

November 17, 2004



Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

**SUBJECT: EXTENSION AND MODIFICATION OF OPTION AGREEMENT TO
PURCHASE RESIDENTIAL PORTION OF RIVERVIEW PLAZA**

LOCATION & COUNCIL DISTRICT

600 I Street, District 1

RECOMMENDATION

Staff recommends adoption of the attached resolution on page 5, which authorizes the Executive Director to:

- request an extension and modification of the option to purchase the residential portion of Riverview Plaza from Riverview Plaza Associates, L.P.; and
- execute documents necessary to extend and modify the option agreement, in accordance with the intent of this staff report, all as approved by Agency Counsel.

CONTACT PERSONS

Darren Bobrowsky, Director, Development Services, 440-1310
Richard Marsh, Housing Finance Analyst, 440-1399 ext. 1298

FOR COUNCIL MEETING OF – December 7, 2004

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the City of Sacramento
November 17, 2004
Page 2

SUMMARY

Riverview Plaza is a commercial and residential mixed-use project developed by the Housing Authority of the City of Sacramento in 1989. In order to allow the use of tax credits for the project, ownership of the residential portion of the project was structured with a limited partnership, Riverview Plaza Associates, L.P., composed of a tax credit investor, Chevron U.S.A. Inc., and a non-profit general partner, Sacramento Housing Development Corporation. The partnership agreement granted the Redevelopment Agency of the City an option to purchase the property from the partnership during a one-year period ending December 31, 2004. In anticipation of acquiring the property, staff is conducting a comprehensive evaluation of the building, however, this review will not be complete by the option deadline. Consequently, this report recommends the Redevelopment Agency request an extension and modification of its option to purchase the residential portion of Riverview Plaza in order to complete the evaluation of the property and determine the optimal financing structure for the acquisition. Staff will report back to the Agency in 2005 with a plan for the acquisition of the property.

COMMISSION ACTION

At its meeting on November 17, 2004 the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES:	Burns, Burruss, Coriano, Gore, Harland, Hoag Piatkowski, Simon, Stivers
NOES:	None
ABSENT:	McCarty

BACKGROUND

Riverview Plaza is a 16-story commercial and residential project located at 600 I Street in the City of Sacramento. The commercial portion of the building (floors 1-2) consists of approximately 24,800 square feet of office and retail space, common areas, and 14 parking spaces. The Sacramento Housing and Redevelopment Agency staff occupies approximately 16,000 square feet of this space, with the balance occupied by a day-care center, a convenience store, and a hair salon. The residential portion of the building (floors 3-16) consists of 123 affordable one-bedroom senior apartments, a manager's apartment, common areas including a large kitchen and dining area, and 36 underground parking spaces.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the City of Sacramento
November 17, 2004
Page 3

Funding for the development came from a combination of City, Agency, and private loans and contributions. In order for the project to be eligible for Low Income Housing Tax Credits (LIHTCs), ownership of the residential portion was structured with a limited partnership, Riverview Plaza Associates, L.P., composed of a tax credit investor, Chevron U.S.A. Inc. (Chevron), and a non-profit general partner, Sacramento Housing Development Corporation (SHDC), for which the Board of Supervisors serves as the Board of Directors. Chevron received Federal tax credits as a result of their \$10 million equity investment in the project. The Housing Authority of the City of Sacramento retained ownership of the land and the commercial portion of the building.

Within the funding agreement, the Redevelopment Agency issued a Funding Guarantee for the project through December 31, 2004, and in return was granted an option to purchase the property from the partnership during a one-year period ending concurrently with the guarantee. In the event the Agency did not exercise its option by the December 31, 2004 deadline, the partnership agreement granted Chevron the right to "put" (sell) its 99% interest in the property to SHDC for \$300,000 for a one-year term ending December 31, 2005.

In anticipation of acquiring the property, staff is conducting a comprehensive evaluation of the building's condition and operation in order to determine the optimal financing structure for the acquisition, but this review will not be complete by the Agency's option deadline. Consequently, this report recommends the Redevelopment Agency request an extension and modification of its option to purchase the property. The new agreement will allow the Agency the right to purchase the property from the partnership for \$300,000, and this right can be exercised at any time. Staff will report back to the Agency with an acquisition plan for the property in 2005.

The current request, once approved by the Redevelopment Agency, must be approved by the property owner, Riverview Plaza Associates, L.P. The Board of Supervisors, acting as the Board of Directors of SHDC, the general partner of Riverview Plaza Associates, L.P., is scheduled to consider the request on December 7, 2004. Chevron, as the limited partner, has indicated it is willing to approve the option extension.

FINANCIAL CONSIDERATIONS

No funding request is being made at the present time.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the City of Sacramento

November 17, 2004

Page 4

POLICY CONSIDERATIONS

The proposed actions are consistent with the Agency's goal of providing affordable housing.

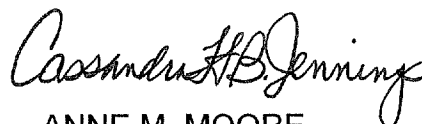
ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under the California Environmental Quality Act per the Guidelines Section 15378(b)(4), nor is the action a federal undertaking under the National Environmental Protection Act. No environmental review is required.

M/WBE CONSIDERATIONS

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

Respectfully submitted,



ANNE M. MOORE
Executive Director

Transmittal approved,



ROBERT P. THOMAS
City Manager

TABLE OF CONTENTS

- 1) Redevelopment Agency Resolution – Page 5

RESOLUTION NO. _____

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

**MODIFICATION AND EXTENSION OF OPTION AGREEMENT TO
PURCHASE RESIDENTIAL PORTION OF RIVERVIEW PLAZA
FROM RIVERVIEW PLAZA ASSOCIATES, L.P.**

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

Section 1: After due consideration of the facts presented, the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.

Section 2: The Redevelopment Agency of the City of Sacramento (Agency) holds an option that authorizes the Agency to purchase the residential portion of Riverview Plaza from Riverview Plaza Associates, L.P. The amendment to the option agreement to set the option price at \$300,000 and extend the term indefinitely is hereby approved.

Section 3: The Executive Director of the Redevelopment Agency of the City of Sacramento is authorized to execute documents to modify the option agreement, and to enter into and execute other related agreements, documents, and perform any other actions necessary to fulfill the terms of this authorization, all as approved by Agency Counsel.

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____