

**MINUTES OF THE CITY COUNCIL
SPECIAL MEETING
Wednesday, April 27, 2011**

CALL TO ORDER/ROLL CALL

Mayor Detrick called the special City Council meeting of April 27, 2011 to order at 5:04 p.m.

Present: Mayor Detrick and Council Members Davis and Scherman.

Absent: Vice Mayor Cooper and Council Member Hume (Vice Mayor Cooper Arrived at 5:10 p.m., Council Member Hume arrived at 5:20 p.m.)

CLOSED SESSION

There were no public requests to speak.

The City Clerk announced the following closed session items prior to Council adjourning to closed session at 5:07 p.m.:

A) CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to Government Code § 54956.8

Property Descriptions: 9780 Dino Drive
Elk Grove, CA 95624
APN: 134-0050-028-0000

City Negotiators: Laura Gill, City Manager

Negotiating parties: Robert and Carole Matheson

Under negotiation: Price and Terms

B) CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to Government Code § 54956.8

Property Descriptions: Railroad Crossing at Elk Grove Boulevard
Elk Grove, CA 95624
APNs: portions of 134-0010-064-0000,
134-0010-028-0000, and
125-0243-023-0000

City Negotiators: Laura Gill, City Manager

Negotiating parties: Union Pacific Railroad Company

Under negotiation: Price and Terms

C) CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to Government Code § 54956.8

Property Descriptions: Elk Grove Regional Park at E. Stockton Blvd. and Elk Grove-Florin Road
Elk Grove, CA 95624
APNs: 132-0061-007-0000, 132-0061-008-0000, and 132-0061-009-0000

City Negotiators: Laura Gill, City Manager

Negotiating parties: County of Sacramento

Under negotiation: Price and Terms

D) CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to Government Code § 54956.9(a):

Two (2) Matters:

1. Wilton Miwok Rancheria, et al., v. Kenneth Salazar, et al.
United States District Court, Northern District of California
Case No. C-07-02681 (JF) (PVT) and C-07-05706 (JF)
2. Friends of Madeira, an unincorporated association (petitioner) v. City of Elk Grove (respondents) Wal-Mart Stores, Inc. Real Party in interest
Superior Court of California, County of Sacramento
Case No. 34-2009-80000332

E) CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:

Significant exposure to litigation pursuant to subdivision (b) of Government Code § 54956.9:

One (1) Matter

F) CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to Government Code § 54957.6

Agency Designated Representative: Laura Brunson, Human Resources Director

Employee Organization: Elk Grove Police Managers' Association

G) CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to Government Code § 54957.6

Agency Designated Representative: Laura Brunson, Human Resources Director

Employee Organization: Elk Grove Police Officers' Association

Vice Mayor Cooper left the closed session at 5:12 p.m., and noted his recusal from discussion of Closed Session Item C regarding real property negotiations, on the basis of his employment with the County of Sacramento. Mr. Cooper returned to closed session at 5:24 p.m.

The City Council reconvened the open session at 6:15 p.m. with all members present. Mayor Detrick announced that no reportable action was taken in closed session.

REGULAR AGENDA ACTION ITEM/RECOMMENDATION

Agenda Item No. 3.1 Ridge Elk Grove L.P. Loan Document Amendments

RECOMMENDATION:

Staff recommends that the City Council receive the following report and provide direction.

City Attorney Susan Cochran provided an overview of the staff report and recommendation. Ms. Cochran noted the report was to keep the Council informed of two changes that had been requested by the applicant since the documents were approved in March 2011. The first change relates to a change in the name of the borrower and operator of the project to Ridge Elk Grove L.P. A specific condition of the loan commitment was that the general partner would present to the City certified financials to determine credit worthiness of the borrower. The proposed entity of Ridge Elk Grove L.P. has no assets except for this project. In other projects the City has established setting aside funds from the loan, so that the final loan payment is not made until there is rent stability in the rent-out of the project. Three options to address the general partner entity not having a financial history to reference were: 1) accept the requested change with no further requirements, 2) reject the change requiring the applicant to identify a different partner, or 3) establish holding the final payout of the loan, approximately an additional \$700,000, until there is rent stability and certified financials to ensure the project is constructed and managed appropriately.

Ms. Cochran identified that the second issue involved changes to the Subordination Agreement as requested by Bank of America, stemming from their concern the City

would not fund the loan commitment. To allay such concerns, the City planned to deposit the approximate \$10 million with Wells Fargo bank, but Bank of America continued to request additional representations and warranties by the City.

PUBLIC COMMENT:

Ardie Zahedani, representing St. Anton Partners, stated the project was prepared to start construction, and hoped the loan could close by the end of the week. He noted there was \$30 million in investment to date. The general partner as identified had been the same general partner under all documents to date, including the original loan application. Mr. Zahedani believed protection of the units was the highest priority and provided three protections offered in the project: 1) a construction guarantee by St. Anton Capital to guarantee construction of the project, 2) existence of a current \$700,000 hold-back as added security in post construction to ensure required certifications were met, and 3) a guarantee from Bank of America, the senior lender, that the units will remain income restricted and affordable for the term of the project. Mr. Zahedani addressed the technical changes requested to the Subordination Agreement were restatements of fact that the monies are set aside, to provide additional certainty for the lender Bank of America.

In reply to Council Member Hume, City Attorney Cochran noted that additional representations in warranty increased liability to the City, as reinforced commitments hold the City not only liable to breach of contract, but also charges of fraud. Ms. Cochran continued that the act of the City placing funds with Wells Fargo still linked the City as the direct beneficiary to such deposit, with greater control over disbursement of funds. With the added representations currently requested, Bank of America would have additional guarantees to access funds over the City.

Ms. Cochran confirmed the Council has taken action to obligate the money, and the request for additional representations was added security for the senior lender. She also confirmed staff felt adequate protection was in place for the construction phase, but remain concerned regarding security for the lease up and management of the project.

In reply to Council Member Hume, Ardie Zahedani replied that requirements for additional surety mechanisms, at this point, would be detrimental to the project to the point that it could not proceed.

Bob Lawler, representing St. Anton Partners, reiterated that for the construction phase a \$700,000 hold back currently exists, and St. Anton Capital had additional

guarantees to cover construction of the project. Mr. Lawler believed that staff concerns regarding security for lease up and management stemmed from experiences with another facility of a different product type and different clientele demographic. He believed analysis, existing projects, and market demand for this project's product type did not warrant the concerns staff have expressed from a different project. He noted this would be the company's fourth project in Elk Grove, of which all existing facilities were fully occupied and well maintained, and the 31st project of comparable scale and scope managed and overseen by the company.

In response to Council Member Hume, Mr. Lawler confirmed the general partner called out was created as a partnership specifically for this project and was affiliated with the operations of St. Anton Partners, which manages over 5,000 apartments.

City Attorney Cochran clarified that the documents being signed, and the entity with which the City was contracting, was Ridge Elk Grove L.P., and not St. Anton Partners.

Mr. Zahedani noted the project includes language that ensures if the City is dissatisfied with the managing entity for lease up and maintenance that another entity can be brought in at the discretion of the City.

Council Member Davis believed the operator's management history of projects was sufficient and supported acceptance of the proposed changes to the agreements.

Motion: M/S Davis/Cooper to accept the requested changes as delineated in the staff report with no further requirements. ***The motion passed by the following vote: Ayes: 5; Noes: 0.***

Agenda Item No. 3.2 Schedule a Special City Council meeting on May 4, 2011 at 6:30 p.m. in the Council Chamber to discuss sports amenities at the future Civic Center site

RECOMMENDATION:

Confirm scheduling a Special City Council meeting on May 4, 2011 at 6:30 p.m. in the Council Chamber to discuss sports amenities at the future Civic Center site.

The verbal staff report was waived.

Council Member Davis noted he and Vice Mayor Cooper had been coordinating conducting a meeting with the community group Elk Grove Community Connection, and believed a better approach was the inclusive manner of calling a special meeting of the entire council. Mr. Davis noted outreach had been conducted to interested parties including presidents of various sports leagues, as well as

representatives of the Cosumnes Community Services District (CCSD), and he believed calling the special meeting would foster collaboration on the process.

By Council consensus, scheduling was confirmed for a Special City Council meeting on May 4, 2011 at 6:30 p.m. in the Council Chamber to discuss sports amenities at the future Civic Center site.

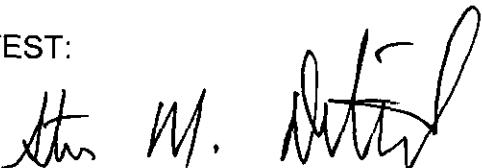
ADJOURNMENT

With no additional business to conduct, the April 27, 2011 special City Council meeting was adjourned at 6:32 p.m.



JASON LINDGREN, CITY CLERK

ATTEST:



STEVEN M. DETRICK, MAYOR