



**REPORT TO THE  
REDEVELOPMENT AGENCY  
of the City of Sacramento**

915 I Street, Sacramento, CA 95814-2671  
www.CityofSacramento.org

Staff Report  
**August 1, 2006**

**Honorable Chair and Members of the Board**

**Title:** 700/800 K Street Acquisition and Relocation Matters

**Location/Council District:** Portions of the area between 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup> and K streets, north of the alley, Central Business District (District 1)

**Recommendation:**

Adopt an Agency Resolution approving the 700/800 K Street Relocation Plan; authorizing the City Manager, as the designated authority for the Redevelopment Agency for the City of Sacramento, to enter into agreements for the purchase of 812 and 816 K Street; and approving the amendment to the Agency budget to allocate an additional \$4 million to the 700/800 K/L project budget for additional development, acquisition and relocation costs.

**Contact:** Leslie Fritzsche, Downtown Redevelopment Manager, 808-5450; Michelle Nelson, Senior Economic Development Project Manager, 808-7064

**Presenters:** Leslie Fritzsche

**Department:** Economic Development

**Division:** Downtown Development Group

**Organization No:** 4451

**Description/Analysis**

**Issues:** Agency staff is seeking additional approvals and authority to take the necessary steps toward fulfilling the Agency's responsibilities as a party to the Land Assembly Agreement approved on April 18, 2006. Background about the project and the various approvals associated with the project is provided in Attachment 1. Three issues are addressed in this report:

**1) Relocation Plan** – The Agency has been authorized to acquire properties in the 700 and 800 blocks of K Street to further revitalization efforts and assist land assembly for two projects – one on the 700 block and one on the 800 block. The two projects involve the displacement of residential households



and businesses as shown on the project area map included as Attachment 2. The Agency has prepared the required Relocation Plan for the 700/800 Block of K Street pursuant to State relocation guidelines. Professional relocation consultants have worked one-on-one with residents to answer questions and provide assistance. The plan has been made available to residents and businesses and is available for review in the offices of the Agency and City clerks.

**2) Acquisition of 812 and 816 K Streets** – The Agency is under contract or has closed on the four Agency Acquisition Parcels on the 800 block of K and L Streets (shown in Attachment 3) authorized by the Agency Board for purchase in January 2006. Two additional properties included in the approved Land Assembly Agreement were not included in the original authorization and are needed to accomplish the land exchange – 812 and 816 K Street. As part of the Land Assembly Agreement approved in April 2006, the Agency obtained an option to purchase 812 K Street, a property owned by Zeiden Properties (Zeiden), at the price Zeiden originally paid for the property plus monthly holding costs (including taxes and insurance). The current price to purchase the property is \$1,475,800.

The second property needed for the transaction, 816 K Street, has split ownership with Mohammed Mohanna (Mohanna) owning 55 percent and Sahad and Sakina Janmohamed (husband and wife) owning 45 percent. In order to complete the land assembly needed for the 800 block, the Agency needs to deliver title to 816 K Street, and staff is requesting authority to proceed with acquisition of the minority ownership.

The purchase of these properties will put the Agency in a position to deliver the 800 block parcels to the Saca Team which will, in turn, trigger the conveyance of the Saca Team 700 block transfer parcels to the Agency, and ultimately to Zeiden.

**3) Amend Budget** – In January 2006, the Agency approved a budget of \$20,000,000 for acquisition, relocation and related costs to deliver the properties needed to develop the 700 and 800 blocks of K Street. The current estimate of costs is approximately \$24,000,000. The additional costs include the \$1,000,000 for actual costs to acquire seven of the eight properties and a revised estimate of \$3,000,000 for relocation, consultant and professional services, and other related costs.

#### **Policy Considerations:**

The recommended actions are consistent with site assembly policies, as described in the Merged Downtown Redevelopment Plan. These actions are also consistent California Redevelopment Law and state relocation policies and guidelines.

#### **Environmental Considerations:**

The proposed action is in furtherance of the Merged Downtown Redevelopment

Plan, as amended. Per the California Environmental Quality Act (CEQA), California Code of Regulations, title 14, section 15180(a), actions to encourage redevelopment are deemed approved at the time of adoption of the redevelopment plan. Section 15004(b)(2)(A) allows for land acquisition conditioned on future CEQA compliance. The 700 block project has already been determined to be exempt from environmental review per sections 15331 and 15301. An environmental impact report is currently being prepared for the 800 block project. Therefore, no further environmental documentation is required at this time. NEPA does not apply.

**Rationale for Recommendation:**

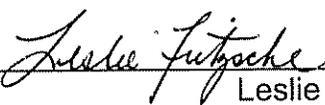
The recommended actions in this report are necessary to further the land assembly and redevelopment goals for the 700 and 800 K Street blocks.

**Financial Considerations:**

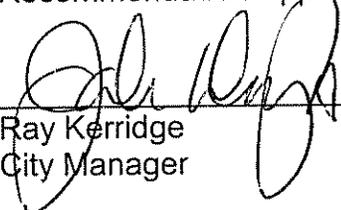
The source of funds for purchase of the optioned Zeiden property and for additional relocation costs is Merged Downtown tax exempt bond funds. This report recommends that \$4,000,000 be transferred from Merged Downtown tax exempt bond funds into the 700/800 K/L project budget.

**M/WBE Considerations:**

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by:   
 Leslie Fritzsche  
 Downtown Development Manager  
 on behalf of the Redevelopment Agency  
 of the City of Sacramento

Recommendation Approved:

  
 Ray Kerridge  
 City Manager

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**Attachment 1****Background - 700 block of K Street**

The 700 and 800 blocks of K Street are identified in the Second Amendment to the Merged Downtown Sacramento Redevelopment Plan as having continuing blighting conditions characterized by vacant and deteriorating buildings, uneconomic land uses, and small and irregularly sized lots not suitable for modern use. The properties on the 700 and 800 blocks facing K Street are possibly one of the most deteriorated properties on the K Street Mall, with ongoing vacancies, lack of general maintenance and structural failures resulting from neglect.

In October 2004, the JKL Corridor Charrette brought together more than 250 community members to discuss the future of Downtown Sacramento, specifically, the area between J and L Street and 7<sup>th</sup> and 12<sup>th</sup> streets. Community members participated in crafting an overall vision for the area with specific development objectives for key catalyst sites, including the 700 and 800 blocks of K Street. The development objective for the 700 block was to focus on significant, regionally unique destination retail that takes advantage of the location adjacent to Downtown Plaza and maintains the historic scale and nature of the K Street storefronts. The development objective for the 800 block was to focus on significant ground-floor retail, housing, and civic or commercial uses.

In January 2005, the Redevelopment Agency (Agency) approved the issuance of a Request for Proposal (RFP) to property owners of the properties on the 700 block of K Street, as well as portions of the 800 block of K Street. Two proposals for each block were received from two development teams.

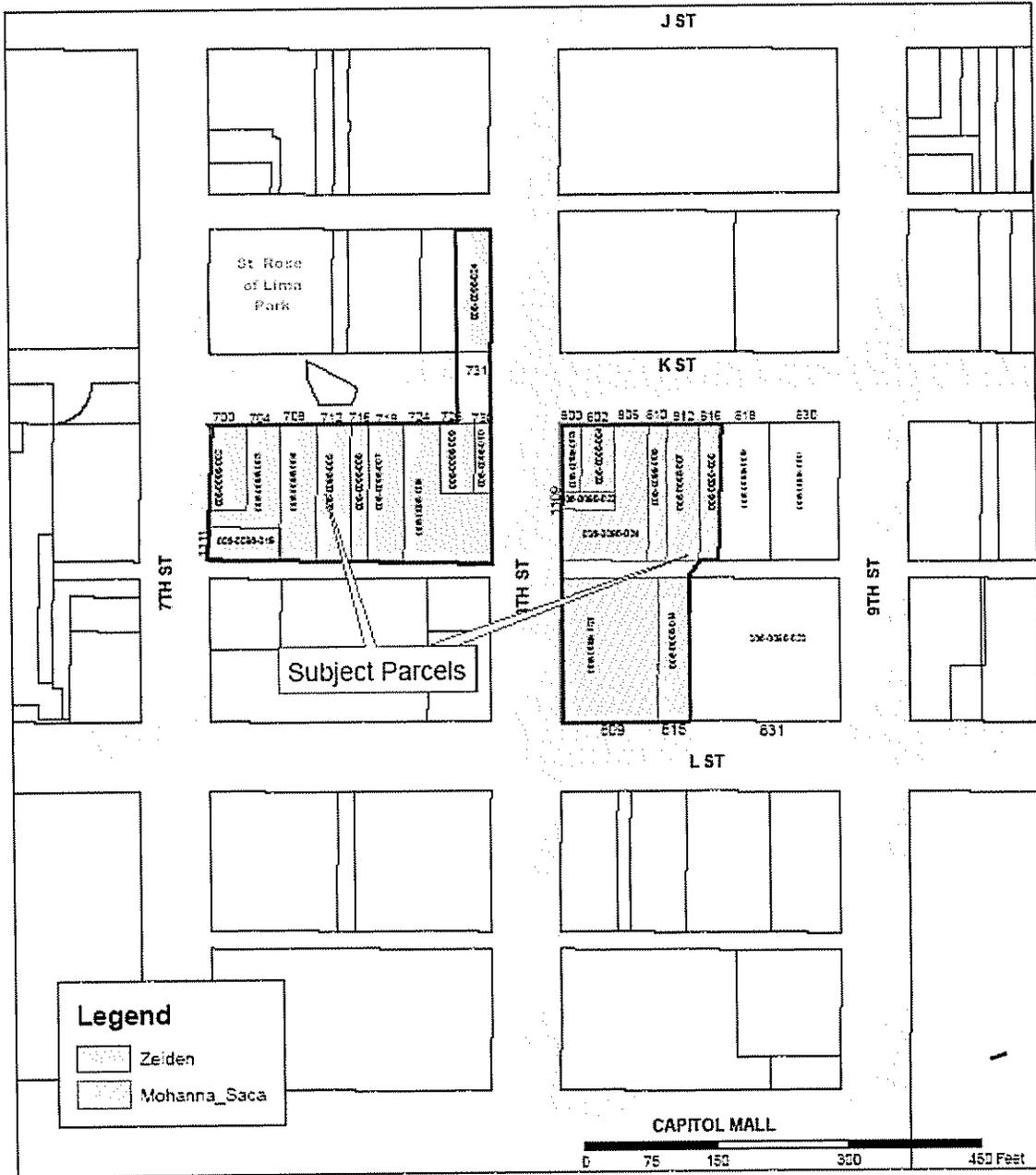
On August 16, 2005, the Agency adopted a Resolution concluding the RFP process and selecting Zeiden for the redevelopment of the 700 Block and Saca Development, LLC, Mohammed H. Mohanna and Urban Innovation Partners, LLC ("Saca") on a portion of the 800 block.

On October 16, 2005, the Agency approved the execution of an Exclusive Right to Negotiate agreement (ERN) with Zeiden and Saca to further refine the development concepts for the 700 and 800 blocks of K Street. The purpose of the ERN was to serve as an interim agreement between the parties to lead to a refined "land swap" concept by which land currently owned by Mohammed Mohanna and/or related parties on the 700 block would be exchanged for similar square footage on the 800 block to allow for the two development projects to proceed.

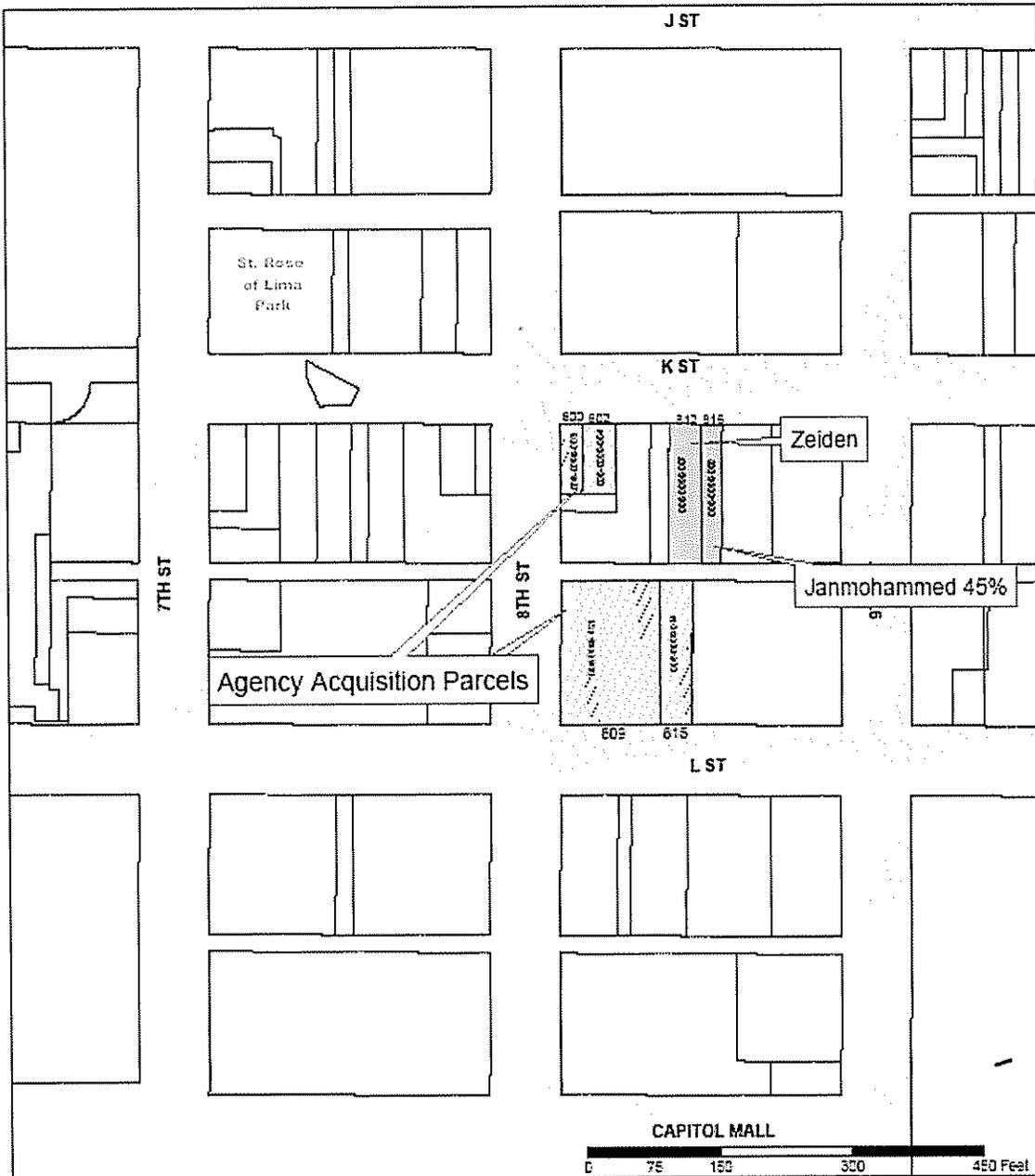
On January 17, 2006, the Agency authorized staff to begin negotiations to purchase eight parcels within the 700 and 800 blocks of K Street to further the implementation of both projects. On January 31, 2006, the Agency approved a budget of \$20 million for acquisition, relocation and other costs related to the acquisitions.

On April 18, 2006, the Agency approved the execution of five separate, but interrelated, agreements to complete the assembly and transfer of the properties within the two blocks as well as establishing the parameters for individual project negotiations. The main document, known as the Land Assembly Exchange Agreement, addressed the acquisition of two properties, 812 K and 816 K Street that were not included in the January authorization for Agency acquisition. The Agency approved an Option Agreement which provides the Agency with an exclusive option to acquire interest in 812 K Street at a specified price. Staff is seeking authorization to exercise this option and to negotiate the purchase of 816 K at fair market value in order to complete the acquisitions included in the approved Land Assembly Agreement.

700 and 800 Blocks of K Street  
Project Area



700 and 800 Blocks of K Street  
Potential Agency Purchases



## **RESOLUTION NO.**

Adopted by the Redevelopment Agency  
of the City of Sacramento

**ADOPTING A RESOLUTION APPROVING THE 700/800 K STREET RELOCATION PLAN; AUTHORIZING THE CITY MANAGER, AS THE DESIGNATED AUTHORITY FOR THE REDEVELOPMENT AGENCY FOR THE CITY OF SACRAMENTO, TO ENTER INTO AGREEMENTS FOR THE PURCHASE OF 812 AND 816 K STREET; AND APPROVING THE AMENDMENT TO THE AGENCY BUDGET TO ALLOCATE AN ADDITIONAL \$4 MILLION TO THE 700/800 K/L PROJECT BUDGET FOR ADDITIONAL DEVELOPMENT, ACQUISITION AND RELOCATION COSTS.**

### **BACKGROUND**

- A. In January 2006, the Agency approved the acquisition of specific commercially-zoned properties in the 700 and 800 block of K Street (700, 704, 730, 731, 800, 802-K Street, 809 and 815-L Street) and approved a budget of \$20 million for acquisition and related real estate, administrative and professional service costs.
- B. Acquisition and development for the two projects will require the displacement of 15 residential households and twenty-six small businesses in the project area. A Relocation Plan has been prepared by a professional relocation consultant and made available to all affected residents and businesses.
- C. In April 2006, the Agency approved the execution of Land Assembly Agreement and other related agreements between the Agency, Saca and Zeiden teams for the transfer and exchange of properties necessary for the two projects. One of the related agreements was the Zeiden Option Agreement which provided the Agency an option to purchase Zeiden's 800 block property for a set price.

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

- Section 1. After due consideration of the facts presented, the findings, including but not limited to the environmental findings regarding this action, as stated in the staff report that accompanies this Resolution, are approved.
- Section 2. The 700/800 K/L Relocation Plan is approved.
- Section 3. The budget for the 700/800 K/L project is amended to include an additional allocation of \$4 million from Merged Downtown tax-exempt bond funds.

Section 4. The City Manager, acting as the designated authority for the Redevelopment Agency of the City of Sacramento, is authorized to execute a First Option Agreement to acquire fee title of the 812 K Street property owned by Zeiden.

Section 5. The City Manager, acting as the designated authority for the Redevelopment Agency of the City of Sacramento, is authorized to execute an agreement for the purchase 816 K Street.