



**Sacramento
Housing &
Redevelopment
Agency**

**REPORT TO THE
REDEVELOPMENT AGENCY
AND CITY COUNCIL
of the City of Sacramento**

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

**Public Hearing
January 30, 2007**

**Honorable Mayor and Members of the City Council
Honorable Chair and Members of the Board**

Title: Owner Participation Agreement Business Terms and Sewer Credits Approval for Ella Dining Room Restaurant

Location/Council District: 1131 K Street, Central Business District (District 1)

Recommendation: 1) Adopt an Agency Resolution approving the business terms for a \$700,000 loan and \$50,000 exterior rebate grant to be incorporated into an Owner Participation Agreement with Ellajack, Inc. for the Ella Dining Room restaurant project (1131 K Street) and 2) Adopt a **City Resolution** which authorizes the use of up to 20 Sacramento Regional County Sanitation District (SRCSD) connection fee credits for the project.

Contact: Leslie Fritzsche, Downtown Development Manager, 808-5450

Presenters: Leslie Fritzsche, Downtown Development Manager, 808-5450
Randall Selland, Ellajack, Inc.

Department: Economic Development

Division: Downtown Development

Organization No: 4451

Description/Analysis

Issue: The building located at 1131 K Street (see Attachment I) has recently undergone a major renovation. The building owner, Bob Clippinger, has transformed an underutilized building into a high-end project that contains office space, 24 residential units and ground floor retail. The project cost was \$18.3 million and was assisted with a \$ 2.3 million loan from the Agency. To compliment the residential units and to stimulate vibrancy at 12th and K, the ground floor space has been identified for a destination restaurant, Ella Dining Room. This exciting restaurant, to be owned and operated by the proprietors of the renowned restaurant, The Kitchen, is anticipated to cost approximately \$ 4 million. The owners have secured \$3.25 million for the project, leaving a gap of \$750,000. Staff is recommending assisting the project with a \$700,000

loan for interior improvements and a \$50,000 exterior rebate grant to create outdoor dining, signage and lighting.

Ellajack, Inc.

The project's development entity is a newly formed California corporation with Randall Selland and Nancy Zimmer as directors. Randall Selland and Nancy Zimmer, owners of The Kitchen Restaurant and Selland's Market Café, have 40 years of experience in the restaurant and catering business in Sacramento. They opened The Kitchen Restaurant in 1991 and Selland's Café in 2001. Since its opening, The Kitchen Restaurant has consistently been named as one of Sacramento's finest dining experiences with a wait of three to four months for a reservation.

Ella Dining Room and Bar (Ella)

Ella will be an elegant restaurant that will have an open kitchen with an inviting ambience. The fare will feature "New American Bistro Food" made from the freshest, highest quality ingredients. The owners will utilize as many local products as possible in their offerings developing a distinctive cuisine built on Sacramento's agricultural assets. Customers can enjoy lunch or dinner in the dining room, bar or outside dining area. The outside patio area will serve to enliven this important K Street corner.

The design of this restaurant will be like no other currently in the region. An international design team, UXUS Designs from Amsterdam, will bring to the restaurant an old world ambience and elegance that will provide a unique and inviting dining experience. The design firm have a proven track record of developing successful designs for a variety of commercial clients in Europe and the U.S.

Proposed Development Schedule

If the business terms are approved, Agency staff will negotiate an Owner Participation Agreement (OPA) with Ellajack, Inc. This OPA will approve the funding and the project concept as proposed in the preliminary plans and scope of development, restrict uses that are inconsistent with the Merged Downtown Project Area and approve a development schedule for the project. Staff will bring the OPA back to the Agency for approval in February.

The project is expected to begin construction in February with an estimated completion date by June 2007. Plans have already been submitted to Development Services for approval. The owners are anxious to open Ella and to be part of the downtown community.

Public Benefits

The benefits of this project are numerous. In conjunction with the rehabilitation of the building, this project will continue the vibrant retail/dining offerings on the east end of K Street and strengthen the pedestrian experience. Other public benefits include:

- Use of high quality materials and design standards to ensure the integrity of the area;

- A restriction on uses that are inconsistent with the goals of the Redevelopment Plan and the shared vision for K Street as a vibrant shopping and entertainment district;
- Strengthening the economic base of the Project Area by providing 60 new jobs;
- Serving approximately 2300 patrons weekly;
- Adding \$362,000 in total sales tax with \$46,861 in sales taxes provided to the City of Sacramento.

Policy Considerations: The actions proposed in this report are consistent with the JKL Corridor development objectives for the K Street corridor as well as being consistent with the Merged Downtown Redevelopment Plan and Implementation plans. The project reinforces the goal of enhancing K Street as a dining and entertainment district.

Environmental Considerations: The proposed action to approve project concepts and authorize continued negotiations with the developer to further define the proposed project scope and to complete environmental review is authorized under CEQA Guidelines Section 15262, planning for possible future action is exempt from environmental review per CEQA Guidelines Section 15332.

Rationale for Recommendation: This proposed project will introduce a new dining venue to K Street, serving to further the goal of creating K Street into a unique dining and entertainment district. The project will complement other approved Agency investments on K Street and will draw people from the Convention Center and the Hyatt onto K Street. In addition, the project will eliminate blight by eliminating the vacancy found in the 1131 K Street building.

Financial Considerations: Staff has been negotiating with the members of Ellajack, Inc. (Randall Selland, Nancy Zimmer, and Josh Nelson) to refine project costs and the amount of public investment needed. Currently, the total project costs are estimated at \$4 million. Of that amount, approximately \$3.25 million has been identified.

The project's funding sources and scheduled uses are as follows:

<u>Sources</u>		<u>Uses</u>	
Private Equity	\$750,000	Leasehold Improvements	\$2,045,000
SBA 504 Loan (Greater Sacramento CDC/N. Calif. Bank)	\$1,200,000	Capital Equipment	\$ 590,000
N. California Bank (SBA 7A)	\$250,000	Inventory	\$ 97,500
Building Owner	\$1,050,000	Advertising/Opening Exp.	\$ 95,000
Agency - Loan	\$ 700,000	Working Capital	\$ 355,000
Agency – Façade Grant	<u>\$ 50,000</u>	Fees/Insurance/License	\$ 66,500
		Architectural/Eng.	\$ 353,000
		Rent During Const.	\$ 168,000
		Contingency	\$ 205,000
		Legal/Accounting	<u>\$ 25,000</u>
TOTAL	<u>\$4,000,000</u>	TOTAL	<u>\$4,000,000</u>

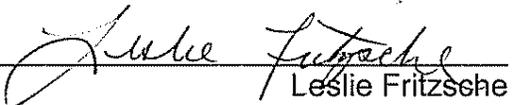
As is typical for restaurant financing, the costs for the project exceed the amount that can be financed using conventional methods. Because the majority of the budget will be used to tenant improvements, furniture, fixtures and equipment the project is difficult to fully finance. This is due in part to the collateral value of those items. The lenders involved in the project will be utilizing two Small Business Administration Loan programs and will be securing all of the project's fixtures and equipment as collateral for their loans. Thus the proposed Agency loan will be behind the other lenders leaving the loan unsecured. The strength of the project is based on the significant amount of "equity", representing 45% of the costs, reducing significantly the amount that needs to be debt serviced. The project's greatest asset is the success and track record of the local proprietors and their ability to receive national recognition for their culinary efforts. Their ability to successfully manage and operate a restaurant is critical to the project's success.

Ella will be a national draw for Sacramento. The international design of the project and the outstanding reputation of the owners, will bring both local and visitors to K Street, serving to anchor K Street's reputation for dining and entertainment.

The proposed \$700,000 loan will be a market rate loan. It will carry a five percent (5%) interest rate and will be amortized over twenty years. Staff is recommending a two year deferral of payments to provide the restaurant owners the opportunity to establish themselves in the downtown market. An exterior rebate grant of up to \$50,000 is envisioned to be used for exterior improvements such as patios, lighting and signage.

Additionally, staff is requesting the use of up to 20 Sacramento County Regional Sanitation District connection fee credits for the project.

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

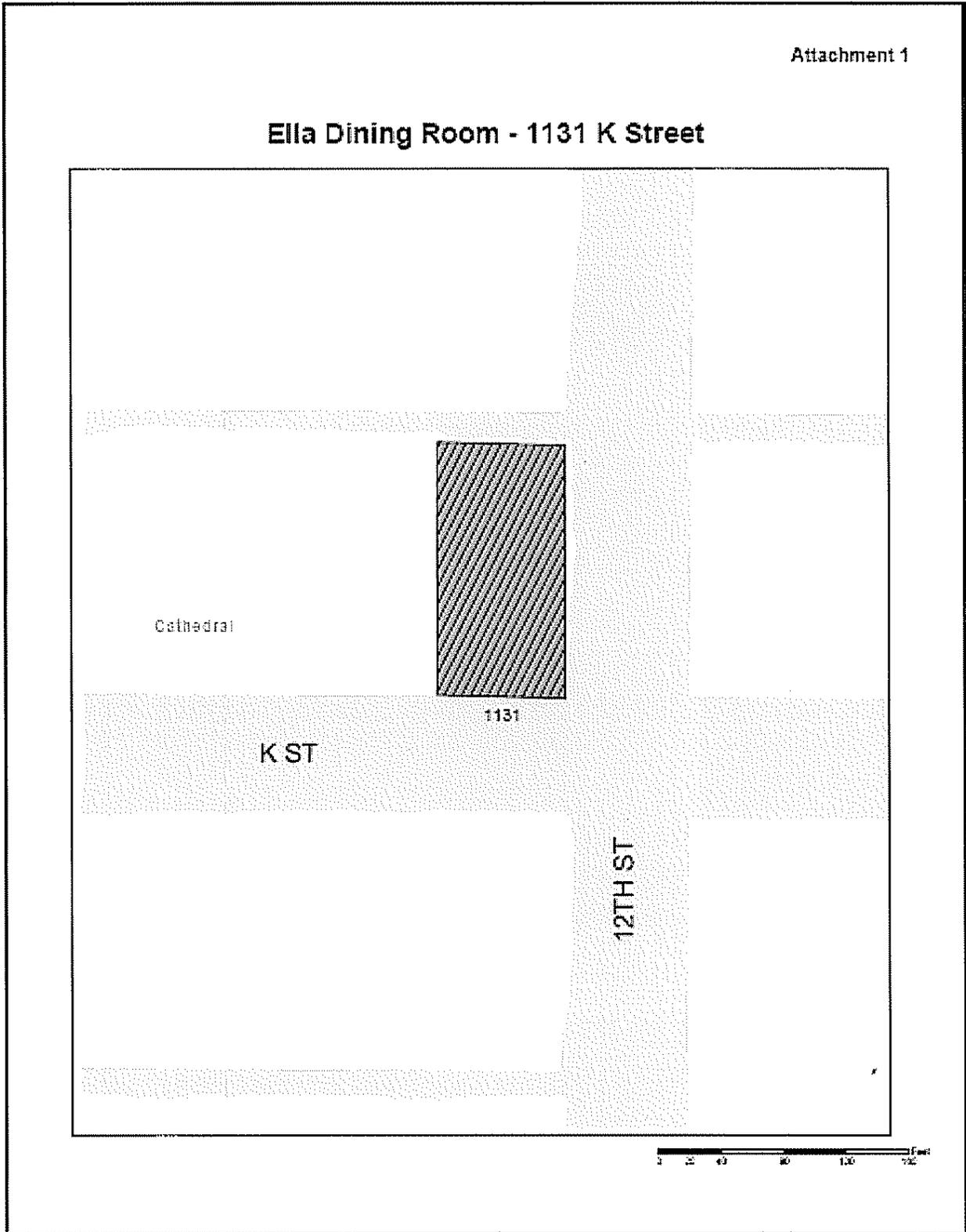
Recommendation Approved:


Ray Kerridge
City Manager

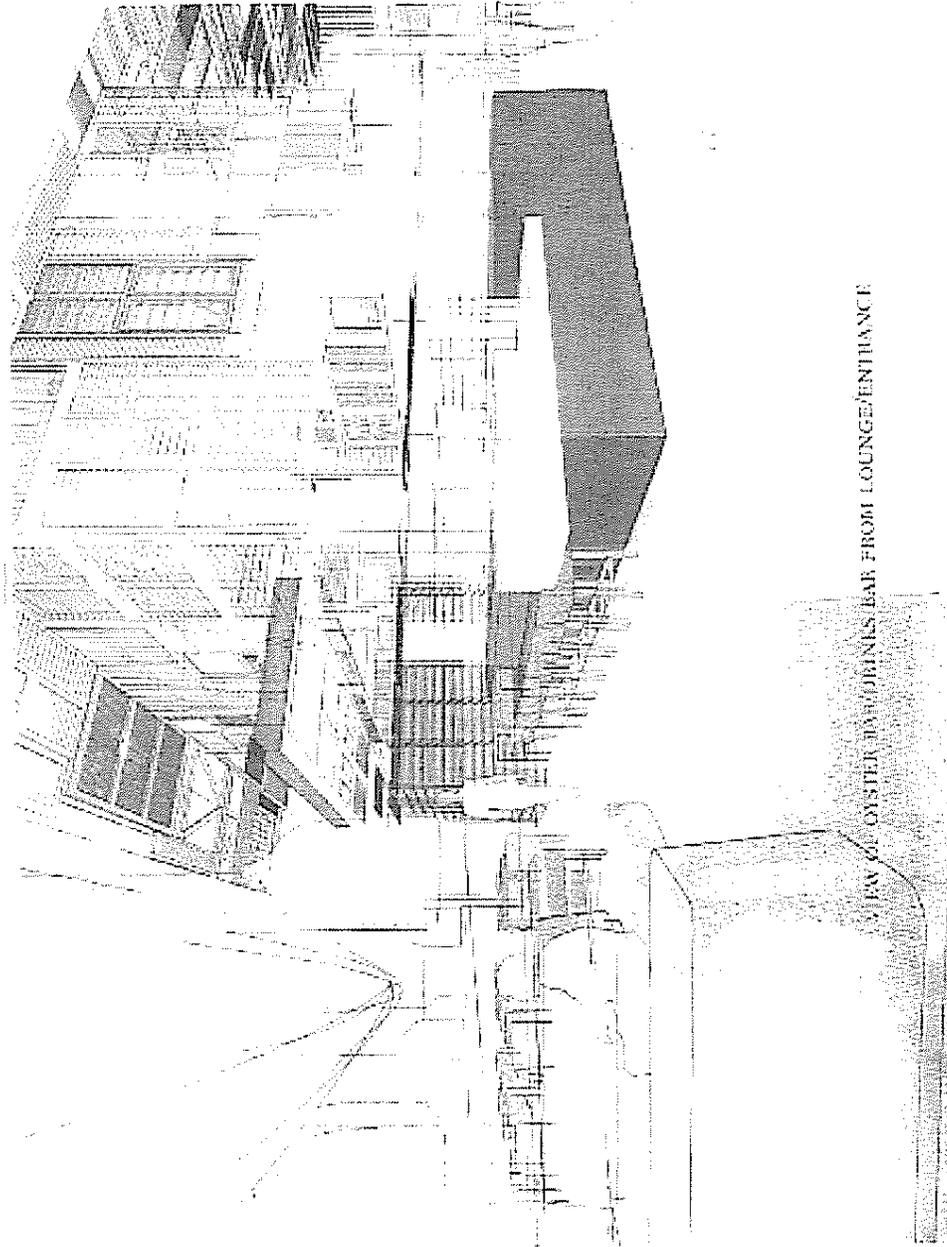
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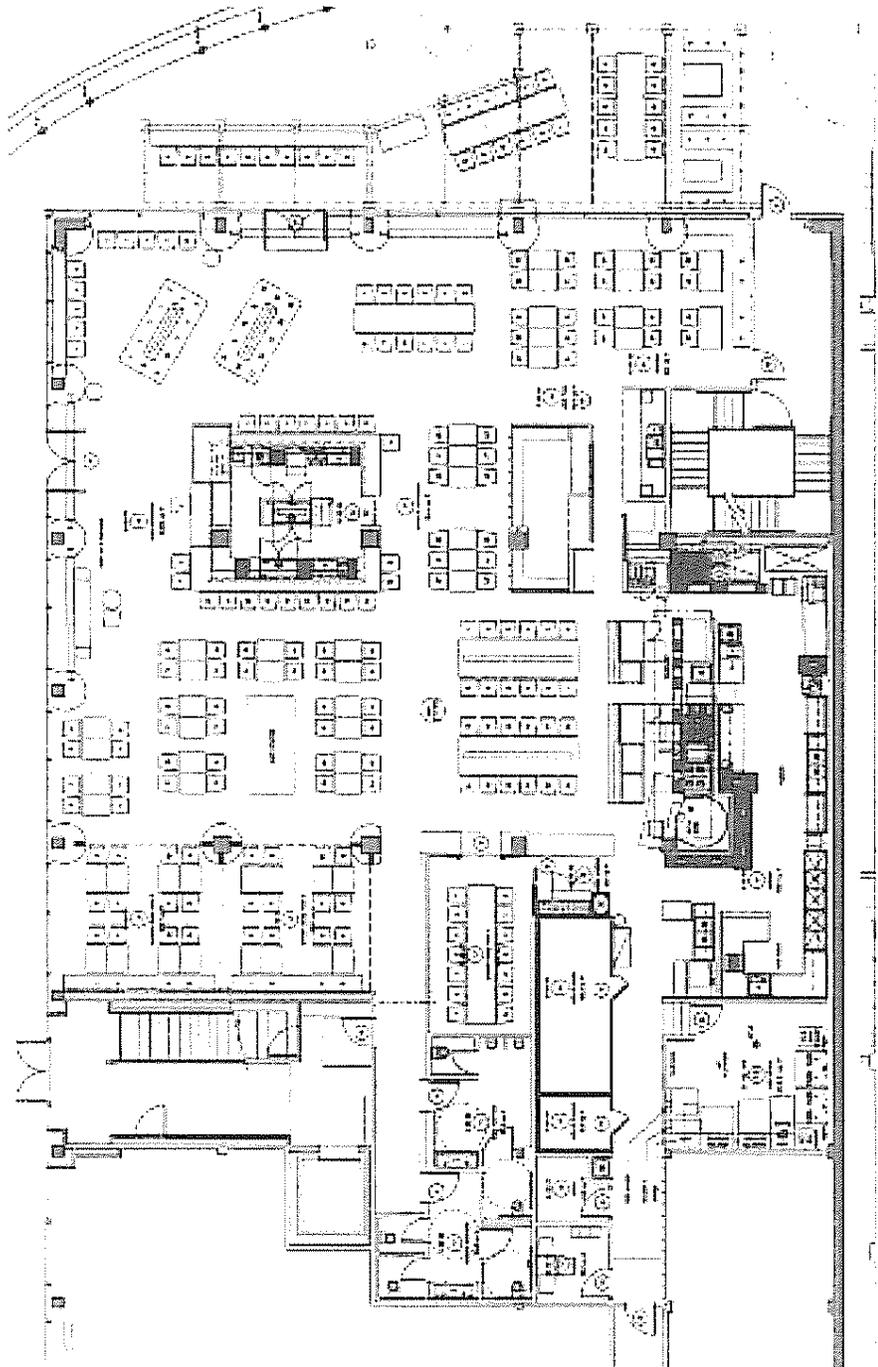
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Attachments			
1	Pg	6	Site Map
2	Pg	7	Preliminary Project Plans
3	Pg	9	City Council Resolution
4	Pg	10	Redevelopment Agency Resolution

Attachment 1



Attachment 2





ELLA RESTAURANT & BAR

RESOLUTION NO. 2007-_____

Adopted by the Sacramento City Council

**AWARD A MAXIMUM OF TWENTY SACRAMENTO REGIONAL COUNTY
SANITATION DISTRICT (SRCSD) CONNECTION FEE CREDITS FOR ELLA DINING
ROOM RESTAURANT AT 1131 K STREET**

BACKGROUND

- A. The Redevelopment Agency of the City of Sacramento ("Agency") has adopted the Merged Downtown Redevelopment Plan ("Redevelopment Plan") and an Implementation Plan for the Merged Downtown Project Area ("Project Area").
- B. In October 2004, the JKL Corridor Workshop brought together more than 250 community members to discuss the future of Downtown Sacramento, particularly their vision for the JKL corridors.
- C. One of the outcomes of that workshop was an interest in looking at stimulating redevelopment to eliminate both the physical and economic conditions causing blight along K Street.
- D. Development of additional restaurants is in keeping with the Agency's goals of creating K Street into a unique dining and entertainment district.
- E. City support in the form of the provision of regional sanitation sewer credits has been provided to other dining venues to support the feasibility of the projects.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

Section 1. The award of a maximum of twenty Sacramento Regional Sanitation Sewer Credits is approved for the Ella Dining Room Restaurant Project at 1131 K Street.

Section 2. Any and all credits awarded herein will expire if the recipients have not been issued a building permit for its respective above referenced development project within one year after the City Council has awarded the aforementioned sewer credits.

RESOLUTION NO. 2007-_____

Adopted by the Redevelopment Agency
of the City of Sacramento

**APPROVAL OF BUSINESS TERMS WITH ELLAJACK, INC.
FOR DEVELOPMENT OF THE ELLA PROJECT AT 1131 K STREET**

BACKGROUND

- C. The Redevelopment Agency of the City of Sacramento ("Agency") has adopted the Merged Downtown Redevelopment Plan ("Redevelopment Plan") and an Implementation Plan for the Merged Downtown Project Area ("Project Area").
- D. In October 2004, the JKL Corridor Workshop brought together more than 250 community members to discuss the future of Downtown Sacramento, particularly their vision for the JKL corridors.
- C. One of the outcomes of that workshop was an interest in looking at stimulating redevelopment to eliminate both the physical and economic conditions causing blight along K Street.
- D. Development of additional restaurants is in keeping with the Agency's goals of creating K Street into a unique dining and entertainment district.

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

Section 1. After due consideration of the facts presented, the findings, including the environmental findings of the project's exempt status are approved.

Section 2. Agency approves the following business terms to be incorporated into the Owner Participation Agreement, currently being negotiated:

- A loan of \$700,000 which will be repaid with five percent interest over a fifteen year period.
- Interest will accrue but no interest or principal payments will be due until the beginning of the third year of operation of the restaurant.
- Provision of up to a \$50,000 exterior rebate grant for exterior improvements including a patio, lighting, and signage.

