



REPORT TO COUNCIL

City of Sacramento

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915 I Street, Sacramento, CA 95814-2604
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Consent
June 5, 2007

Honorable Mayor and
Members of the City Council

Title: Approve Agreement with Rapton Investment Group LLC; Mel Rapton, Inc.; and Colliers Macaulay Nicolls (California), Inc. for the Fulton Avenue Development (CB 34)

Location/Council District: 3701 Fulton Avenue/Council District 2

Recommendation: Adopt a **Resolution** authorizing the City Manager to execute an agreement with Rapton Investment Group LLC, Mel Rapton Inc., and Colliers Macaulay Nicolls (California), Inc. for payment of a \$175,000 fee, payable in two phases of \$87,500 each, associated with the Fulton Avenue Development project (CB34).

Contact: James R. Rinehart, Citywide Economic Development Manager, 808-5054

Presenters: Not applicable

Department: Economic Development

Division: Citywide

Organization No: 4453

Description/Analysis

Issue: The City, Rapton Investment Group LLC ("Rapton LLC"), and Mel Rapton Inc. ("Rapton Inc.") are parties to an *Agreement Regarding Conditions Precedent to Lease of Land* dated December 12, 2006, and designated as City Agreement No. 2006-1393 (the "Conditions Precedent Agreement"). The Conditions Precedent Agreement sets out the framework by which the City will lease to Rapton LLC the real property located at 3701 Fulton Avenue, which comprises approximately 17.5 gross acres (the "Property"). Rapton LLC in turn will enter into two subleases of the Property. The first sublease will be with Rapton Inc., which does business as Mel Rapton Honda; the second will be with a high-volume automobile dealership yet to be determined. The City and Rapton LLC have successfully concluded their negotiations of the ground lease described in the Conditions Precedent Agreement (the "Lease").

Subsection 10(f) of the Conditions Precedent Agreement ("Subsection 10(f)") provides as follows in the first sentence: "For services provided in connection with [the Conditions Precedent Agreement] and the lease of the Property, the City will pay a fee to Colliers International in accordance with a separate agreement." The purpose of the agreement now before the City Council is to discharge the City's obligation to Rapton LLC and Rapton Inc. under Subsection 10(f). Under the agreement, the City will pay a fee of \$175,000 to Colliers Macaulay Nicolls (California), Inc., which does business as Colliers International. Payment will be in two equal installments. The first \$87,500 installment is due within 10 days after the City and Rapton LLC enter into the Lease; the second installment is due within 10 days after Mel Rapton Honda begins retail operations on the Property, which is currently projected to occur in the late fall 2008.

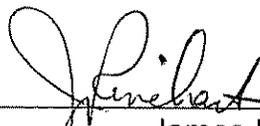
Policy Considerations: The Fulton Avenue Development project is consistent with the City of Sacramento Strategic Plan goals to expand economic development throughout the City and achieve sustainability and livability.

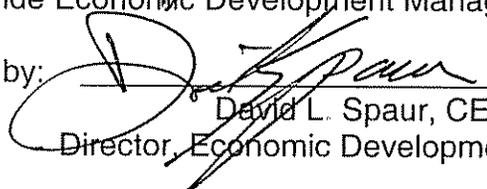
Environmental Considerations: In and of itself, the agreement now before the City Council does not raise any environmental considerations. The City Council approved the Fulton Avenue Development project, and the accompanying EIR, in January 2007.

Rationale for Recommendation: The City of Sacramento has expended considerable resources in support of the development of the Fulton Avenue Development project. Both parties have fulfilled their contractual obligations to date. In order for the Fulton Avenue Development to achieve its highest and best use, it is recommended that the Council direct the City Manager to execute the attached *Agreement for Discharge of Fee Obligation* and authorize payment to Colliers Macaulay Nicolls (California), Inc. in accordance with the agreement.

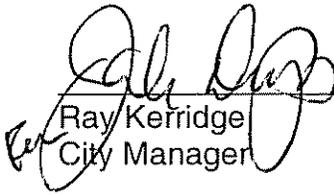
Financial Considerations: Financing for this project has been provided by pre-development funding in the amount of \$500,000 and a "bridge loan" in the amount of \$6.4 million approved by City Council on May 23, 2006, as part of the Community Reinvestment Capital Improvement Program ("CRCIP"). There is sufficient funding in CB34 to compensate Colliers Macaulay Nicolls (California), Inc., in the amount of \$175,000.

Emerging Small Business Development (ESBD): Not applicable.

Respectfully Submitted by: 
James R. Rinehart
Citywide Economic Development Manager

Approved by: 
David L. Spaur, CECD
Director, Economic Development

Recommendation Approved:



Ray Kerridge
City Manager

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Attachments

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Attachment 1**FULTON AVENUE DEVELOPMENT BACKGROUND REPORT**

The City had leased 21± acres of Del Paso Park ("Site") to the Sacramento Trapshooting Club ("STC") since approximately 1915. In 2002, the City Council directed staff to examine potential alternatives for the "highest and best" uses of the Site. In 2004, Colliers Macaulay Nicolls (California), Inc., which does business as Colliers International, presented the City with a written request from Mel Rapton Inc. ("Rapton Inc.") for a lease on a portion of the Site. Rapton Inc. does business as Mel Rapton Honda and desires to move that automobile dealership to the Site from its current location on Fulton Avenue. To this end, on June 1, 2004, the City and Rapton Inc. executed an Exclusive Right to Negotiate ("ERN") The City Council has renewed the ERN twice, and Rapton Inc. has assigned its rights under the ERN to its affiliate, Rapton Investment Group LLC ("Rapton LLC").

In July 2004, the City initiated a process under the regulatory oversight of the County of Sacramento Environmental Management Department ("EMD") and the Central Valley Regional Water Quality Control Board ("Board"), by which the contamination of the Site would be characterized and appropriate remediation would be developed and ultimately implemented.

On September 30, 2004, STC's lease of the Site expired, and the City notified STC that the lease had converted to a month-to-month basis. The City subsequently terminated STC's lease, effective June 30, 2006.

On December 12, 2006, the City Council approved an *Agreement Regarding Conditions Precedent to Lease of Land* between the City and Rapton LLC. That agreement memorializes the parties' progress in negotiating a lease of the Site and commits the parties to perform specified tasks.

In January 2007, the City Council approved the following documents in connection with development of the Site: Environmental Impact Report; Mitigation Monitoring Plan; General Plan Amendment to redesignate 20± gross acres from Parks, Recreation, and Open Space to Heavy Commercial/ Warehouse; Rezone of 20± gross acres from the Single Family (R-1) zone to the Heavy Commercial Planned Unit Development (C-4 PUD) zone; Establishment of the Fulton Avenue Planned Unit Development (PUD), including PUD Guidelines and a PUD Schematic Plan; Tentative Parcel Map to subdivide one parcel into two parcels; and Subdivision Modifications to allow non-standard streets.

In March 2007, the EMD approved the Final Implementation Plan for the remediation of the Site. In April & May 2007, the City of Sacramento received approval from the U.S. Army Corps of Engineers, the U.S. Fish & Wildlife Service, and the Central Valley Regional Water Quality Control Board for work associated with the remediation of the Site.

Financing for this project has been provided by a "pre-development funding" in the amount of \$500,000 and by a "bridge loan" in the amount of \$6.4 million, approved by the City Council on May 23, 2006.

RESOLUTION NO. 2007- _____

Adopted by the Sacramento City Council

AGREEMENT BETWEEN THE CITY, RAPTON INVESTMENT GROUP LLC; MEL RAPTON, INC.; AND COLLIERS MACAULAY NICOLLS (CALIFORNIA), INC. IN CONNECTION WITH THE FULTON AVENUE DEVELOPMENT PROJECT (CB34)

BACKGROUND

- A. The City of Sacramento owns the property at 3701 Fulton Avenue, the proposed site of the Fulton Avenue Development project ("Site").
- B. The City had leased the Site, comprising 21± acres of Del Paso Park, to the Sacramento Trapshooting Club since approximately 1915. The lease expired on September 30, 2004, and the Trapshooting Club operated on the premises under a month-to-month basis until the lease was terminated on June 30, 2006.
- C. In 2002, the City Council directed staff to examine potential alternatives for the "highest and best" uses for the Site.
- D. In March 2004, Colliers International presented the City with an opportunity to lease the Site to Mel Rapon, Inc., which does business as Mel Rapon Honda.
- E. An Exclusive Right to Negotiate ("ERN") was executed on June 1, 2004, between the City and Mel Rapon, Inc. The ERN granted Mel Rapon, Inc. the exclusive right to negotiate with the City for the lease of the Site. It was renewed twice by the City Council and expires on August 31, 2007.
- F. The City Council certified an environmental impact report ("EIR") for the Fulton Avenue Development project on January 16, 2007.
- G. On December 12, 2006, the City Council approved an *Agreement Regarding Conditions Precedent to Lease of Land*, which is designated as City Agreement No. 2006-1393. The Conditions Precedent Agreement memorializes the parties' progress in negotiating a lease and commits them to perform specific actions.
- H. Execution of the attached Agreement for Discharge of Fee Obligation is required by subsection 10(f) of the Conditions Precedent Agreement.

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

Section 1: The facts set forth in the Background are correct.

Section 2: The City Council hereby approves the attached *Agreement for Discharge of Fee Obligation* and authorizes the City Manager to execute that agreement on the City's behalf.