



**Sacramento
Housing &
Redevelopment
Agency**

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

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

Consent
October 31, 2006

Honorable Chair and Members of the Board

Title: 700 Block Revitalization – Predevelopment Agreement

Location/Council District: South side of K Street between 7th and 8th streets and the alley, 731 K Street, Kiosk in St. Rose of Lima Park, Central Business District (District 1)

Recommendation: Adopt an **Agency Resolution** that authorizes the City Manager, acting as the designated authority for the Redevelopment Agency, to execute a Predevelopment Agreement with Zeiden Properties (“Zeiden”) for an amount not to exceed \$300,000 allocated from Agency funding under the Disposition and Development Agreement (DDA).

Contact: Michelle Nelson, Senior Economic Development Manager, 808-7064

Presenters: Not applicable.

Department: Economic Development

Division: Downtown Development

Organization No: 4451

Description/Analysis

Issue: On June 13, 2006, the Redevelopment Agency (Agency) approved the execution of a Disposition and Development Agreement (DDA) with Zeiden Properties to provide property and funding for the rehabilitation of the properties located on the south side of K Street, 731 K Street and the kiosk in St. Rose of Lima Park. This report recommends approval of a Predevelopment Agreement to authorize an advance from the allocated Agency funds to expedite the design development and permit processing of the project. The not-to-exceed amount of \$300,000 will be paid on a reimbursement basis to Zeiden as design work progresses. If the project does not go forward, the Agency will retain rights to the design work.

Policy Considerations: The action recommended in this report is consistent with the Merged Downtown Redevelopment Project Implementation Plan and will further the rehabilitation of the 700 block and strengthen retail and other commercial functions.

Environmental Considerations: Zeiden has agreed that the improvements to qualified buildings will be done in compliance with the Secretary of the Interior Standards for Rehabilitation. As such, the project is exempt under the CEQA Guidelines Section 15331. All other non-historic buildings will be rehabilitated according to established codes and ordinances and are exempt under CEQA Guidelines Section 15301.

Rationale for Recommendation: The Agency is in the process of negotiating a purchase agreement for the remaining property on the 700 block of K Street in order to fully implement the Land Assembly Agreement and the DDA with Zeiden. Zeiden has targeted an opening date of October 2007 for the new retail district in negotiations with key tenants. In order to meet this aggressive timeline, design development must begin prior to the completion of purchase negotiations and conveyance of properties. The Predevelopment Agreement would reimburse up to \$300,000 for design development costs incurred prior to the completion of the Agency acquisition.

Financial Considerations: On June 13th, the Agency approved financial assistance to the project including a \$4 million forgivable loan for construction and tenant improvements. Agency will reimburse 50% of the initial design development and permit processing costs incurred by Developer. Total predevelopment expenses to be funded by the Agency shall not exceed \$300,000.

M/WBE Consideration: There are no M/WBE considerations applicable to the actions contemplated in this report.

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

Recommendation Approved:

Ray Kerridge
Ray Kerridge
City Manager

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RESOLUTION NO.

Adopted by the Redevelopment Agency
of the City of Sacramento

**APPROVAL OF 700 BLOCK REVITALIZATION
PREDEVELOPMENT AGREEMENT WITH ZEIDEN PROPERTIES**

BACKGROUND

- A. On April 18, 2006, the Redevelopment Agency of the City of Sacramento approved Resolution No. 2006-026 to enter into purchase and exchange agreements for the assembly of properties on the 700 and 800 blocks of K Street, including the south side of K Street between 7th and 8th streets and the alley, 731 K Street, Kiosk in St. Rose of Lima. Park.
- B. On June 13, 2006, the Redevelopment Agency of the City of Sacramento approved Resolution No. 2006-039 to enter into Disposition and Development Agreement (“DDA”) with Zeiden Properties to convey the property described above to Zeiden Properties for rehabilitation and re-tenanting of existing buildings on the property for a destination retail district.
- C. Zeiden Properties desires to aggressively pursue an October 2007 completion of the redevelopment project. In order to do this, design development and permit processing must begin immediately prior to the Developer knowing for certain the outcome of the Agency’s efforts to acquire the remaining property on the 700 block of K Street.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REVELOPMENT AGENCY RESOLVES AS FOLLOWS:

- Section 1. Improvements to qualified buildings will be done in compliance with the Secretary of the Interior Standards for Rehabilitation. As such, the project is exempt under the CEQA Guidelines Section 15331. All other non-historic buildings will be rehabilitated according to established codes and ordinances and are exempt under CEQA Guidelines Section 15301.
- Section 2. Authorize the City Manager, acting as the designated authority for the Redevelopment Agency, to execute a Predevelopment Agreement with Zeiden Properties (“Zeiden”) for an amount not to exceed \$300,000 allocated from Agency funding under the Disposition and Development Agreement (DDA).

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- Exhibit A Predevelopment Agreement

EXHIBIT A

PREDEVELOPMENT AGREEMENT BY AND BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO AND ZEIDEN PROPERTIES,LLC, FOR CERTAIN PREDEVELOPMENT ACTIVITIES PRIOR TO THE CLOSE OF ESCROW PURSUANT THE DISPOSITIONAND DEVELOPMENT AGREEMENT DATED JUNE 13, 2006.

RECITALS

WHEREAS On June 13, 2006, the Redevelopment Agency (Agency) approved the execution of a Disposition and Development Agreement (DDA) with Zeiden Properties, LLC, (Developer) to provide property and funding for the rehabilitation of the properties located on the south side of K Street, 731 K Street and the kiosk in St. Rose of Lima Park.

WHEREAS the Agency and Developer along with other property owners on the 700 and 800 blocks of K Street entered into the Land Assembly Agreement dated April 18, 2006 which upon certain terms and conditions implements an exchange of properties assembling parcels into workable sites for redevelopment projects on each of the 700 and 800 blocks of K Street;

WHEREAS, the land exchange contemplated by the Land Assembly Agreement is not scheduled to occur until the end of November 2006; and

WHEREAS, The Agency and Developer desire to expedite the design and redevelopment of the 700 Block properties into a new retail district as contemplated by the DDA.

AGREEMENT

NOW, THEREFORE, in consideration of their mutual promises, the parties agree as follows: The Agency agrees to fund an amount not to exceed Three hundred thousand dollars (\$300,000) to Developer as payment and/or reimbursement for certain predevelopment expenditures ("the Maximum Amount"). These funds will come from funds approved for a loan to Zeiden under the DDA.

1. Reimbursable Expenditures. The following are reimbursable expenditures (Reimbursable Expenditures) under this Agreement:

- (1) Architectural design, drawings and engineering work in furtherance of the project contemplated by the DDA.
- (2) Work for entitlements and building permits.

2. Reimbursement of Zeiden Properties. Should the Agency fail to convey the all Property described in Recital B of the DDA within the time specified in the DDA, as extended by mutual agreement of Agency and Developer, Agency shall reimburse Developer for Reimbursable Expenditures in an amount not to exceed Three hundred thousand dollars (\$300,000).

3. Agency Advancement of Funds. Agency, at Developer's option, shall advance up to but not exceeding fifty percent (50%) of the reimbursable expenditures up to the Maximum Amount. Failure to exercise this Advancement option does not affect or modify Agency's obligation under this Agreement for reimbursable expenditures up to the Maximum Amount. Any such funds advanced, hereunder, shall be advance from the funding approved under the DDA and not in addition to such funding. Should the Agency advance funds pursuant to this Section 3, and the Developer fails to perform under the DDA, then Developer shall reimburse Agency in the amount of such funds actually advanced

4. Agency Ownership of/rights to work produced. If Developer is reimbursed for its expenditures under the terms of this Agreement, then Agency shall own the right to and have the full use of the work produce including but not limited to drawings, renderings, elevations, and schematics.

5. Payment if Required. If payment is due under the terms of this Agreement, Agency makes such payment upon receipt and approval of original invoices for completed work. Agency retains the right to approve or disapprove invoices for payment upon Agency's reasonable determination whether the invoiced work was performed in accordance with this Agreement. If Developer presents proper invoices together with evidence, satisfactory to Agency, that Developer has paid the invoices, Agency shall disburse funds directly to Developer. If Developer presents invoices not yet paid by Developer, any payment to be made by Agency shall be paid jointly to Developer and the service provider.

6. Third Parties. This PDA and the DDA shall not operate to make the Agency liable for payment of any sums to any parties other than Developer; the PDA and the DDA are not executed for the benefit of any third parties.

7. Term. The effective date of this Agreement shall be the date of the Agency resolution approving its execution, ("Effective Date"). The period covered by this Agreement shall commence on the Effective Date and shall terminate upon complete implementation of the DDA, or 180 days from the date of this Agreement, whichever first occurs.

8. Developer Costs. Developer shall bear all costs relating to actions of Developer under this DDA, except as specifically provided for certain predevelopment expenditures in this Agreement.

9. No Liens or Encumbrances. Should Developer at its own volition decide to spend more than the reimbursable amount under this agreement and before the implementation of the DDA, Developer shall ensure that no liens or encumbrances are placed upon the Property as a result of Developer's activities.

10. Applicable Law; Venue. This PDA shall be construed in accordance with the laws of the State of California, and venue for any action under this PDA shall be in Sacramento County, California.

11. **Time of Essence.** Time is of the essence in the performance of the respective obligations of the parties under this Agreement.

12. **Attorneys' Fees.** In the event of any dispute between the Parties, whether or not such dispute results in litigation, the prevailing party shall be reimbursed by the other party for all reasonable costs and expenses, including, without limitation, reasonable attorneys' fees.

13. This is the entire Agreement between the Agency and Zeiden with regards to redevelopment of certain predevelopment expenditures. Nothing in this Agreement modifies or changes any terms or conditions of the Disposition and Development, the Forgivable Loan (and related documents), or the Regulatory Agreement.

Agreed hereto in Sacramento, California on October 31, 2006.

DEVELOPER : ZEIDEN PROPERTIES, LLC, a California limited liability company

AGENCY: THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a body corporate and politic

By: _____
Joseph Zeiden, Member
Authorized Signatory

By: _____
John Dangberg, Assistant City Manager
As Designated Signatory

Approved as to form:

Approved as to form:

Developer Counsel

Agency Counsel

