

Meeting Date: 8/19/2014

Report Type: Consent

Report ID: 2014-00568

Title: Exclusive Right to Negotiate with Domus Development, LLC for 1022-1314 Del Paso Boulevard

Location: 1022-1314 Del Paso Boulevard, District 2

Recommendation: Pass by Motion authorizing the Redevelopment Agency Successor Agency (RASA) to enter into an exclusive Right to Negotiate Agreement with Domus Development, LLC for 1022-1314 Del Paso Boulevard Properties.

Contact: Leslie Fritzsche, Senior Project Manager, (916) 808-7223, Economic Development Department

Presenter: None

Department: Economic Development Dept

Division: Citywide Development

Dept ID: 18001031

Attachments:

1-Description/Analysis

2-Maps

3-Background

4-ERN Agreement

City Attorney Review

Approved as to Form

Sheryl Patterson

8/14/2014 10:49:35 AM

Approvals/Acknowledgements

Department Director or Designee: Melissa Anguiano - 8/12/2014 11:58:55 AM

Description/Analysis

Issue: On December 16, 2013, the Oversight Board approved the Long Range Property Management Plan (Plan) for the RASA owned properties. Of the 89 parcels included in this Plan, 18 were located along Del Paso Boulevard in North Sacramento. All of these parcels were recommended for sale.

Because of the large number of properties owned by RASA along the Boulevard, staff is recommending a staged approach for their disposition. The initial focus will be on the southern end of the Boulevard (at Baxter Avenue and Southgate Road), from 1022-1314 Del Paso Boulevard and the proposed Exclusive Right to Negotiate (“ERN”) with Domus Development will begin the disposition process.

Policy Considerations: The proposed action furthers the goals of the North Sacramento Redevelopment Plan, the 2009-2014 North Sacramento Implementation Strategy, and the North Sacramento Business Attraction Strategy. The potential project emanating from this ERN will be a transit-oriented development in keeping with the goals of the City’s General Plan.

Economic Impacts: Entering into the proposed Exclusive Right to Negotiate has no direct economic impact.

Environmental Considerations: The recommendations are administrative, organizational and fiscal matters that do not constitute a “project” under the California Environmental Quality Act (CEQA) Guidelines section 15061(b)(3). The activity is covered by the general rule that CEQA applies only to projects which have the potential to cause significant effect on the environment.

Commission/Committee Action: The Oversight Board for the Redevelopment Agency Successor Agency authorized RASA to enter into the Exclusive Right to Negotiate with Domus at their meeting of May 22, 2014. The State Department of Finance has approved that Oversight Board action.

Rationale for Recommendation:

In keeping with the North Sacramento Redevelopment Plan, the 2009-2014 North Sacramento Implementation Strategy, and the North Sacramento Business Attraction Strategy, the Redevelopment Agency focused its attention on acquiring properties along Del Paso Boulevard to be redeveloped for retail, housing and mixed- use to create an active commercial corridor with a transit-oriented focus. With two light rail stations along the Boulevard, the area has many opportunities for transit-oriented development with a mix of commercial, retail, office and residential uses. In addition, the redevelopment plans featured an art, cultural and design district for the Boulevard. As part of the implementation of that strategy, the Redevelopment Agency began in 2004 to acquire key parcels for consolidation and redevelopment.

Because of the number of RASA properties along the Boulevard, most of which are vacant, staff recommends a sequenced approach to their disposition, with a focus on trying to stimulate development on some initial parcels rather than offering all for sale at one time. The approach

includes offering multiple adjacent properties together to assist in attracting a larger development project to spark activity on the Boulevard and increase property tax revenues. This approach is in keeping with the long-term redevelopment strategy for the Boulevard and is designed to increase interest and value for the other Boulevard properties.

To this end, staff has been working with a well-known local development entity, Domus Development, LLC (“Domus”) on the idea of creating a mixed-use development plan for RASA-owned properties on the southern end of the Boulevard. Domus, through its founder, Meea Kang, has accomplished remarkable projects in the Northern California area. Award-winning infill projects like the 63 unit LaValentina project on 12th Street in Sacramento and the renovation of the historic Temple Art Lofts project in Vallejo reflect the company’s high standard of excellence and the creativity needed to transform neighborhoods. Their portfolio has leveraged \$91 million in private equity and \$29 million in tax exempt bond financing with \$100 million of public financing to create 800 dwelling units with over 400 additional units in the pipeline. They create sustainable communities that enhance the living experience of the residents while equally benefiting the neighborhood and the environment.

Domus has spent several months working closely with representatives of the Del Paso Boulevard Partnership, area property owners, real estate investors, and potential commercial tenants to shape a proposal for the development of property along Del Paso Boulevard. The proposed six-month ERN would allow time for Domus to undertake research of the condition of the properties and their development potential. It would restrict RASA from negotiating with other buyers during this timeframe.

The ERN would include the following seven parcels:

Site “A” (Del Paso at Baxter)			
1022 Del Paso Boulevard	275-0163-005-0000	7,500 sq.ft.	Vacant Land
1030 Del Paso Boulevard	275-0163-006-0000	15,000 sq.ft.	Vacant Land
Site “B” (Del Paso at Southgate)			
1212 Del Paso Boulevard	275-0123-026-0000	10,936 sq. ft.	Vacant Land
1220 Del Paso Boulevard	275-0123-027-0000	9,750 sq. ft.	Vacant Land
1224 Del Paso Boulevard	275-0123-003-0000	7,500 sq. ft.	Building
1310 Del Paso Boulevard	275-0123-024-0000	3,920 sq. ft.	Vacant Land
1314 Del Paso Boulevard	275-0123-023-0000	10,228 sq. ft.	Vacant Land
TOTAL		64,834 sq. ft.	

Currently, all of the properties are vacant with the exception of 1224 Del Paso Boulevard that contains a 5,000 sq. ft. unreinforced masonry building. The building is in fair condition.

Domus has also secured a Letter of Intent from the owners of three parcels south of Site “A” (1000, 1010, and 1016 Del Paso Boulevard) to sell these parcels to Domus. Controlling these parcels yields a site of 1.26 acres, which significantly increases the scale of the development opportunity, yielding a potential for a much larger overall benefit to the Boulevard and return to the taxing entities.

A brief description of the initial concept for these properties is included in the Background section of this report.

Terms of the ERN

The proposed ERN would be for a six-month period allowing the development team to complete due diligence on the properties and further their development concept and plans. There would be a \$5,000 deposit for the ERN. If Domus decided not to continue within the first 90 days, then half of their deposit would be returned. After that, the entire amount would be non-refundable.

Next Steps

If the appraised value of the properties is an amount acceptable to Domus and they decide to proceed with their development proposals, then staff would return to the Oversight Board to approve the sale of the properties. This action authorizes the Redevelopment Agency Successor Agency to enter into an ERN for the purpose of negotiating the terms for the sale of these properties.

Financial Considerations: The ERN includes a \$5,000 deposit. If the Developer terminates the negotiations within 90 days, the Agency shall return 50% of the Net Deposit. Otherwise the deposit is non-refundable.

Local Business Enterprise (LBE): N/A

BACKGROUND

Initial Development Concept

Domus has developed some preliminary concepts for the properties to transform the small infill sites along Del Paso Boulevard into a mixed-use, mixed-income master-planned community. This would be the city's first urban transit village, located between the Globe and Arden/Del Paso light rail stations. The project will fully realize the vision in the Implementation Plan for North Sacramento, which called for reinvigorating Del Paso Boulevard, maximizing transit-oriented development, preparing the area for private investment, and building complete neighborhoods. The entire development will be designed with input from community stakeholders. The following is a general concept for each of the three consolidated sites that comprise the development area.

Site "A" - Live/Work Lofts

The portion of the property bounded by Del Paso Boulevard, Globe Avenue, Baxter Avenue, and the Del Paso/Lochbrae Alley is envisioned having two- and three-bedroom live/work lofts. These modern townhome-style lofts will be condominium mapped to allow for the units to be either sold or leased at market value. These attached three-story units will be approximately 1,200 to 1,500 square feet in size with resident parking. Lofts fronting Del Paso Boulevard will feature approximately 500 square feet of retail, office, or studio space on the ground floor and living space on the second and third floors.

Site "B" - Creative Commons

The portion of the property on the western portion of the area bounded by Del Paso Boulevard, Southgate Road, Edgewater Road, and the Del Paso/Lochbrae Alley will feature a commercial center. This commercial center will include flexible work space in three industrial-style buildings that could accommodate art creation, light manufacturing, and creative innovation. The existing building at 1224 Del Paso Boulevard will be renovated to an approximately 5,000 square foot retail space for beverage manufacturing and storage. To the west of this building will be approximately 16,000 square feet of space that may house a restaurant/café as well as offices that can be subdivided for co-working spaces for individuals and small firms. The portion to the east of the existing building will have approximately 12,000 square feet of office space for a design firm. The complex will include several courtyards, including a large courtyard that will serve as a shared urban living room. On-site parking for tenants and customers will be accessed from Southgate Road. Domus has been in discussions with several potential tenants interested in the space. Sacramento-based companies that have been successfully operating for several years with plans for expansion account for over 50% of the planned commercial space.

**AGREEMENT FOR EXCLUSIVE RIGHT TO NEGOTIATE
PURCHASE OF DEL PASO BOULEVARD PROPERTIES**

The REDEVELOPMENT AGENCY SUCCESSOR AGENCY, formed under the provisions of AB x1 26, ("Agency") and DOMUS DEVELOPMENT, LLC, a California limited liability company ("Developer"), which are referred to herein as "Parties" or in the singular as "Party," have entered into this Agreement for Exclusive Right to Negotiate ("Agreement") as of _____, 2014 ("Effective Date") upon the follow terms:

1. **RECITALS.** This Agreement is based upon the following recitals, facts and understandings of the Parties:

a. Agency is the successor in interest to the dissolved Redevelopment Agency of the City of Sacramento and currently owns multiple vacant properties along Del Paso Boulevard within the North Sacramento Redevelopment Project Area ("Project Area"). Under Health and Safety Code Section 34177(e), the Agency is to dispose of properties expeditiously and in a manner aimed at maximizing value. However, the sale of Agency property is subject to approval of the Agency's Oversight Board and the State Department of Finance ("DOF") pursuant to an approved Long Range Property Management Plan ("Plan"). Under the Plan, the properties along Del Paso Boulevard have been designated to be sold. The Agency has obtained approved by the Oversight Board of the Plan and is awaiting DOF's approval.

b. Developer desires to negotiate with Agency to acquire certain properties along Del Paso Boulevard (collectively "Property") as listed in Exhibit A, which is attached and incorporated in this Agreement by this reference. The Developer is interested in evaluating the Property for the purpose of determining if it is suitable for development of a mixed use retail and housing project ("Project"), consistent with the current zoning and the North Sacramento Redevelopment Plan ("Redevelopment Plan") for this Project Area.

c. The Agency and the Oversight Board have determined that selling multiple adjacent properties, rather than individually, will maximize their value. The Developer is an experienced and qualified developer of infill sites within blighted redevelopment areas and has the ability and desire to implement the Project, rather than holding the properties for speculative purposes. Therefore, the sale of the Property to the Developer, rather than seeking competitive bids, will benefit taxing entities by resulting in a project that will increase property values resulting in higher property tax and sales tax proceeds.

d. The Parties desire to determine the fair market value of the Property and to negotiate a Purchase and Sale Agreement ("PSA") for the Agency's sale of the Property to the Developer, subject to approval of the PSA by the Oversight Board and possibly DOF.

2. **IDENTITY OF PARTIES.** The legal identities of the Parties to this Agreement and their addresses are as follows:

a. Developer is Domus Development, LLC, a limited liability company, organized and doing business in the State of California. The principal office of Developer is located at 9 Cushing, Irvine, CA 92618. Developer shall make full disclosure to Agency of the identity of all principals, officers, stockholders, partners, joint venturers, and entities in Developer. Initially, the principals of Developer are Meea Kang and MNJ Development, LLC, 100% owned by Newport Partners, LLC (“Newport”); members of Newport are JCL Development, LLC managed by Jong C. Lim; and individuals; Monique R. Hastings and Janice Luo.

b. Agency is the Successor Agency to the Redevelopment Agency of the City of Sacramento, a public body, corporate and politic, organized under the Dissolution Law (AB x1 26) and functioning within the jurisdiction of the City of Sacramento. The principal office of Agency for purposes of this Agreement is located at 915 I Street, Sacramento, California 95814.

c. Notices to a Party shall be personally delivered or sent by first class mail to its principal office address. Notices to Agency shall be clearly marked “Attention: Economic Development Department.”

3. **EXCLUSIVE NEGOTIATION.** During the term of this Agreement, the Parties shall negotiate exclusively with each other, and in good faith, regarding the sale of the Property.

4. **TERM.** This Agreement shall be effective as of the Effective Date, and shall terminate upon the earlier of completion of all obligations or one hundred and eighty (180) days after the Effective Date, unless extended by written agreement of the Parties.

5. **LEGISLATIVE ACTION.** Agency and Developer acknowledge that the Agency must exercise its independent legislative authority in making any and all findings and determinations required of them by law concerning the sale of the Property. This Agreement does not restrict the legislative authority of the Agency in any manner, whatsoever, and does not obligate the Agency to enter into the PSA or to take any course of action with respect to the sale of the Property.

a. Except as expressly stated in this Agreement, if this Agreement terminates without execution of a PSA, each Party shall bear its own costs related to this Agreement.

b. Developer acknowledges that Agency and the City of Sacramento (“City”) are separate legal entities, and that the Project is also subject to independent review by the City in proper exercise of its jurisdiction, including without limitation, review by the City’s Planning Department, Planning and Design Commission, City Council, and the City Building Department.

6. **CEQA REVIEW.** Because the Agency is only authorized to sell its properties and cannot undertake any redevelopment activities under the Dissolution Law, the Agency is not obligated to undertake environmental review of the Project under the California Environmental Quality Act (“CEQA”) as a precondition to approving the PSA. Nothing in

this Agreement shall be construed to limit the application of CEQA by the City to the Project or to require changes in the Project to meet its CEQA obligations.

7. **SCHEDULE OF PERFORMANCES.** The Parties shall perform the following stated obligations at the times specified in the following schedule (“Schedule of Performances”):

Responsible Party	Action	Due Date following Effective Date
Developer	Submit Deposit	Within ten (10) days
Agency	Complete appraisal to determine land value	Within sixty (60) days
Developer	Complete due diligence	Within one hundred and twenty (120) days
Developer	Agree to terms of the PSA	Within one hundred and eighty (180) days

8. **OTHER EXTENSION.** Upon written request of Developer, Agency shall reasonably consider an extension of the initial term of this Agreement if Developer has acted diligently and in good faith in performing its obligations under this Agreement and if there is a reasonable likelihood that the Parties can negotiate a mutually acceptable PSA.

9. **DEPOSIT FEE.** Developer shall deliver to Agency a deposit of Five Thousand Dollars and No Cents (\$5,000.00) (“Deposit”) for Agency’s staff and appraiser costs. The Deposit is non-refundable. After ninety (90) days have elapsed following the Effective Date, Developer may terminate its negotiations and this Agreement and the Agency shall return fifty percent (50%) of the Net Deposit to Developer.

10. **DEFAULTS.** Either of the Agency or the Developer shall be in default of this Agreement if it (a) fails to fulfill its obligations when due, which failure is not caused by the other Party, (b) does not negotiate the terms of the PSA in good faith and upon the terms stated in this Agreement, (c) and does not reasonably cooperate with the other in fulfilling the other’s obligations under this Agreement.

The defaulting Party shall have thirty (30) days to cure the default. Should the defaulting Party fail to cure the default within the thirty (30) days, the nondefaulting Party may terminate this Agreement by written notice to the defaulting Party, and may pursue equitable remedies available to it for such default.

The remedies contained in this Section 10 are the sole exclusive remedies for default of this Agreement, and neither Party may claim, as a result of a default of this Agreement, any damages, whether monetary, non-monetary, contingent, consequential or otherwise. In particular, in no event shall the Agency be liable to the Developer for its anticipated profits from the Project, or its third party consultant expenses, staff costs, overhead, or attorneys’ fees.

11. **PURCHASE AND SALE AGREEMENT.** In addition to other provisions stated in this Agreement, the PSA will address, without limitation, the following provisions (a) anti-

discrimination provisions; (b) compliance with the Redevelopment Plan; and (c) purchase price based on the appraisal conducted by a third party. Clark-Wolcott dated November 12, 2013

12. **PREDEVELOPMENT COSTS.** Developer shall bear all predevelopment costs relating to actions of Developer under this Agreement, including but not limited to costs for planning, environmental review, architectural and engineering plans, legal services, and other costs associated with preparation of studies for Developer's Project and review of the PSA.

13. **ASSIGNMENT.** This Agreement is not assignable by either Party in whole or in part without the prior written consent of the other Party.

14. **APPLICABLE LAW; VENUE.** This Agreement shall be construed in accordance with the law of the State of California, and venue for any action under this Agreement shall be in Sacramento County, California.

(SIGNATURES CONTINUE ON NEXT PAGE)

EXECUTED as of the date first written above, in Sacramento, California.

AGENCY: Redevelopment Agency
Successor Agency

By: _____
John F. Shirey, City Manager

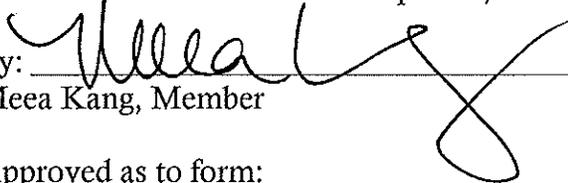
Approved as to form:

By: _____
Senior Deputy City Attorney

Attest:

By: _____
Assistant City Clerk

DEVELOPER: Domus Development, LLC

By:  _____
Meea Kang, Member

Approved as to form:

By: _____
Counsel for Developer

Exhibit A

Property List

Address	APN
1022 Del Paso Blvd	275-0163-005-0000
1030 Del Paso Blvd	275-0163-006-0000
1212 Del Paso Blvd	275-0123-026-0000
0 Del Paso Blvd	275-0123-027-0000
1224 Del Paso Blvd	275-0123-003-0000
1310 Del Paso Blvd	275-0123-024-0000
1314 Del Paso Blvd	275-0123-023-0000