

Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

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MEETING DATE: July 19, 2017

SUBJECT: Update on Park Tower Transaction and Office Lease

Market in Downtown Sacramento

Deliberation Receive
SUBMITTED FOR: ___ Consent ___ and Action ___ X and File

RECOMMENDATION – None.

PURPOSE

To provide the Board with an update of the Sacramento office market and with information regarding the recent sale of Park Tower, from which SCERS leases its office space.

DISCUSSION

SCERS' is in year 6 of a 10-year lease for its office space at 980 9th Street, Sacramento, also known as Park Tower. The Park Tower building was sold in June 2017.

Chris Strain, Executive Director, Cushman & Wakefield of California, will provide an update on the Sacramento office market and more specifically on the SCERS building. He will share his understanding of the Sacramento office market over the last four years of SCERS' lease term and describe options for future action potentially available to SCERS. He will also provide a brief overview of relevant Downtown Sacramento development, including retail, residential and hospitality.

BACKGROUND

Chris Strain, Executive Director, Cushman & Wakefield of California, represented SCERS during its search for office space and negotiations with potential lessors in 2010. A lease extension through March 2021 was ultimately negotiated with Park Tower. These negotiations resulted in immediate and substantial savings to SCERS, as well as a more efficient and enhanced work environment for SCERS.

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ATTACHMENTS - None.					
Prepared by:	Reviewed by:				
/S/ Kathryn T. Regalia Chief Operations Officer	/S/ Annette St. Urbain Interim Chief Executive Officer				





Sacramento Urban Renaissance













Sacramento Urban Renaissance



2016 Downtown by the Numbers

Housing

198 units Created in 2016 1300 under Construction 12,380 total units

Population

21,326 Downtown residents 101,968 daytime employees 4.3 million Old Sac visitors

Restaurants

50+ opened in 2016 68 bars 139 restaurants

Hotels

10 in Downtown Kimpton Sawyer opening in 2017 Hyatt Place starting redev in 2017

980 9th Street- SCERS Lease Snapshot





Total RSF Occupied	17,065	Current Monthly Rent / SF	\$2.80
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Lease Expiration	April 30, 2021	Current Monthly Rent / Total	\$47,782
Lease Start	March 1, 2011	Ending Monthly Rent / SF	\$3.00
Term	122 months	Ending Monthly Rent / Total	\$51,195
Options	Two 5-year @ FMR	Base Year	2011

980 9th Street - Building Information

143,000

\$2.90 - \$3.00

\$60 (\$30 relet)



LEASE Total RSF 463,556 Vacancy 32%

Vacant RSF

Asking Rate



SALE

Sale Price (2016)	\$120.5 m / \$244
Sale Price (2009)	\$97 m / 24% ↑



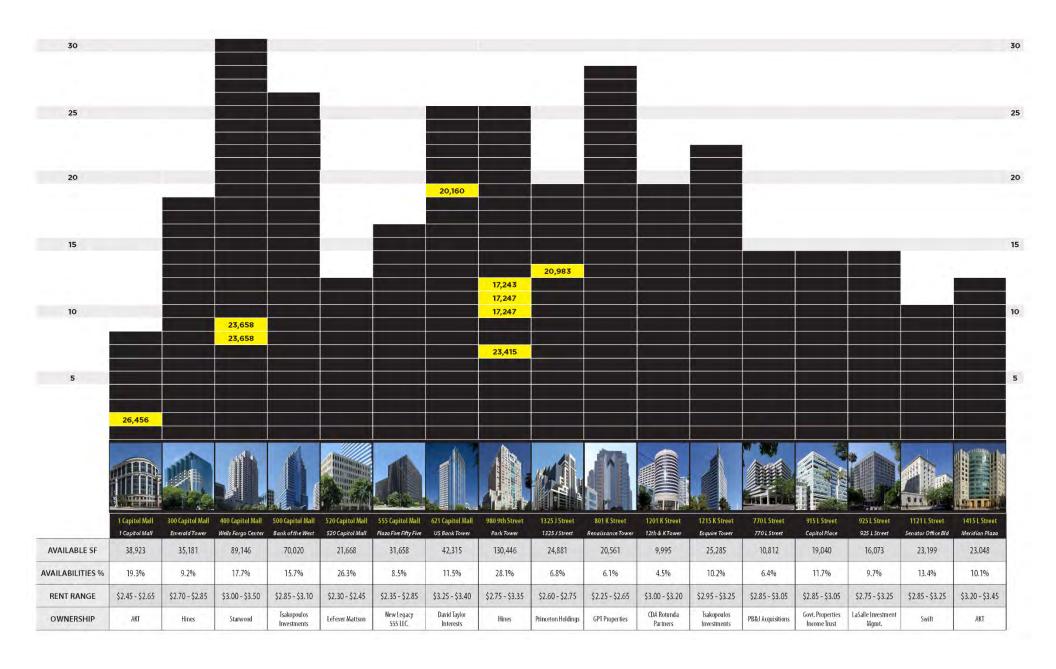
IMPROVEMENTS

- Expand Fitness Center
- Redo locker and showers
- ADA work
- New HVAC
- New furniture in the lobby



Downtown Office Market - Office Blocks >17K SF





Downtown Class A Office Market - 2Q 2017 Stats





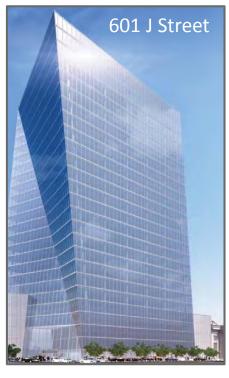
Sacramento Office Development











Cordano

✓ Office: 200K SF ✓ Retail: 6,500 SF ✓ LEED Silver

✓ 300 yards to Capital Steps

Heller

✓ Four stories

✓ Office: 40K SF

✓ Retail: 7,032 SF

 Building will feature original Wayne Thiebaud mosaic art throughout common areas, in addition to the 52 foot tall exterior art

CIM Group

✓ 30 stories

✓ Residential: top 5 floors

✓ Office: 615,000 SF

✓ Retail: 28K SF

Vanir Construction

✓ 26 stories

✓ 372,700 SF

✓ Ground-floor retail

Directly across from Golden 1 Center / DOCO

What it will take: ✓ \$75 PSF Rents ✓ 30% Preleased ✓ \$700 PSF Construction Costs



THE MARKET AHEAD:

Increasing construction costs → No new supply

→ Increasing rents & Decreasing concessions

SCERS' FACILITY ALTERNATIVES:

- Stay put; exercise Fair Market Rent option in 2021
- Move to new location in 2021
- Recast & extend lease