



City of Sacramento City Council

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

Meeting Date: 9/27/2012

Report Type: Consent

Title: Approval of Use for 1012 K Street as a California Fitness Facility and Parking Validation Agreement

Report ID: 2012-00799

Location: District 1

Recommendation: 1)Pass a Redevelopment Successor Agency Resolution approving the use of 1012 K Street as a California Family Fitness facility and; 2)Pass a Motion authorizing the City Manager to execute a parking validation agreement with California Family Health, LLC

Contact: Leslie Fritzsche, Senior Project Manager, (916) 808-5450, Economic Development Department and Howard Chan, Parking Manager, (916) 808-7488, Public Works Department

Presenter: none

Department: Economic Development Dept / Public Works

Division: Citywide Development

Dept ID: 18001031

Attachments:

- 1- Description/Analysis
 - 2 - Location Map
 - 3 - Rendering Final
 - 4 - Other Facilities
 - 5- Parking Agreement
 - 6 - Resolution
-

City Attorney Review

Approved as to Form
Sheryl Patterson
9/19/2012 4:18:07 PM

Approvals/Acknowledgements

Department Director or Designee: Jim Rinehart - 9/19/2012 3:49:58 PM

Description/Analysis

Issue: On March 25, 2008, the Redevelopment Agency of the City of Sacramento (Agency) approved a Master Owner Participation Agreement (Master OPA) with David Taylor Interests and CIM Group (Taylor/CIM) in conjunction with the sale of the Sheraton Hotel. The Master OPA contractually set aside a portion of the proceeds from the Sheraton Hotel sale to be used solely for downtown projects undertaken by Taylor/CIM. The 1012-1022 K Street project (Project) was the first project funded under the Master OPA.

On April 13, 2009, the Agency entered into a Disposition and Development Agreement (DDA), Regulatory Agreement, and Loan Agreement with 1012 K Street LLC, a partnership between Taylor/CIM Group, for the properties located at 1012 -1022 K Street (formerly the Hit-or-Miss and Rite Aid buildings; see Attachment 1). The approved and executed loan documents utilized \$5.4 million in Sheraton proceeds in the following manner:

- \$2.03 million for shell and core improvements to 1016-1022 K Street;
- \$1.36 million for shell and core improvements to 1012 K Street;
- \$2.01 million allocated for future tenant improvements at 1012 K Street once a tenant is identified by 1012 K Street LLC and the use is approved by the Agency.

Per the loan agreements, the land was transferred, the shell and core improvements were completed in 2010 and District 30, Pizza Rock, and the Dive Bar opened in January 2011. The development team has worked diligently since that time to identify a tenant for 1012 K Street that meets the Agency goal of having a destination oriented use that supports the existing entertainment uses nearby. The 1012 K Street LLC considered entering into a lease with George Karpaty to open a “sports themed” destination attraction. This use was presented to the City Council serving in its role as a governing board for the Redevelopment Agency Successor Agency and was approved on February 7, 2012.

Recently, however, the opportunity has arisen to have 1012 K Street become the new downtown location for California Family Fitness (“CFF”). This site will replace the CFF’s current downtown location in the basement of the Traveler’s building, 428 J Street. The 31,000 sq. ft. urban themed club is proposed to have a roof top space with sport activities (volleyball, bocce ball, and badminton), fire pit, and lounge area with a water feature. It will offer all the established programs and amenities (towel service, steam room, dry sauna, cardio, group exercise (yoga, Pilates, zumba, step, cycle, tai chi, hot hula, ripped, and strength training), free weights, selectorized weight equipment, and functional training, similar to existing CFF clubs but with an urban flair. This urban club location gives CFF the opportunity to be a more integral part of the downtown community and contribute to the epicenter of the city’s entertainment district.

The club will bring a new kind of entertainment to the 1000 block of K Street and with hours envisioned to be from approximately 5:00 a.m. to 11:00 p.m., the facility will activate the block over a wider time span than the restaurant and theatre uses found on the block today. It is estimated to generate approximately 1000-1200 visitors daily translating to over 30,000 patrons on a monthly basis. The use will provide a complimentary attraction along K Street and provide yet another reason for the downtown worker to stay in the core after work, generating anticipated

spin-off leverage for adjacent restaurant and entertainment uses. If approved, the club could open by early spring 2013.

CFF, headquartered in Orangevale, is the market-leading owner and operator of fitness centers in the greater Sacramento, area. CFF was founded in 1991 by Larry Gury and Russ Kuhn. Mr. Gury is a native to Sacramento and comes from the local public Parks and Recreation sector. Mr. Kuhn has been in the fitness industry for 35 years and a Sacramento area business owner for 25 years.

CFF voted "Best Fitness Club in Sacramento" by Sacramento Magazine for the past 13 years in a row, offers members a family-oriented club environment and a complete selection of activities. CFF currently has 16 mid-to-large format club locations throughout the region, each of which offers a selection of modern exercise equipment, swimming pools, and basketball/racquetball courts, as well as member services such as personal training, fitness class instruction, child care, tanning, sauna and steam rooms, and organized sports leagues (see Attachment 3 for pictures of existing facilities).

To accommodate this new use, the Parking Services Division has been working with CFF on a parking validation agreement for the use of City-owned parking facilities. A copy of the proposed agreement is included as Attachment 7 to this report and is recommended for Council approval.

Policy Considerations: The approval of the use will result in a project consistent with long-standing City Council and community direction. It is in keeping with the Cultural and Entertainment District Master Plan, as well as the General Plan and Central City Community Plan.

State Assembly Bill 1x 26 required that redevelopment agencies dissolve and cease activity by February 1, 2012. The City, as the Redevelopment Agency Successor Agency, is authorized to take actions necessary to comply with the terms of Agency agreements. Approval of the use for 1012 K Street is required to release the contractually obligated funds and complete construction and is consistent with the requirements of AB 1x 26. No Oversight Board approval is required for this successor agency action.

Economic Impacts: The new facility is anticipated to generate over 75 permanent jobs. The construction work on the project is expected to create 25.9 total jobs (16.45 direct jobs and 9.45 jobs through indirect and induced activities) and create \$3,417,827 in total economic output (\$2,190,916 of direct output and another \$1,226,911 of output through indirect and induced activities).

The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

Environmental Considerations: The DDA to allow for rehabilitation of buildings at 1012-1022 K Street for commercial uses was determined to be exempt from environmental review

under the California Environmental Quality Act Guidelines Section 15332 when approved by the Agency on March 17, 2009.

Sustainability: Completion of this infill project, located on K Street across from a Light Rail station, is consistent with the City’s sustainability goals.

Commission/Committee Action: None

Rationale for Recommendation: On March 17, 2009, the Agency Board directed staff to pursue destination attractions targeting daytime as well as nighttime visitors and hospitality patrons and return for approval of a use for 1012 K Street (Agency Resolution No. 2009-021). The proposed fitness facility is envisioned to be open from 5:00 a.m. to 11:00 p.m., fully activating a space that has been vacant for over six years. The proposed venue meets all of the conditions for tenant approval and the owners of CFF have proven to be responsible, creative, and innovative business owners that have built quality facilities throughout the Sacramento region. They are known for providing excellent clubs that become community gathering places and cater to a loyal, ever expanding membership base.

Financial Considerations: The Project is estimated to cost \$3.5 million, inclusive of \$1.6 million of Developer and Landlord Equity and \$1.9 million of Sheraton proceeds previously approved and allocated by the Agency for 1012 K Street tenant improvements. Funding of \$100,000 from the original \$2.01 million of Sheraton funds allocated to the project was utilized to build electrical system capacity for 1012 K Street during the construction of the three venues at 1016-22 K.

Under the proposed parking validation agreement, CFF the cost of validations will be allocated as follows:

\$0–3,500	CFF
\$3,500–5,000	No Charge
> \$5,000	CFF

The initial cost of validations issued under the proposed agreement will be \$1.00 each with a face value of \$5.00.

CFF also agrees to purchase a minimum of 20 monthly parking permits during the term of the agreement. These monthly parking permits will be for use at Memorial Garage and invoiced at a discount rate of 30% off the market rate which currently will equal \$94.50 per monthly parking permit issued.

Approval of the use does not change the previously approved and executed DDA and loan agreements and there are no new financial considerations.

Emerging Small Business Development (ESBD): The Agency’s DDA did not include any ESBD obligations.



Site Location Map 1012 - 1022 K Street





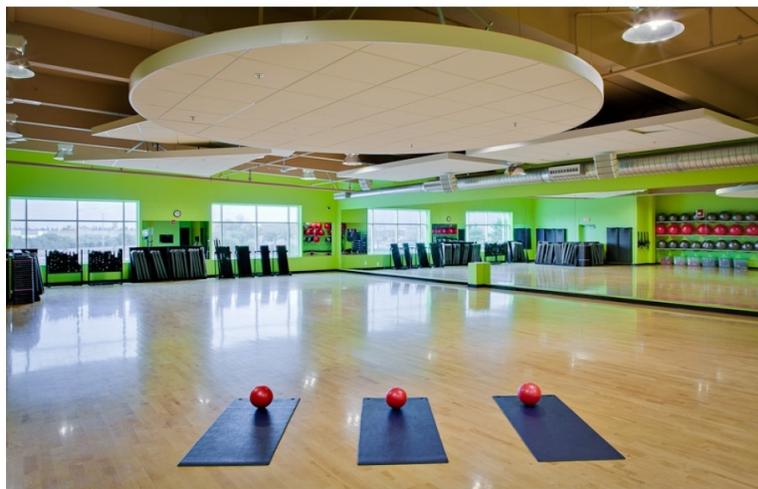
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**Proposed California Family Fitness Facility
1012 K Street**

Attachment 2

Examples of Other California Family Fitness Locations



Natomas



Roseville

California Family Fitness Parking Validation Agreement

1. This agreement ("Agreement") is made on September, 19, 2012 between the **CITY OF SACRAMENTO**, a charter municipal corporation ("**City**"), and **CALIFORNIA FAMILY HEALTH LLC**, a Delaware limited liability company ("**CFF**") who agree as follows:
2. The Initial Term of this Agreement shall commence on the date the new **CFF** facility, located at 1012 K Street, Sacramento, CA 95814 (the "**Premises**"), opens for business. **CFF** shall provide **City** written notice of the opening date and such notice will be attached to this Agreement as an exhibit. The Initial Term shall be ten (10) years. **CFF** shall have two (2) five (5) year options to extend this agreement ("Extended Term"), by providing a written notice of extension to **City** not less than 180 days prior to the expiration of the Term in effect at the time of notification (subject to earlier termination as provided below).
3. This agreement is contingent upon an executed lease between **CFF** and 1012-1022 K St. Sacramento, LLC for property located at 1012 K Street.
4. **City** shall provide a parking validation machine ("Encoder") to **CFF** for the sole purpose of offering validated parking to its members.
5. Validations will be charged at the rate of one dollar (\$1.00) per validation with a face value of Five Dollars and Zero Cents (\$5.00). The Encoder shall be used to validate member parking tickets used only at the following **City** parking garage(s): Capitol Garage (11th & L Streets), City Hall Garage (10th & I Streets) and Memorial Garage (14th & H Streets). **City** will invoice **CFF** monthly based on the prior month's use of the Encoder. Each party agrees to the following billing terms:
 - i. **CFF** is responsible for the cost of validations used in a single month up to Three Thousand Five Hundred Dollars (\$3,500) and any amount exceeding Five Thousand Dollars (\$5,000). **City** will not charge **CFF** for the cost of validations used in a single month between Three Thousand Five Hundred Dollars (\$3,500) and up to Five Thousand Dollars (\$5,000).
 - ii. Upon commencement of each extended term option, the cost of validations will be adjusted equal to the cost of validations in the **City's** Merchant Validation program.
6. If the Encoder is not working properly **CFF** shall notify **City** immediately and not attempt to repair the encoder on its own. **City** will respond to the notification within one (1) business day. The cost to replace an Encoder that is lost, stolen or damaged due to negligence of **CFF** or its employees shall be \$1,500.
7. **CFF** shall not sublease or transfer the Encoder to another business, merchant, or individual.
8. **CFF** agrees that validations produced with Encoder shall only be issued to members of **CFF**, and shall not be used by **CFF** employees, non-members of **CFF**, or employees of **CFF** who are also members of **CFF**. **CFF** shall provide **City** with a list of names and vehicle license plate numbers of all **CFF** employees upon signing the Agreement, and shall provide **City** an updated employee list on a monthly basis.

9. Each month, during the term of this Agreement, **CFF** agrees to purchase a minimum of Twenty (20) monthly parking passes for use at Memorial Garage at a discounted rate of thirty percent (30%) off the current market rate. **City** will include the cost of parking passes issued to **CFF** in the monthly invoice described in Section 5.
10. Notwithstanding the above, if the City Parking Manager determines in his or her sole discretion that **CFF** or its employees have issued parking validations to individuals prohibited under Section 8 above more than four (4) times in any one month period, **City** may terminate this Agreement by giving **CFF** thirty (30) days written notice.
11. **CFF** agrees that if the City Parking Manager determines, in his or her sole discretion, **CFF** has violated one or more terms of this agreement other than Section 8, **City** will notify **CFF** in writing of the violation and give **CFF** thirty (30) business days to rectify the issue. If the issue is not resolved within thirty (30) days, **CITY** may terminate this agreement by giving **CFF** thirty (30) days notice of termination in writing.
12. All correspondence to **City** shall be addressed to City of Sacramento, Parking Services Division, 300 Richards Blvd., Sacramento, CA 95811, ATTN: Parking Services Manager. All correspondence to **CFF** shall be sent to: 8680 Greenback Lane #220, Orangevale, CA 95662, ATTN: Randy Karr with a copy to the **Premises**.
13. **CFF** shall defend, indemnify and save harmless, **City**, its officers and employees, and each and every one of them, from and against all actions, suits, damages, costs, liability, claims, losses, judgments, penalties and expenses of every type and description, including, but not limited to, any fees and/or costs reasonably incurred by **City's** staff attorneys or outside attorneys and any other such fees and/or costs of any reasonable type and description, (hereafter collectively referred to as "liabilities"), to which any or all of them may be subjected, for any personal injury, death or damage to property resulting from any negligent act or omission or willful misconduct in the performance of this agreement by **CFF**, its officers, employees, tenant or agents, whether such action, claim or suit is well founded or not, and whether or not such liabilities are litigated, settled or reduced to judgment (provided that **CFF** shall not be responsible for any settlement effected without its prior written consent, which it shall not unreasonably withhold). In the event of any litigation arising between **City** and **CFF** arising under or in connection with the provisions of this section 13, the party prevailing in such litigation (as determined by the court in which such litigation or any appeal thereof is conducted) shall be entitled to be reimbursed by the non-prevailing party for its reasonable costs and expenses incurred in connection with such litigation (including the reasonable fees and expenses of its counsel). The provisions of this section 13 shall survive any termination of this agreement.
14. If **City** is prevented or delayed, or is rendered unable to provide **CFF** the parking services described in this Agreement by reason of any act of God, strike, lockout, labor trouble, restrictive governmental laws or regulations, or any other cause not the fault of **City**, which removes **City's** right to possess and occupy the site of the lot for purposes of operating parking services at the lot, **City's** performance hereunder shall be excused. Nothing in this Agreement shall be construed to obligate **City** to reconstruct the lot in order to perform its obligations under this Agreement, nor shall cause an extension of the term of this Agreement.
15. **CFF** covenants that there shall be no discrimination against any person or group of persons on account of race, color, creed, sex, marital status, disability, national origin, ancestry, or any

other basis prohibited by local, state or federal law or regulation, in the performance of this agreement.

16. **CFF's** rights under this agreement shall not be transferable or assignable without **City's** prior written consent of which such consent shall not be unreasonably withheld. Any attempted transfer or assignment shall be void.
17. No failure of **City** to terminate this agreement upon any breach shall constitute a waiver of the right to terminate this agreement for the same or any other breach or violation subsequently occurring.
18. By their signatures below, each of the following represent that they have authority to execute this agreement and to bind the party on whose behalf execution is made.

CFF:

CALIFORNIA FAMILY HEALTH, LLC.
A Delaware limited liability company

By: *Randy Kane*
Its: *President*
Date: *9/19/12*

By: _____
Its: _____
Date: _____

43-2104914
Federal Tax ID

City of Sacramento
Business Operations Tax Cert. No.

CITY:

CITY OF SACRAMENTO,
A Municipal Corporation

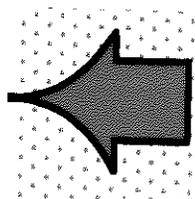
By: *Jerry Wang*

APPROVED AS TO FORM:

By: *David C. Hicks*
Deputy City Attorney

ATTEST:

By: _____
City Clerk



Employee List
(Including owners & managers)

Business Name: _____

Employee Name	License Plate Number	Vehicle Description
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		

Use additional sheets if necessary.

RESOLUTION NO. 2012-

Adopted by the Sacramento City Council
as the Redevelopment Agency Successor Agency

APPROVAL OF USE FOR 1012 K STREET FOR CALIFORNIA FAMILY FITNESS CENTER

BACKGROUND

- A. The Redevelopment Agency of the City of Sacramento (“Agency”) adopted the Merged Downtown Sacramento Redevelopment Plan (“Redevelopment Plan”) and an “Implementation Plan” for the Merged Downtown Redevelopment Project Area (“Project Area”).
- B. On March 25, 2008, the Agency approved a Master Owner Participation Agreement (Master OPA) with David Taylor Interests and the CIM Group in conjunction with the sale of the Sheraton Hotel. The Master OPA contractually set aside a portion of the proceeds from the Sheraton Hotel sale to be used solely for downtown projects undertaken by the Taylor/CIM group.
- C. On April 13, 2009, the Agency entered into a Disposition and Development Agreement (DDA), Regulatory Agreement, and Loan Agreement with 1012 K Street LLC, a partnership between David Taylor Interests and the CIM Group, for all properties located at 1012 -1022 K Street. Subsequently, ownership of the properties were transferred to 1012 K Street LLC.
- D. The DDA, and related loan and regulatory agreements, allocated \$5.4 million in Sheraton proceeds in the following manner: \$2.03 million for shell and core improvements to 1016-1022 K Street; \$1.36 million for shell and core improvements to 1012 K Street; and \$2.01 million for future tenant improvements at 1012 K Street once a use is identified by 1012 K Street LLC and approved by the Agency.
- E. On March 17, 2009 the Agency Board directed staff to return for approval of a use for 1012 K Street that provides for a destination attraction that will be active during the daytime hours as well as nighttime hours (Resolution 2009-021).
- F. The 1012 K Street LLC partnership intends to enter into a lease with California Family Fitness to open a destination attraction that will be open during the day as well as the evening hours. The proposed venue is a three level sports club that will provide: a wide range of athletic entertainment options for families, adults, and children including fitness classes, cardio training, volleyball, racquetball and related uses.

- G. On January 31, 2012, the City elected to serve as the Redevelopment Successor Agency following the dissolution of Agency as provided for in Assembly Bill x1 26, (Chapter 5, Statutes of 2011).
- H. The City, as the Redevelopment Successor Agency under AB x1 26, is authorized to take actions necessary to implement the terms of prior Agency agreements. Approving the use for 1012 K Street will allow for completion of construction of this project. Completing the tenant improvements to 1012 K Street is the final condition of the executed agreements for the 1012-1022 K Street project.

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

- Section 1. Pursuant to AB X1 26, the City Council serving as the Board of the Redevelopment Successor Agency approves the use of the 1012 K Street site as a sports facility to be owned and operated by California Family Health LLC under the terms of the Disposition and Development Agreement, Regulatory Agreement, and Loan Agreement between the Redevelopment Agency of the City of Sacramento and 1012 K Street LLC dated April 13, 2009.