Sacramento Housing & Redevelopment Agency

REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento

915 I Street. Sacramento. CA 95814-2671

Staff Report
August 15, 2006

Honorable Chair and Members of the Board:

Title: 10th and K Project Concept Approval and Exclusive Right to Negotiate Extension

Location/Council District: 1000 K Street, southeast corner of 10th and K streets, Central Business District (District 1)

Recommendation: Adopt a Redevelopment Agency Resolution: 1) Approving a project concept for the Redevelopment Agency-owned property located at the southeast corner of 10th/K streets (Agency Site); and 2) authorizing the City Manager to extend the Agreement for Exclusive Right to Negotiate (ERN) with K Street Central (the Developer) for an additional 120-day period regarding the terms of agreement for redevelopment of the Agency Site with an Agency cash subsidy not to exceed $5.75 million and an additional Agency expense of up to $1 million for abatement and soft demolition.

Contact: Leslie Fritzsche, Downtown Development Director, 808-7223
Presenters: Leslie Fritzsche, Downtown Development Director, 808-7223
Elle Warner, K Street Central
Department: Economic Development
Division: Downtown Development Group
Organization No: 4451
Description Analysis:

Issue: Staff is recommending approval of a redevelopment project concept for the Agency Site located at the southwest corner of 10th and K streets (Attachment 1) and direction to staff to continue negotiating business terms for the project. The project concept is detailed in Attachment 2 and generally includes the renovation of the existing building located at 1000 K Street (formerly Woolworths) to accommodate a 200+ seat live theater performance space, a signature ground floor restaurant with second-level lounge and patio space, additional second floor office space, and on-site parking in the basement of the building. It is estimated that this project could be completed in 16-months and open for business by early 2008.

Additionally, authorization to extend the ERN period for an additional 120 days is needed in order to complete business term negotiations. Milestones to be accomplished within the 120-day extension period are as follows:

	Live Theater/Restaurant
Within 90-days	• Refine estimated construction costs, including all applicable fees and contingencies • Refine development and operating proformas • Negotiate the terms of appropriate redevelopment agreements
Within 120-days	• Solicit and incorporate comments from the Design Review Preservation Board • Prepare Schedule of Performances for the construction period • Agency project approval and execution of redevelopment agreements

The Developer remains interested in developing the remaining portion of the Agency-owned site, 1012-1022 K Street (formerly the Rite Aid and Hit or Miss buildings) and staff will continue to work with them on project concepts.

Policy Considerations: The project concept approval and continued negotiations will result in a proposed project consistent with the Amended Merged Downtown Redevelopment Plan and Five-Year Strategy. Additionally, the proposed project is consistent with the development objectives outlined in the recent JKL Community Workshop process.

Environmental Considerations: The proposed action to approve a project concept and authorize continued negotiations with the developer to further redefine the proposed project scope and to complete environmental review is authorized under CEQA Guidelines Section 15262, planning for possible future action.

Rationale for Recommendations: In February 2005, the Redevelopment Agency published an open Request for Proposals for a Downtown Cultural, Entertainment, and Retail Complex for the project site, including the adjacent mid-block parcels to the east. One development team, K Street Central, consisting of 4 locally active developers, submitted a proposal. On September 13, 2005 the Agency authorized an Exclusive Right to Negotiate Agreement with K Street Central for redevelopment of the property.

Since the site was vacated by its last tenants, the Agency has reviewed a variety of development proposals for the site, as well as completed a performing arts analysis for the site. Base on that analysis, it was determined that a studio-theater (200-seat range) was the preferred type of theater to incorporate into a project, if feasible.

Financial Considerations: Although the project concept will continue to be refined, K Street Central has requested a subsidy in the amount of $5.75 million for the live theater and restaurant project as well as the land provided at no cost to the Developer. Additionally, the Developer has requested the Agency be responsible for all soft demolition and abatement required for the former Woolworth's building. It is currently estimated that the cost for necessary abatement and soft demolition for the Woolworth site is approximately $1 million.

If the Agency approves the project concept, staff recommends extending the existing ERN to allow for further refinement of costs and to complete the environmental and design review process for the project. During this process, staff will evaluate the costs, the amount and type of public assistance required, and the disposition price for the land.

The existing ERN includes a $50,000 deposit provided by the Developer that would be used for third party pre-development costs including, but not limited to, the required environmental documentation and supporting studies.

Emerging Small Business Development (ESBD): There are no ESBD considerations contemplated with the requested action.

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

Table of Contents:

Pg	1	Report
Pg	5	Resolution
Pg	8	Attachment 1 – Project Location Map
Pg	9	Attachment 2 – Background and Project Concept

RESOLUTION NO.

Adopted by the Redevelopment Agency of the City of Sacramento

PROJECT CONCEPT APPROVAL AND EXCLUSIVE RIGHT TO NEGOTIATE EXTENSION FOR REDEVELOPMENT OF THE AGENCY-OWNED PROPERTY LOCATED AT 1000 K STREET

BACKGROUND

A. In February 2005, the Agency issued a Request for Proposals (RFP) for a Downtown Cultural, Entertainment and Retail Complex for the Agency Site.

B. On April 30, 2005, one proposal was received from K Street Central, a development team consisting of David S. Taylor Interests, The CIM Group, St. Anton Partners, The Cordano Company and Paragary's Restaurant Group (Developer).

C. A selection committee comprised of an Ad Hoc committee of the Agency board reviewed the proposal. Based on K Street Central's development experience, qualifications, and vision for the Agency Site, the Ad Hoc recommended execution of an Exclusive Right to Negotiate Agreement (ERN) with K Street Central and further negotiations to develop the project proposal.

D. At that time, staff was also directed to work with the Developer to complete a performing arts analysis for the site. Base on that analysis, it was determined that a studio-theater (200-seat range) was the preferred type of theater to incorporate into a project, if feasible.

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

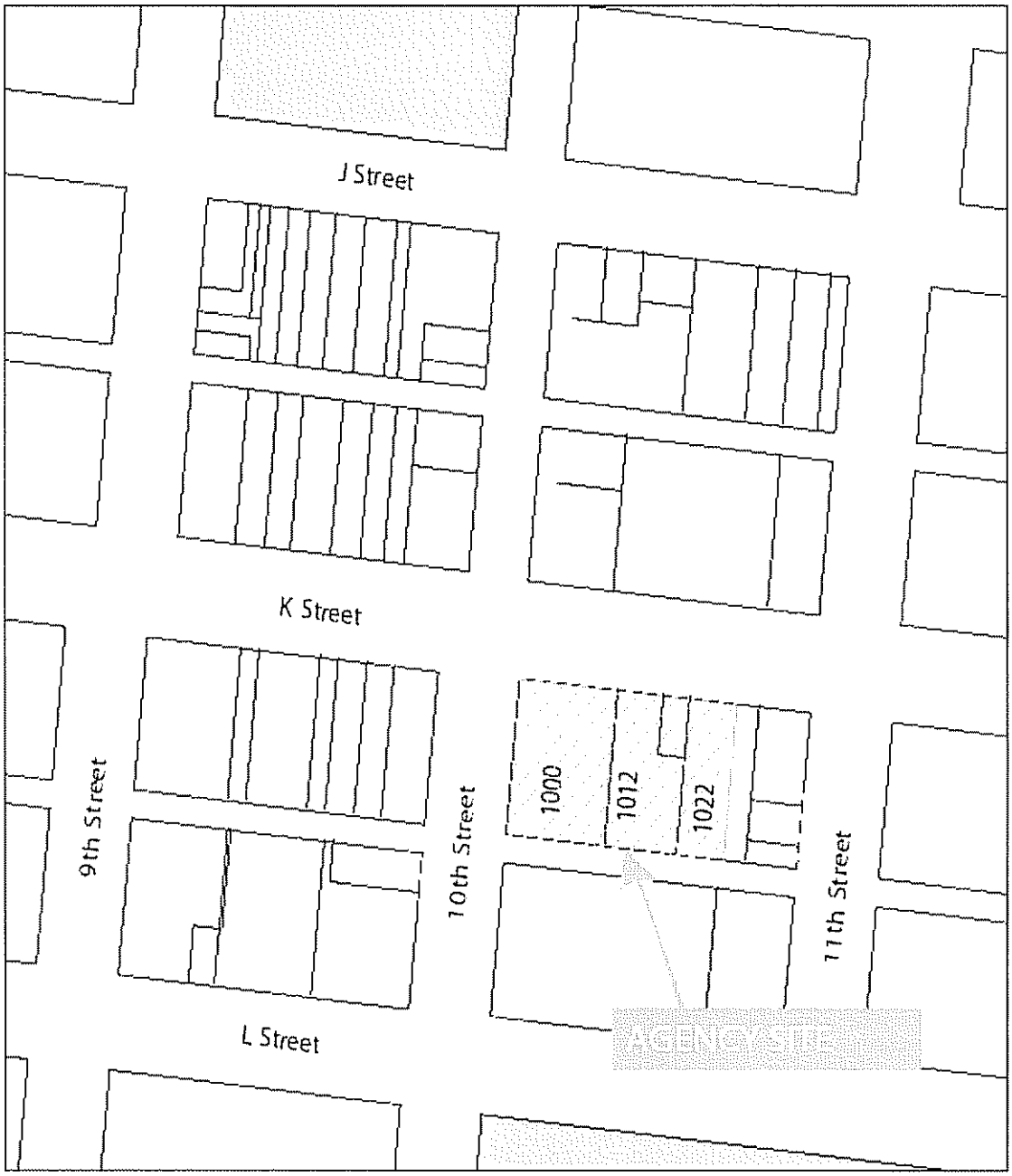
Section 1. The following project concept is approved for the Agency-owned properties located at the southeast corner of 10th/K streets for further negotiations/analysis: renovation of the existing building located at 1000 K Street (formerly Woolworths) to accommodate a live theater performance space, a signature ground floor restaurant with second-level lounge and patio space, additional second floor office space, and on-site parking in the basement of the building.

Section 2. The City Manager is authorized to extend the Agreement for Exclusive Right to Negotiate (ERN) with K Street Central for an additional 120-day period regarding the terms of an agreements for redevelopment of the Agency Site with an Agency cash subsidy not to exceed $5.75 million in addition to the value of the land and

completing all necessary soft demo and abatement which is estimated to cost an additional $1 million. The parties shall endeavor to accomplish the following milestones in accordance with the following targeted periods. Should the milestones not be completed within the targeted periods, the Agency may terminate negotiations by written notice of Ray Kerridge, City Manager, acting on behalf of the Agency. Said milestones are:

	Live Theater/Restaurant
Within 90-days	• Refine estimated construction costs, including all applicable fees and contingencies • Refine development and operating proformas • Negotiate the terms of appropriate redevelopment agreements
Within 120-days	• Solicit and incorporate comments from the Design Review Preservation Board • Prepare Schedule of Performances for the construction period • Agency project approval and execution of redevelopment agreements

ATTACHMENT 1



Attachment 2

Background

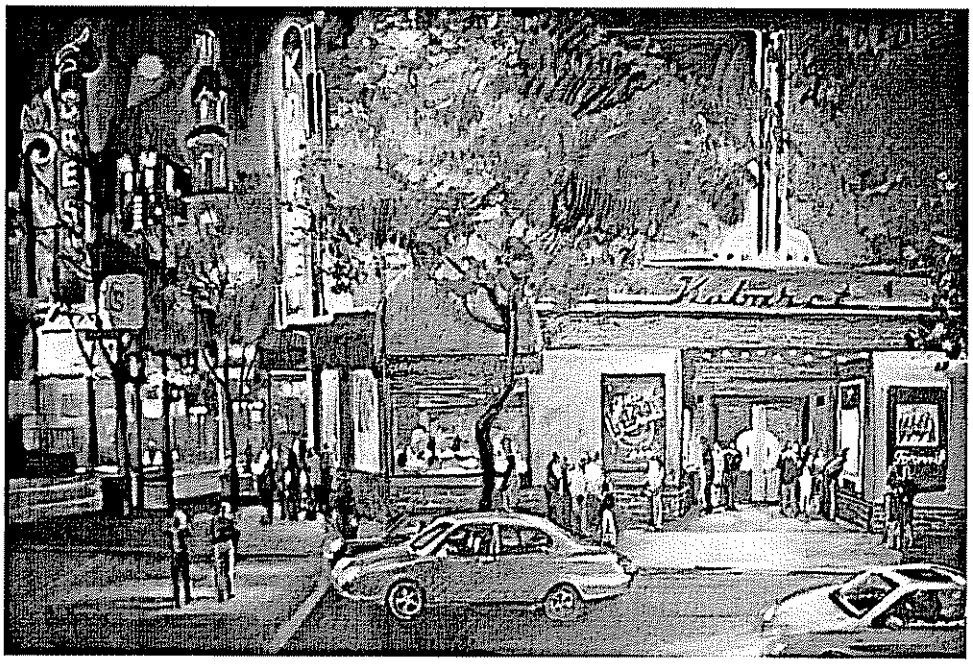
In October 2004, the Economic Development Department, in conjunction with the Mayor's Office, hosted the "JKL Corridor Workshop" to receive community and stakeholder input on a new vision and strategic direction for the heart of the downtown area. The community recommended that strategic attention be given to the project site, with a focus on destination-oriented uses that take advantage of being located in an emerging entertainment district. Desired uses include cultural, commercial, and residential.

In February 2005, the Redevelopment Agency published an open Request for Proposals for a Downtown Cultural, Entertainment, and Retail Complex for the project site, including the adjacent mid-block parcels to the east. One development team, K Street Central, consisting of 4 locally active developers, submitted a proposal. On September 13, 2005 the Agency was authorized by City Council to enter into an Exclusive Right to Negotiate Agreement with the development group K Street Central for redevelopment of the property.

Since the site was vacated by its last tenants, the Agency has reviewed a variety of development proposals for the site, including the completion of a performing arts analysis for the site. Base on that analysis, it was determined that a studio-theater (200-seat range) was the preferred type of theater to incorporate into a project, if feasible.

Project Objectives

- Provide a combination of cultural, entertainment, and retail destination-oriented uses, such as restaurants, theaters, hotels, nightclubs, and mixed specialty retail.
- Provide a pedestrian and destination oriented project that will draw a large number of people during both day and evening hours.
- Represent first rate architectural design using high quality materials
- Serve as a catalyst redevelopment project, assisting in attracting additional quality developments to the area and the continued implementation of the JKL Corridor Strategic Direction.
- Provide high quality places to live within walking distance of the downtown urban entertainment venues
- Provide pedestrian and destination oriented projects that draw a large number of people during both day and evening hours



Woolworth's Building

The proposed Project is the renovation of the existing building at 1000 K Street to accommodate a 200+ seat live theater performance space, a restaurant, private dining facility and second level lounge and patio. The project will include the following:

- Basement Level: A new vehicular ramp access down into basement will be constructed from the alley to accommodate approximately 41 tandem parking stalls and mechanical and electrical rooms. The developer currently envisions that the parking will be valet only, for use by tenants' patrons.

- Ground Level: Approximately one half of the ground level will accommodate a new signature Paragary's restaurant and approximately one half the ground floor will accommodate the live theater. Seating for the restaurant will be 160-200, plus 40-60 seats in the bar/lounge area. The theater portion of the project will provide seating for approximately 200+ patrons, a generous lobby, shared restrooms with the restaurant and production support space. A large marquee will be added at the 10th/K corner of the building that will be designed to complement the Crest Theatre marquee across K Street.

- Second Level: The majority of the 2nd level will be dedicated to office, with the balance used for a bar and outdoor patio overlooking K Street that will be open to the public, but support the theater customers as well.