



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento

18

915 I Street, Sacramento, CA 95814-2604

Staff Report
December 8, 2009

**Honorable Chair and
Members of the Board**

Title: 800 K/L Proposed Development Status Report and Request for Qualifications (RFQ) Determination

Location/Council District: 700-730 K Street, 800-816 K Street and 809-815 L Street/Council District 1

Recommendation: Adopt a Redevelopment Agency Resolution authorizing the release of a Request for Qualifications (RFQ) for the Agency-owned properties on the south side of the 700 block of K Street, the 800 block of K Street and the 800 block of L Street.

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

Presenter: Denise Malvetti, Senior Project Manager and Leslie Fritzsche, Downtown Development Manager

Department: Economic Development

Division: Downtown Development

Organization No: 18001021

Description/Analysis

Issue: In October 2008 the Agency entered into two, nine 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. In June 2009, the Board granted a 45 day extension to the original 9 month term to provide additional time to negotiate deal points. The 45 day extension expired on August 23, 2009. On August 25, 2009 the project was brought before the Agency Board to provide direction to staff and the Board directed staff to release an RFQ in 90 days if the following did not occur during that time:

1. Developer obtain stronger financial commitments from Consus and all debt and equity financial partners
2. Developer conduct an assessment of the Bel-Vue to determine the costs

- associated with preserving the facade
3. Complete negotiated business terms for inclusion in Disposition and Development Agreement

The 90 day term ended on Monday, November 23, 2009. On November 20, 2009, the development team submitted a revised proposal. The general terms of the revised proposal are below:

The revised proposal decreased the number of hotel rooms from 409 to 300, decreased the number of parking spaces from 372 to 350, and added 100 condominiums on top of the parking garage as a second phase of the project.

In addition to a revised project scope, there have been changes in the financial partners. The November 20th letter indicates that Mohanna Partners, who were equity partners, have assigned their position in the partnership to Mr. Leach and a group known as Industrial General LLC who has expressed interest in participating in the project. The revised proposal includes a Letter of Interest from Industrial General (included herein as Attachment 2), but their financial role is not clearly defined, an amount of participation is not stated and their commitment is stated as being contingent on a firm commitment from Consus and additional due diligence. The November 20th proposal also includes a revised Letter of Interest from Consus Asset Management (included herein as Attachment 3) reaffirming their interest in lending \$91M, but the letter states two significant conditions precedent. USA Hospitality and Parkcrest must receive a permanent loan commitment from a lender acceptable to Consus or receive a commitment from the City that they would provide municipal bond financing for the project if permanent financing was not secured. No permanent lender has been identified and the City is not in a position to bond to provide permanent financing for the hotel.

The development team also revised their request for City/Agency participation. The development team has decreased their total request of TOT from \$12.8M to \$10M with that amount being generated on a distribution of 50% of the TOT generated by the hotel on an annual basis until the \$10M amount was reached. The request for a reimbursement of tax increment generated by the project in the amount of \$4.6M as well as the request for the land contribution remains unchanged. In total, the current request of the City/Agency is approximately \$33M including the land valued by the developer at \$18.6 million. The revised financial proposal demonstrates a financing gap of over \$6 million and does not show any funding for the condominiums (a Sources and Uses chart is included in the Background section of this report) The City's portion of the cash flow and sale proceeds has been decreased from 40 to 18 percent in the latest proposal. The exact terms of any equity participation have not been disclosed and business terms have not been negotiated.

At this time a complete development proposal with financing commitments is not in place and business terms have not been negotiated (see Attachment 1 for a history of the proposal). The property has been tied up for 14 months and revitalization of the area has never been more urgent. Therefore staff recommends releasing the Request for Qualifications for the Agency-owned properties on the south side of the 700 block of K Street and all Agency-owned properties on the 800 block of K and L

streets (see page 11 of Attachment 2). A draft of the proposed RFQ is included as Attachment 4. The proposed time schedule includes a release of the RFQ by December 10th with a due date of February 12, 2010. It is anticipated that staff could return to the Agency by early April with a proposed selection of the development entity or entities.

Policy Considerations: It has long been a priority of the Agency Board and staff to revitalize K Street and implement the JKL Corridor strategies outlined in the 2004 Charette. Staff continues to promote development throughout the Merged Downtown Redevelopment Area and achieve the Implementation Plan goals of eliminating blight, stimulating economic growth, and leveraging private sector investment. By releasing the RFQ, the Agency can seek projects that will transform K Street and create a thriving JKL Corridor.

Environmental Considerations

California Environmental Quality Act (CEQA): The action recommended by this staff report, the issuance of a Request for Qualifications, is not a project under CEQA (California Public Resources Code Section 21065; CEQA Guidelines Section 15378). NEPA does not apply.

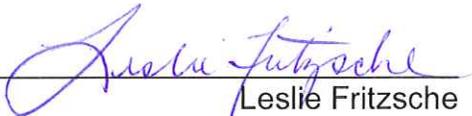
Sustainability Considerations: Not applicable.

Commission/Committee Action: No formal action has been taken by a committee regarding the release of an RFQ although the revitalization of the 700 and 800 blocks of K Street remain a priority for the City, Agency and Downtown Sacramento Partnership.

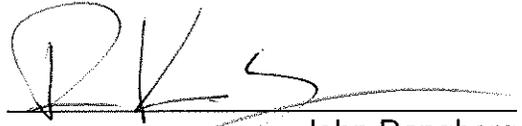
Rationale for Recommendation: Not applicable.

Financial Considerations: There are no financial considerations affiliated with this action.

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 on behalf of the
Redevelopment Agency

Approved by:



John Dangberg
Interim Director, Economic Development Department

Recommendation Approved:



Ray Kerridge
City Manager

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Attachment 1 Background

On October 7, 2008 as part of the legal settlement with the main property owners of the 700 and 800 blocks of K Street (M.H. Mohanna, Urban Innovation Partners, LLC, 8th and K Lofts, LLC, 726 K Street, LLC and 718 K Street, LLC) 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. In June 2009, the Board granted a 45 day extension to provide additional time to negotiate deal points.

Staff scheduled an August 11, 2009 report to the Board to provide a status update. At the request of the development team, this item was continued from the August 11, 2009 meeting to August 25, 2009 to allow them time to revise their financial proposal. The developer fully recognized that the ERN would expire on August 23, 2009 prior to the Board meeting.

On August 18, 2009 the development team submitted a revised proposal. The general terms of the proposal were as follows:

The development proposal remained a 409 room, four-star full service hotel at 8th and K streets and a 372 space parking garage at 8th and L streets. The proposal requested that the Agency land be contributed for \$1.00 instead of the \$7.8M purchase price agreed to in the settlement ERNs. The development team also requested 100 percent of net tax increment (net of required housing set-aside funds, pass-thru payments, and ERAF shifts) generated from the project. The tax increment (TI) rebate was projected to equal approximately \$4.67M over 10 years.

The August 18, 2009 revised proposal reduced the requested annual rebate of the Transient Occupancy Tax (TOT) from 100 percent to 50 percent of the TOT generated by the proposed hotel and extended the term of the commitment from 10 years to 14 years. The 50 percent TOT rebate equaled \$12.8M in 2010 dollars with 8 percent interest (approximately \$23M in actual dollars over approximately 14 years).

The revised proposal increased the City and/or Agency's participation in the project's net cash flow (after operating expenses, debt service/equity payments to Consus and Dougherty, the primary lenders) from 10 percent to 40 percent. In addition to receiving 40 percent of available cash flow, the City/Agency would receive 40 percent of net proceeds at the time of sale (estimated to be in year 10). Based on the developer's estimates, the City/Agency could receive approximately \$11M in cash flow in the first 10 years of operation and an estimated \$30M at sale.

One of the most fundamental challenges to development in today's economic environment is the securing of private debt and equity. The proposed financial underpinning of this project is a \$91 million debt and equity contribution from Consus Asset Management of South Korea. As of the August 25th meeting, the Developer had not received a firm commitment with complete terms and conditions from Consus nor finalized any terms with Agency staff. Therefore the Agency Board directed staff to

continue working with the development team for 90 days and simultaneously prepare an RFQ and release it in 90 days (on November 23, 2009) if the following did not occur during that time:

1. Developer obtain stronger financial commitments from Consus and all debt and equity financial partners
2. Developer conduct an assessment of the Bel-Vue to determine the costs associated with preserving the facade
3. Negotiate business terms for inclusion in Disposition and Development Agreement

On November 20, 2009, the development team submitted a revised proposal. The general terms of the revised proposal are below:

The revised proposal decreased the number of hotel rooms from 409 to 300, decreased the number of parking spaces from 372 to 350, and added 100 condominiums on top of the parking garage as a second phase of the project.

Summary of Project details:

	August 19 th Proposal	November 20 th Proposal
Hotel Rooms	409	300
Parking Spaces	372	350
Residential Units	0	100
Development Partners	USA Hospitality, Inc. Parkcrest Development	USA Hospitality, Inc. Parkcrest Development
Equity Partners	Mohanna Partners	Unclear. <i>Role of Industrial General is undefined (See Industrial General LOI in Attachment 2)</i>
Construction/Mini-Perm Lender	Consus Asset Management (hotel), Dougherty Funding (parking)	Consus Asset Management (hotel)
Proposed Hotel Flag	Marriott Renaissance	Marriott Renaissance
Hotel Operator	Sage	Not specified
Project Cost	\$137,000,000	\$116,430,000 (plus \$45M for condominiums)

City/Agency Contribution

	August 19th Proposal	November 20th Proposal	Notes
Contribution of the Land	\$14,000,000	\$18,600,000	Values provided by Developer
Transient Occupancy Tax Rebate	\$12,800,000	\$10,000,000	50% of TOT from project
Tax Increment Rebate	\$4,670,000	\$4,670,000	100% of net TI over 10 years
Total City/Agency Request	\$31,470,000	\$33,270,000	

Sources and Uses**Project Uses**

Land	\$18,600,000
Architectural	\$2,150,000
Structural	\$650,000
Soils/Civil/geotech	\$75,000
Development Fees	\$2,875,400
Developer Profit	\$3,600,000
Franchise Fee	\$60,000
Loan Expenses	\$901,630
Legal Fees	\$250,000
Hard Construction Costs	\$74,443,000
Title and Escrow	\$39,970
FFE	\$5,110,000
Pre-Opening Costs	\$1,000,000
Operating Reserves	\$2,000,000
Project Contingency	\$4,675,000
Total Project Cost	\$116,430,000

Project Sources*

Land Contribution	\$18,600,000
Consus	\$91,630,000
Total Funding Sources	\$110,230,000

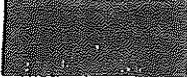
Project Gap = \$6,200,000

**Balance of Proposed Agency/City contribution (equallying \$14.6M in TOT and TI generated from project) would be provided to project as generated and would be used to repay Consus loan*

Attachment 2

Industrial General Letter of Interest

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INDUSTRIAL  GENERAL

Tuesday, November 17, 2009

Via Federal Express

Mr. Robert Leach, Managing Director
Twin Rivers Capital Partners
Industrial General LLC
5013 San Marque Circle
Carmichael, CA 95608

STRICTLY PRIVATE & CONFIDENTIAL

Subject: The Renaissance Hotel
8th & "K" Streets
Metro Sacramento, California

Dear Bob,

Thank you for the recent update and your continuing efforts with the City. Carlo, Bill and I extend our continued best regards to Ray, Leslie, and their staff(s).

As soon as you are in receipt of the Commitment Confirmation from the Consus Asset Management Fund please forward the documents to my personal attention via (A) a fax copy, (B) a hard copy (via US mail), and (C) an email copy of the said Financing Agreement. I will review the contents and discuss the legalities with our legal counsel(s), accountancy advisors and our general engineering contractors. Upon receiving positive inputs pursuant to our development financing issues our attorney(s) will notify the City of Sacramento accordingly of our construction financing program, its estimated timing, scheduling, and our willingness to comply with its said terms and conditions.

In the interim, we recommend that you continue to brief Ray Kerridge and Leslie Fritzsche regarding our readiness and legal standing(s) and reliance that our final agreements with the City will be expedited and "formalized in contract form" at the earliest possible date. Upon completing our itemized construction-line-items and related engineering and architectural reviews with our architects, engineers and attorneys; we will deliver said final development project items to the directions of the City Manager and the Head of Redevelopment.

We are looking forward to our development, design and construction of a Class AA hospitality facility for our portfolio and the enjoyment of our future guests and patrons (and) to sharing our results and newly established hospitality status with the good City of Sacramento.

When the above referenced category(s) and standard contract conditions are deemed acceptable by Industrial General and its Joint Venture Construction Partners; we will proceed to invest our professional time, labor and expertise (and) capital to commence with the working architectural drawings, design-build efforts and related engineering search and opinions and etc.

7260 Dean Martin Drive, Suite 100, Las Vegas, NV 89118
Office (702) 851-0535 Fax (702) 433-7468 bdnarr@indgen.com

□ □ □ □ □

Please extend our thanks and very best regards to the Park Family for their successful efforts to date on behalf of Industrial General. Carl, Bill and our Board of Directors look forward to breaking ground in Sacramento at the earliest date and to completing this prestigious enterprise development with you by our side for the long term. I am with best regards,

Sincerely,

INDUSTRIAL GENERAL, LLC



Theodor N. Bodnar, AAJ, AIBD
Chairman & CEO

cc: Richard Leonard, ESQ
Leonard Dicker & Schrieber
Leib Orlandi, ESQ
K&L Gates International
The BEST and ABC Groups
The Perini Company
The Bovis Group
Tutor Saliba, Inc.

Attachment 3

Consus Asset Management Letter of Interest



CONSUS ASSET MANAGEMENT CO., LTD.
 Goodmorning Shinhan Tower 9F 23-2 Yeido-Dong, Yongsongpo-Gu Seoul Korea
 TEL : 82-2-2077-5003 FAX : 82-2-2077-5019
 www.consus.co.kr

Document Number : Consus REF 2009-230

November 16, 2009

To: Mr. Robert Park, President, Parkcrest Development Corp.
 Mr. Robert Leach, President USA Hospitality Inc.
 C/O : Parkcrest Development Inc.
 3090 Fite Circle Suite 203
 Sacramento, CA 95827-1810

Re: Confirmation for Financing a Mini-Perm Construction Loan

Dear Sir

Consus Asset Management is pleased to hereby confirm our agreement to provide you with a mini-perm, first mortgage construction financing facility for the below referenced properties. Based on our review of the updated materials now provided, including preliminary budgets, market studies, rendering plans, and detailed background on the current ownership group; we have outlined below the basic terms of the transaction based on the prevailing global market conditions.

We have reviewed the Sacramento marketplace in Northern California. This confirmation for the hotel and parking structure financing is subject to our timely approval of the working drawings, final construction pricing, specifications, the Developer/Owners delivery of the subject land parcels free of any encumbrances located at 8th and L Street in downtown Sacramento and finalizing the establishment of REFs(Real Estate Funds).

In addition, we are anticipating the City's financial support for the Developer/Owners in the form of \$10million dollars in transient occupancy tax(TOT) reimbursement and 4.6 million dollars in property tax increment (PTI) reimbursement. We understand these funds will be disbursed annually over the course of the project and subject to the completion of the hotel and parking structure.

Our real estate funds shall be specifically advanced for the construction of the hotel and parking structure and the timely completion of same, along with all related costs included.

The basic terms of the loan transaction are as follows:

1. Construction of a full-service nationally franchised hotel with Marriott Hotel Corporation or Hilton Hotel Corporation to be provided subject to the Developer/Owners choice of brands
2. Number of rooms shall range from 409 to 300, based on the final market analysis determined by the Developer/Owners choice of brands
3. Loan Amount : Not to exceed \$91,630,000
4. Interest Rate : 6% minimum return, 8% if available, interest may accrue during construction
5. Type / Term : Construction / Min-Perm not to exceed a total of five(5) years, with an Option to extend the loan for two(2) additional years subject to approval of the Consus REFs(Real Estate Funds)
6. Builder's General Contract : Fixed Price, Guaranteed Maximum (Contractor subject to financial review)
7. Additional Collateral : Consus REF will hold a 30% collateral interest in the project ownership entity
8. Conditions Precedent : Letter of Commitment for the permanent mortgage from a financial institution whose credit rate can be accepted by Consus investment committee or the City's support by issuing a



CONSUS ASSET MANAGEMENT CO., LTD.
Goodmorning Shinhan Tower 9F 23-2 Yoido-Dong, Yangdeungpo-Gu Seoul Korea
TEL : 82-2-2077-5800 FAX : 82-2-2077-5015
www.consus.co.kr

- municipal bond financing,
- 9. Consus REFs will reserve the "first right of refusal" to provide additional financing for the planned 100-unit luxury condominium complex to be constructed beginning at the upper deck of the parking garage on and at the 8th and L Street location, respectively. The legal "air" rights above the parking garage shall remain with the Developer/Owners of record.
- 10. Prepayment Penalty : None
- 11. Exit Strategy : Upon repayment of our outstanding principal and receipt of a maximum return of 12% non - compounded interest by Consus REFs, the collateral interest in the subject project being held in trust by Consus REFs will be released

Consus Asset Management's confirmation to complete the financing for this project will require the City of Sacramento and the Developer/Owners to finalize a "Business Terms Agreement" and then complete the Environmental Impact Report and execute a Design Development Agreement at the earliest date. We have been patiently waiting for this construction project to move forward since late 2008

Although the world markets are ever changing and capital interests shift as time passes; we currently maintain an availability of construction funds for preferred construction projects.

Sincerely Yours

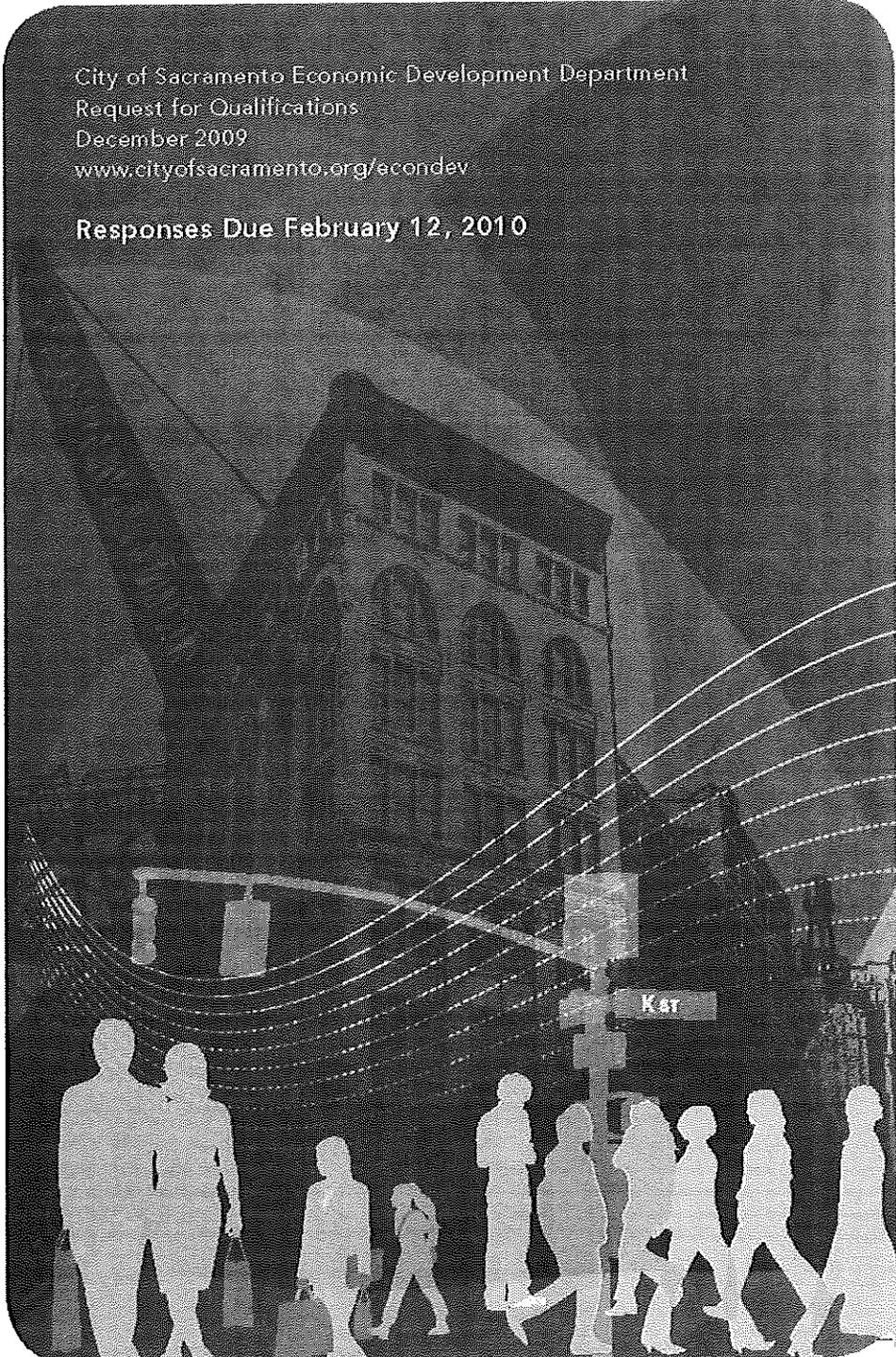
For and behalf of:

CONSUS ASSET MANAGEMENT CO., LTD.

By 

Kyung-Yun Suh
Managing Director / Head of REF Division

**Attachment 4
Draft Request for Qualifications**



City of Sacramento Economic Development Department
Request for Qualifications
December 2009
www.cityofsacramento.org/econdev

Responses Due February 12, 2010

Downtown Mixed-Use Development Opportunities
700 & 800 Blocks of K and L Streets

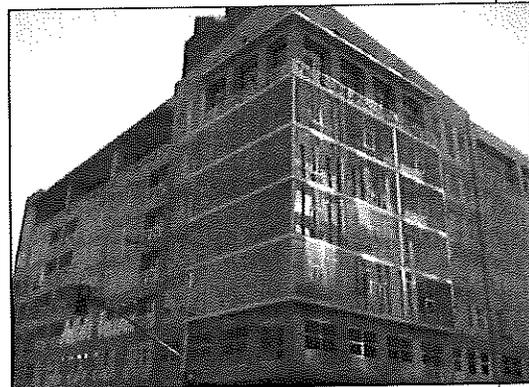
OVERVIEW

The Redevelopment Agency (Agency) of the City of Sacramento, represented by the City's Economic Development Department, is soliciting proposals for the development of a mixed-use project in the heart of downtown on the K Street Mall. The K Street Mall is a pedestrian mall with a light rail transit line, located within the Merged Downtown Sacramento Redevelopment Project Area, between 7th and 13th streets and is anchored by the Convention Center to the east and Westfield Downtown Plaza to the west. The development sites are located on the southern half of the 700 block of K Street and portions of the 800 blocks of K and L streets, a critical location for the revitalization of the K Street Mall and the JKL Corridor.

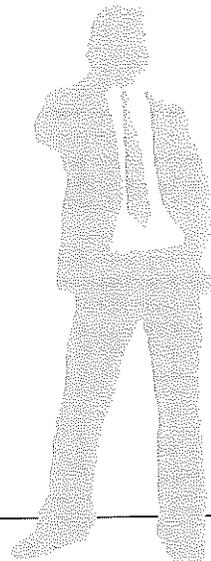
The JKL Corridor has been identified in the Merged Downtown Redevelopment Area Implementation Plan and the Downtown Sacramento Partnership Strategic Action Plan as a key target area for economic development and housing production. The JKL Corridor has experienced significant public and private investment over the past few years. From 2004 to 2009, the corridor saw an investment of nearly \$375,000,000 which has resulted in over 150,000 square feet of retail and restaurants, over 300 residential units, over 500,000 square feet of office and 435 hotel rooms.

The following is a sampling of recently completed projects:

- 800 J Lofts - 225 mixed-income residential units and 22,100 square feet of retail.
- US Bank Building (7th Street and Capitol Mall) - 366,666 square feet office, 23,000 square feet retail including Morton's Steakhouse and parking garage.
- Elks Lodge Building (11th and J streets) - Retrofit and ground floor renovation of historic structure, 70,000 square feet office, and 14,000 square feet of retail including McCormick and Schmick's Seafood.
- The Cathedral Building (12th and K streets) - 23 residential units, 4,600 square feet office and Ella Dining Room and Bar.
- Marriott Residence Inn and Condominiums (15th and L streets) - 235 hotel rooms and 30 condominiums.
- The Citizen Hotel (10th and J streets) - Renovation of a historic office building into a 200 room boutique hotel and The Grange restaurant.
- The Cosmopolitan (10th and K streets) - A 200 seat live cabaret theater, restaurant, bar and office space.



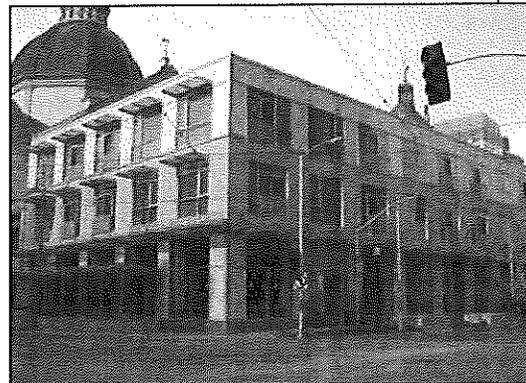
800 J Lofts



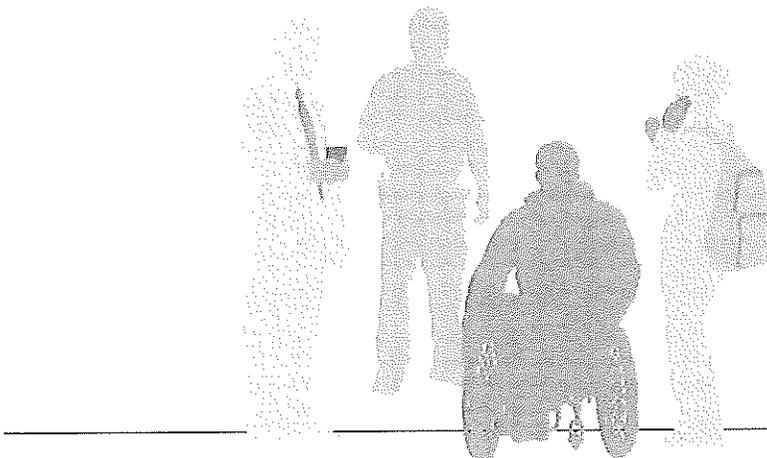
In addition to the recently completed projects, there are a number of new projects that will change the face of K Street. The first phase of the K Street Streetscape project is under construction on the 700 block of K Street. In 2008, the City Council adopted a Master Plan for the streetscape design from 7th to 12th streets. The project includes the renovation of St. Rose of Lima Park, the relocation of a light rail station from K Street to 7th Street and enhancements to K Street including new pavers, street furnishings, lighting and landscaping. Three entertainment venues are currently under construction at 1016-1022 K Street. These venues are expected to open in Summer 2010. The City is currently preparing a study that is evaluating the feasibility of reintroducing cars on K Street and will be identifying potential pilot project areas. This study is expected to be complete by the end of this year. The City has also recently entered into an agreement to relocate Greyhound, currently located on the 700 block of L Street, to a new City-owned location on Richards Blvd. The relocation will be complete by early 2012.

To complement these activities and continue the momentum of revitalization, the Economic Development Department is seeking qualifications from development teams with a proven track record of successfully completing mixed-use developments in urban, downtown settings for the development of a vibrant mixed-use project. Due to an increasing interest in downtown, current activity developing a plan for Downtown Plaza, and community desire to patronize downtown businesses, it is an ideal time to bring a project forward. The desired project may include a combination of residential and commercial uses including office, specialty retail and restaurant to accomplish the following:

- Create a lively pedestrian environment
- Bring activity to downtown during evenings and weekends
- Link the two ends of K Street together
- Offer high-quality architectural and urban design
- Serve as a catalyst in revitalizing the downtown area
- Provide employment and stimulate economic vitality



Cathedral Building



BACKGROUND

Sacramento is the capitol city of the world's eighth largest economy, and is one of the fastest growing California cities with a population of over 475,000. The City encompasses approximately 98 square miles and is the 7th largest city in California. It is centrally located in northern California mid-way between San Francisco and Lake Tahoe. Many consider Sacramento an ideal sized city, offering the best of urban amenities and opportunities with the unique charm and easy living of a small town. Over the next 50 years, the 2004 Sacramento Council of Government's Blueprint indicates that the population will increase from 2 million to 3.5 million.

The Market

- **Office** – Downtown Sacramento is the region's largest central business district with 10 million square feet of office space and over 150,000 daytime employees. It offers a rich variety of office styles and prices, ranging from Class A space on Capitol Mall to historic buildings and warehouse/loft space on the R Street Corridor.
- **Hotels/Convention** – The Sacramento Convention Center Complex consists of three facilities: the Convention Center with traditional exhibit space, meeting rooms, and ballrooms; the 2,500-seat Sacramento Community Center Theater which hosts a variety of top caliber events, from touring Broadway musicals to performance by local artists; and the historic Memorial Auditorium which offers a wide range of entertainment options with a total capacity of 3,870. Adjacent to the Convention Center are two 500 room hotels, the Hyatt and Sheraton Grand hotels. In 2007, a 235 room Marriott Residence Inn opened at 15th and L streets and in 2008 the Joie de Vivre Citizen Hotel opened a 200 room boutique hotel at 10th and J streets.
- **Housing** – Downtown Sacramento's residents can walk, ride, or take public transit to work, entertainment, or recreation. Over 30,000 people live in the Central City and over 300,000 live within 5-miles of downtown. Over the past five years, approximately 1,500 new units have been built in the Central City. Downtown Sacramento housing includes affordable rentals, single-family homes, luxury apartments and condominiums. Additionally, some of the region's most established and affluent neighborhoods are located immediately adjacent to downtown.



Citizen Hotel



- Access – Downtown Sacramento's transportation network makes it a convenient location for customers, residents and employees. The Sacramento International Airport is only 10 minutes from downtown. In addition, four major interstate highways (Interstate Highways 5, 50, 80 and U.S. Highway 99) and 10 light rail stations provide access from outlying areas. Other transportation options include an AMTRAK station, including multiple daily trains to the San Francisco Bay Area; the ninth busiest Greyhound station in the country; the Regional Transit bus system; and the Sacramento Marina and visitor boat docks in Old Sacramento.
- Retail – Downtown Sacramento offers a retail marketplace of 6 million annual visitors, a daytime population of over 150,000 workers and approximately 300,000 residents within a 5 mile radius. The Westfield Downtown Plaza regional shopping center is located on K Street between 4th and 7th streets and includes two Macy's department stores, retail and dining. The shopping center received entitlements in 2008 for a major renovation and the City continues to work with Westfield on implementing the renovation plans.

Downtown Sacramento Retail Strategy and Implementation Plan

In June 2009, the Downtown Sacramento Partnership and the City retained a consultant to analyze retail conditions and develop a Retail Strategy and Merchandise Mix Plan for Downtown Sacramento. This report is currently in draft form, but will be considered for adoption by the Downtown Sacramento Partnership on December 16, 2009. The full report will be available following the December adoption of the plan.

While the project area for this study included 66 blocks of the JKL Corridor, its primary focus is the JKL Corridor, from 7th Street to 11th Street. Key recommendations for the focus area include:

- Convert Downtown Plaza to streetfront retail, returning six blocks of retail to the grid along K Street and activating the cross streets with the idea of returning cars to 4th Street and making 5th Street an at grade street rather than an underpass.
- Open the K Street transit/pedestrian mall to two-way automobile traffic from Old Sacramento to Midtown, with 7th to 12th as the first phase.
- Attract more retail uses to L Street between Downtown Plaza and the State Capitol
- Adherence to a Merchandise Mix Plan for a defined focus area. This mix would represent the proposed highest and best retail use. Corner locations and vacant spaces should be the top priorities and clustering of like uses would be ideal to create activity nodes.

Merged Downtown Sacramento Redevelopment Project Area

The Economic Development Department manages the Agency's Merged Downtown Sacramento Redevelopment Project Area which is located in the Central Businesses District portion of Downtown Sacramento. A map of the Project Area is included as Attachment 1. The Economic Development Department partners with the private sector to help develop dynamic corporate, retail, restaurant and entertainment environments in downtown. Project assistance typically includes:

- Project location assistance
- Project management and facilitation
- Financial assistance, when necessary

Over the past 50 years the Redevelopment Agency of the City of Sacramento has invested over \$475 million in federal and local public dollars within the Project Area helping to transform downtown into a sophisticated and dynamic regional destination. The Agency's activities have included a variety of redevelopment efforts, including the development of a regional shopping center, hotels, high-density residential units, Class A office buildings, and a variety of commercial projects. It has assisted many smaller businesses with rehabilitation loans and grants, has fostered preservation of historic buildings, and has promoted cultural arts and social services

DEVELOPMENT SITE

The proposed development site is owned by the Agency and is located along the K Street Mall at 8th and K streets, 8th and L streets, and the south side of the 700 block of K Street between 7th and 8th streets (see Attachment 2). The northern parcels of the 800 block of K Street (Area 1) face the K Street Pedestrian Mall. The western boundary of the site is 8th Street which is a three lane road open only to northbound traffic. The southern parcels of the 800 block of K Street (Area 2) face L Street, a three lane road open only to westbound traffic. The southern parcels of the 700 block of K Street (Area 3) face the K Street Pedestrian Mall. The State Capitol is located two blocks east of the project site at 10th and L streets. The proposed development site includes the following parcels:

Area 1

API	Address	lot Sq Ft	Building Sq Ft
006-0098-022	1109 8th St.	1,200	N/A
006-0098-003	800 K St.	1,600	N/A
006-0098-004	802 K St.	3,200	N/A
006-0098-024	806 K St. / 1115 8th St.	10,000	N/A
006-0098-006	810 K St.	3,200	N/A
006-0098-007	812 K St.	6,400	N/A
006-0098-008	816 K St.	3,200	N/A



Area 2

API	Address	lot Sq Ft	Building Sq Ft
006-0098-021	809 L St.	17,600	28,070
006-0098-014	815 L St.	6,400	8,800

Note: 809 L Street- The Bel-Vue Apartments, a three story building with ground floor retail space and two floors of apartments. The Bel-Vue is listed as a historic structure and the top floors are currently vacant. The re is one tenant on the ground floor, a restaurant.



Area 3

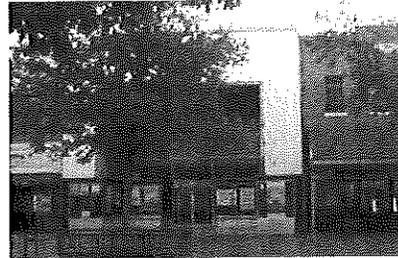
The 700 Block of K Street represents the original historic fabric of K Street and therefore it is the City's desire to keep the block face intact to maintain the pedestrian scale and authentic storefronts. Additional stories above the rooftop or potential for additions to the back of the buildings will be considered.

API	Address	lot Sq Ft	Building Sq Ft
006-0096-019	1111 7th St.	3,026	N/A
006-0096-002	700 K St.	4,000	8,000
006-0096-003	704 K St.	5,348	10,876



Area 3 (Continued)

API	Address	lot Sq Ft	Building Sq Ft
006-0096-004	708 K St.	6,400	6,400
006-0096-005	712 K St.	6,400	6,400
006-0096-006	716 K St.	3,200	3,200
006-0096-007	718 K St.	6,400	16,060
006-0096-008	724 K St.	11,200	17,600
006-0096-009	726 K St.	3,200	5,255
006-0096-010	730 K St.	1,600	3,200

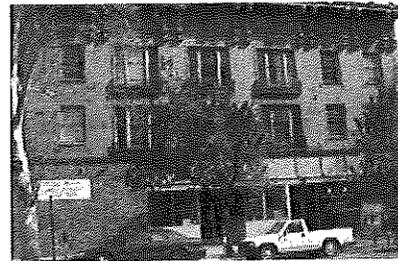


Note: 724 K Street- Currently has two tenants (a phone store and a restaurant)

All existing tenants are on a month to month lease and have been notified that future redevelopment will occur.

The development proposal may include individual areas or any combination of Area 1, Area 2, and Area 3.

*Square footages should be treated as estimates



Development Objectives

In October 2004, the City hosted the JKL Charrette to involve the community in creating a vision for the area from J Street to L streets, and 7th Street to 13th Street. The community envisioned that the 700 and 800 blocks of K Street would focus on mixed-use development including ground floor retail; housing; and civic, cultural, or commercial uses.

The City seeks to meet the following objectives with the 700/800 K and L Street project(s):

- Further the overall vision of the JKL Corridor Charrette by bringing significant ground-floor retail, housing, and commercial uses to the 700 and 800 blocks of K Street.
- Create a transformative high-quality development that enhances and defines the Downtown skyline and aids in the revitalization of Downtown by creating a project that helps re-establish Downtown as a regional destination.
- Provide unique and distinctive restaurant and retail uses that benefit residents and visitors in the Central Business District and contribute to the vitality of the community.

- Promote development of high-density urban housing in the Central Business District.
- Create a development that is financially and economically viable.
- Remove blighting and uneconomical land uses not suitable to modern use.

Planning/Entitlements

The proposed development site is designated Central Business District in the Sacramento City 2030 General Plan and is zoned Central Business District - Special Planning District (C-3/CBD). The proposed site is within the planning areas of the following City plans: Merged Downtown Redevelopment Plan, Cultural and Entertainment Master Plan, Sacramento Housing and Redevelopment Agency Investment Strategy Area, Central City Community Plan. The Central City Urban Design Guidelines would apply to project proposals.

SUBMISSION REQUIREMENTS

Teams must submit a complete package in order to be considered. The package should be a maximum of 30 pages. The ideal submission package identifies each of the sections below in the following order:

1. **Cover Letter:** A two page cover letter highlighting the development team's key qualifications and experience. The letter should clearly identify all of the team members and their roles as well as indicate the person who will serve as the single point of contact/project manager with the City and be authorized to make representations on behalf of the entity. Please include team's legal name, and point of contact's address and email.
 2. **Narrative Description:** A one page narrative description demonstrating the team's understanding of the project, general vision for the area and how to translate that vision into a successful development.
 3. **Schematic Drawings:** Submittal package must include schematic level drawings of the proposed development.
 4. **Potential Tenants:** Provide a one page description of potential tenants including a statement of current relationship with the proposed tenant and attach all secured letters of intent for the proposed project.
 5. **Relevant Projects:** Include a maximum of five qualifications that highlight the team's experience in: 1) urban infill projects, 2) mixed-use projects, 3) retail development 4) redevelopment projects and 5) adaptive reuse and historic preservation. All relevant projects must be described using the table included in Attachment 3. The strongest package will include qualifications that propose professionals with direct experience in the five types of development listed above.
 6. **Project Schedule:** Submit a one page project schedule that includes the proposed project start date, milestones and proposed project completion date.
 7. **Team Resumes:** Submit a one page resume of each proposed team member highlighting his or her experience in 1) urban infill projects, 2) mixed-use projects, 3) retail development, 4) redevelopment projects, and 5) adaptive reuse/historic preservation.
 8. **Financial Plan:** The purpose of the financial plan is to demonstrate the feasibility of potential project financing and the feasibility of the proposed project upon completion. It should include:
 - A description of the terms of the offer to acquire or lease the Project Site from the City.
 - A proposed financing plan, based on and including development and operating pro forma budgets. Explain all assumptions used in preparing the financing plan. An adequate plan will identify the amount and sources of equity, construction financing, and permanent financing, and will include letters of interest or commitment from equity partners and lenders, if any.
 - A detailed outline of the financial costs/benefits to the City regarding all construction, maintenance and operations of all proposed public improvements, the costs of additional or increased levels of public services and any new public revenues anticipated to be generated by the Project including Tax Increment, Sales Tax and Transit Occupancy Tax, by phase, if applicable.
 9. **Statement of Financial Capability:** Provide copies of any annual reports, financial rating reports, or other documents indicating the financial condition of the development team and/or its members. The City will, to the extent of its ability under the law, endeavor to keep all financial data in strict confidence and return it to the developer upon completion of the review process.

Prior to taking a recommendation forward, staff may request copies of audited financial statements of respondent or principal partners or members prepared by an independent licensed certified public accountant in accordance with generally accepted accounting principles.
 10. **Summary Table:** Each development team is required to fill out the table in Attachment 4.
- Both the Relevant Projects Table and the Summary Table can be found online at www.cityofsacramento.org/econdev

Submittal

One (1) unbound original, eight (8) copies and one (1) electronic version of the proposal must be submitted. Facsimile and copies submitted via e-mail will not be accepted. Proposals must be submitted to:

City of Sacramento, Economic Development Department
915 I Street, 3rd Floor
Sacramento, CA 95814
Attn: Beth Tincher

Proposals must be received no later than 2:00 p.m. on February 12, 2010. Proposals received after this deadline will not be considered. If you have questions, please contact Beth Tincher at 808-7730 or btincher@cityofsacramento.org.

Proposal Evaluation

Responses to the RFQ will be evaluated based on the following criteria (presented without regard to order of importance):

- Compatibility of proposed land use with development objectives identified for the project site in this RFQ;
- Experience with the product type proposed by respondent;
- Prior experience with urban infill, mixed-use, retail projects, adaptive use, and historic preservation;
- Experience in redevelopment or other public/private development;
- Proposed project delivery schedule;
- Track record of superior architectural design;
- Track record and financial strength of the development team; and
- Projects ability to transform K Street and the JKL Corridor.

Review & Selection Process

Responses to the RFQ will be reviewed by a Selection Committee likely to be comprised of representatives from City staff, Agency staff, and professional third parties.

Following review of the proposals, the committee may elect to interview some or all of the respondents, or may otherwise seek clarification or amplification of the material submitted, such as:

- More detailed graphic presentations of the proposed project;
- Additional financial analysis of the project;
- Evidence of tenant interest, and/or
- Any additional proposal information as needed.

Upon completion of the review, the committee will make its recommendation to the Agency for the proposed project. The recommendation may include:

- Selection of one or more respondents to enter exclusive negotiations; or
- Rejection of all proposals.

If developer(s) are selected, the developer will be expected to make a non-refundable deposit based on estimated Agency costs associated with the project and enter into an Exclusive Negotiation Agreement with the Agency for purposes of negotiating a definitive agreement (i.e. Disposition and Development Agreement).

EVALUATION SCHEDULE

The anticipated evaluation schedule for this RFQ is as follows.

Task	Deadline
Issue RFQ	December 10, 2009
Pre-Submittal Information Meeting City Hall Council Chambers 915 I Street, 1st Floor	January 6, 2010
Final Day to Request Clarifications	January 29, 2010
Qualifications Due	February 12, 2010

Team's point of contact will receive a letter and email notifying them if they are requested for an interview and any other supplemental information requested. Interviews and supplemental information requests are tentatively scheduled for late February and final selection is tentatively scheduled for late March.

Pre-submittal Meeting and Site Tour

A pre-submittal meeting is scheduled at 9 a.m. on January 6, 2010. Please meet at City Hall, Council Chambers, after a brief presentation and a question and answer session, city staff will lead the group to the project site. City staff representing various departments will be available to answer questions. Please contact Jennifer Witz at (916) 808-2796 to confirm your attendance.

Right to Reject All Proposals

The City and Agency have the right to reject any or all proposals or to waive minor irregularities. The cost of preparing any responses to this RFQ shall be borne by the respondents and shall not be reimbursed by the City or Agency.

Non Discrimination Requirement

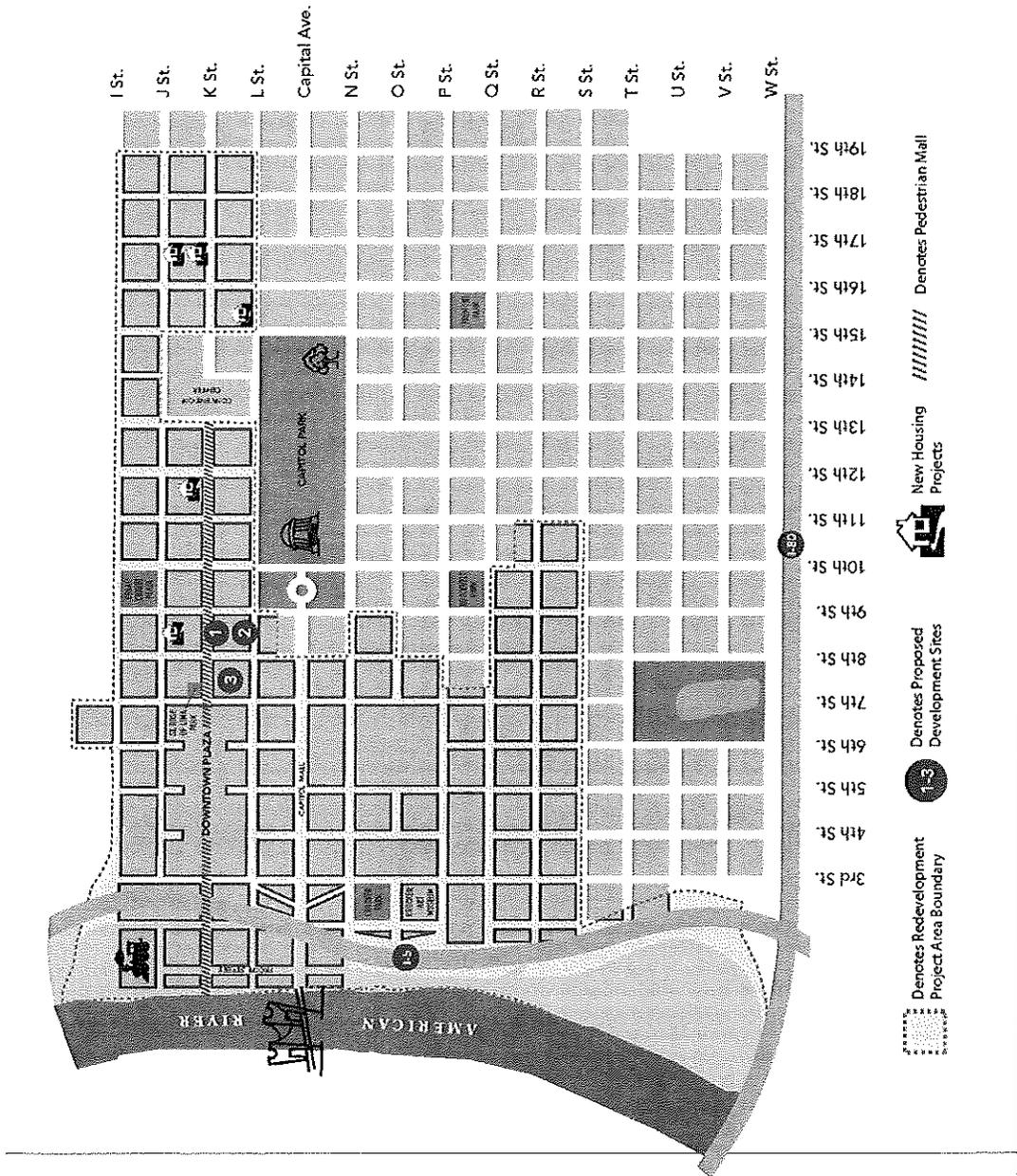
By submission of this proposal, the applicant represents that it, and any subsidiary, substantially owned by it, does not and will not discriminate against any employee or applicant for employment because of race, religion, sex, color, national origin, sexual orientation, ancestry, marital status, physical condition.

List of Attachments

Attachment 1 – Map of Redevelopment Area
Attachment 2 – Map of Development Sites
Attachment 3 – Relevant Projects Table
Attachment 4 – Summary Table

ATTACHMENT 1

Merged Downtown Redevelopment Area



ATTACHMENT 3

Qualifications/Relevant Project Table

Project Title City, State	
Type of Development: 1) urban infill projects, 2) mixed-use projects, 3) retail development and 4) redevelopment projects 5) adaptive reuse and historic preservation	
Project Description:	
Similarities to K Street:	
Size of Project (square footage, units, etc.)	
Construction Start Date:	
Construction Completion Date:	
Construction Cost (Hard Costs only):	
Provider and Amount of Long-Term Financing -- both Debt and Equity:	
Project Manager:	Name: Company: Phone:
Project Team Members (Please identify all team members being proposed for the 700/800 Block of K and L Streets who also worked on this project. Please indicate any leading roles played by proposed team members.)	Name: Company: Phone: Name: Company: Phone: Name: Company: Phone: Name: Company: Phone:
Local Government Reference:	
Amount/Type of public investment in the project:	

ATTACHMENT 4

Development Team Table

Each development team is required to submit the table below. Feel free to expand the table, but please keep your table to one page. Under relevant projects, simply list the project titles as listed on the qualification/relevant project table in Attachment 3.

Developer	
Project Manager – Name and Title	
Design Team	
Other Team Member	
Other Team Member	
Most Relevant Urban Infill Project	
Most Relevant Mixed-Use Project	
Most Relevant Retail Project	
Most Relevant Redevelopment Project	
Most Relevant Historic Preservation or Adaptive Reuse Project	

RESOLUTION NO.

Adopted by the Redevelopment Agency of the City of Sacramento

AUTHORIZING AGENCY STAFF TO RELEASE A REQUEST FOR QUALIFICATIONS (RFQ) FOR AGENCY-OWNED PROPERTIES ON THE SOUTH SIDE OF THE 700 BLOCK OF K STREET AND THE 800 BLOCK OF K AND L STREETS

BACKGROUND

- A. The Redevelopment Agency has assembled land on the 700/800 blocks of K and L streets for redevelopment purposes and for a project that eliminates blight and is consistent with the JKL Corridor Charette as well as the Downtown Implementation Plan
- B. 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.
- C. On June 9, 2009, the Agency Board granted USA Hospitality Inc. a 45-day extension until August 23, 2009.
- D. On August 25, 2009, the Agency Board directed staff to prepare a Request for Qualifications for release in 90 days (November 23, 2009) if the following were not completed: 1) firm financial commitments, 2) assessment of preserving Bel-Vue façade, and 3) negotiated business terms.
- E. The conditions outlined in Section D above have not been met.
- F. The action recommended by this staff report, the release of a Request for Qualifications, is not a project under CEQA (California Public Resources Code Section 21065; CEQA Guidelines Section 15378). NEPA does not apply.

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

Section 1. The recitals, above, including the environmental recital, are determined to be true and correct.

Section 2. Staff is authorized to immediately release a Request for Qualifications for the Agency-owned properties located on the south side of the 700 block of K Street and all Agency-owned properties on the 800 block of K and L streets.