

RECEIVED
SEP 02 2005

Jeannie Legley ^{ECS}

**ECS
COUNCIL/REDEVELOPMENT AGENCY COMMUNICATION**

9690
City Clerk Use Only

DATE: August 25, 2005
TITLE: Acquisition of Property – 238 Vernon Street
CONTACT: Jan Shellito, Manager, Planning and Redevelopment
(916) 774-5447/jshellito@roseville.ca.us



JMC

Meeting Date: September 7, 2005

SUMMARY RECOMMENDATION

The Redevelopment Agency is requested to approve the acquisition of the property located at 238 Vernon Street in the amount of \$1,000,000 and direct staff to complete the transaction. The City Council is requested to provide a loan to the Redevelopment Agency for acquisition costs and to approve a budget amendment for the loan.

INTRODUCTION

The City and the Redevelopment Agency have invested \$25 million over the last five years in the downtown. In the next 18-24 months, an additional \$30 million will be invested making significant infrastructure and visual improvements on Riverside Avenue, Vernon Street, and Historic Old Town. Private investment has also been significant in the downtown through the improvement of building facades, tenant improvements, and purchase of properties. The City Council has made revitalization of the downtown a top priority for 2005 supported by the recommendations of the Community Standards and Visioning Committee and the Growth Management Visioning Committee.

"...A vibrant downtown and interpretive projects showcase our proud history...."
CSVC Report March 2004

"Downtown is the "magnetic core" of the community, and central to Roseville's identity. A location for community celebrations, Downtown is the focus for a range of cultural activities. Mixed-use development combines housing, retail, and commercial to encourage a lively pedestrian atmosphere day and night."
GMVC Report April 2005

The Redevelopment Agency recognizes its responsibility to safeguard the public and private investment made in the downtown over the last five years. The Agency is committed to carry out the revitalization goals established by the Council and any future goals recommended by the community through the visioning process.

BACKGROUND

The Redevelopment Agency has the opportunity to purchase a prominent building located in the heart of the downtown. The Antique Mall located at 238 Vernon Street has been for sale since March 15, 2005. It is a three-story building, approximately 16,000 square feet with a basement and mezzanine. The Agency became aware that potential buyers for the building represented uses, such as warehousing, that would conflict with the long-term goals of revitalizing the downtown. In addition, the Agency received a number of concerns from downtown merchants and

AGENDA ITEM

_____ *AD*

members of the Chamber's Revitalization Committee about the future of the building. Based on this information, the Agency proceeded to evaluate the option to purchase the building with three primary objectives in mind.

1. Generate a use for the building that protects and further enhances the investment made in the downtown by the City, the Agency, and downtown property and business owners.
2. Support the Council and community goals to create a vibrant downtown providing amenities that serve our community.
3. Support additional goals of the Agency to create economic sustainability through job creation and develop a catalyst use to encourage additional quality development in the downtown.

ACTIONS TAKEN TO DATE

On June 17, 2005, the Agency submitted a non-binding Letter of Intent to the owner of the property outlining the Agency's interest in purchasing the property. The Letter of Intent included a purchase offer and several conditions. The property owner signed the non-binding Letter of Intent on June 29, 2005. The parties have agreed to the following:

Terms of the Offer

- Purchase Price \$1,000,000
- Escrow Closing Date August 31, 2005
- Seller's "as-is" clause to be included in the purchase agreement

Conditions to the Offer

Completion and approval of these items are conditions to the Agency's obligation to complete the purchase.

- Property appraisal
- Review of preliminary title report
- Structural assessment of the building's roof, bearing walls, and foundation
- Pest (termite) inspection
- Phase I environmental assessment
- Phase II environmental assessment if Phase I indicates anything over and above lead based paint or asbestos. If a Phase II assessment is indicated, then escrow would be extended to complete the Phase II assessment and its review
- Review and approval by the Redevelopment Agency

Summary of Findings

The findings for the conditions listed above are reasonable for a building of this age. The structural assessment, the pest inspection, and phase I assessment are attached as reference. A summary of the findings from the assessments is outlined below:

- Appraisal: \$1,050,000
- Preliminary Title Report: Clean
- Structural Assessment: The building is unreinforced masonry and may require modifications to meet seismic requirements. The seismic requirements and associated modifications are dependent on the future use of the building. If the building remains retail, seismic modifications are not required. If the building substantially changes use to a restaurant or office complex for example, then full seismic modifications are required.
- Pest (termite) Inspection: Minor repairs required

- Phase I Env. Assessment: No recognized environmental conditions
- Phase II Env. Assessment: Not Applicable

BUILDING REUSE DISCUSSION

Opportunities

The Agency has discussed the opportunities for reuse of the building with knowledgeable members of our community. The feedback has been positive and has generated concepts such as:

- Restaurant
- High-end furniture and housewares
- Indoor mini-mall
- Mixed use development with ground floor retail and second floor office

Approach

There are several approaches that can be taken to create a different use for this building including but not limited to the following:

- Sell the property, “as is” or with certain improvements, to a business or developer conditioned to provide a specified use for the property i.e. restaurant, retail, or mixed use.
- Enter into a partnership with a business or developer to convert the building to an appropriate use.
- Lease the property to a business or developer to provide an appropriate reuse of the building. NOTE: The Agency cannot lease the building for the long-term however, the City does not have the same restriction.

Cost

The cost to improve the building varies based on the final use of the building. For example, if the use remained a retail use such as a bookstore or furniture store, then essentially no building code improvements are required. Any tenant improvements desired by the new business however, would be their responsibility to complete. Upon a change in use of the building such as restaurant or office, a number of improvements are then required by the building code.

Prior to the Agency submitting an offer for the building, the city’s infill development team met with the property owner to evaluate the building for a sports restaurant and grill. The City’s Building Department estimated the cost of improvements for this specific use to be about \$1 million. The estimate includes improvements for HVAC, electrical upgrades, accessibility, fire safety requirements, etc. This estimate did not include seismic modifications referenced earlier. The cost estimate to make seismic improvements is estimated at \$680,000 assuming no other improvements to the building. In other words, an economy of scale would be realized if the seismic modifications were incorporated into a larger tenant improvement project. The table below outlines an estimated cost to improve the building for its maximum use and occupancy. Interim uses may require significantly fewer improvements.

	Acquisition Cost	Building Improvements	Seismic Improvements
Building use remains retail	\$1,000,000	Tenant improvements only	Not required
Building Use Changes	\$1,000,000	Up to \$1,000,000 depending on use	Up to \$680,000 if done independent of other improvements

Given the assessment of the condition of the building and the positive feedback generated for its reuse, the Agency is confident that the property can be redeveloped to meet the goals for the downtown. The Agency intends to maximize its return on investment in the shortest timeframe possible, however with the knowledge that the purchase of this building is a long-term investment.

The Downtown Roseville Visioning Project, scheduled to begin in October, will be an important mechanism to ensure the potential uses of the building are based on community input. Although the Agency cannot lease the building long term, it could lease the building on an interim basis while working to identify a long-term use for the building, minimizing the time the building is vacant. Upon purchase of the building, the Agency will begin its effort to attract an appropriate user for the site.

FISCAL IMPACT

The Agency has allocated \$7,500.00 for the completion of the assessment studies outlined in the conditions of the non-binding Letter of Intent. The Agency will fund the closing costs of the acquisition in the amount estimated at \$2,046.00. The Agency does not have \$1,000,000 in reserve to purchase the building. The Agency proposes to acquire a loan from the City in order to purchase the building.

Terms of the Loan

The Agency will be required to repay the City in full plus interest upon disposition of the property or October 1, 2008, whichever comes first. The loan is fifteen years with a simple interest rate based on the City's investment rate as of June 30, 2005 (3.15%) with an annual payment of \$92,935.00 through October 2022.

ENVIRONMENTAL REVIEW

A Notice of Exemption has been prepared to comply with the requirements of the California Environmental Quality Act (CEQA). The proposed project is subject to a Class 32 CEQA Exemption, which addresses infill development projects (CEQA Guidelines 15332). NEPA does not apply.

RECOMMENDATION

REDEVELOPMENT AGENCY

1. Approve the acquisition of the property located at 238 Vernon Street at a purchase price of \$1,000,000.
2. Direct and authorize staff to complete the transaction.

CITY COUNCIL

1. Approve a loan of \$1,000,000 to the Redevelopment Agency for acquisition of the property located at 238 Vernon Street.
2. Authorize the transfer of \$1,000,000 from the Strategic Improvement Fund to the Redevelopment Agency budget and adopt an ordinance to be immediately effective as an appropriation measure to amend the Fiscal Year 2005-2006 budget.

Attachments:

- Structural Assessment
- Pest Inspection
- Phase I Assessment

Respectfully submitted,

Jan Shellito

Jan Shellito, Manager
Planning and Redevelopment

J Shellito for P. Richardson

Paul Richardson, Director
Planning and Redevelopment

APPROVED:

John Progne for

W. Craig Robinson
City Manager




**CITY OF ROSEVILLE
REQUEST FOR BUDGET ADJUSTMENT
FINANCE DEPARTMENT**

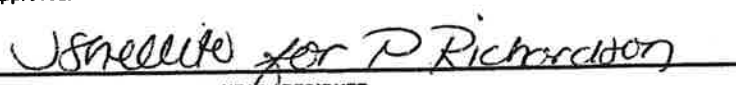
REQUESTER: Jan Shellito

DEPARTMENT: Redevelopment Agency

DATE OF PROPOSED COUNCIL ACTION: August 17, 2005

AMOUNT	ACCOUNT NUMBER		ACCOUNT TITLE
	GL ORG. KEY-OBJECT	JL PROJECT-ACTIVITY	
\$ 1,000,000	08112 - 6100	-	RDA - Capital Outlay Building Acquisition
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
SOURCE OF FUNDS:		FUND TITLE	
AMOUNT			
\$ 1,000,000	Strategic Improvement Fund		
FINANCE USE	APPROVED:	DATE	
		8/5/05	
	BUDGET MANAGER / DESIGNEE		

Justification of Budget Adjustment:
 Loan from the City to the Agency for the purchase of the property located at 238 Vernon.

Approved:	Approved:
	<hr/>
REQUESTING DEPARTMENT HEAD / DESIGNEE	CITY MANAGER

Edwin J. Nicholson, Structural Engineer

655 University Avenue Suite 240
Sacramento, California 95825
(916)-921-5500
Fax (916)-921-5543
S.E. 3336

August 8, 2005

Ms. Jan Shellito, Manager
City of Roseville Economic & Community Services
311 Vernon Street
Roseville, Ca. 95678

Subject: Structural Review
Former JC Penny Building
238 Vernon Street
Roseville, Ca.
EJNSE # 2005-39

Dear Jan:

Per the City's request, on August 4th, 2005 I visited the subject site. The purpose of my visit was to provide a structural review of the building and to form an opinion as to the structural adequacy of the building. My visit did not include removal of wall or ceiling finishes and thus my opinion is based upon those areas of the structure that were exposed. Structural calculations were not part of the scope of this report.

Executive Summary:

The building has been used for retail sales for many years, if not for its' entire life. There are no apparent signs of distress in the vertical load system. The vertical system includes the ability of the building to support its' self weight as well as the weight of the occupants (live load). Future use of the building as either office space or retail would not increase the live load from its' former use. Future areas used for storage (except the basement) should be reviewed by a Structural Engineer.

The buildings' lateral system, the system used to resist wind or earthquake loads, has numerous deficiencies which require retrofitting. The full scope of retrofit work is difficult to define without removal of some finishes and direct input from the City Building department. Investigation and testing of existing building materials, followed by structural analysis and preparation of preliminary construction documents are required to obtain a realistic construction cost estimate. This investigation and analysis can be performed by any one of a number of qualified Structural Engineering offices located in the Sacramento area.

Background Information:

The subject building is located in the original section of Downtown Roseville. It is believed to have been constructed in 1928. An addition to the original construction was added at some unknown later date. The property is bounded by Vernon Street (the front of the building), adjacent buildings on each side (zero lot lines) and Atlantic Street & numerous rail road tracks at the back of the building. For discussion purposes, the front of the building will be called the South elevation / South wall. The building is single story with a partial mezzanine and full basement. The north – south dimension is approximately 146' (including the addition), the east west direction is approximately 50'. The addition consists of the northern most 30' of the building. The addition included an extension of the basement, first floor, mezzanine level & roof system. The mezzanine level occurs in two sections, both are the full width (east-west) of the building. The first section contains office space and extends from the south wall towards the north 15'. The second section of mezzanine contained retail layout space extending from the north wall south 60'. Original construction documents have not been located and likely do not exist.

Unreinforced Masonry Buildings:

Based upon those areas visible, the subject building is classified as an Unreinforced Masonry Building (URM). The building is located in seismic zone 3, as defined by the 2001 California Building Code. Zone 3 is the second highest seismic zone and represents areas that could see significant ground motions during an earthquake. The implication of this classification will vary depending upon the requirements of the local Building Department. The City of Sacramento has developed guidelines which have been used extensively on retrofit of URM buildings in Old Sacramento. The guidelines are based upon the Uniform Code for Building Conservation (UCBC) but allow adjustments based upon engineering judgment for each specific building. Per our conversation, the building is not listed on the Historical Registry. Buildings listed under the Historical registry may have different retrofit guidelines. In 1986, the California State Legislature enacted a law addressing URM buildings. The law is applicable for seismic zone 4 areas (the highest seismic zone, typical along the California coast). While the law is not a requirement in zone 3, a great deal of useful information is included in the attached paper titled "California State Seismic Legislation" (unknown author). The goal of URM hazard reduction is not limited to seismic zone 4 buildings.

The Vertical System:

The vertical system visible on the day of my visit included the following:

- 1" x 8" diagonal roof sheathing supported on 2" x 14" rafters @ 16" on center spanning 24'. The roof has various swamp coolers and other mechanical equipment. The existing framing should be checked for all new mechanical roof units.

- The rafters are supported on the east and west exterior hollow clay tile and brick walls. Additionally, they are supported at the building centerline on a north-south running steel pipe column and wood beam system.
- The mezzanine floor has hardwood covering but is assumed to have diagonal sheathing below the hardwood. The mezzanine floor joists are supported at the east and west exterior walls and with a center column and beam system as with the roof rafters.
- The first floor also has floor coverings and again is assumed to have diagonal sheathing below the coverings. The floor joists are supported at the east and west exterior walls and with a center column and beam system as with the roof and mezzanine framing.
- The basement is a concrete slab on grade.

The first floor, mezzanine and roof framing appear to be in good shape. There is some possible dry rot in the roof system near the northwest corner of the roof. This appears to be attributed to the roof drain in this area. The east and west bearing walls are a combination of hollow clay tile and solid clay brick. The overall wall thickness is unknown below the roof level. The parapet walls are approximately 8" thick. The Code may not recognize these walls as being adequate for supporting the floor and roof framing. Further investigation is required to determine if the walls are reinforced. If unreinforced, retrofit elements added to provide seismic strengthening could serve a dual purpose and also vertically support the floor / roof framing. The wall finishes do not have many cracks or apparent patches which indicates foundation settlement over the years has been small. Overall, the existing vertical system has functioned well in the past and there is no reason to believe that it would not continue to do so in the future.

The Lateral System:

The buildings' lateral system can be described by identifying the two principal design directions for earthquake forces: north-south and east-west.

The north-south lateral system consists of diagonal sheathed horizontal diaphragms located at the roof, mezzanine and floor levels. These diaphragms transfer the seismic loads to the east and west exterior walls. The east and west exterior walls (hollow clay tile and brick) transfer the loads down to the basement walls and footings. The east and west exterior walls have no windows. There is a recessed cabinet located about mid-length of the west wall (1st floor level) which appears to have been a previous door opening into the adjacent building. These east and west exterior walls likely resist seismic loads from the adjacent buildings to the east and west respectively. The northern 30' of both the east and west walls were constructed with 8" concrete masonry units (cmu). It is unknown as to whether these walls are solid grouted. The amount of reinforcing in these walls is also unknown.

The east-west lateral system consists of diagonal sheathed horizontal diaphragms located at the roof and floor levels. The partial mezzanine level, with the current wall configuration, does not assist in transferring east-west lateral loads. These diaphragms transfer the seismic loads to the north exterior cmu wall and the south exterior wall (store front). The north wall was constructed with 8" concrete masonry units (cmu). It is unknown as to whether this wall is solid grouted. The amount of reinforcing in this wall is also unknown. The south wall has no effective resisting elements other than pushing on the adjacent buildings' south wall. Because all of the buildings along Vernon Street have open store fronts, very little seismic resistance exists along this south line. This is of great concern as this is one of only two exit paths from the building.

The seismic retrofit upgrade for this building would likely include addressing the following items as a minimum. The actual scope can only be determined after investigation and analysis.

- **Concern:** Resist out of plane seismic loads at the parapets.
Retrofit solution: Tie back of the parapet walls to the roof rafters.

- **Concern:** Roof, mezzanine and floor diaphragm strength is not adequate.
Retrofit solution: Analyze the existing system and if not adequate, add plywood & blocking to the roof, mezzanine & floor levels.

- **Concern:** Resist out of plane seismic loads on the walls (north, south, east & west).
Retrofit solution: Provide wall ties between the walls and the roof, mezzanine and floor level diaphragms. Provide additional vertical steel or reinforced gunite members on the east and west walls, especially in areas without a mezzanine level.

- **Concern:** Discontinuity caused by having a partial mezzanine level (east-west load direction).
Retrofit solution: Add east-west running shear walls or braced frames. The frames may be full height, basement to the roof level. Add walls or frames at the south edge of the northern mezzanine. New footings in the basement would be required.

- **Concern:** Discontinuity caused by not having a south wall lateral resisting element (east-west load direction).
Retrofit solution: Add east-west running shear walls or braced frames. The frames may be full height, basement to the roof level. Add walls or frames at the north edge of the south mezzanine (will maintain open store front). New footings in the basement would be required.

- **Concern:** Adjacent buildings (east and west sides) with zero lot lines and possibility of common walls.
Retrofit solution: The roof lines for the subject and adjacent buildings do not occur at the same elevation in many locations. Retrofit design must account for adjacent building forces (both in and out of wall plane) as well as transfer of forces to the subject building diaphragm levels.
- **Concern:** Basement walls retaining soil and vehicle surcharges.
Retrofit solution: Verify retaining wall construction and locations of adjacent building basements.
- **Concern:** Diaphragm chords and ledger shear transfer.
Retrofit solution: Verify in-plane shear transfer between ledgers and walls. Strap ledgers for diaphragm chord ties.
- **Concern:** Lack of continuous diaphragm cross ties.
Retrofit solution: Add steel straps rafter to rafter (or joist to joist) across interior beam support line. Tie the interior beam support line to both the north and south exterior walls.
- **Concern:** Shear transfer across the east-west running roof step which occurs 30' south of the north exterior wall (the junction of the original building and the addition.)
Retrofit solution: Open up the roof to determine actual condition, provide blocking and plywood as required.

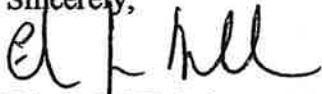
Conclusion:

The above concerns are very typical for a URM building. The work for this building is made somewhat more difficult with the zero lot lines along the east and west walls (access to the outside of the walls requires cooperation by the adjacent property owners and tenants).

The next step in the design process would be to determine the architectural up-grades required which may affect structural (stair wells, elevators, flooring etc.). Concurrently, a Structural Engineering firm would be retained to determine the testing requirements necessary to provide analysis and design of the retrofit. A preliminary retrofit design would be prepared and from those documents, a preliminary construction cost estimate (from a General Contractor experienced with URM work) is generated.

Please call if you have any questions.

Sincerely,



Edwin J. Nicholson, SE
Principal



8/12/05

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE

RESOLUTION NO. 16-05

APPROVING THE ACQUISITION OF 238 VERNON STREET

WHEREAS, the Redevelopment Agency of the City of Roseville has the opportunity to purchase the property located at 238 Vernon Street (the Antique Mall); and

WHEREAS, the Redevelopment Agency requests the approval of that acquisition in the amount of \$1,000,000; and

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Roseville that:

1. The acquisition of the real property located at 238 Vernon Street is approved, as hereinafter set forth.

2. The Executive Director is authorized to execute documents in form approved by Agency Counsel and take all other actions reasonably necessary in order to complete acquisition of the real property located at 238 Vernon Street on terms consistent with the letter of intent dated June 29, 2005.

PASSED AND ADOPTED by the Redevelopment Agency of the City of Roseville this ___ day of _____, 20___, by the following vote on roll call:

AYES AGENCY MEMBERS

NOES AGENCY MEMBERS

ABSENT AGENCY MEMBERS

CHAIR

ATTEST:

Secretary

RESOLUTION NO. 05-474

PROVIDING A LOAN TO THE REDEVELOPMENT AGENCY FOR THE ACQUISITION OF 238 VERNON STREET

WHEREAS, the Roseville Redevelopment Agency has requested the City of Roseville to provide a loan in the amount of \$1,000,000 to the Agency for acquisition of the property located at 238 Vernon Street (the Antique Mall); and

WHEREAS, staff requests the transfer of \$1,000,000 from the Strategic Improvement Fund to the Redevelopment Agency budget for acquisition of this property;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Roseville that a loan of one million dollars (\$1,000,000) to the Roseville Redevelopment Agency for acquisition of the real property located at 238 Vernon Street is hereby approved, with a term of fifteen (15) years, an interest rate of three and 15/100 percent (3.15%), and annual amortizing payments.

PASSED AND ADOPTED by the Council of the City of Roseville this ___ day of _____, 20___, by the following vote on roll call:

AYES COUNCILMEMBERS:

NOES COUNCILMEMBERS:

ABSENT COUNCILMEMBERS:

MAYOR

ATTEST:

City Clerk

ORDINANCE NO. 4281

ORDINANCE OF THE COUNCIL OF THE CITY OF ROSEVILLE
AUTHORIZING CERTAIN AMENDMENTS TO THE 2005-06
BUDGET AND DECLARING THIS ORDINANCE TO BE IMMEDIATELY
EFFECTIVE AS AN APPROPRIATION MEASURE

THE CITY OF ROSEVILLE ORDAINS:

SECTION 1. The City of Roseville Annual Budget, Fiscal Year 2005-06, is hereby amended by transferring an additional appropriation to and from the activities indicated below:

<u>From:</u>	<u>To:</u>	
	08112-6100	\$1,000,000.00
Strategic Improvement Fund	RDA – Capital Outlay Building Acquisition	

SECTION 2. This ordinance is hereby declared to be an appropriation measure, immediately effective pursuant to the provisions of Section 5.03 of the Charter.

SECTION 3. The City Clerk is hereby authorized and directed to post a true copy of the foregoing ordinance in each of three (3) conspicuous locations in the City and she shall immediately after such posting enter in the ordinance book, under the record of the ordinance, a certificate under her hand stating the time and place of such publication by posting.

PASSED AND ADOPTED by the Council of the City of Roseville, this _____ day of _____, 20__, by the following vote on roll call:

AYES COUNCILMEMBERS:

NOES COUNCILMEMBERS:

ABSENT COUNCILMEMBERS:

MAYOR

ATTEST:

City Clerk

