$1,500 for this service.

YES 12 NO 41

Would the loan package cost be more acceptable if it were paid up front, but included in the loan amount and turned out as part of the loan amount?

YES 31 NO 11

I can complete a loan package without any assistance.

YES 16 NO 57

A loan package is a lot of unnecessary paper work.

YES     NO    

After the start-up phase, I will require on-going management and technical assistance.

YES 13 NO 36

What monthly dues would be appropriate to belong to an association that will provide on-going management and technical assistance and training. (Check one)

I would pay:

\$25 per month 56  
 \$35 per month 44  
 \$45 per month 3

The Tier A services will be packaged into a standard incubator tenant lease. The Tier B services will be furnished on a fee basis by the Donner Management Association. The monthly membership fee will be \$25.00. Some services will be provided on a monthly schedule, others on a one-time or as-needed basis. The Association will employ its own staff and be responsible for all services to the membership. The membership is not confined to the Incubator tenants, but can be solicited anywhere in the Superior Valley region. The Association will be viewed by the Incubator management as another tenant.

Each Incubator tenant will be presented an orientation on the services provided by the Association. The scope of support activities will include Tier A services. The firms offering these services will be located in the incubator complex. All contacts will be on a referral basis regarding these services. It is also not mandatory that the incubator tenants secure these firms, although their proximity will certainly give them an advantage over competing firms located outside.

During the tenant orientation, the Association's representative will conduct a service needs assessment to determine the degree of support necessary. Most new small firms do not generate a sufficient volume of business to justify full-time administrative support. Many others do not have the time or skills to supervise support staff. So a service package must be designed to match the tenant composition, the financing condition, and overall objectives of the firm. These services may range from a one time loan package to a monthly program of invoicing, mailing, receiving and completing the bank deposits. The assistance may be a product (loan package), one-on-one counseling, direct participation in management decision making, or developing a strategy to introduce a new product.

## Section IV : Financial Projections

This section compiles the results of the Section I through III into financial projections for the first five years of the Center. This summary projection for the Center including its basic assumptions are presented in Schedules A & B. Schedules C, D, and E project income and cash flow for the seed capital fund, the Donner Venture Fund.

Financing of the Center will come from private investors - \$450,000+ Superior Valley \$250,000, and the SHRA \$852,000. Private investment and SHRA loans will finance the rehabilitation of the Center. Superior Valley and profits from the Center for the first five years will finance the Venture Fund. At the end of the first five years, debt service of the SHRA loans will begin, assuming a 9% interest rate and 30-year amortization. This combination will provide the investors a 14 % after tax return assuming that they are in the 47% tax bracket.

### Schedule A - Five Year Forecast of Income and Cash Flow

This five-year projection describes the revenue and expenses for the Center as a real estate investment and summarizes the Venture Fund projection in one line each for revenue and expenses. Over the initial five years of operations, the Center will generate operating profits of \$364,000 and capital gain of \$211,000 assuming a 3% annual increase in property value.

### Schedule B - Assumptions to Five Year Forecast

This projection assumes that in Phase I, only the rehabilitation of the existing 22,000 square foot building will take place. Leasing rates are scaled at \$.65/square foot for incubator (start-up) tenants, \$.75 for anchor tenants, and \$.85 for medical tenants.

Lease rates will not be raised until year four at an estimated Consumer Price Index Rate of 5%. It should be noted that all service revenue (i.e., telephone answering, photocopying, wordprocessing, accounting, etc.) has been removed from this forecast though the working assumptions for services are still indicated. Incubator Services will be handled through a separate entity called the Donner Management Association. Similarly, Phase II working assumptions are included here though no new construction is reflected in the summary Five-Year Forecast.

The proposed Rent Schedule indicates the current estimates of space usage and lease rates. Of the 18,470 square feet available, 17,842 are tentatively committed as indicated. Final lease terms will be negotiated by the end of the feasibility study.

**Schedule C - Venture Fund Cash Flow**

This projection illustrates the sources and uses of cash for a \$500,000 seed capital fund. The fund will be initially financed in equal \$250,000 contributions from Superior Valley's Loan Guarantee Trust Fund and a loan from the State Office of Small Business. After this loan is paid off, the Fund will be augmented by the profits from the Center. The projection assumes that loans may be made as long as cash balances exceed \$275,000. However, since the Center will concentrate staff on a manageable portfolio of incubator clients, the Venture Fund will not necessarily maximize interest earnings from loans. Still the Fund will issue its full loan fund of \$225,000 being the first year and add to that pool in succeeding years. Staffing will be provided by Superior Valley's existing finance personnel.

**Schedule D - Venture Fund Income**

This projection translates the financial data contained in Schedule C to income statement format. A 5% default rate is included under variable expenses. It should be noted that while half the Fund is reserved for equity financings, the projection does not reflect any royalty or dividend income. Similarly, no deductions from interest income (idle funds) have been made to reflect a loss of capital for equity investment purposes. The equity fund program will be determined as a result of regulations to be adopted by the State Office of Small Business.

**Schedule E - Assumptions for Venture Fund**

The Fund will be invested equally in direct loans and equity financing. Only the loan fund is reflected in the projections. The average loan is estimated at \$25,000 for a maximum of five years. The maximum loan of \$50,000 is based on the assumption that commercial loans under \$50,000 for working capital are not profitable for commercial banks to make and are therefore very difficult for small businesses to obtain. While the interest rate is estimated at 14% (prime plus 5), rates will be negotiated on a case-by-case basis. However, since these loans are expected to be made to recently started firms that are unlikely to obtain commercial bank financing, the prime plus five rate reflects the higher than normal risk.

<u>Schedule E : Revenues Assumptions</u>	<u>- Venture Fund</u>	<u>Loans</u>	<u>Amount</u>
	<u>=rates=</u>	<u>=avg \$=</u>	<u>= # =</u>
			<u>= \$ =</u>
Term loans under \$50,000	.5	25000	10 250000
Lines of credit under \$50,000	0	0	0 0
First tier equity financing	.125	15000	4 62500
Second tier equity financing	.375	35000	5 187500
Interest rate at prime + 5	14		
Loan fees at		250	



Schedule B

Assumptions:

Phases: I - Rehab Only; II - Phase I and New Construction

Gross Square Feet(s.f.) - 22469 0

Leaseable Square Feet(s.f.) - 18470 0 in Phases I and II, respectively.

Rent/s.f./month - .75 0 in Phases I and II respectively.

SHRA Loan for Rehab - 852000

Inflation Rate(compounded) - 1.05

Private Loan - Phase II 0

Interest Rate - Phase II 13

Rehabilitation Costs/sf - 58.00

Construction Costs/s.f. - Phase II 30.00

Offsite Improvements - 100000 0 in Phases I and II, respectively.

Tenant Occupancy Rate - .75 .90 .90 in Phases I, II, and III, respectively.

Owner's Equity - 471876 0 through limited partnership offering.

Average Tenant Space - 1200 2000 in Phases I and II, respectively.

Average Accounting Fee - 25.00 per tenant employee per month.

Average Telephone Fee - 30.00 per instrument; 25.00 per line.

Average Copying Fee - 500 copies/employee @ .05 per copy.

Leaseable Space/Job - 250 s.f.

Number of Jobs Generated - 74 74 in Phases I and II, respectively.

Average Typing Fee - 100.00 per month per tenant.

Staffing - includes a receptionist from Superior Valley.

Depreciation - 1453202 includes a centralized phone system 50000 18-year straight line method.

PROPOSED RENT SCHEDULE

Tenant	Area	Rate	Rent
Walton, ODS	2421	.85	2058
Hawkins Insurance	1636	.75	1227
Vector Telecom	5142	.75	3857
Conference Rooms	2467	.75	1850
subtotal 1st Floor	11666	\$ .77	8992
Superior Valley	3082	.75	2312
Koenler Financial	600	.65	390
Geiger Realty	200	.65	130
JF Computers	200	.65	130
Duran Development	200	.65	130
Okikawa, LL8	200	.65	130
WE Property Mgmt	200	.65	130
Santos Maintenance	200	.65	130
JF Secretarial	200	.65	130
Business Assoc.	200	.65	130
Incubator subtotal	3094	.65	2011
subtotal 2nd Floor	6176	\$ .70	4323
Total Incubator	17842	\$ .75	13314

FIVE-YEAR CASH FLOW FORECAST

CASH SOURCES	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6	MONTH 7	MONTH 8	MONTH 9	MONTH 10	MONTH 11	MONTH 12	YEAR 1	Y2-Qt1	Y2-Qt2	Y2-Qt3	Y2-Qt4	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Beginning Cash	50000	49790	476319	453827	431765	410139	388950	368202	347897	328031	30828	289671	50000	295819	318437	315607	300265	295819	309617	374775	424597
Incoming Cash -																					
Cash sales (loan fees)	0	500	500	500	500	500	500	500	500	500	500	0	5000		500		500	1000	500	500	500
Collections (loan payments)	0	0	582	1163	1745	2327	2909	3490	4072	4654	5235	5817	31991	17451	17451	19156	19156	73295	83766	97727	111688
Interest Income (idle funds)		3119	3175	3006	2878	2734	2593	2455	2319	2187	2058	1931	28676	5916	6369	6312	6805	25403	6792	7450	8492
Bank credit lines													0					0		0	0
New equity injected													0					0		0	0
													0								
Total Cash Income	0	3619	4257	4669	5124	5581	6002	6415	6891	7341	7793	7748	56569	23368	24300	25568	26902	94908	91028	102727	120770
TOTAL USES OF CASH:																					
Variable Expenses -																					
Principal Loans/Invested		25000	25000	25000	25000	25000	25000	25000	25000	25000	25000		250000		25000		25000	50000	50000	50000	50000
Credit Reports	0	100	100	100	100	100	100	100	100	100	100	0	1000	0	100	0	100	200	200	200	200
Other Processing Fees	0	50	50	50	50	50	50	50	50	50	50	0	500	0	50	0	50	100	100	100	100
Fee Deposits Returned		0	100	100	100	100	100	100	100	100	100	100	1000	0	0	100	0	100	100	100	100
Allowance for Defaults			1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	12500	0	1250	0	1250	2500	2500	2500	2500
Franchise Fees/Royalties													0					0		0	0
Sales Taxes													0					0		0	0
Allocated Fixed Expenses													0					0		0	0
Subtotal Variable Expenses	0	25150	26950	26950	26950	26950	26950	26950	26950	26950	26950	1150	269500	0	26100	100	26100	52000	52000	52000	52000
Fixed Operating Expenses -																					
Officer Salaries													0	0				0	0	0	0
Other Salaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rent	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utilities													0	0				0	0	0	0
Maintenance													0	0				0	0	0	0
Telephone													0	0				0	0	0	0
Equipment Leases													0	0				0	0	0	0
Capital Purchases (h)	1850												1850	0				0	0	0	0
Office Supplies	100	100	100	100	100	100	100	100	100	100	100	100	1200	300	300	300	300	1200	1200	1200	1200
Postage	50	50	50	50	50	50	50	50	50	50	50	50	600	150	150	150	150	600	600	600	600
Printing													0	0				0	0	0	0
Advertising													0	0				0	0	0	0
Accounting	50	50	50	50	50	50	50	50	50	50	50	50	600	150	150	150	150	600	600	600	600
Legal	50	50	50	50	50	50	50	50	50	50	50	50	600	150	150	150	150	600	600	600	600
Travel													0	0				0	0	0	0
Other Taxes													0	0				0	0	0	0
Other													0	0				0	0	0	0
Subtotal Fixed Expenses	2100	250	250	250	250	250	250	250	250	250	250	250	4850	750	750	750	750	1000	3000	3000	3000
Debt Service													0						0	0	0
Payments on Past Debts													0						0	0	0
GRAND TOTAL USES OF CASH	2100	25400	26750	26750	26750	26750	26750	26750	26750	26750	26750	1000	269500	750	27150	650	27150	55000	55000	55000	55000
NET CASH FLOW FOR THE PERIOD	-2100	-21581	-22493	-22061	-21626	-21189	-20748	-20305	-19859	-19409	-18957	-6148	-204181	-22618	-20100	-24658	-1648	43798	35150	45222	67760
Ending Cash Balance	49790	476319	453827	431765	410139	388950	368202	347897	328031	30828	289671	295819	295819	318437	315607	300265	30617	30617	374775	424597	469377

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Schedule C

Schedule D

Company Name: **LOOPER VENTURE FUND**  
 Date of Forecast: **October, 1985**

**FIVE-YEAR INCOME STATEMENT FORECAST**

	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6	MONTH 7	MONTH 8	MONTH 9	MONTH 10	MONTH 11	MONTH 12	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>REVENUES:</b>																	
Cash Sales A (Loan fees)	0	500	500	500	500	500	500	500	500	500	500	500	5000	500	1000	500	500
Cash Sales B													0	0	0	0	0
Cash Sales C													0	0	0	0	0
Account Sales A (Interest)	292	500	865	1146	1424	1680	1969	2236	2500	2760	2760	2760	20219	8169	9034	9034	34407
Account Sales B													0	0	0	0	0
Account Sales C													0	0	0	0	0
Interest (on idle funds)	3019	3175	3006	2878	2734	2593	2455	2319	2187	2058	1931	1972	30648	5916	6369	6312	25403
Royalty/Dividend													0	0	0	0	0
Other Revenue													0	0	0	0	0
Less Sales returns													0	0	0	0	0
<b>Total Revenue</b>	<b>3611</b>	<b>4255</b>	<b>4390</b>	<b>4525</b>	<b>4658</b>	<b>4791</b>	<b>4924</b>	<b>5056</b>	<b>5187</b>	<b>5317</b>	<b>5191</b>	<b>4712</b>	<b>56637</b>	<b>14066</b>	<b>15038</b>	<b>15336</b>	<b>16338</b>
<b>Variable Expenses</b>	<b>0</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>1500</b>	<b>0</b>	<b>1400</b>	<b>100</b>	<b>1400</b>
<b>Gross Profit</b>	<b>3611</b>	<b>4105</b>	<b>2890</b>	<b>3005</b>	<b>3158</b>	<b>3291</b>	<b>3474</b>	<b>3556</b>	<b>3487</b>	<b>3417</b>	<b>3091</b>	<b>3182</b>	<b>41637</b>	<b>14066</b>	<b>13638</b>	<b>14936</b>	<b>14938</b>
<b>OPERATING EXPENSES:</b>																	
Officer Salaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Salaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rent	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Telephone	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equipment Leases	35	35	35	35	35	35	35	35	35	35	35	35	417	104	104	104	417
Depreciation	100	100	100	100	100	100	100	100	100	100	100	100	1200	300	300	300	1200
Office Supplies	50	50	50	50	50	50	50	50	50	50	50	50	600	150	150	150	600
Postage	50	50	50	50	50	50	50	50	50	50	50	50	600	150	150	150	600
Printing	50	50	50	50	50	50	50	50	50	50	50	50	600	150	150	150	600
Advertising	50	50	50	50	50	50	50	50	50	50	50	50	600	150	150	150	600
Accounting	50	50	50	50	50	50	50	50	50	50	50	50	600	150	150	150	600
Legal	50	50	50	50	50	50	50	50	50	50	50	50	600	150	150	150	600
Travel	50	50	50	50	50	50	50	50	50	50	50	50	600	150	150	150	600
Other Fees	50	50	50	50	50	50	50	50	50	50	50	50	600	150	150	150	600
Other	50	50	50	50	50	50	50	50	50	50	50	50	600	150	150	150	600
<b>Total Expenses</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>3117</b>	<b>854</b>	<b>854</b>	<b>854</b>	<b>3117</b>
<b>Operating Profit/(Loss)</b>	<b>3326</b>	<b>3971</b>	<b>4105</b>	<b>4240</b>	<b>4374</b>	<b>4507</b>	<b>4639</b>	<b>4771</b>	<b>4902</b>	<b>5032</b>	<b>4906</b>	<b>4447</b>	<b>53220</b>	<b>13232</b>	<b>14104</b>	<b>14492</b>	<b>15485</b>
Less Interest Expense																	
<b>PRE-TAX PROFIT/(LOSS)</b>	<b>3326</b>	<b>3971</b>	<b>4105</b>	<b>4240</b>	<b>4374</b>	<b>4507</b>	<b>4639</b>	<b>4771</b>	<b>4902</b>	<b>5032</b>	<b>4906</b>	<b>4447</b>	<b>53220</b>	<b>13232</b>	<b>14104</b>	<b>14492</b>	<b>15485</b>



1300 HOWE AVE SUITE 340  
SACRAMENTO, CA 95825  
916 / 920 3668

November 1, 1985

Mr. Darryl Freeman, President  
Superior Valley  
817 14th Street, Suite 100  
Sacramento, CA 95814

Re: Donner School Rehabilitation

Dear Darryl:

Submitted hereto is the architectural estimate for the referenced project. The estimate is based upon our early schematic drawings and reflects only an approximation to our best knowledge on the basis of our experience in this type of work. The estimate is as follows:

1. Site Work	\$140,000	
2. Demolition	40,000	
3. Foundations/Footings	30,000	
4. Superstructure	225,000	
5. Exterior Closure	150,000	
6. Roofing	75,000	
7. Interior Construction	40,000	
8. Plumbing	40,000	
9. Heating and Ventilating	80,000	
10. Electrical	75,000	
11. Contingency	40,000	
12. Tenant Improvements	<u>250,000</u>	
	Total Construction Cost	\$1,185,000

Other Costs:

1. Design Fees	\$60,000	
2. Permit Fees	8,000	
3. Other Fees	20,000	
4. Bonds	<u>12,000</u>	
	Total Other Costs	<u>100,000</u>
	Total	\$1,285,000

Mr. Darryl Freeman  
November 1, 1985  
Page Two

If you have any questions, please call me.

Very truly yours,

NIIYA ARCHITECTS, INC.

*Herb Niiya*  
Herbert Y. Niiya, AIA  
President

HYN:jh

EXHIBIT D

Terms and Conditions of Building Sale,  
Rehabilitation Loan, and Land Lease

- a) The building itself will be deeded to the investment partnership, headed by Superior Valley, subject to a first deed of trust in the amount of the rehabilitation loan (\$852,000).
- b) The rehabilitation loan itself shall be a zero percent interest deferred payment loan for a five-year period. All terms and conditions of the loan will be renegotiable at that point and may, at the discretion of the Agency, be terminated without cause.

The loan shall be subject to a regulatory agreement which will specify that the project must be continuously operated by Superior Valley as a "business incubator" during that time frame. Terms of the agreement will include a set percentage of the floor space (not less than 8,000 square feet) to be offered to start-up businesses at a rent level to be reviewed annually by the Agency, as well as the offering of technical services to the incubator tenants. Superior Valley will present their technical services plan to the Agency annually as well. The regulatory agreement shall be strictly and legally enforced with the right to call the loan clearly outlined in the event of violation.

- c) The lease of the underlying property will be handled in two ways:
  - 1) The property underlying Phase I (including appurtenant parking) will be leased to the partnership at \$1.00 per year for fifty-nine (59) years with a mandatory renegotiation of terms and an option to buy at the five year point contingent upon successful renegotiation or payoff of the rehabilitation loan. The option price will be set at the current appraised value of that portion of the property. The lease will be subject to the same regulatory language outlined for the loan agreement.
  - 2) The property underlying Phase II will be leased to Superior Valley for six months, for \$1.00, with an option to buy during that period at the current appraised value, contingent upon Agency approval of plans for Phase II.