



**REPORT TO THE
REDEVELOPMENT AGENCY
of the City of Sacramento**
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Consent
August 24, 2010

**Honorable Chair and
Members of the Board**

**Title: APPROVAL OF EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT WITH
700 BLOCK INVESTORS, LP FOR THE 700 BLOCK OF K STREET**

Location/Council District: South side of the 700 block of K Street, 700-730 K Street
(Council District 1)

Recommendation: Adopt a Redevelopment Agency Resolution: authorizing the Executive Director or her designee, on behalf of the Redevelopment Agency, to execute an Exclusive Right to Negotiate Agreement (ERN) with 700 Block Investors, LP (D&S Development and CFY Development) for the redevelopment of the south half of the 700 block of K Street.

Contact: Beth Tincher, Senior Economic Development Manager, 808-7730; Leslie Fritzsche, Downtown Development Manager, 808-5450

Presenters: None

Department: Economic Development Department

Description/Analysis

Issue: On July 13, 2010, the Agency Board selected two development teams for the redevelopment of Agency-owned properties in the 700 and 800 blocks of K and L streets. D&S Development and CFY Development were selected for the redevelopment of the south half of the 700 block of K Street (Attachment 1) and 800 Block LLC (David Taylor Interests, Inc., the CIM Group, and Domus Development) was selected for the redevelopment of portions of the 800 blocks of K and L streets. The Agency Board directed staff to return with Exclusive Right to Negotiate agreements (ERN) with each of the development teams for Agency Board consideration.

The development concepts for each block are to be separate projects which can be built on separate time lines. Staff is working with the 800 Block project team to

define project milestones and anticipates returning to the Agency Board with an ERN for the 800 block of K and L streets by the end of September, 2010.

This staff report seeks approval to enter into an ERN with the 700 Block Investors, LP, the legal entity formed by D&S Development and CFY Development for the 700 Block of K Street project.

Policy Considerations: Entering into an ERN is a critical next step in the redevelopment of K Street. The redevelopment of the 700 block of K Street is consistent with the Merged Downtown Redevelopment Plan and the approved Implementation Plan. Redeveloping the affected parcels supports the Redevelopment Plan goals of eliminating blight, increasing private investment, reusing parcels that are stagnant or improperly utilized, providing for mixed use development including mixed income housing opportunities, and providing uses that will broaden the appeal of downtown.

Environmental Consideration: The proposed action to approve an ERN agreement with the development team, which is the first step in determining project feasibility and planning, is exempt from environmental review under CEQA Guidelines Section 15262. There is no federal funding or other federal involvement associated with this action; therefore, the National Environmental Policy Act (NEPA) does not apply.

Sustainability Considerations: During the ERN process and negotiations staff will incorporate sustainability elements in the project’s design. The project is considered to be an infill development, which provides multiple benefits including providing mixed income housing options close to jobs, reducing the need to build new development on the urban fringe, increasing the viability of and dependency on alternative modes of transportation, preserving natural resources, and providing for efficient use of land, services and infrastructure.

Rationale for Recommendation: The Agency’s goal for the 700 block of K Street is to redevelop Agency-owned properties into a vibrant mixed-use development including residential, retail, and commercial uses. On July 13, 2010, the Agency Board determined that the development concept proposed by 700 Block Investors, LP (D&S development/CFY Development) achieved the Agency’s redevelopment goals for the 700 Block of K Street. Further, the development team was selected on its experience and qualifications to undertake these projects.

If the Agency Board so approves, an ERN will be executed with the development team that will set specific milestones for the project. The terms of the agreement include:

Responsible Party	Action	Due Date
Developer	<ul style="list-style-type: none"> • Submit \$100,000 deposit to prepare environmental documents and any related environmental studies 	Within ten (10) days following the Effective Date

Developer and Agency	<ul style="list-style-type: none"> • Meet and confer concerning progress of the foregoing actions • Developer to submit progress reports at each meeting 	At least once each month during the term of this agreement, commencing no later than ten (10) days of the Effective date
Agency	<ul style="list-style-type: none"> • Define CEQA process and identify entity to prepare environmental documents 	Within thirty(30) days following the Effective Date
Developer	<ul style="list-style-type: none"> • Refine project concepts on Agency-owned property including site plan and architectural elevations • Finalize project description for Agency-owned sites sufficient for environmental review • Provide a proposed leasing plan with a list of businesses by building location 	Within sixty (60) days following the Effective Date
Agency	<ul style="list-style-type: none"> • Solicit comments from the Community Development Department regarding necessary entitlements for use in the CEQA Analysis • Begin CEQA process 	
Developer to provide to Agency	<ul style="list-style-type: none"> • Finalized project concept and project description to the Preservation Commission and Planning Commission for review and comment • Refined estimated construction costs including all applicable fees and contingencies • Updated finance plan identifying all financing resources for private and public improvements • Refined development and operating ProFormas 	Within one hundred twenty (120) days following the Effective Date
Agency	<ul style="list-style-type: none"> • Finalize third party financial analysis 	Within (180) days following the Effective Date
Developer	<ul style="list-style-type: none"> • Provide letters of interest for the private financing 	
Developer and Agency	<ul style="list-style-type: none"> • Prepare schedule of performances • Negotiate terms of the DDA 	
Agency	<ul style="list-style-type: none"> • Finalize and adopt, as necessary, the CEQA document • Obtain project approval from the Agency and execute Disposition and Development Agreement and related documents 	Within two hundred seventy (270) days following the Effective Date. If all other tasks are complete and the only remaining activity is environmental, Agency staff may extend the ERN period by ninety (90) days.

The ERN establishes specific milestones allowing the Agency and the development team to investigate the scope and feasibility of the proposed project prior to entering into a Disposition and Development Agreement (DDA). It is envisioned that project feasibility will be analyzed over the next 9 months and that staff will return to the Agency with a DDA and related documents by the end of April, 2011.

Financial Considerations: In consideration of the Exclusive Right to Negotiate, the team will deposit \$100,000, as consideration, within 10 days of execution of the ERN. The Agency will use the deposit fee for the project-related expenses related to the preparation of environmental documents and related environmental studies.

M/WBE Considerations: Minority and Women’s Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that funding.

Respectfully Submitted by: 
LESLIE FRITZSCHE
Redevelopment Manager

Approved by: 
JAMES R. RINEHART
Economic Development Director

Recommendation Approved:

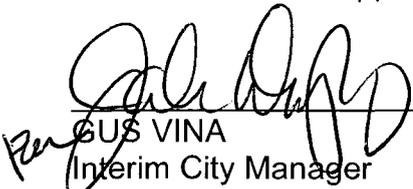
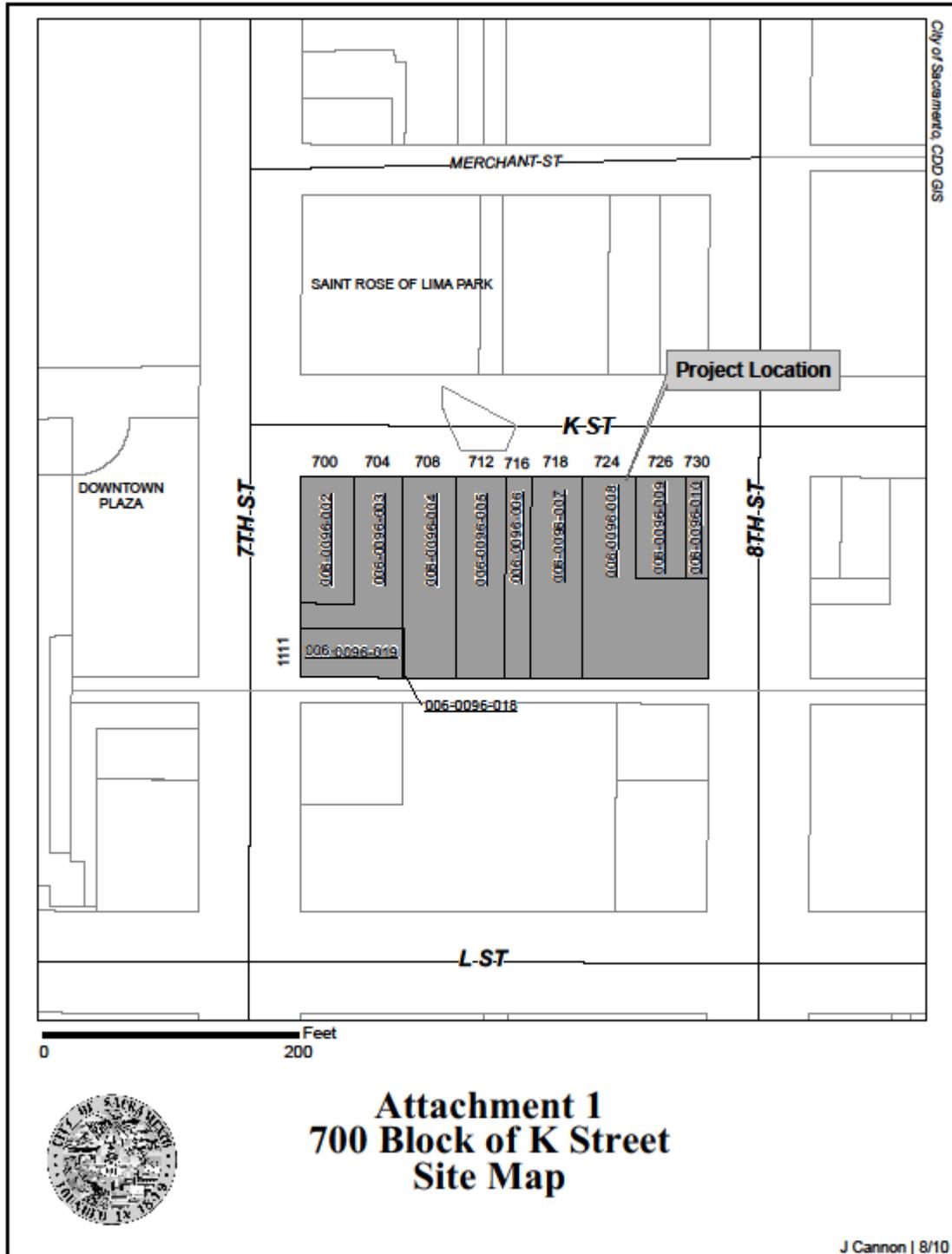

GUS VINA
Interim City Manager

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Attachment 1 Location Map



Attachment 2

Background

In October 2004, the Economic Development Department in conjunction with the Mayor's office, hosted the "JKL Corridor Workshop" to establish the vision and strategic direction for the heart of the downtown area. The JKL Corridor Strategy Plan and the Downtown Sacramento Partnership Strategic Action Plan identified these blocks as a key target area for economic development. These plans recommended strategic attention be given to the 700 and 800 blocks of K and L Streets, with specific attention to mixed-use development including ground floor retail, housing, cultural and commercial uses for the following reasons:

- The site connects two regional destinations, the Downtown Plaza and the Convention Center. The 700/800 blocks of K and L Streets both continue to experience high vacancy rates and significant blight.
- The property's footprint is relatively large and could support significant housing, retail and commercial uses.
- Development of the site could provide uses that will assist in the elimination of blight and will bolster current and recently completed investments made in the Downtown area including Westfield Downtown Plaza, the Citizen Hotel, the Cosmopolitan, and three new entertainment venues on the 1000 block of K Street.

The strategic direction for the both 700 and 800 blocks of K and L Streets focused on creating a mixed-use development to include:

- Provision for cultural uses such as live theatre, art galleries, and museums
- Creation of unique commercial uses such as restaurants, mixed specialty retail and entertainment uses
- Development of residential uses to support commercial uses to create a vibrant 24-hour city

Agency Board Action:

On July 13, 2010, the Agency Board selected two development teams as the preferred developers to redevelop the Agency-owned properties on the both 700 and 800 blocks of K and L Streets. D&S Development and CFY Development were selected for the south half of the 700 block of K Street and the 800 Block LLC (David Taylor Interests, Inc., CIM Group and Domus Development) for portions of the 800 block between K and L Streets.

RESOLUTION NO. 2010-

**ADOPTED BY THE REDEVELOPMENT AGENCY
OF THE CITY OF SACRAMENTO**

**APPROVAL OF EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT WITH 700
BLOCK INVESTORS, LP FOR THE 700 BLOCK OF K STREET**

BACKGROUND

- A. The Redevelopment Agency of the City of Sacramento (Agency) has adopted the Merged Downtown Sacramento Redevelopment Plan (Redevelopment Plan) and an Implementation Plan for the Merged Downtown Sacramento Redevelopment Project Area (Project Area).
- B. Portions of the 700 and 800 blocks of K Street are identified in the Amended Merged Downtown Sacramento Redevelopment Plan and Implementation Plan as having continuing blight conditions characterized by vacant parcels, deteriorating buildings, uneconomic land uses and unsafe sidewalks.
- C. In 2004, the JKL Corridor Workshop identified the 700/800 blocks of K and L streets as a critical location for revitalization of K Street, with a focus on mixed-use development including ground floor retail; housing; cultural and commercial uses envisioned on this property to eliminate blight, stimulate economic growth and provide for a range of housing types.
- D. In December 2009, the Agency, represented by the Economic Development Department, issued a Request for Qualifications (RFQ) soliciting qualifications and concept proposals for the development of a mixed-use project in the heart of downtown on the K Street Mall including properties on the southern half of the 700 blocks of K Street and portions of the 800 blocks of K and L streets. Four responses were received in February, 2010.
- E. On July 13, 2010, the Agency Board selected D&S Development and CFY Development for the redevelopment of Agency-owned properties on the south side of the 700 block of K Street and the 800 Block LLC (David Taylor Interests, Inc., CIM Group, and Domus Development) for redevelopment of the Agency-owned properties in the 800 blocks of K and L Streets. The Agency Board directed staff to return with negotiated Exclusive Rights to Negotiate Agreements with each of the teams for Agency Board consideration.
- F. The activity recommended in this resolution is a commitment to feasibility and planning studies. It is, therefore, statutorily exempt under the California Environmental Quality Act (CEQA) Guidelines Section 15262.

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

Section 1. The above statements, including but not limited to the environmental statement, are found to be true and correct.

Section 2. The Executive Director or her designee is authorized to enter into an Exclusive Right to Negotiate Agreement as on file with the Agency Clerk, with 700 Block Investors, LP (D&S Development and CFY Development).