



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

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**Staff Report
April 3, 2007**

Honorable Chair and Members of the Board

Title: EXTENSION OF LOAN COMMITMENT FOR THE AURA PROJECT

Location/Council District: 601 Capitol Mall, Central Business District (District 1)

Recommendation:

Adopt a **Redevelopment Agency Resolution** extending the period of negotiations with Aura at 601 Capitol Mall, LLC for 45 days, expiring on May 24, 2007 to develop the terms of a maximum \$10,000,000 market-rate loan, which may be incorporated into an Owner Participation Agreement for the Aura condominium project.

Contact: Leslie Fritzsche, Downtown Division Manager, 808-5450
Presenters: Leslie Fritzsche
Department: Economic Development
Division: Downtown Development
Org. Number: 4451

Description/Analysis

Issue:

Craig J. Nassi, the managing partner of Aura at 601 Capitol Mall, LLC, (an affiliate of BCN Development, "Developer") is proposing to construct a 39-story, single-tower high-rise condominium building at 601 Capitol Mall in downtown Sacramento (see Attachment 1). The project, the Aura, is to be an approximately 268-unit condominium tower of approximately 297,000 square feet of saleable space, approximately 14,196 square feet of retail space and approximately 328 parking spaces. The Aura is being designed by world-renowned architect Daniel Libeskind and the exterior elevations are already familiar to many as a soon-to-be-identifiable downtown Sacramento landmark (see Attachment 2).

On February 6, 2007, the Agency approved business terms for a market-rate loan of \$10,000,000 to be incorporated into an Owner Participation Agreement with the Developer. The report and accompanying resolution provided sixty days

for staff to return to the Agency Board with the Owner Participation Agreement and any related documents. The 60 days expires on April 9, 2007. The parties have been actively pursuing the completion of these agreements. Due to continued negotiations with the other lenders on the project, however, the final terms of the OPA have not been determined.

Because of the importance of the project and the significant catalytic effect it will have for Sacramento, staff is seeking Agency approval to extend the period of negotiations for an additional forty-five days to May 24, 2007.

Project Status

The Developer has been working on the development of the Aura project for over three years. The market response for the project has been quite healthy and the development team has secured deposits for approximately 65 percent of the units. The overall schedule contemplates a 30-month development construction period.

The Developer has an extended option to acquire the land at 6th and Capitol Mall which must be exercised by April 20th and closed within thirty days afterwards.

Pending approval by the Agency of the extension, Agency staff will continue to negotiate the specific terms of the loan and the elements of an Owner Participation Agreement (OPA) with the Developer. This OPA will be brought back for governing board review of California Environmental Quality Act (CEQA) issues and for consideration of project approval. If approved, the OPA would establish 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.

Policy Considerations:

If the Agency and Developer enter into a subsequent OPA after appropriate review, consideration and approval, the resulting proposed project would be consistent with the Amended Merged Downtown Redevelopment Plan; the 2005-2009 Merged Downtown Implementation Plan; and the 2005 Downtown Sacramento Redevelopment Strategy, including:

- The increase in the supply of housing stock in the redevelopment area, and
- The establishment and implementation of performance criteria to assure high-quality site-design standards and environmental quality and other design elements, which provide unity and integrity to the entire Merged Downtown Project Area.

Additionally, the proposed project is consistent with the development objectives outlined in the recent JKL Community Workshop process.

Rationale for Recommendation:

At the direction of the Redevelopment Agency Board and the City Council, policy priorities that promote the downtown as a livable city with quality amenities and the ability to act a catalyst for further development are to be encouraged. The Aura is considered to be one of the keys to downtown redevelopment and revitalization activities. The construction of this new, architecturally significant building on a now-vacant site will continue the wave of new interest in developments along Capitol Mall. The new structures, including the 500 Capitol Mall and U.S. Bank Plaza, will significantly change the face of Sacramento's most important entrance gateway and will replace sites long vacant and underutilized. Other public benefits include:

- The condominium tower will bring approximately 400 high-disposable-income residents to the core of the downtown business district.
- The significant architecture, scale and location of the building will make it a City signature landmark.
- Capitol Mall is one of the main arterials and visible streets traversing through downtown Sacramento, with the Aura's location and features serving to visually frame the Mall corridor.
- The retail component will add complementary goods and services for both condo residents and the downtown population.
- The Aura is a genuine catalyst project that will stimulate additional private sector capitalization to the area.
- 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 district.
- Strengthening the economic base of the Project Area by providing 100 new jobs.
- Adding approximately \$1.3 million annually in new property tax.

Environmental Considerations:

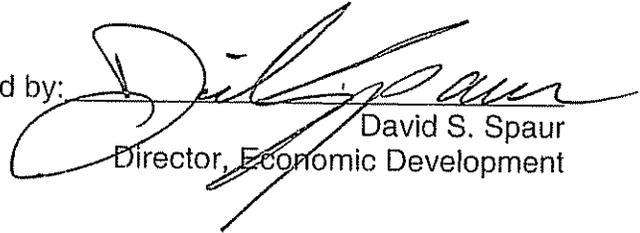
The proposed action to authorize Business Terms for purposes of negotiations with the developer to further define the Proposed Project scope and to commence environmental review, if necessary, is authorized under CEQA Guidelines Section 15262, planning for possible future action.

Financial Considerations:

The action sought in this report does not have any direct financial considerations.

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:



David S. Spaur
Director, Economic Development

Recommendation Approved:



Ray Kerridge
City Manager

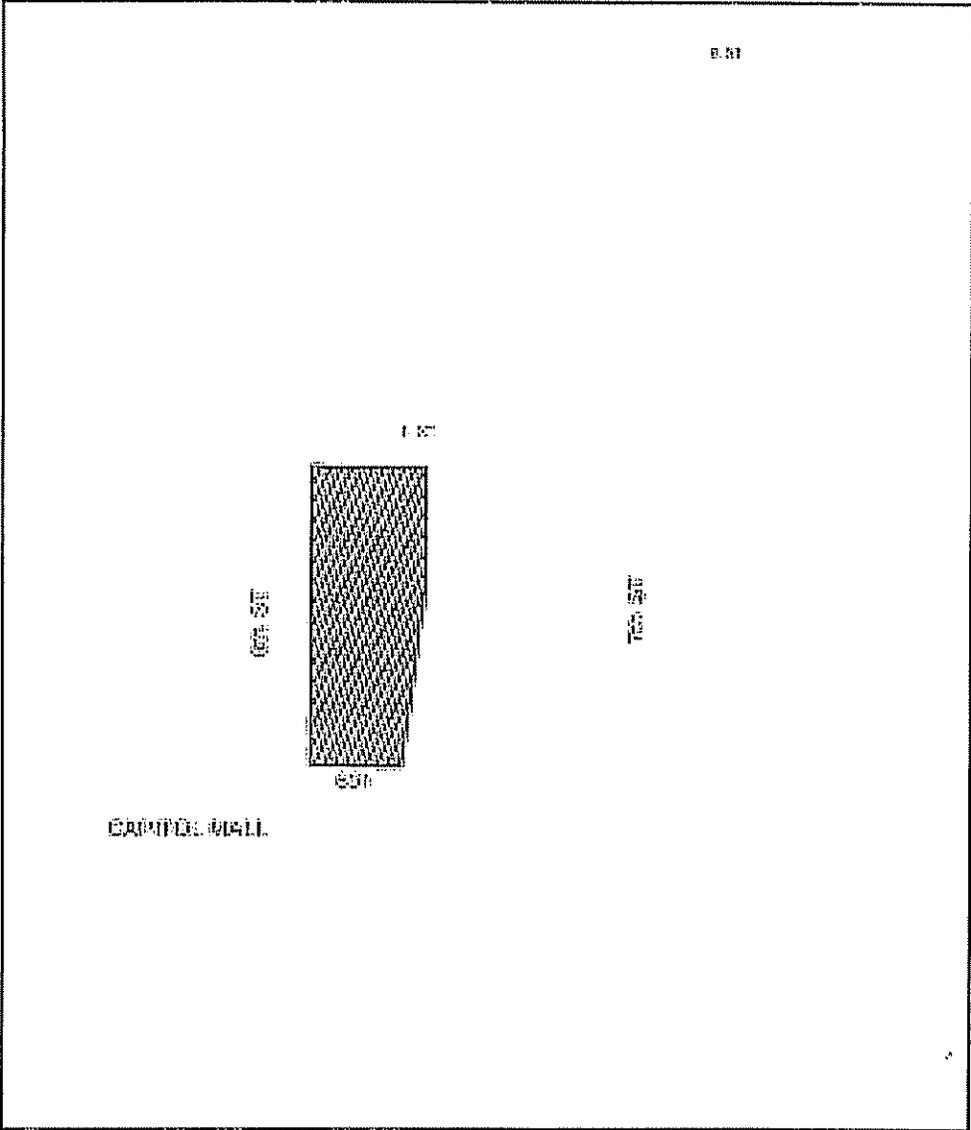
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Attachment 1

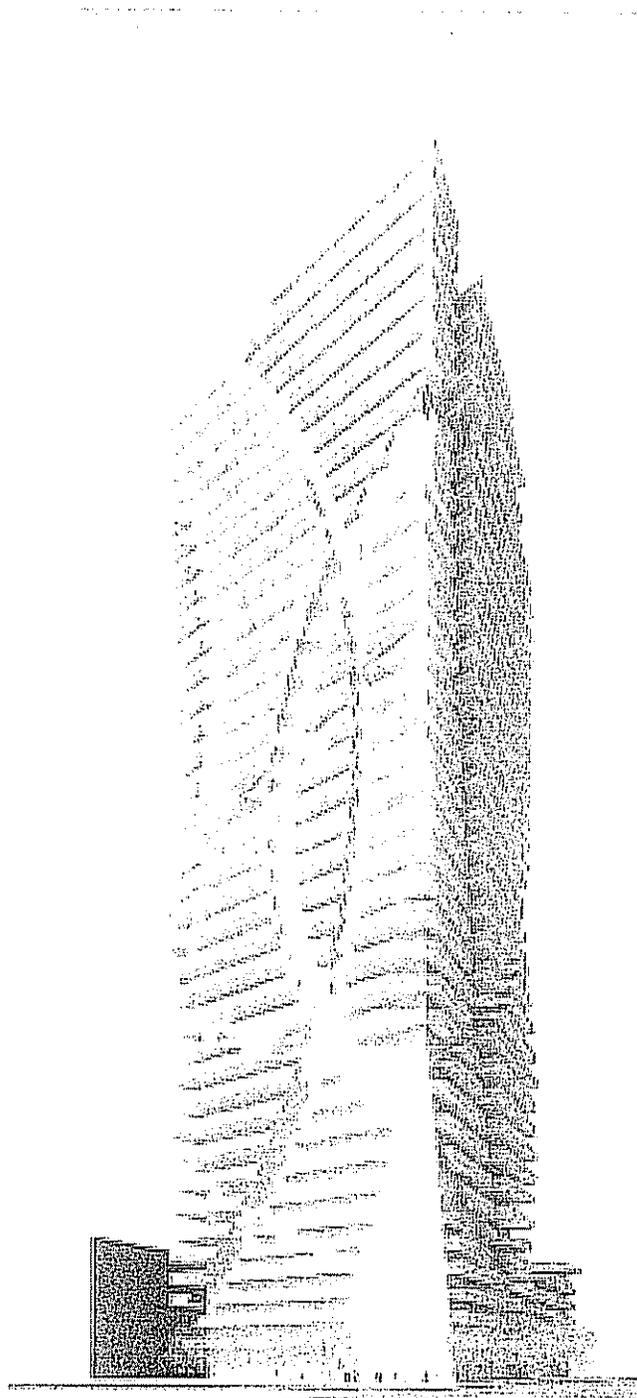
Site Map

THE AURA SITE



Attachment 2

Artist's Rendering of Aura Project



RESOLUTION NO. 2007-_____

Adopted by the Redevelopment Agency
of the City of Sacramento

**APPROVAL OF EXTENSION OF LOAN COMMITMENT
WITH AURA AT 601 CAPITOL MALL, LLC
FOR DEVELOPMENT OF THE AURA PROJECT AT 601 CAPITOL MALL**

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. One of the outcomes of the JKL Corridor Workshop was an interest in looking at stimulating redevelopment, especially new housing, to eliminate both the physical and economic conditions causing blight.
- C. Development of additional residential units is in keeping with the Agency's goals of enhancing housing opportunities in the downtown.
- D. On February 6, 2007, the Agency approved business terms for a market-rate loan of \$10,000,000 to be incorporated into an Owner Participation Agreement with the Developer. The report and accompanying resolution provided sixty days for staff to return to the Agency Board with the Owner Participation Agreement and any related documents.
- E. Due to continued negotiations with the other lenders on the project the final terms of the OPA have not been determined and an additional 45 days is required to complete these actions.

**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, it is found and determined that the proposed action is exempt from environmental review under the California Environmental Quality Act Guidelines Section 15262 as planning for possible future action.

Section 2. Agency approves the negotiations with Aura at 601 Capitol Mall, LLC for a proposed Owner Participation Agreement including a market-rate construction loan in the amount of \$10,000,000 with final terms of the loan to be negotiated.

Section 3. Agency approves an extension of this loan commitment until May 24, 2007.