

## **Key facts regarding property purchase of 116 S. Grant Street December 19, 2019**

### **Background**

- The location of 116 S. Grant Street is optimal—adjacent to the Vernon Street Town Square and other City offices and operations.
- The original building permit was issued in 2005. That permit lapsed and was voided. A new permit was issued in March 2012 and occupancy was granted in June 2015.
- The building is owned by Joseph Mohamed Sr. and Shirley M. Mohamed.
- The building has remained unoccupied for nearly five years.
- In that time, the City has been in discussions with Mr. Mohamed regarding the sale or leasing of the office building.
- Prior to constructing the office building at 316 Vernon Street, the City of Roseville made an offer to acquire 116 S. Grant Street for a purchase price of \$21 million, which at that time was less than the cost of constructing a new office building. The offer was declined. The purchase price has varied throughout the years ranging from \$25 million to \$16.7 million.
- This month, Mr. Mohamed met with City staff and made the following offer:
  - Purchase price of \$10.5 million.
  - Split escrow fees
  - 30-day close
  - City to perform and pay for the preparation of a Preliminary Site Assessment (PSA) Phase I and a commercial building inspection
  - Special Condition: Plaque on building honoring the Mohamed family

### **Funding the purchase**

- If approved by City Council on Dec. 20, the proposed purchase price of \$10.5 million (plus an estimated \$5,000 in escrow fees) would be funded through the Roseville Electric Fund with funds that can be used for capital acquisition and not operational expenses.
- No rate increases will result as a result of this acquisition.
- No General Fund resources would be needed to complete the purchase.

### **Need for additional office space**

- Roseville Electric Utility has been setting aside funds for several years to secure additional office space, including administrative offices closer to the Civic Center and a public counter in the downtown area to improve customer service, access, and efficiency.
- The Utility has not expanded its office space footprint in more than 15 years.
- In that time, legislative and regulatory mandates have increased significantly and will continue to do so, meaning utility operations and programs are expected to continue to grow.
- Similarly the City continues to grow with approximately 20,000 dwelling units that have been approved for development in West Roseville. These units will add approximately 60,000 more residents (customers) to the City of Roseville.
- Additionally, the City has identified a future need for the possible expansion of City Council Chambers which could displace a portion of City operations.

### **Recovering the purchase price through leasing**

- Economic Development staff on a regular basis receives interest in office space within the downtown area.
- According to CBRE's third-quarter market report, the current lease rates in the Roseville/Rocklin market for office space range from \$1.95 to \$2.12 per square foot. Assuming three floors are leased out at \$2 per square foot, that would generate approximately \$800,000 a year in revenue.
- The lease revenue would reimburse the Electric Utility Fund for the purchase price in approximately 13 years.
- The City anticipates hiring a broker to help with leasing the remainder of the building.

### **Building details:**

- Four stories
- 56,248 square feet
- Two suites per floor, similar in size ranging from 5,216 - 5,769 leasable square feet (resulting in approximately 11,000 sq. ft. of leasable area on each floor)
- Fourth-floor balcony overlooks the Roseville Civic Center and Vernon Street Town Square
- Purchase includes 160 dedicated parking spaces in the Oak Street parking garage that will be reserved for this office building once the Oak Street parking garage reaches 80% occupancy