RESOLUTION NO. 2006-064

Adopted by the Redevelopment Agency
of the City of Sacramento

October 31, 2006

PROJECT CONCEPT APPROVAL FOR REDEVELOPMENT OF THE AGENCY-OWNED PROPERTY LOCATED AT 1000-1022 K STREET AND BUSINESS TERM APPROVAL FOR 1000 K STREET PROJECT

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 concepts are approved for the Agency-owned property located at the southeast corner of 10th/K streets:

a. 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.

b. Demolition of the 1012-22 K Street (former Rite Aid and Hit-or-Miss buildings) to accommodate a new mixed-use condominium project including approximately 130 residential units, on-site parking, and ground floor lobby entrance and retail. Pending final design, build-out is expected to commence in 2008 and will take approximately 2 years to complete.

Section 2. The following business terms are approved for the 1000 K Street site:

a. Provision of a $5.75 million contribution to the project.

b. Financial participation by the Agency would begin after the Developer has received a 10% Cumulative Return on Adjusted Costs (total costs net the funds contributed by the Agency). Once this threshold level has been achieved, the Agency will receive 50% of the net operating income in excess of the 10% return threshold.

c. Upon the sale of the project, the Agency will receive the greater of: 1) a lump sum payment equal to the capitalized value of the previous year's payment to the Agency by the developer or 2) after the payment of the third party debt and a return on Developer equity equal to 18%,60% of the remaining profit.

d. The Agency will retain the right to approve the users of the space.
e. The live theatre venue will operate approximately 50 weeks a year with eight performances a week.
f. If the theatre operation ceases, the Developer will seek other live entertainment users for the space.
g. An additional amount of up to $1 million will be utilized for soft demolition and environmental abatement of the site.

Section 3. Staff is directed to return to the Agency with a Disposition and Development Agreement for the 1000 K Street site and an Agreement for Exclusive Right to Negotiate (ERN) with K Street Central for a 240-day period regarding the terms of an agreements for redevelopment of 1012-22 K Street. The parties shall endeavor to accomplish the following ERN 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:

	Project #2 Condominium/Mixed-Use
Within 60 days	• Refine schematic designs

Within 90-days	• Refine estimated construction costs, including all applicable fees and contingencies • Refine development and operating proformas • Finalize project descriptions for Agency Site, sufficient for environmental review under the California Environmental Quality Act ("CEQA") • Solicit and incorporate comments from the Design Review Preservation Board for use in CEQA analysis • Begin CEQA analysis
Within 180 days	• Negotiate the terms of appropriate redevelopment agreements • Prepare Schedule of Performances for the construction period
Within 240-days	• Certify the CEQA document and adopt Mitigation Monitoring Plan • Obtain project approval from the Agency and execute the redevelopment agreements

Adopted by the City of Sacramento City Council on October 31, 2006 by the following vote:

Ayes: Councilmembers, Cohn, Hammond, McCarty, Pannell, Sheedy, Tretheway, Waters, and Vice Mayor Fong.

Noes: None.

Abstain: None.

Absent: Mayor Fargo

Robert King Fong, Vice Mayor

Attest:

Shirley Concolino, City Clerk