



REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento

915 I Street, Sacramento, CA 95814-2604

Consent
June 9, 2009

Honorable Chair and
Members of the Board

Title: Agreement: Amend and Extend Exclusive Right to Negotiate Agreements with USA Hospitality, Inc. for 800 K/L Site

Location/Council District: 800-816 K Street and 809-815 L Street/Council District 1

Recommendation: Adopt a Redevelopment Agency Resolution authorizing the City Manager, acting on behalf of the Agency, to execute amendments and extend by 45 days the term of the Exclusive Right to Negotiate Agreements (ERNs) with USA Hospitality, Inc., for the Agency-owned properties on the 800 blocks of K and L streets. This recommendation does not include either project approval or a commitment of funding or assistance.

Contact: Denise Malvetti, Senior Project Manager, 808-7064 and Leslie Fritzsche, Downtown Development Manager, 808-5450

Presenters: Not applicable

Department: Economic Development

Division: Downtown Development

Organization No: 18001021

Description/Analysis

Issue: On October 7, 2008 the Agency Board authorized the Assistant City Manager to execute settlement agreement documents with Mr. Mohanna for properties located on the 700 and 800 blocks of K Street. Two of the documents included in the settlement package were nine (9) month Exclusive Right to Negotiate Agreements (ERNs) with USA Hospitality, Inc. for a 400 room full service hotel on the 800 block of K Street and a mixed-use project at 8th and L Streets. The ERN will expire on June 9, 2009. Staff recommends allowing a forty-five (45) day extension to allow time for the developer to submit additional information necessary for staff review and to complete business term negotiation.

The proposed ERN amendments will require the developer to provide the following information within ten (10) days of approval of the amendment and extension:

- 1) Letters of Commitment outlining specific loan terms and conditions from a) Consus Asset Management, the proposed primary lender, b) a four star full service hotel, c) a hotel operator, d) local equity investors and e) a parking garage operator
- 2) Hotel and parking operating pro formas adequate to determine project feasibility
- 3) Estimate of all development fees associated with the project.

Within that same time frame the Agency will be obtaining a 3rd party review of the developer's Market Assessment.

Policy Considerations: The continued negotiations are envisioned to result in a proposed project that is consistent with the Merged Downtown Implementation Plan goals of eliminating blight, stimulating economic growth, and leveraging private sector investment.

Environmental Considerations

California Environmental Quality Act (CEQA): The proposed activity consists of an administrative matter, the extension of an Exclusive Right to Negotiate. The proposed activity is not a 'project' in accordance with Section 15378(b)(5) of the California Environmental Quality Act Guidelines. The proposal does not have a potential for resulting in either direct or indirect physical changes in the environment. Approval of the recommendation in this staff report would permit negotiations to continue, allow further definition of the potential project and lead to a determination of project feasibility. At this point in the negotiations, project details are not reasonably developed. Therefore, no environmental review is necessary.

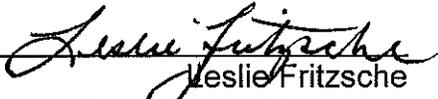
Sustainability Considerations: This is an administrative matter and therefore there are no sustainability considerations associated with this action.

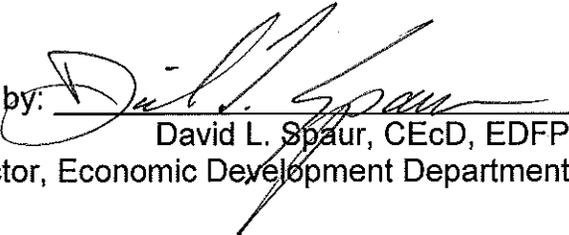
Commission/Committee Action: None.

Rationale for Recommendation: On October 7, 2008 the Agency Board approved the ERNs. The development team has submitted a proposal to Agency staff for consideration, but some specifics of the project's financial structure and feasibility have not been provided sufficiently to allow for initiation of business term negotiation between the Agency and the development team. Staff asked Mr. Leach, President of USA Hospitality Inc. to provide additional information that will be necessary for staff to evaluate the project and negotiate business terms.

Financial Considerations: Extension of the ERN time period for the developer and Agency to allow for continued negotiations will have no financial impact to the Agency.

M/WBE: Minority/Women Business Enterprise requirements are not applicable as no federal funding is involved in this action.

Respectfully Submitted by: 
Leslie Fritzsche
Downtown Development Manager

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

Recommendation Approved:

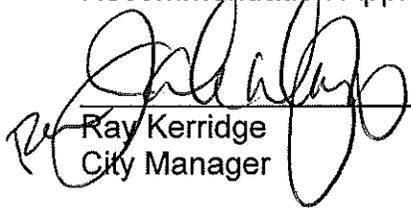

Ray Kerridge
City Manager

Table of Contents:

Report	pg. 1-3
Attachments	
1 Background	pg. 4
2 Resolution	pg. 5

**Attachment 1
Background**

On October 7, 2008 the Agency Board approved two, nine (9) month ERNs with USA Hospitality, Inc. for a 400 room full service hotel on the 800 block of K Street and a mixed-use project at 8th and L Streets. During the nine (9) month period the developer is responsible for completing a conceptual development site plan, proposed land use categories, financing plan, time schedule for commencement and completion, financial pro forma, and financial analysis demonstrating the costs and benefits to the city. The Agency is responsible for initiating the CEQA review which has not yet started due to the fluctuations in the project.

Attachment 2

RESOLUTION NO.

Adopted by the Redevelopment Agency of the City of Sacramento

**AGREEMENT AMENDING AND EXTENDING THE EXCLUSIVE RIGHT TO
NEGOTIATE AGREEMENTS WITH USA HOSPITALITY, INC. ON THE 800 BLOCKS
OF K AND L STREETS**

BACKGROUND

- A. On October 7, 2008, the Agency Board approved two Exclusive Right to Negotiate Agreements (ERNs) with USA Hospitality Inc. for Agency-owned properties on the 800 block of K and L streets.
- B. The Redevelopment Agency has assembled land on the 700 and 800 blocks of K Street for redevelopment purposes.
- C. Staff received a proposal from USA Hospitality, Inc., but needs additional information from the Developer to evaluate the project and negotiate business terms.
- D. An extension of the ERNs will allow time for Agency staff and USA Hospitality Inc. to negotiate the business terms of a Disposition and Development Agreement (DDA).

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

- Section 1. The City Manager or his designee, on behalf of the Agency, is authorized to execute amendments to the ERN including a forty five (45) day extension with USA Hospitality, Inc. for Agency-owned properties on the 800 block of K and L streets.**