



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Consent
April 14th, 2009

**Honorable Mayor and
Members of the City Council**

Title: Agreement: Discovery Centre Hotel Exclusive Right to Negotiate

Location/Council District: Southwest corner of Richards Boulevard at North 3rd Street/
Council District 1 (See Attachment 2).

Recommendation: Adopt a **Resolution** authorizing the City Manager to execute an agreement with Twin River Development, LLC for the Exclusive Right to Negotiate ("ERN") for the Discovery Centre Hotel Project.

Contact: Jennifer Witz, Administrative Analyst, 808-2796; and Rachel Hazlewood, Senior Project Manager, 808-8645

Presenters: N/A

Department: Economic Development

Division: River District

Organization No: 4451

Description/Analysis

Issue: Staff recommends the selection of Twin River Development, LLC ("Developer") for the exclusive right to negotiate ("ERN") with the City to acquire the City property adjacent to the 300 Richards Blvd office building for development of a hotel and ancillary retail project. The term of the ERN would be for a period of twelve months.

During the term of the ERN, the City and Developer will define the scope and feasibility of the proposed development project, conduct a hotel study, and negotiate the business terms for the sale or lease of the City property.

Policy Considerations: A competitive selection process was conducted and the Twin Rivers Development proposal was selected. The proposed project is consistent with the Discovery Centre Planned Unit Development ("PUD"), Richards Boulevard Area Plan, and the River District Redevelopment Plan.

Environmental Considerations:

California Environmental Quality Act (CEQA): Under the California Environmental Quality Act (CEQA) guidelines, undertaking planning and feasibility study of a possible future project is exempt from environmental review.

Sustainability Considerations: The Discovery Centre Hotel Project is consistent with Sustainability Master Plan goals to reduce the use of fossil fuels, improve energy efficiency, and help meet air quality standards by locating a hotel in the River District which supports a number of office buildings, is close to downtown and is within walking distance of a planned light rail station.

If approved, the Discovery Centre Hotel will be designed to achieve certification from the U.S. Green Building Council, Leadership in Energy and Environmental Design (LEED) Rating System.

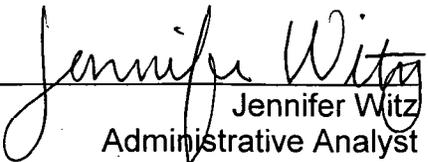
Commission/Committee Action: None.

Rationale for Recommendation: By executing this ERN, the Developer will be able to undertake the necessary studies to reduce uncertainties associated with securing financing and a committed hotel operator. The City may also be able to accelerate the time table for development of this project in these times of economic uncertainty. The future sales or lease agreement for the City property to allow development of the project would define the business terms of the City's participation and will ensure the development occurs in a manner consistent with the Discovery Centre Planned Unit Development ("PUD"), Richards Boulevard Area Plan, and the River District Redevelopment Plan.

Financial Considerations: None.

Emerging Small Business Development (ESBD): No goods or services are being purchased as a result of this action.

Respectfully Submitted by:


Jennifer Witz
Administrative Analyst

Approved by:


Jim Rinehart

Economic Development Manager

Recommendation Approved:



Ray Kerridge
City Manager



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Attachment 1

Background

The Discovery Centre Hotel site was approved by the City in 1998 for a hotel of up to 200,000 square feet, 224 rooms and 170 on-site parking spaces as part of the Discovery Centre Planned Unit Development. Environmental review and entitlements for this level of development was a part of the PUD approval.

The vacant 2.88 acre Project Site is owned by the City, and consists of three parcels and a portion of a fourth located on the southwest side of Richards Boulevard at North 3rd Street immediately to the west of 300 Richards Boulevard. The APN #s are 001-004-036, 001-021-051, 052 and a portion of 053. The site is located in the River District Redevelopment Project Area, north of Downtown and the Railyards. The River District is currently home to 1,052 motel rooms, 271 residential units, approximately 5 million square feet of industrial uses, 250,000 square feet of retail/wholesalers, and 850,000 square feet of office. There are three approved Planned Unit Developments ("PUD") in the District: Continental Plaza, Discovery Centre and Township 9.

Proposal

In November 2008, City Staff released a Request for Proposal ("RFP") to seek business offers for the sale or lease of the site for a hotel from development teams with a proven track-record of successfully completing hotel and retail developments in urban, infill settings.

The Request for Proposals included the following redevelopment objectives for the Site:

- Offer high-quality architectural and urban design;
- Generate revenue for the City;
- Include sustainability features such as energy efficiency; and
- Serve as a catalyst in revitalizing the River District.

In addition, the proposals design must comply with the existing Discovery Centre PUD schematic plan and design guidelines, the Richard Boulevard Area Plan and the design guidelines and development standards in the Area Plan and the Richard Boulevard Special Planning District.

Selection Committee Process and Recommendation

On December 17, 2008, two proposals were received. A Selection Committee was established and comprised of representatives from the following disciplines: economic development, real estate, planning, and redevelopment. The Selection Committee reviewed both proposals received and on January 7, 2009 both teams were interviewed.

Responses to the RFP were evaluated based upon the financial offer (50%) and the project proposal (50%) including the following criteria:

Financial Offer:

- Business offer – financial benefits to the City; and
- Financial resources consistent with business offer and project requirements.

Project Proposal:

- Level of commitment of hotel operator and product type;
- Size of project and inclusion of retail and conference facilities;
- Experience with hotel/retail development in Sacramento or other urban areas;
- Experience with developing and operating the type of product proposed;
- Experience with infill development;
- Track record of development team;
- Track record of superior architectural design;
- Experience in public/private development; and
- Compatibility of proposed development to meet the objectives identified for the Project Site and all other factors and criteria set out in this RFP.

Based on a review of the above criteria, the Selection Committee recommended the selection of Twin River Development, LLC (TRD) for the negotiations for the development of Discovery Centre Hotel Site.

Twin River Development, LLC Proposal

TRD proposes to construct the Discovery Centre Hotel which conceptually would be a five story building of about 88,150 sq. ft. with 160 guest rooms, conference rooms, a pool and fitness center, and an adjoining 10,000 sq. ft. retail space.

Twin River Development, LLC

TRD is a partnership of real estate development professionals from the Sacramento Area formed to promote the efficient development of publicly-owned projects and/or projects in which public resources are invested. In addition to their extensive experience in real estate development, marketing/leasing, finance and construction and property management, the principals of TRD are committed to the redevelopment of the River District. Some of the projects undertaken by the LLC's principals that can be seen throughout the city include the REA Building, the Marriott Residence Inn, and the Elks Building, Sacramento. The principals are Johan Otto, Lynn Pomeroy, Steve Ayers, Steve Goodwin and Mark Wiese.

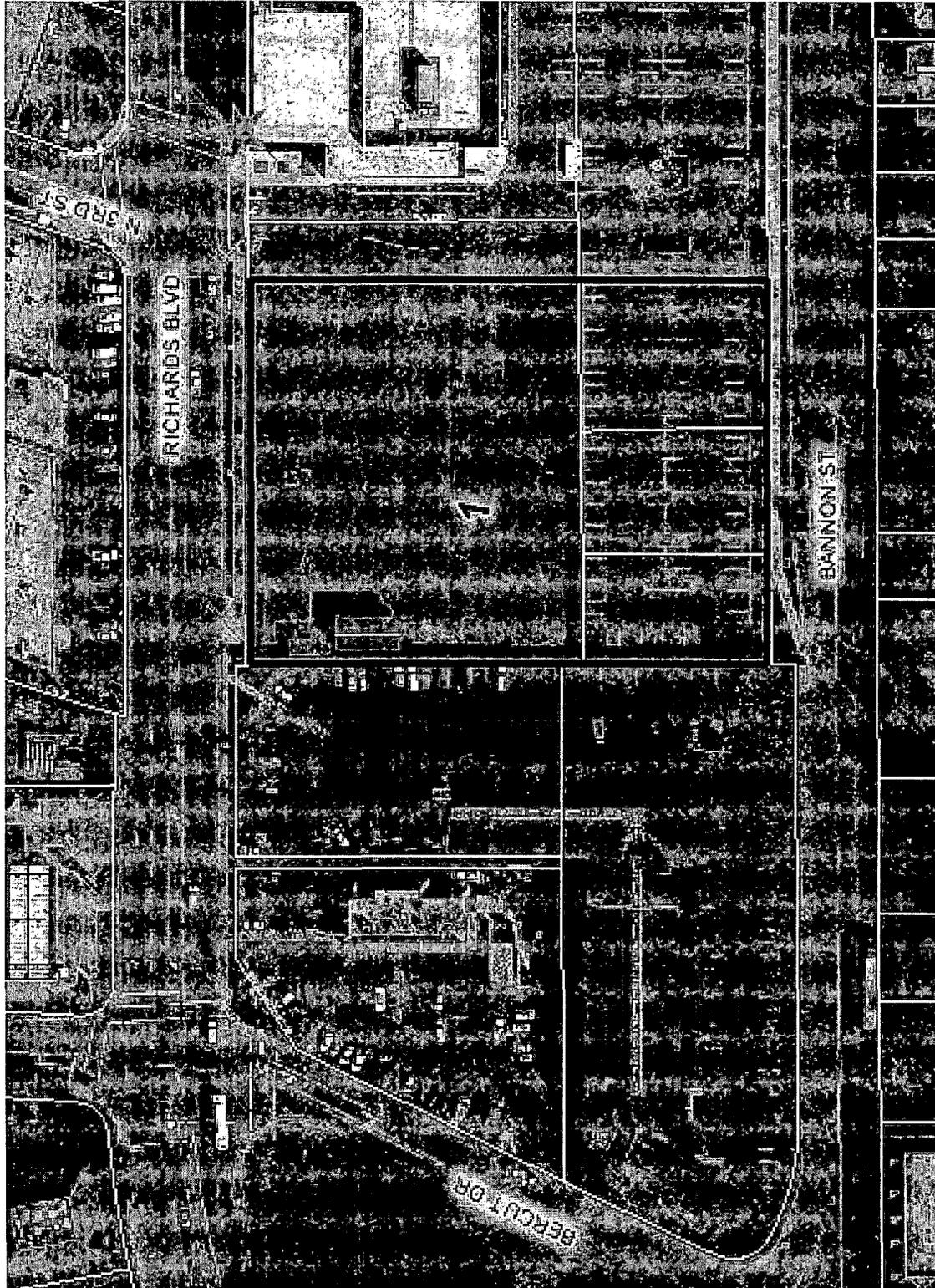
Exclusive Right to Negotiate

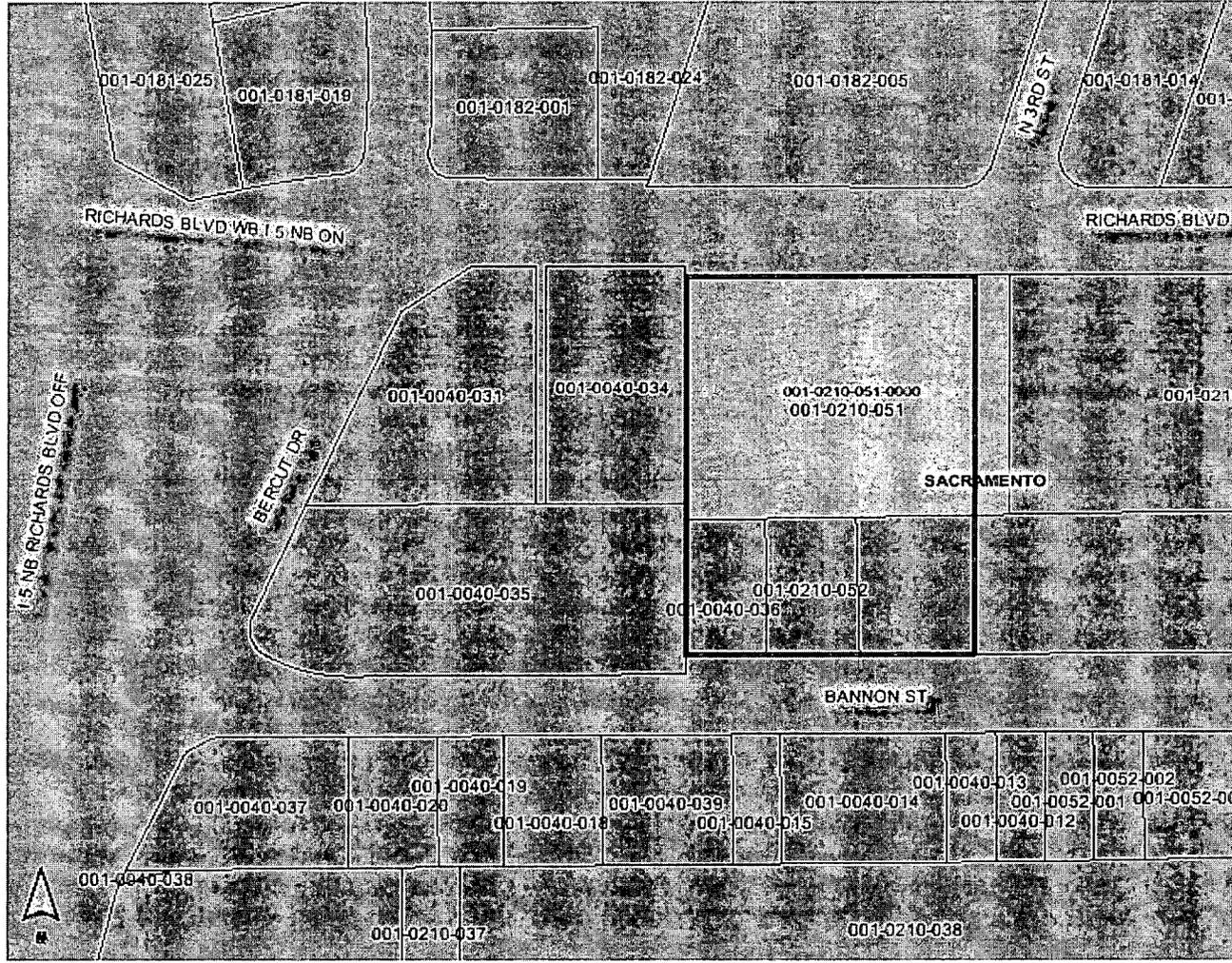
Staff is recommending that Council authorize the execution of an agreement with TRD for the Exclusive Right to Negotiate ("ERN") for the acquisition of lease of the City property for an initial 365-day period. The ERN would require TRD to conduct a hotel market study, obtain financial commitments and identify a committed hotel operator to develop the Discovery Centre Hotel Site. The proposed ERN would include milestones that must be achieved by the City and TRD in order for the project to progress. The 365-day period is proposed to allow time for TRD to further define the scope of the Project, investigate the financial feasibility by completing an in depth hotel study for the area, consider the schedule for construction and occupancy of the Hotel, obtain the

necessary entitlements to allow for development of the Project, conduct an appraisal of the Property and an Environmental Site Assessment, and establish the terms for the Sales or Lease Agreement.

Staff will return to the Council for approval of the Sale or Lease Agreement if the negotiations during the ERN process are successful.

Project Site Aerial





RESOLUTION NO.

Adopted by the Sacramento City Council

AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH TWIN RIVER DEVELOPMENT, LLC FOR THE EXCLUSIVE RIGHT TO NEGOTIATE FOR THE DISCOVERY CENTRE HOTEL PROJECT

BACKGROUND

- A. In November 2008, the City issued a Request for Proposals for development of the Discovery Centre Hotel on vacant property owned by the City which has been planned for a hotel under the Discovery Centre PUD.
- B. A Selection Committee was established and reviewed the two proposals that were submitted on December 17, 2008.
- C. Based on Twin River Development's experience, qualifications, projected pro forma and vision for the Discovery Centre Hotel Project, the Selection Committee recommended execution of an Exclusive Right to Negotiate agreement with Twin River Development, LLC to allow for negotiations to develop the scope and business terms for the project and the sale or lease of the vacant City property at 300 Richards Blvd.
- D. The City Council finds that it is in the City's interest to waive the requirement under City Code section 3.68.110 for competitive bidding for the sale or lease of the vacant City property at 300 Richards Blvd because the City desires that a hotel be developed at this site consistent with the Discovery Centre PUD, and the design and development of the project must be compatible with the City's administration operations also located at this site.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The Exclusive Right to Negotiate (ERN) agreement for the Discovery Hotel Project is approved and the City Manager or his designee is authorized to execute the ERN with Twin River Development, LLC in substantially the form of the agreement attached to the staff report.