



**Sacramento  
Housing &  
Redevelopment  
Agency**

**REPORT TO REDEVELOPMENT AGENCY  
City of Sacramento  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)**

Consent  
**July 22, 2008**

**Honorable Chair and Members of the Board**

**Title: Agreement: La Valentina Development Site**

**Location/Council District: 415-429 12<sup>th</sup> Street and 1209 E Streets, Alkali Flat  
Redevelopment Area/ Council District 3**

**Recommendation:** Adopt a **Redevelopment Agency Resolution** authorizing the Executive Director or her designee to execute an Exclusive Right to Negotiate with Domus Development, LLC, for potential development on Agency-owned property, adjacent to the La Valentina light rail station.

**Contact:** Lisa Bates, Deputy Executive Director, 440-1316; Jim Hare, Assistant Director, Community Development, 440-1313

**Presenters:** None

**Department:** Sacramento Housing and Redevelopment Agency

**Description/Analysis**

**Issue:** In June 2007, the Sacramento Housing and Redevelopment Agency (Agency) entered into an Exclusive Right to Negotiate (ERN) with Domus Development, LLC (Domus) for the development of the La Valentina Development Site (Site); see Attachment 1- Site Map. The ERN expired on March 7, 2008, prior to reaching an agreement on a Disposition and Development Agreement (DDA).

In the past the Agency has entertained and worked with a number of development teams and concepts for the Site, which included commercial/ retail, day care, and single family homes. For multiple reasons these concepts did not come to fruition.



The Agency issued a Request for Qualifications (RFQ) in November of 2006. Four development teams responded to the solicitation. In May 2007, Domus Development was unanimously chosen to develop the Site by a selection team, based on their qualifications. The seven person selection committee included a representative from both the Alkali Flat/Mansion Flat Neighborhood Association and Alkali Flat Redevelopment Advisory Committee (RAC). The Domus has participated in many successful mixed-use development projects in San Francisco, Pittsburg and Sacramento. The Team includes, as architects, David Baker and Associates.

Over the course of the negotiation period, Domus completed many of the required milestones. The developer submitted design concepts, preliminary development budgets and met with the community several times by attending RAC and Alkali Flat/Mansion Flat Neighborhood Association meetings.

The original development concept consisted of 84 units over retail, on seven Agency-owned lots measuring 46,901 square feet. The most recent concept scaled down the project to 56 multi-family residential units over ground floor retail and live/work units on five of the seven Agency-owned parcels. Scaling down the project provides the developer with a better opportunity to secure the necessary financing while still meeting the primary objective of a mixed-use, mixed-income transit oriented development. The development would utilize 4% tax credits and bonds as its main source of funding. The revised site is comprised of five parcels that total an estimated 29,440 square feet. The parcels are zoned RMX (Residential Mixed Use). The two remaining Agency owned parcels measuring 17,461 square feet will be part of a separate RFQ process. The scope and schedule for the remaining parcels has not yet been determined.

This report recommends approval of another Exclusive Right to Negotiate between the Agency and Domus. The ERN would have a nine month term with a Disposition and Development Agreement (DDA) being brought before the Agency governing board for consideration by March 2009. All performance measures outlined in the ERN (Attachment A) need to be met prior to entering into a DDA. Either party has the right to terminate negotiations if obligations are not met. During the ERN period the Domus team and Agency staff will continue to work collaboratively on a variety of issues and seek extensive community input. A subcommittee made up of members of the RAC is in place.

**Policy Considerations:** The recommended action is consistent with the following goal in the Alkali Flat Implementation Plan: 1) Develop a mixed-use/transit oriented development which will eliminate factors hindering economically viable use and eliminate an underutilized blighted parcel. It also meets the following goals in the Alkali Flat Redevelopment Plan: 1) Provide safe, decent, adequate and sanitary housing through the development of a mixture of housing types for all income groups; and 2) Maximize private participation and investment in the redevelopment effort.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed action is exempt from environmental review per California Environmental Quality Act (CEQA) Guidelines Section 15262 as a planning activity for the purpose of defining the project. Environmental review of the proposed project will be conducted once the scope of development of the property has been defined.

**Sustainability Considerations:** The La Valentina Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the contents of this report will advance the following goals, policies and targets as follows: the project supports Goal number five – Public health and Nutrition, specifically Target number five which calls for the redevelopment or rehabilitation of areas within the City or aged City facilities that were constructed based on old, wasteful, and/or dysfunctional designs to achieve better results for people and the environment.

**Other:** National Environmental Policy Act (NEPA) does not apply.

**Committee/Commission Action:** *Alkali Flat Redevelopment Agency Advisory Committee (RAC):* At its meeting on March 6, 2008, the RAC voted to support Staff's recommendation to re-enter into an Exclusive Right to Negotiate between the Agency and Domus: The votes were as follows:

**AYES:** Wright, Monighan, Miller, Poe, Ferderer

**NOES:** Frankfield, Lough, Owen, Delgado

**ABSENT:** Camacho and Carter

The four opposing RAC members expressed concerns over the rent limits currently proposed for the project. Rents would mostly be restricted to families making 50% to 60% of Area Median Income. Estimated rents could range from \$665 to \$1,065 per month. The opposing RAC members would prefer that the project incorporate market rate rental units or for-sale housing. However, the majority were of the opinion that the affordable housing approach was a workable concept.

*Sacramento Housing and Redevelopment Commission:* At its meeting of June 4, 2008, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

**AYES:** Burruss, Chan, Coriano, Fowler, Gore, Mohr, Morgan, Otto, Shah, Stivers

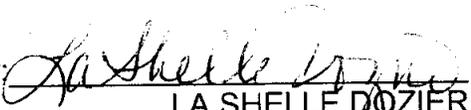
**NOES:** None

**ABSENT:** Dean

**Rationale for Recommendation:** Despite efforts by staff and three different development teams to revitalize the site over 18 years, it remains vacant and unimproved. This approval will allow the Agency to continue working with the developer to negotiate and finalize mutually agreeable project terms. Staff believes there is a high probability that a mixed-use development could begin construction in 2009. The approved project would be designed to achieve goals of the Alkali Flat Redevelopment Plan and ameliorate social problems currently associated with the La Valentina Light Rail Station.

**Financial Considerations:** None at this time.

**M/WBE Considerations:** The items discussed in the report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by:   
LA SHELLE DOZIER  
Interim Executive Director

Recommendation Approved:

  
RAY KERRIDGE  
City Manager

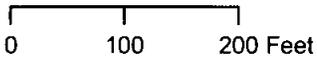
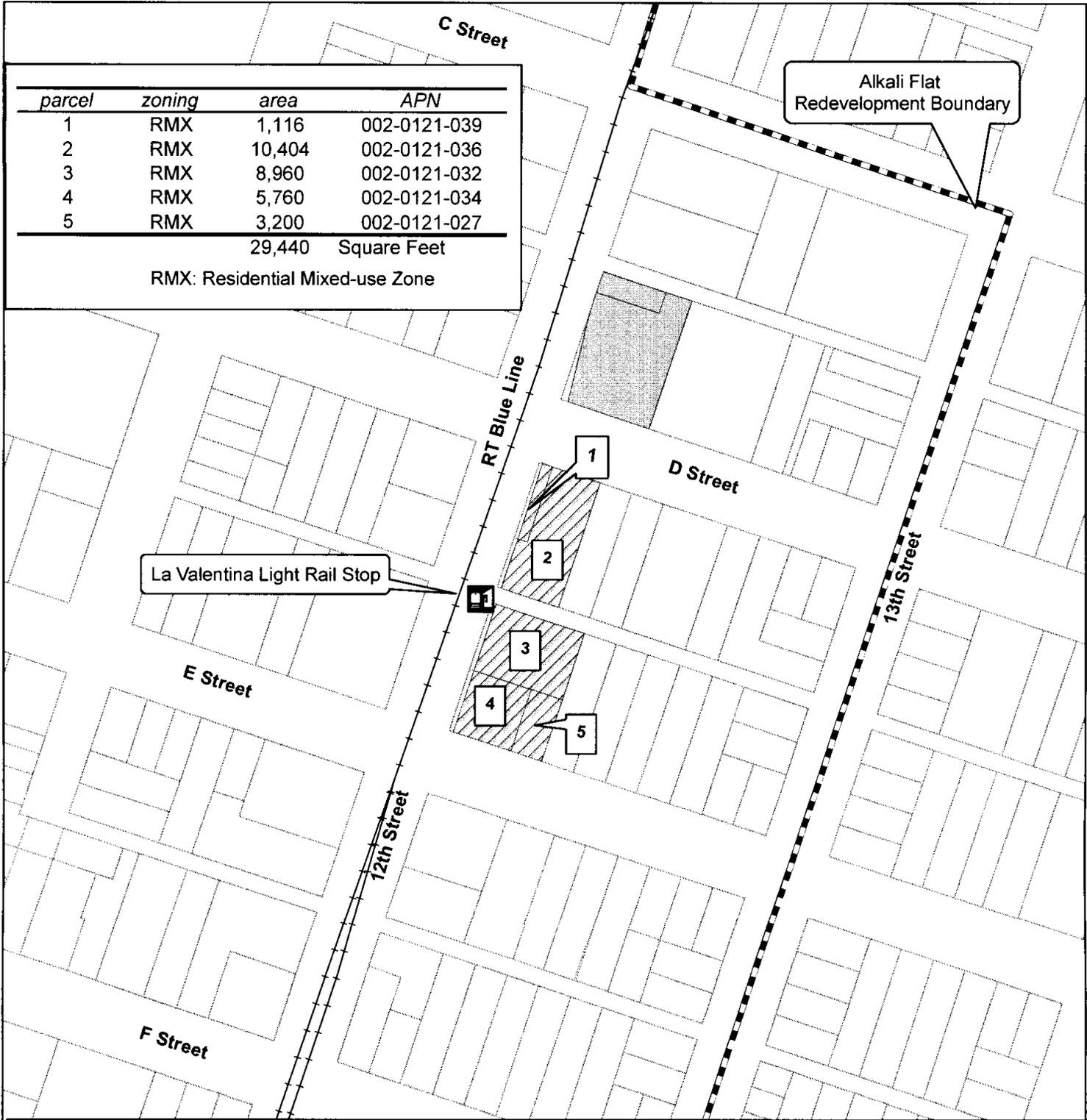
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# La Valentina Development Site

parcel	zoning	area	APN
1	RMX	1,116	002-0121-039
2	RMX	10,404	002-0121-036
3	RMX	8,960	002-0121-032
4	RMX	5,760	002-0121-034
5	RMX	3,200	002-0121-027
		29,440	Square Feet

RMX: Residential Mixed-use Zone



**Legend**

- CURRENT PROPOSED DEVELOPMENT SITE
- PREVIOUSLY INCORPORATED/AVAILABLE FOR DEVELOPMENT

May 15, 2008  
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# **RESOLUTION NO. 2008\_\_\_\_\_**

**Adopted by the Redevelopment Agency of the City of Sacramento**

ON DATE OF

## **APPROVAL OF SECOND EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT WITH DOMUS DEVELOPMENT, LLC, FOR AGENCY-OWNED PROPERTIES LOCATED AT 12<sup>TH</sup> STREET IN THE VICINITY OF D AND E STREETS**

### **BACKGROUND:**

- A. The Redevelopment Agency of the City of Sacramento (“Agency”) has adopted the Alkali Flat Redevelopment Plan (“Redevelopment Plan”) and a 2005–2009 Implementation Plan for the Alkali Flat Project Area (“Project Area”).
- B. Agency owns certain real property in the Project Area generally described as being located the east side of 12<sup>th</sup> Street from the alley north of D Street south to E Street. APN Numbers: 002-0121-027; 002-0121-032; 002-0121-034; 002-0121-036 and 002-0121-038 (“Original Property”).
- C. The Property is adjacent to the La Valentina Light Rail Station, and the Property includes five tax parcels that are Residential Mixed Use by the City of Sacramento.
- D. The Agency is seeking redevelopment of the Property for a transit-oriented development that would have a mix of retail/commercial and residential uses, with the residential units appealing to a range of household income levels. The Agency has determined that such development would aid in the elimination of blighting influences in the Project Area, enhance uses and property values along the 12th Street corridor, reduce traffic in the Project area and provide a suitable buffer between commercial and residential uses.
- E. Domus Development, LLC (“Developer”) has entered into an Exclusive Right to Negotiate with Agency for a larger parcel including the Property. Developer and Agency have determined that development of the larger property is not currently feasible, and said Exclusive Right to Negotiate has now expired. Developer and Agency desire to enter into a new Exclusive Right to Negotiate for the described transit-oriented development on the Property.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:**

Section 1. The new and replacement Exclusive Right to Negotiate (“ERN”) between the Agency and Developer is hereby approved, and the Executive Director or her designee is authorized to execute the ERN and to undertake such actions as are contemplated by the ERN.

Exhibit A – Exclusive Right to Negotiate

**AGREEMENT FOR EXCLUSIVE RIGHT TO NEGOTIATE  
LA VALENTINA PROJECT**

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ("Agency") and DOMUS DEVELOPMENT, LLC, ("Developer"), have entered into this Agreement for Exclusive Right to Negotiate ("Agreement") as of \_\_\_\_\_, ("Effective Date") upon the follow terms:

**1. RECITALS.** This Agreement is based upon the following recitals, facts and understandings of the Parties:

a Developer desires to negotiate with Agency to develop certain real property ("Property") located in the City of Sacramento, County of Sacramento, State of California is generally described as Assessor's Parcel Numbers 002-0121-027 (1209 E Street); 002-0121-032 (417 12<sup>th</sup> Street) 002-0121-034 (429 12<sup>th</sup> Street); 002-0121-036 (415 12<sup>th</sup> Street) and 002-0121-038. The Property is within Alkali Flat Neighborhood Redevelopment Project Area ("Project Area") and is owned by the Agency. The development of the Property ("Project") consistent with Alkali Flat Neighborhood Redevelopment Project Plan ("Redevelopment Plan") and its implementing documents has been identified by the Agency as important to the furtherance of the Project Area and the elimination of blighting conditions in the Project Area.

b. The parties desire to investigate the feasibility of the Project and to negotiate a Disposition and Development Agreement ("DDA") for transfer, financing and development of the Property.

c. The development of the Site, the completion of the Project and the fulfillment generally of this Agreement are for the purpose of community improvement and welfare, for the benefit of the Project Area and in accord with the public purposes and provisions of any applicable federal, state and local laws and requirements under which the Project is to be undertaken.

**2. Identity of Parties.** THE LEGAL IDENTITIES OF THE PARTIES TO THIS AGREEMENT AND THEIR ADDRESSES ARE AS FOLLOWS:

a. Developer is Domus Development, LLC, a limited liability company, organized and doing business in the State of California. The principal office of Developer is located at 9 Cushing, Suite 200, Irvine, CA 92618. The project development office of Developer is located at 594 Howard St. Suite 201 San Francisco CA 94105. Developer shall make full disclosure to Agency of the identity of all principals, officers, stockholders, partners, joint venturers, and entities in Developer. Initially, the principals of Developer are Meea Kang, President and member; Jong C. Limb, member; and Monique R. Hastings, member.

b. Agency is the Redevelopment Agency of the City of Sacramento, a public body, corporate and politic, organized under California law and functioning within the jurisdiction of the City of Sacramento. The principal office of Agency for purposes of this agreement is located at 630 I Street, Sacramento, California 95814. If copy to Developer, send to principal office and to project development office.

c. Notices to any party shall be personally delivered or sent by first class mail to its principal office address. Notices to Agency shall be clearly marked "Attention: La Valentina Project".

**3. EXCLUSIVE NEGOTIATION.** During the term of this Agreement, the parties shall negotiate exclusively with each other, and in good faith, regarding the Property and the Project. The parties acknowledge and agree that neither party is obligated by this Agreement or otherwise to undertake the Project or any other Project on the Property and that no party has a cause of action against the other arising under this Agreement for failure to approve or undertake the Project.

**4. TERM.** This Agreement shall be effective as of the Effective Date, and shall terminate upon the earlier of completion of all obligations or two hundred seventy (270) days after the Effective Date unless extended by written agreement of the parties.

**5. LEGISLATIVE ACTION.** Agency and Developer acknowledge that the Agency must exercise its independent legislative authority in making any and all findings and determinations required of them by law concerning the Project. This Agreement does not restrict the legislative authority of the Agency in any manner, whatsoever, and does not obligate the Agency to enter into the DDA or to take any course of action with respect to the Project.

a Except as expressly stated in this Agreement, if this Agreement terminates without execution of a DDA, each party shall bear its own costs related to this Agreement.

b. Developer acknowledges that Agency and the City of Sacramento are separate legal entities, and that the Project is also subject to independent review by the City in proper exercise of its jurisdiction, including without limitation, review by the City's Planning Department, Design Review/Preservation Board and Building Department. If the Project is disapproved by final action of the governing bodies of the Agency, as a result of CEQA review or otherwise, this Agreement shall terminate as of the date of such disapproval.

**6. CEQA REVIEW.** In accordance with the California Environmental Quality Act ("CEQA"), Agency as lead agency shall prepare the environmental documentation and consider the environmental effects of the Project prior to considering action to approve the proposed DDA.

a. Nothing in this Agreement shall be construed to limit the application of CEQA to the Project or to changes in the Project or to control the actions of Agency in meeting its respective CEQA obligations. In fulfilling its obligations under CEQA, the Agency shall act independently and without regard to its respective obligations under this Agreement. Agency shall not be liable, in any respect, to Developer or any third party beneficiary of this Agreement for their action or inaction in fulfilling their respective CEQA obligations.

b. Agency will not consider the approval of the Project unless and until it has fully reviewed and considered the environmental impacts of the proposed Project in accordance with CEQA. After CEQA review, Agency is not, and shall not be considered to be, obligated by this Agreement, or otherwise, to approve a DDA or any other agreement. After CEQA review, Agency is not obligated, by this Agreement or otherwise, to adopt findings of overriding considerations for the approval of the Project or take any other action in support of the proposed Project. After CEQA review, Agency is not precluded, by this Agreement or otherwise, from rejecting the Project or from imposing mitigation measures as a condition of Project approval, which measures mitigate or avoid direct or indirect environmental effects of the Project.

c. Upon Agency request, Developer shall supply data and information both to determine the impact of the development on the environment and to assist in the preparation of the environmental documents for the proposed Project.

**7. SCHEDULE OF PERFORMANCES.** The parties shall perform the following stated obligations at the times specified in the following schedule ("Schedule of Performances"):

Responsible Party	Action	Project Schedule Target Dates
Agency and Developer	Execute Amended ERN	July 22, 2008
Developer	<ul style="list-style-type: none"> <li>Submit revised Work Plan</li> <li>Matrix Meeting with City Development Services</li> </ul>	Within 10 days or by July 31
Developer	<ul style="list-style-type: none"> <li>Submit operating and development budget, 30 year cash program and estimated construction cost breakdown</li> <li>Submit schematic site plans, plans and elevations</li> <li>Present refined concept and strategy to RAC</li> <li>Meet with Design Review/ Preservation Departments</li> <li>Entitlement actions required</li> </ul>	Within 45 day or by August 29
Agency	Review of design development plans, budget and proforma	Within 55 days or by September 8
Developer	<ul style="list-style-type: none"> <li>Submit application for entitlements and Design Review/Preservation Board approvals</li> <li>Submit for CEQA Approval</li> </ul>	Within 90 days or by October 13
Developer	<ul style="list-style-type: none"> <li>Deadline for developer to terminate and receive Net Deposit Fee</li> <li>Obtain Environmental Remediation Plan from Sacramento County Environmental Department</li> <li>Submit Application for Agency funding</li> <li>Second Presentation to RAC (Actual RAC meeting date is 11/06/08)</li> </ul>	Within 135 days or by November 27
Developer	Submit ownership structure, debt financing for entire project	Within 150 days or by December 12
Developer	RAC Meeting	Within 205 days or by February 5, 2009
Agency and Developer	<ul style="list-style-type: none"> <li>Party Agree to terms and conditions for the Project DDA and funding approval</li> <li>DDA to City Council</li> <li>TEFRA and Inducement Hearing</li> </ul>	Within 230 days or by March 4, 2009

**8. OTHER EXTENSION.** Upon written request of Developer, Agency shall reasonably consider an extension of the initial term of this Agreement if Developer has acted diligently and in good faith in performing its obligations under this Agreement and if there is a reasonable likelihood that the parties can negotiate a mutually acceptable DDA.

**9. DEPOSIT FEE.** The deposit (“Deposit”) in the amount of Thirty-nine Thousand Dollars (\$39,000), made by Developer to Agency in conjunction with its prior Exclusive Right to Negotiate, which included the Property and which was dated June 5 2007, shall be transferred by Agency to serve as the deposit under this Agreement. In the first one hundred thirty five (135) days after the Effective Date, Developer may terminate the negotiations and this Agreement and Agency shall return the full amount of the “Net Deposit” (as defined below) to Developer. After one hundred thirty five days (135) days have elapsed Agency shall retain the full amount of the Deposit; provided, however, that if Agency rejects a proposed DDA resulting from the negotiations under this Agreement, Agency shall refund the full amount of the Net Deposit.

a. Prior to execution of the DDA for the Project or termination of negotiations between Agency and Developer, Agency may expend the Deposit solely for payment of all third-party fees, costs and expenses for predevelopment activities for the Project incurred by Agency. Agency costs may include, without limitation, costs related to preparation of the environmental documentation for the Project and supporting studies other than fees for Agency outside legal counsel for the negotiation or preparation of documents for the transactions contemplated by this Agreement. Developer upon written approval by staff, for predevelopment soft costs, which include architectural, engineering, and consultants’ costs, as well as market studies, appraisals and CDLAC application. Funds remaining after payment of all such costs and disbursements are the “Net Deposit”. Fifteen days prior to any such expenditure, Agency shall provide the Developer with a schedule of anticipated expenditures. The parties anticipate that all costs to be paid under these provisions will not exceed the amount of the Deposit. If the actual expenditures exceed the anticipated amount the parties shall meet and confer with respect to the budget for such costs, and Agency is not obligated to continue with the Project until Developer has deposited such additional funds as may reasonably be needed to pay such remaining costs. It is agreed and understood that the required Deposit is a Deposit only, and that to the extent that the costs of the Project exceed the Deposit, Developer is responsible for the payment of any and all such additional costs.

b. If Developer and Agency agree in writing to terminate the negotiations, the Net Deposit will be refunded to the Developer

c. If the terms of the DDA are not finalized during the negotiation period for any reason not considered in the foregoing, the Deposit is the property of the Agency, without restriction as to its use, unless the Agency agrees in writing to extend the negotiation period.

**10. DEFAULTS.** Either of the Agency or the Developer shall be in default of this Agreement if it (a) fails to fulfill its obligations when due, which failure is not caused by the other party, (b) does not negotiate the DDA in good faith and upon the terms stated in this Agreement, (c) does not reasonably cooperate with the other in fulfilling the other’s obligations under this Agreement, or (d) refuses to execute the DDA when negotiations are completed and deposit any funds then required of it for the DDA (except if the Agency has disapproved the project after public hearing in exercise of its legislative authority or in accordance with CEQA in exercise of its independent review).

The defaulting party shall have thirty (30) days to cure the default after receipt of notice of such default. Should the defaulting party fail to cure the default within the thirty (30) days, the nondefaulting party may terminate this Agreement by written notice to the defaulting party, and may pursue equitable remedies available to it for such default. Should the Agency be in default, the Developer is entitled to the unencumbered remainder of the Deposit, if any. In the event of such a default by Developer, Agency may retain the Deposit and may terminate the Agreement.

a. After termination of this Agreement for default of Developer, Developer shall have no rights under this Agreement to participate in the development of the Project, and the Agency shall have the absolute right to pursue development of the Project, in any manner it deems appropriate.

b. The remedies contained in this Section 0are the sole exclusive remedies for default of this Agreement, and neither party may claim, as a result of a default of this Agreement, any damages, whether monetary, non-monetary, contingent, consequential or otherwise.

**11. DISPOSITION AND DEVELOPMENT AGREEMENT.** In addition to other provisions stated in this Agreement, the DDA will address, without limitation, the following provisions (a) use covenants to run with the land; (b) payment and performance bonding and other completion assurances; (c) insurance and indemnities, including hazardous materials indemnities; (d) anti-discrimination provisions; (e) performance assurances such as the deposit; (f) limitation on transfers prior to Project completion; (g) compliance with CEQA mitigation; (h) Agency’s rights to revest the Property upon Developer default; and (i) Agency’s Art in Public Places requirements; (j) extension fees for delay in construction, and liquidated damages; (k) Agency’s rights to cure defaults, assume loans and complete construction; (l) delayed transfer of title to land; and (m) loan guarantees and additional securities.

**12. PREDEVELOPMENT COSTS.** Developer shall bear all predevelopment costs relating to actions of Developer under this Agreement, including but not limited to costs for planning, environmental architectural, engineering and legal services, and other costs associated with preparation of Developer's Proposal and the DDA.

**13. ASSIGNMENT.** This Agreement is not assignable by either party in whole or in part without the prior written consent of the other party.

**14. APPLICABLE LAW; VENUE.** This Agreement shall be construed in accordance with the law of the State of California, and venue for any action under this Agreement shall be in Sacramento County, California.

**15. ATTORNEYS' FEES.** In the event of any dispute between the parties, whether or not such dispute results in litigation, the prevailing party shall be reimbursed by the other party for all reasonable costs and expenses, including, without limitation, reasonable attorneys' fees, witness and expert fees and investigation costs. A party receiving an award after arbitration or an order or judgment after hearing or trial shall not be considered a prevailing party if such award, order or judgment is not substantially greater than the other party's offer of settlement made in advance of the arbitration, hearing or trial.

EXECUTED as of the date first written above, in Sacramento, California.

AGENCY: REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO Approved as to form:

By: \_\_\_\_\_  
La Shelle Dozier, Interim Executive Director

\_\_\_\_\_  
Agency Counsel

DEVELOPER: Domus Development, LLC

Approved as to form:

By: \_\_\_\_\_  
Meea Kang  
President and authorized signatory

By: \_\_\_\_\_  
Counsel for Developer