



REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento

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Staff Report
January 20, 2009

**Honorable Chair and
Members of the Redevelopment Agency Board**

Title: Owner Participation Agreement: Crest Theater Project

Location/Council District: 1023 K Street, Council District 1

Recommendation:

Adopt a **Redevelopment Agency Resolution** authorizing the Executive Director or her designee to 1) execute an Owner Participation Agreement (OPA) and related legal documents with The Briggs Family Group (Owner) to provide \$373,000 in assistance for improvements to the Crest Theater; 2) allocate \$373,000 of Merged Downtown Redevelopment tax increment funds to the project; 3) execute loan documents which add \$160,000 to the existing loan principal and create a new loan to be used for capital improvements to the theater; 4) terminate the existing loan upon execution of the new loan; and 5) execute loan documents for a \$213,000 forgivable loan to purchase five additional years of the scenic easement for the Crest Theater marquee and to make structural, safety, and aesthetic improvements.

Contact: Sheri Smith, Economic Development Project Manager, 808-7204; Leslie Fritzsche, Downtown Development Manager, 808-5450

Presenters: Sheri Smith

Department: Economic Development Department

Division: Downtown Development

Organization No: 18000

Description/Analysis

Issue: The Crest Theater is a beloved landmark on the K Street pedestrian mall in downtown Sacramento. In 1986, after being vacant for seven years, Sid Herberger and her partners, operating as CSLM Inc., opened the theater. Sid has operated the Crest as a theater and an entertainment venue for the past 22 years.

In 1994 the Agency, the operators (CSLM Inc.), and the Briggs Family Group (also known as the McClatchy Family Trust) came together as partners to invest one million dollars to restore the theater's 1949 "Art Deco" interior to its original splendor and to rehabilitate the basement to add additional theater space. The 1994 restoration was completed with the expectation that Light Rail was being installed and that K Street was on its way back from its previous decline.

It has been a long time coming but the potential that Sid Herberger saw in K Street over two decades ago is finally becoming a reality. There has been significant redevelopment activity downtown in recent years and much of that is located near 10th and K streets. The newly constructed Cosmopolitan Cabaret Theater, Cosmo Restaurant, Social Night Club, Parlare Euro Lounge, Citizen Hotel, and the Grange Restaurant complement the Crest Theater and other established dining and entertainment venues to create the emerging entertainment district at 10th and K Streets.

The Crest Theater is a critical anchor to the dynamic energy and the redevelopment efforts on the 1000 block of K Street. Over the years the Crest operators have adjusted to changes in the movie industry by expanding the use of the theater to include other types of entertainment and to provide space for community and private functions. The theater hosts the Sacramento Speaker Series, the citizenship ceremonies, a variety of music concerts, special film series, as well as provides a unique movie watching experience in Sacramento. To ensure that the theater remains a vibrant leader in the emerging entertainment district, staff recommends that the Agency add additional funds to the 1994 loans for capital improvements to the building.

Proposed Agency Loan Terms:

The Agency issued two loans in 1994 for the major renovation to the Crest Theater. The first 1994 Agency loan of \$600,000 will remain in place under the original terms. It is scheduled to be fully forgiven in 2014.

The new proposal is to add \$160,000 to the principal balance of \$253,839 on the second Agency loan to create a new loan for \$413,839 (See Attachment 1: Background). These loan proceeds will be used to complete capital improvement projects which include upgrading systems that were not part of the initial rehabilitation but that need to be completed to ensure that the Crest remains a historic jewel in our downtown.

If approved, the Agency will also issue a forgivable loan of a maximum of \$213,000 to purchase an additional five years of the Scenic Easement and to make safety, structural, and aesthetic improvements to the marquee. These loan proceeds will be used to repaint the marquee to its original historic colors with new fade resistant paints, install safety features that will allow future maintenance and more wind resistance, and install equipment to allow for better energy efficiency and for the marquee to stay lit past operating hours to support the Agency's redevelopment efforts and neighboring businesses (See Attachment 2: Scope of Work).

The property owners have committed to partner with the operators and the Agency to

ensure that the Crest remains a viable theater operation. They have agreed to restructure their lease with the operators to make it more sustainable over the long term and have agreed to extend the Agency's Regulatory Agreement for an additional five years to 2019.

Policy Considerations: The recommended actions are consistent with the Amended Merged Downtown Redevelopment Plan, and the 2005-2009 Merged Downtown Implementation Plan in multiple ways. The theater is a critical component to the success of the redevelopment efforts on K Street, supports the entertainment uses, strengthens the area's retail, and is a commercial draw. The Crest Theater, with improved systems, lighting, and late night signage, improves and upgrades the appearance and safety of the 1000 block of K Street. The project will eliminate the blighting influences of low or stagnant property values, impaired investment, high number of property vacancies, and low rents in the Redevelopment Project Area.

The project is also consistent with the objectives of the JKL Charette which identified the 1000 block of K Street as an entertainment node.

Environmental Considerations:

California Environmental Quality Act (CEQA): The activities outlined in the OPA are rehabilitation of existing facilities and are exempt per California Environmental Quality Act (CEQA) Guidelines, section 15301.

Sustainability Considerations: The actions considered in this report are consistent with the Sustainability Master Plan by maximizing the use of and preserving a historical building in the City's downtown core.

Other: N/A

Commission/Committee Action: The Crest Theater project was enthusiastically approved by the Downtown Sacramento Partnership (DSP) Development Task force on November 13, 2008. The DSP Board recommended the project for approval on November 19, 2008.

Rationale for Recommendation: The beautiful Crest Theater is an integral part of the emerging entertainment district on K Street. Supporting investment into and preservation of this iconic landmark is important to the continued redevelopment efforts on K Street because the Crest anchors the entertainment uses at 10th and K Streets as well as supports the newer venues such as the Cosmopolitan Cabaret, Social Nightclub, Cosmo Restaurant, Pyramid Brewery, Parlare Euro Lounge, the Citizen Hotel, and several restaurants. The project allows the marquee to stay lit past Crest operating hours which supports the late night venues mentioned above and also enhances public safety.

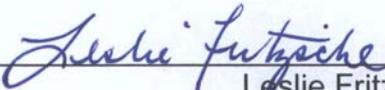
As part of this project, the Agency is purchasing an additional five years on the scenic

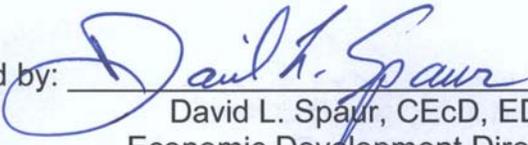
easement which guarantees that the historic marquee will be a public benefit until at least 2019. The Agency will also require the Regulatory Agreement be extended for an additional five years which ensures that the Theater continues to be used as an entertainment venue that provides a dynamic contribution to the Redevelopment Area.

Financial Considerations: Staff is recommending an allocation of \$373,000 from the Merged Downtown Redevelopment Tax Increment Fund to the Crest Theater project. The Agency loan details follow:

- Forgivable Loan of \$213,000 to complete improvements to the marquee and purchase an additional five years of the Scenic Easement;
- Construction Loan of \$160,000 for capital improvements and systems upgrades;
- \$100,000 of the loan will be forgivable at a rate of \$10,000 per year for each year that the regulatory requirements are met;
- The remaining \$60,000 will be added to the existing loan with annual interest payments due and the principal to be paid at the end of ten years.

Emerging Small Business Development (ESBD): ESBD requirements will be applied to all activities to the extent possible.

Respectfully Submitted by: 
Leslie Fritzsche
Downtown Economic Development Manager

Approved by: 
David L. Sparr, CEcD, EDFP
Economic Development Director

Recommendation Approved:

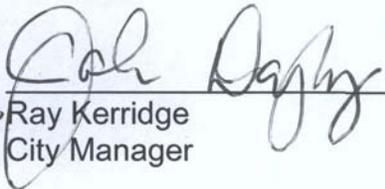

Ray Kerridge
City Manager

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Attachment 1**Background****History**

The Crest Theater has long been a jewel on the K Street mall in downtown Sacramento. The site originally opened as a vaudeville theater in 1913 and converted to a motion picture theater in the 1920s. The theater was remodeled and opened as the Crest in 1949 and showcased motion picture films for 30 years until 1979 when changes in the industry, television, and the decline of K Street mall forced it to close.

In 1986 the theater was re-opened by CSLM Inc., which continues to operate the Crest as a theater and entertainment venue. In 1994 the City of Sacramento, the operators, and the building owners came together as partners to restore the theater's 1949 "Art Deco" interior to its original splendor.

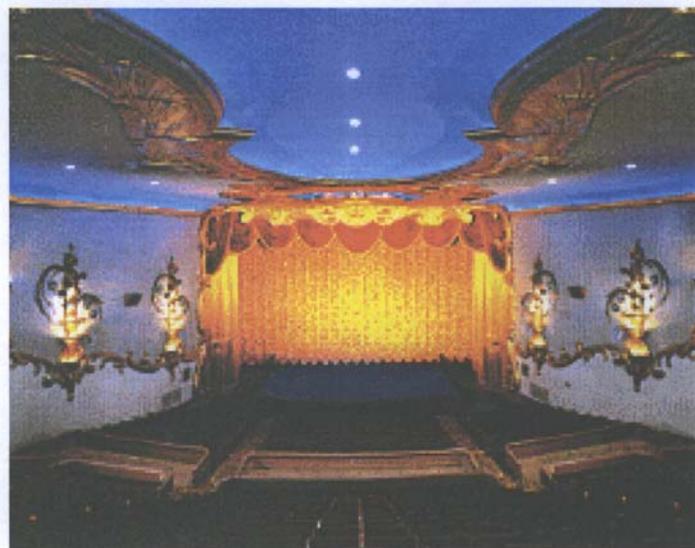
**1994 Restoration:**

The restoration included two phases. The first phase was an extensive remodel to restore the interior, exterior, and marquee to its original condition, to address accessibility issues, to add theater space to the basement, and to add restrooms.

Phase two was to remodel the adjacent retail space and courtyard to attract a café that would support the activities at the Crest Theater as well as encourage other commercial uses on K Street.

Proposed Agency Loan:

Today's proposed loan will be used to complete capital improvements and systems upgrades to the interior and exterior of the Theater. The proposed grant will be used to purchase a 5 year extension to the scenic easement recorded on the marquee as well as to make



improvements to the safety features, repaint with accurate historical colors with new fade resistant paints, and install equipment to allow for more energy efficiency and management and for the marquee to stay lit after business hours to support neighboring businesses.

The two loans will be rolled in with the previous financing according to the following terms:



1. The first 1994 Agency loan of \$600,000 will remain in place under the original terms. It is scheduled to be fully forgiven in 2014.
2. The proposed Construction and Permanent Loan is to add \$160,000 to the principal balance of \$253,838 on the existing 1994 Agency loan to create a new loan for \$413,838, subject to the following terms:
 - Rate 3%
 - Interest only payments on the outstanding principal balance
 - Term – 10 years
 - \$313,838 of the principal amount must be paid on or before the maturity date.
 - \$100,000 of the principal shall be forgiven at a rate \$10,000 each year that the terms of the regulatory agreement are met
 - Any outstanding principal is due and payable upon the sale of the property.

The proposed Forgivable Loan is a maximum of \$213,000 to purchase an additional five years of the Scenic Easement on the marquee and to make structural, safety, and aesthetic improvements.

Attachment 2**Scope of Work**

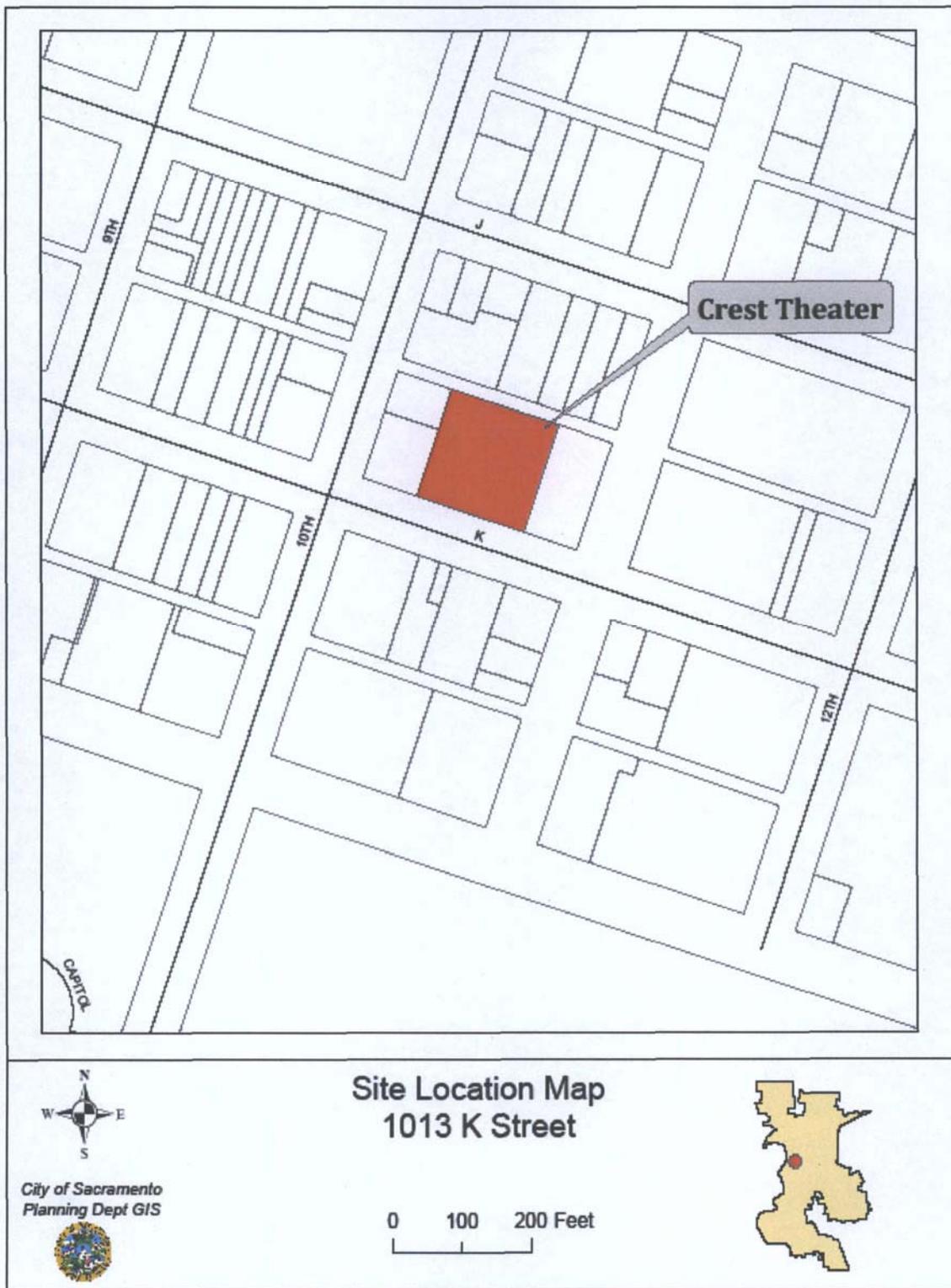
The first part of the project will include a refurbishment of the Crest Theater by completing ten priority projects in the interior and exterior which were contemplated but not completed in the 1994 renovation and which are listed below:

1. Boiler and controls:
Install new watertube boiler, install new pipe work, install new insulation in boiler room, new cold water supply, back flow check valves, dual TPR valves, expansion tank, water level fill controls, high pressure limit, low level limit, temperature limit
2. Major HVAC refrigeration equipment update
Service existing system including cooling tower with updates where necessary on expansion valves, compressors, compressor and fan contactors, differential pressure interlock switches, oil pressure switches, air handler system, refrigerant level to increase performance and efficiency and maintain high reliability
3. Demolition and repair of structure to accommodate equipment update
Remove, repair, and replace existing gyp board and walls to accommodate the new equipment
4. Asbestos abatement of pipe lagging on boiler pipe work
Remove asbestos pipe lagging in the boiler room, compressor room, and fan room per OSHA and Cal EPA established standards
5. Theater Façade refurbishment
Scrape, repair, prime and paint lower façade stucco surfaces. Update down lighting elements with new standard solution sources.
6. Interior repair of exterior drain damage
Repair and replace drywall ceiling damaged by K Street Drains
7. Roof membrane repair to building and marquee
8. Reconfigure and refurbish seating throughout the complex as needed
9. Modify carpet in areas where transitions occur to minimize issues with anticipated increased conference use
10. Install digital projection equipment
Install digital video projection equipment that was part of the anticipated upgrade path from the original renovation. Digital equipment allows the integration of additional uses into the scope of the complex.

The second part of the project is to refurbish the marquee to bring it up to OSHA standards and make the following improvements that will support the emerging entertainment district at 10th and K Streets.

1. Remove and replace neon to allow for repainting to original historical color scheme. Paint formulations have improved over the years and the current formulations are more fade resistant. Work with Preservation to determine correct color pallet.
2. Install repelling system, including support irons and pulley system to comply with OSHA standards and allow for future maintenance to the top portion of the marquee.
3. Install readerboard lexan faces with pronto track on lower marquee display.
4. Install equipment to facilitate energy efficiency and to allow the marquee to remain lit past Crest operating hours to support the entertainment uses and other redevelopment projects on K Street.
5. Repair and replace windscreens on the marquee to improve its wind resistance characteristics and enhance safety.

**Attachment 3
Location map**



Attachment 4

RESOLUTION NO.

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

**CREST THEATER OWNER PARTICIPATION AGREEMENT II (OPA) AND RELATED
LOAN DOCUMENTS**

BACKGROUND

- A. The Redevelopment Agency of the City of Sacramento ("Agency") has adopted the Merged Downtown Redevelopment Plan ("Redevelopment Plan") and an Implementation Plan for the Merged Downtown Project Area ("Project Area").
- B. The 1000 block of K Street, which is in the Merged Downtown Redevelopment Area, is undergoing significant redevelopment and investment.
- C. The Agency and The Briggs Family Group ("Owner") desire to enter into an Owner Participation Agreement (OPA), a copy of which is on file with the City and Agency Clerk, to provide Agency funds to assist with capital improvements and systems upgrades to the theater building as well as to complete the refurbishment of the marquee including installation of safety features, adding energy efficiency equipment, and painting the original historic colors with new fade resistant paints.
- D. The project completes the major 1994 renovation by improving the systems using updated and current technologies to ensure that the Crest can be utilized as a theater and entertainment venue into the future and ensures that the marquee remains a vibrant asset to the Project Area by; installing safety features that protect the marquee's resistance to the effects of wind and allow maintenance and repair to areas that are currently inaccessible, installing energy efficiency equipment, and painting the marquee in its original historic colors with new fade resistant paints.
- E. The Project will eliminate the following blighting influences: low or stagnant property values and impaired investment in the Project Area and high number of property vacancies, low rents as well as improve the appearance, lighting, and safety of this section of K Street.
- F. This project is consistent with the Amended Merged Downtown Redevelopment Plan and 2005 Merged Downtown Redevelopment Implementation Plan.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY RESOLVES AS FOLLOWS:

- Section 1. After due consideration of the facts presented, the findings, including but not limited to the environmental findings regarding this action, as stated in the staff report that accompanies this Resolution, are approved.
- Section 2. The Owner Participation Agreement with the Briggs Family Group is approved and the Executive Director, or her designee, is authorized to execute the OPA in substantially the same form which is on file with the Agency Clerk, for completion of rehabilitation priorities for the Crest Theater building.
- Section 3. The Agency Budget is hereby amended to transfer \$373,000 of Merged Downtown Redevelopment tax increment funds to the Crest Theater project and the Executive Director or her designee is authorized to allocate \$373,000 to the project to be used for the construction of capital improvements, installation of systems improvements, and completion of improvements to the marquee.
- Section 4. The Executive Director, or her designee, is authorized to execute the Construction and Permanent Loan documents, in substantially the same form as is on file with the Agency Clerk, which add \$160,000 of the allocated \$373,000 to the existing principal balance of the Retail Loan of \$253,839 and create a new loan of \$413,839.
- Section 5. The Executive Director, or her designee, is authorized to terminate the existing Retail Loan upon execution of the new Capital Improvement Loan.
- Section 6. The Executive Director, or her designee, is authorized to execute the Forgivable Loan, in substantially the same form as is on file with the Agency Clerk, which provides \$213,000 to the project to purchase an additional five years of Scenic Easement of the Crest Theater marquee and to make structural, safety and aesthetic improvements.