



City of Sacramento City Council

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915 I Street, Sacramento, CA, 95814
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Meeting Date: 8/16/2011

Report Type: Consent

Title: (Redevelopment Agency) 800 K and L Streets ERN Extension

Report ID: 2011-00706

Location: 8th and K/L Street, District 1

Recommendation: Adopt a Redevelopment Agency Resolution: authorizing the Executive Director or her designee, on behalf of the Redevelopment Agency, to 1) execute an amendment and extend by six months the term of the Exclusive Right to Negotiate Agreement (ERN) with 800 K Street, LLC (David S. Taylor Interests, Inc., and CIM Group) for the redevelopment of 800 to 816 K Street and 2) execute an amendment and extend by six months the term of the Exclusive Right to Negotiate Agreement (ERN) with 8th and L Partners, LP (David S. Taylor Interests, Inc., and Domus Development) for 809 to 815 L Street.

Contact: Sheri Smith, Project Manager, (916) 808-7204, Economic Development Department

Presenter: None

Department: Economic Development Dept

Division: Downtown Development

Dept ID: 18001021

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Location Map
- 4-Agency Resolution
- 5-Exhibit 1
- 6-Exhibit 2

City Attorney Review

Approved as to Form
Joe Robinson
8/10/2011 4:21 PM

City Treasurer Review

Prior Council Financial Policy Approval or
Outside City Treasurer Scope
Russell Fehr
8/2/2011 10:05:43 AM

Approvals/Acknowledgements

Department Director or Designee: Jim Rinehart - 8/5/2011 4:15:14 PM

Eileen Teichert, City Attorney

Shirley Concolino, City Clerk

William H. Edgar, Interim City Manager

Russell Fehr, City Treasurer

Assistant City Manager: John Dangberg - 8/10/2011 10:51:50 AM



Description/Analysis

Issue: On September 28, 2010, the Agency Board approved 10 month ERNs with 800 K Street, LLC (David S. Taylor Interests, Inc. and CIM Group) for the Agency-owned properties on the 800 Block of K Street and with 8th and L Partners, LP (David S. Taylor Interests, Inc., and Domus Development) for the 800 block of L Street. The agreements set out milestones to move the project through the environmental process, the planning entitlement process, to the execution of a Disposition and Development Agreement (DDA) by August 22, 2011.

The development team and Agency staff have worked diligently for the past 9 months to secure environmental approval and the necessary planning entitlements from the Planning Commission and Preservation Commission. However, with the uncertainty regarding the fate of redevelopment in the State, the project financing piece has been more challenging. Not knowing what Agency resources are available, and with the limitations on transferring Agency assets, a negotiated DDA could not be completed in the ERNs' timeframe.

During this period of uncertainty, the development teams have continued to work on project development and alternative project concepts. These concepts show promise. Staff recommends approving a six month extension to allow time for the development teams to research potential alternative projects that would include uses that will be a regional draw and destination as well as potential housing. The extension will also allow time for the Redevelopment Agency staff to determine what resources are available for projects, once the payment to the State has been made, as well as to allow staff adequate time to review project proposals and to complete business terms negotiation.

Policy Considerations: The continued negotiations are envisioned to result in a proposed project that 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, and providing uses that will broaden the appeal of downtown.

Environmental Considerations: The proposed action to approve ERN extensions with the development teams, 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: This is an administrative matter and therefore there are no sustainability considerations associated with this action.

Commission/Committee Action: N/A

Rationale for Recommendation: The Agency's goal for K Street is to redevelop Agency-owned properties into vibrant mixed-use developments including residential, retail, and commercial uses.

The ERNs established specific milestones allowing the Agency and the development teams to investigate the scope and feasibility of the proposed project prior to entering into Disposition and Development Agreements (DDA). The development teams have spent considerable time and monetary resources to accomplish the required milestones, including the following:

- Submitted Developer deposits of \$50,000 (for each ERN)
- Completion of conceptual designs that describe the location and orientation of proposed buildings, plans and elevations
- Preparation of a leasing strategy
- Securing of project approvals and entitlements from Planning Commission and Preservation Commission

The uncertainty of redevelopment in the State during this 10 month period has made it difficult to truly analyze project feasibility and what resources the Agency can bring to the project. Extension of the ERNs for six months will allow the Agency to understand what resources are available after the payment to the State is made and to analyze the project within known parameters.

Financial Considerations: In consideration of the Exclusive Right to Negotiate, each team deposited \$50,000 for expenses related to the preparation of environmental documents and related environmental studies. Extension of the ERNs time period will have no financial impact to the Agency.

Emerging Small Business Development (ESBD): ESB requirements will be applied to all activities to the extent required by federal funding to maintain that funding.



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

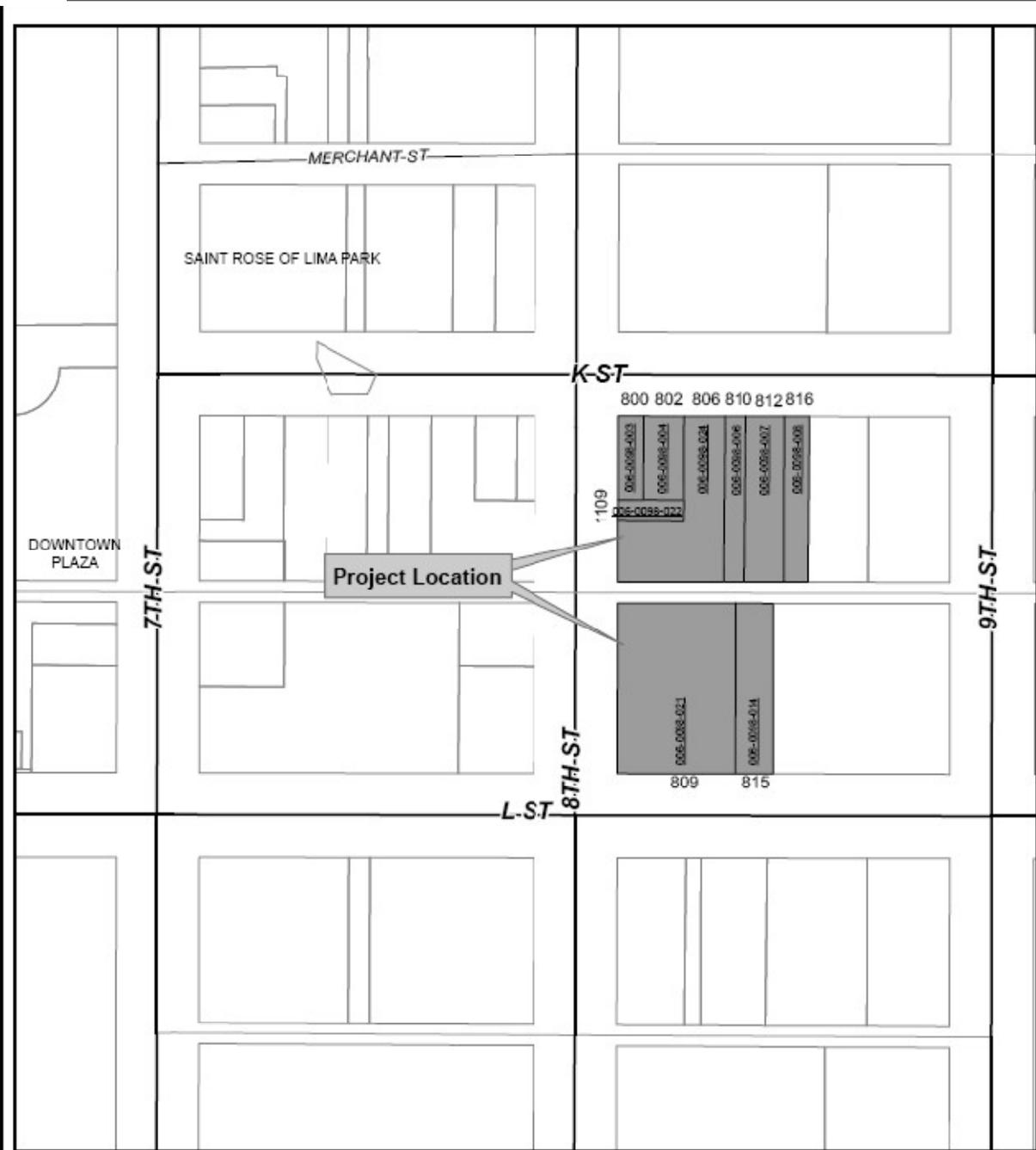
Agency Board Action:

On July 13, 2010, the Agency Board selected two development teams as the preferred developers to redevelop the Agency-owned properties on both the 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 David Taylor Interests, Inc., CIM Group and Domus Development for portions of the 800 block of K and L Streets.

On September 28, 2010, the Agency Board approved a 10 month ERN with 800 K Street, LLC (David S. Taylor Interests, Inc. and CIM Group) for the Agency-owned properties on the 800 Block of K Street and a 10 month ERN with 8th and L Partners, LP (David S. Taylor Interests, Inc., and Domus Development) for the 800 block of L Street. During this time the following milestones, defined in the ERN, were met by the development teams and Agency:

- Submitted \$50,000 as consideration for each ERN (total of \$100,000)

- Refined project concepts for Agency-owned property including conceptual plans and elevations
- Finalized project description for Agency-owned sites sufficient for environmental review
- Provided evidence of financial capacity
- Provided a proposed leasing strategy with a list of proposed business types
- Solicited comments from Community Development, the Preservation Commission and Planning Commission regarding design and entitlements
- Completed public outreach to Old Sacramento City Association, the Downtown Sacramento Partnership, the Neighborhood Advisory Group
- Refined estimated construction costs including applicable fees and contingencies
- Provided a proposed timeline for project completion
- Updated finance plan identifying all financing resources for private and public improvements
- Refined development and operating ProFormas
- Provided letters of interest for the private financing
- Secured adoption of the CEQA document
- Obtained planning entitlements from Community Development Department



Attachment 1 800 Blocks of K & L Streets Location Map



RESOLUTION NO. 2011-

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

APPROVAL OF EXTENSION OF EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT WITH 800 K STREET, LLC AND 8TH AND L PARTNERS, LP, FOR THE 800 BLOCK OF K AND L STREETS

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 City of Sacramento 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 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.
- F. On September 28, 2010, the Agency Board approved 10 month ERNs with 800 K Street, LLC (David S. Taylor Interests, Inc. and CIM Group) for the Agency-owned properties on the 800 Block of K Street and with 8th and L Partners, LP (David S. Taylor Interests, Inc., and Domus Development) for the 800 block of L Street.
- G. The development teams have met the deposit requirements and the environmental and planning entitlement requirements as set out as milestones in the ERNs.
- H. The Agency has had difficulty meeting its milestone for negotiating deal terms for a Disposition and Development Agreement. Due to the passage of legislation

threatening the end of redevelopment in California, it has been difficult to know what resources are available and what legal parameters are allowed.

- I. An extension of the ERNs will allow time for Agency staff and the development teams to negotiate the business terms of Disposition and Development Agreements (DDA) once the consequences of the State legislation are better understood and there is a clear understanding of what resources the Agency has to dedicate to the project.
- J. 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 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 execute a six month extension to the Exclusive Right to Negotiate Agreement, in similar form as attached hereto as Exhibit 1, with 800 K Street, LLC (David S. Taylor Interests and CIM Group).
- Section 3. The Executive Director, or her designee, is authorized to execute a six month extension to the Exclusive Right to Negotiate Agreement, in similar form as attached hereto as Exhibit 2, with 8th and L Partners, LP (David S. Taylor Interests and Domus Development).

Exhibit 1 – Form of ERN Extension with 800 K Street, LLC (David S. Taylor Interests and CIM Group)

Exhibit 2- Form of ERN Extension with 8th and L Partners, LP (David S. Taylor Interests and Domus Development)



Exhibit 1

First Amendment to Exclusive Right to Negotiate
for Certain Properties on the 800-Block of K Street

IN CONSIDERATION OF THEIR MUTUAL OBLIGATIONS, the Redevelopment Agency of the City of Sacramento ("Agency") and 800 K STREET LLC, ("Developer") enter into this "Amendment" and amend the Exclusive Right to Negotiate as executed between the parties, as follows:

- 1. Section 3a shall be amended to read -- Negotiation Period. This Agreement shall be in effect for a period of ten months, plus an additional six months from the Effective Date (which Effective Date the parties agree occurred on October 22, 2010).
2. No rights, obligations or defaults of the parties under the ERN are waived by this Amendment, except as expressly stated in this Amendment.
3. All other terms of the ERN shall remain the same and in full force and effect.

Executed in Sacramento, California as of August ____, 2011.

DEVELOPER: 800 K STREET, LLC

AGENCY: REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: David S. Taylor Interests

By: John Dangberg, Assistant City Manager, As Designated Signatory

By: CIM Group

Approved as to form:

Agency Counsel



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Exhibit 2

First Amendment to Exclusive Right to Negotiate for Certain Properties on the 800-Block of L Street

IN CONSIDERATION OF THEIR MUTUAL OBLIGATIONS, the Redevelopment Agency of the City of Sacramento (“Agency”) and 8th & L Partners, LP, (“Developer”) enter into this “Amendment” and amend the Exclusive Right to Negotiate as executed between the parties, as follows:

1. Section 3a shall be amended to read -- **Negotiation Period**. This Agreement shall be in effect for a period of ten months, plus an additional six months from the Effective Date (which Effective Date the parties agree occurred on October 22, 2010).
2. No rights, obligations or defaults of the parties under the ERN are waived by this Amendment, except as expressly stated in this Amendment.
3. All other terms of the ERN shall remain the same and in full force and effect.

Executed in Sacramento, California as of August ____, 2011.

DEVELOPER: 8th & L PARTNERS, LP

**AGENCY: REDEVELOPMENT AGENCY OF THE CITY
OF SACRAMENTO**

By: _____
Domus Development

By: _____
John Dangberg, Assistant City Manager,
As Designated Signatory

By: _____
David S. Taylor Interests, Inc.
David S. Taylor, President

Approved as to form:

Agency Counsel