



# REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento

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

Consent  
June 26, 2007

Honorable Chair and Members of the Board:

**Title:** Extension of Docks Area Exclusive Right to Negotiate and Revised Business Terms

**Location/Council District:** The Docks Area is located along the eastern bank of the Sacramento River, north of the Marina/Miller Park, west of Interstate 5 and south of Capitol Mall. (Council District 4).

**Recommendation:** Adopt a Redevelopment Agency Resolution to 1) extend the term of the Agreement for the Exclusive Right to Negotiate with KSWM Docks Partners, LLC by 270 days to March 31, 2008; and 2) approve the Revised Term Sheet and Revised Performance Schedule for Phase I of the Docks Area project.

**Contact:** Beth Tincher, Senior Economic Development Project Manager, 808-7730; Leslie Fritzsche, Downtown Development Manager, 808-5450

**Presenters:** N/A

**Department:** Economic Development

**Division:** Downtown Development Group

**Organization No:** 4451

**Description Analysis:**

**Issue:** The Agency approved an Exclusive Right to Negotiate (ERN) with KSWM Docks Partners, LLC (Developer) on January 5, 2006 for the development of the Docks project area. On October 31, 2006, business terms were approved for Phase I of the Docks project, with specific terms for entitlements, acquisition and remediation to be outlined in a Disposition and Development Agreement that was to return to the Agency by June 30, 2007. Phase I generally includes all of the properties north of the Pacific Gas and Electric (PG&E) parcel (APN: 009-0012-003) to Q Street, and is approximately eight acres. A map identifying the Docks project area and Phase I is included as Attachment 2.

The project has experienced several challenges that have affected the project schedule. Detailed discussion regarding the challenges and the progress on each of the business terms is provided in Attachment 4.

The Developer is aware of the challenges and schedule adjustments, and remains committed to the project. To show their continued support, the Developer will participate in additional third-party costs in the following manner:

1. Fund a market feasibility study of the land use alternatives and proposed standards in the specific plan.
2. Deposit another \$75,000 for planning, engineering and environmental studies.

This report asks for Agency approval to extend the ERN period by 270 days to allow sufficient time to complete the necessary predevelopment assessments and negotiate a Disposition and Development Agreement (DDA) with the development team.

**Policy Considerations:** The Docks Area project and business terms will result in a proposed project consistent with the City of Sacramento’s 2003 Sacramento Riverfront Master Plan, the 2005-2006 Docks Area Community Planning Process and the Amended Merged Downtown Redevelopment Plan and Five-Year Strategy.

**Environmental Considerations:** Approval the extension of the ERN and related business terms, which authorizes staff to negotiate with the Developer to further define the scope of the proposed development project and to complete the environmental review process for the Docks Specific Plan is authorized under CEQA Guidelines Section 15262, planning for possible future action.

**Rationale for Recommendations:** Phase I Business Terms and timelines for each of these actions were included in the approved agreement. Due to numerous challenges and additional steps identified in Attachment 4, the Agency and Developer can not complete the actions according to the original time schedule. In summary, the following performance schedule modifications are recommended.

Business Term	Original Schedule	Revised Schedule
<b>Developer</b>		
Work with Agency to ensure entitlements reflect feasible and marketable project	June 30, 2007	March 31, 2008
Assist in identifying remediation options	June 30, 2007	September 30, 2007
DDA for Development of 300-500 units in Phase one once remediation/infrastructure issues are complete	DDA by June 30, 2007	DDA by March 31, 2008
<b>Agency</b>		
Evidence of Agency Site Control	June 30, 2007	January 31, 2008
Evidence of Acquisition Financing	January 31, 2007	January 31, 2008
EIR and Entitlements Approved	June 30, 2007	March 31, 2008
Decision to repair or replace	January 31, 2007	February 29, 2008

Pioneer Reservoir		
DTSC – Environment Oversight Agreement and Health Risk Assessment Scope of Work	June 30, 2007	September 30, 2008
Riverfront Promenade: Build with Phase I	June 30, 2007	Determine construction phasing by March 31, 2008
Evidence of funding Phase I infrastructure and remediation	June 30, 2007	March 31, 2008
Relocation Plan for current tenants in Phase I plan area	January 31, 2007	March 31, 2008

**Financial Considerations:** Amendments to the planning, engineering, and environmental costs will be necessary to complete the entitlement process. It is anticipated that these costs can be accommodated in the budget established in October, 2006. To assist with additional planning and environmental costs related to the project, the Developer will participate in these third-party costs in the following manner:

1. Fund a market feasibility study of the land use alternatives and proposed standards in the specific plan.
2. Deposit another \$75,000 for planning, engineering and environmental studies.

This deposit is in addition to the \$100,000 deposit previously made by the developer upon execution of the original ERN. These initial funds are being used for completion of entitlements, including but not limited to, the Environmental Impact Report (EIR), the Docks Area Specific Plan and related infrastructure/facilities plans. The additional \$75,000 will be refunded to the Developer if they choose not to move forward with the Docks project.

If the Agency approves the ERN extension and business terms, staff will return to the Agency with a refinement of costs, including final acquisition, remediation and infrastructure. Costs associated with the remediation will be part of the negotiated settlements for the acquisitions. It is currently estimated that the infrastructure costs are approximately \$3.5 million.

The amount and type of public assistance required for the development of Phase I will depend on the mix of product type identified in the Docks Area Specific Plan. This plan and negotiations for the DDA will reflect market conditions as well as the availability of funds at the time of negotiations. Future phases of development will be based on final decisions related to the location of the Pioneer Reservoir, market conditions and future funding availability.

**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  
Leslie Fritzsche  
Downtown Development Manager  
on behalf of the Redevelopment Agency  
Of the City of Sacramento

Approved by: David L. Spaur  
David L. Spaur, CEcD, EDFD  
Economic Development Director

Recommendation Approved:

Ray Kerridge  
RAY KERRIDGE  
City Manager

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## **Background Docks Area Redevelopment Project**

In July 2003, the City of Sacramento accepted the Sacramento Riverfront Master Plan (Master Plan) following a community process supported by both the cities of Sacramento and West Sacramento. The Master Plan identified two opportunity sites targeted for redevelopment on the City of Sacramento riverfront. One of those opportunity sites is the Docks Area, located north of the Marina/Miller Park, west of Interstate 5, south of Capitol Mall and east of the Sacramento River. The Master Plan includes a design for a continuous riverfront promenade/parkway along the urbanized areas of the Sacramento River.

In 2005, the community engaged in an extensive planning process to further define the redevelopment concepts for the Docks Area. The Docks Area community planning process resulted in a number of concept plans, all of which included a riverfront parkway/promenade. In addition, a number of guiding principles were established for the redevelopment of the Docks Area, including:

1. Access to the riverfront;
2. Linkages to adjacent neighborhoods;
3. Pedestrian orientation; and
4. An animated riverfront.

In October 2005, the Agency issued a Request for Qualifications (RFQ) to determine developer interest in the Docks Area. Following an extensive review of received submittals and a community workshop and interviews, a development team was selected by the evaluation committee. On January 5, 2006, an Agreement between the Agency and KSWM Docks Partners, LLC for the Exclusive Right to Negotiate was approved for the development of properties north of the Pioneer Bridge in the northern section of the Docks Area.

In April 2006, SACOG awarded the City of Sacramento (City) a \$1.239 million grant for the design and construction of the Docks Area Riverfront Promenade. The City has entered into a Memorandum of Understanding for the grant and provided the required local matching funds from Merged Downtown Redevelopment Project Area funds.

On May 23, 2006, staff received direction from City Council to issue a Request for Proposals for the design of the levee improvements and riverfront promenade/parkway. Following Council direction, a Request for Proposals was issued for the Docks Area levee improvements and riverfront promenade design. An evaluation committee made up of the City's Docks Area technical team, including seven staff members from the City's Economic Development, Parks and Recreation, Transportation, and Planning departments reviewed the initial proposals. One proposal was received for the civil design work. Four proposals were received for the landscape architecture, permitting and community outreach portion of the project. The civil design team met all the necessary qualifications. The evaluation team recommended selecting Walker Macy as the landscape architect firm.

On May 26, 2006, the City was awarded a \$183,620 grant from the California Department of

Transportation for the community outreach process related to the promenade/parkway design. On August 22, 2006, \$45,905 in local matching funds was approved. These funds came from the Merged Downtown Redevelopment Project Area funds.

On May 30, 2006, the Agency approved an Environmental Oversight Agreement between the Agency and the State of California Department of Toxic Substances Control for oversight and guidance on proposed remediation strategies for redeveloping the Docks Area.

In August, 2006, a number of community meetings were held to solicit public input on the final draft land-use plans. In addition, on August 22, the Agency allocated \$7.26 million for land acquisition and related costs within the Docks area.

On October 31, 2006, the Agency approved the Docks project concepts and adopted the following business terms for Phase I of the project:

**Business Terms – Developer Responsibilities:**

- a. Continue to work with the Agency to ensure the entitlements for the project area reflect a feasible and marketable development;
- b. Participate in efforts to identify remediation options for the project with the Agency's Environmental Oversight Agreement (EOA) with DTSC; and
- c. Develop 300-500 units in Phase I of the project, once remediation and infrastructure issues have been completed.

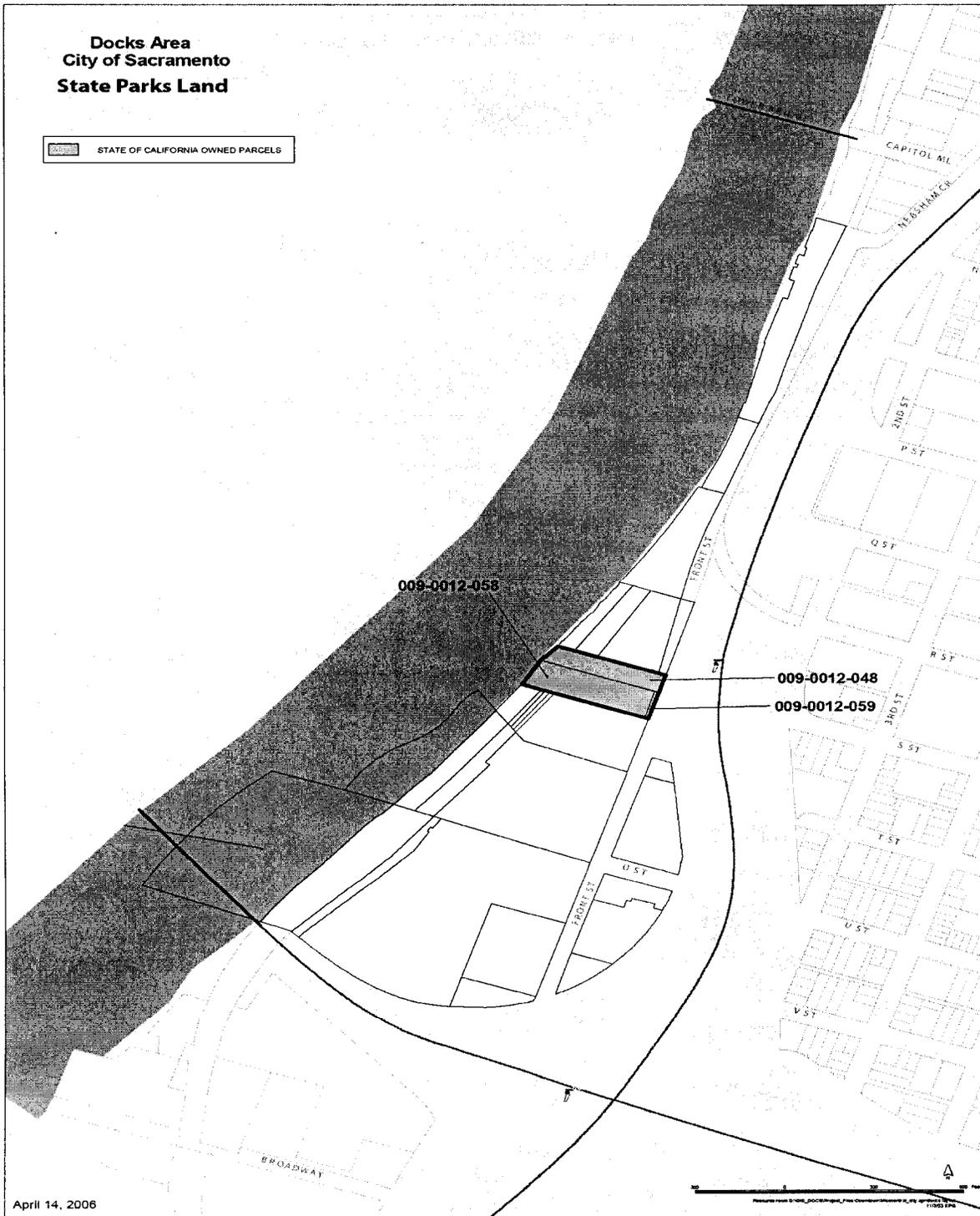
**Business Terms – Agency Responsibilities:**

- a. Complete the acquisition of all properties located north of Pioneer Bridge and west of Front Street;
- b. Complete the entitlements for the properties north of Pioneer Bridge and west of Front Street;
- c. Complete the remediation process through the EOA with DTSC for all properties north of Pioneer Bridge and west of Front Street;
- d. Complete all infrastructure improvements for Phase I of the project, subject to funding availability;
- e. Work with the City to determine plan for the repair/replacement of Pioneer Reservoir; and
- f. Work with the City to continue developing the riverfront promenade.

Attachment 2  
Map of the Docks Area and Phase I



**Attachment 3  
Phase I State Parks Parcels**



**Attachment 4**  
**Business Terms Progress Update**

**1. Site Control:**

**Business Term:** Agency agrees that on or before June 30, 2007 the Agency will provide written evidence to Developer demonstrating Agency has secured site control.

**Progress:** Legislation is required to purchase three parcels from State Parks to complete acquisition of land needed for Phase I development (see Attachment 3). This legislation was initiated in February, 2007 and has been passed by the Assembly and is currently in the Senate approval process. The outcome of this legislation is anticipated in October, 2007.

A negotiated agreement with PG&E for the acquisition of land was included in the business terms. Staff may approach PG&E for easements for the development of the promenade, but the development of the PG&E site is slated for Phase II of the development of the project area. A health risk assessment (HRA) is being prepared to determine health risks associated with contamination on the site once remediation is complete. It took several months to receive Department of Toxic Substances Control (DTSC) approval of the HRA document outline and identify data gaps. Additional data is currently being gathered and a draft HRA document will be available for DTSC review in July, 2007. Development of the PG&E site is not anticipated to occur for at least 2-3 years. The purchase of the site is not a high priority and has been removed from the proposed Phase I business terms.

**Adjusted time line:** Approximately January 31, 2008 for the acquisition of the State Parks parcels.

**2. Agency to Provide Evidence of Financing**

**Term:** On January 31, 2007 Agency shall provide evidence to the Developer that there is funding available to purchase properties in Phase I.

**Progress:** On August 22, 2006, the Agency allocated \$7.26 million from the Merged Downtown Development Assistance project for the appraisals, acquisition and development costs related to acquiring property in the entire Docks Area. The only properties that are critical for Phase I development are the three State Parks parcels identified in Attachment 3. The Agency has prepared appraisals for these parcels as well as the PG&E site. Once legislation is approved, the Agency and State Parks can complete negotiations to purchase and/or swap other land for these parcels.

**Adjusted time line:** January 31, 2008

**3. Project Entitlements**

**Term:** Agency will use best efforts to ensure the Environmental Impact Report is certified, a Specific Plan is approved, and related entitlements are approved by June 30, 2007.

**Progress:** Staff is working through the land use planning process and development of a Specific Plan document, but the schedule has been extended for the following reasons:

a) Promenade Design: A major challenge the City experienced in the development of the

Promenade design is related to Sacramento Area Flood Control Agency (SAFCA), the Army Corps of Engineers (ACOE) and the State Reclamation Board's desire to move toward a greater level of flood protection. Currently, the Docks area meets 100-year flood protection. While the City does not intend to modify the levee as part of the promenade project, the City wants to ensure that future flood protection enhancement is not limited by the promenade design and that future flood protection improvements do not require promenade reconstruction. While all three agencies seem to be moving toward 200-year flood protection, there are currently no criteria for designing/constructing 200-year flood protection. These agencies believe that the required study and development of 200-year flood protection may take up to three years to complete.

Preliminary designs for the promenade have been shared with these agencies. At the last meetings with these agencies in March-April, 2007 the City received favorable feedback on the promenade design. A formal application will be filed with the State Reclamation Board in October 2007. Construction drawings are anticipated to be complete in April 2008, which will give the City a construction start date in October 2008. Since land use planning efforts and entitlements have been synchronized with the promenade design efforts, construction of the promenade may precede or be built concurrent with the Docks Phase I development depending on funding availability.

b) Land Use Plan and Promenade Design: Six public workshops and several stakeholder meetings have been conducted. A concern relayed in these meetings was a desire to ensure that open space elements in the land use plan had a strong integration with promenade design elements. To ensure this concern was addressed, the City synchronized the schedule for the land use plan and Specific Plan development with the promenade design.

c) Health Risk Assessment: A health risk assessment (HRA) is required by the State Department of Toxic Substances Control (DTSC) and a portion of it will be included in the Environmental Impact Report (EIR). A considerable amount of time was spent obtaining DTSC's approval of data gaps and approval of the HRA outline. The HRA will be complete in August, 2007.

Adjusted timeline:

Refine Land Use Plan: June, 2007

Prepare Specific Plan: June – July, 2007

Health Risk Assessment: December, 2006 – August, 2007

Prepare EIR: April: Additional Scoping Meeting, Circulate Draft EIR: October, 2007

Response to Comments: November, 2007

Approval of Entitlements: January, 2008 – February, 2008

#### **4. Pioneer Reservoir**

Term: Agency shall work with the City and provide the Developer with a plan on or before January 31, 2007 for the repair and/or replacement of the City Pioneer Reservoir.

Progress: In January 2006, the City hired a consultant to prepare a study to analyze the costs for the following three options: 1) reroof the Pioneer Reservoir facility, 2) reinforce the

roof to support a park, and 3) relocate the facility. Black and Veatch prepared the analysis, which resulted in the following:

Item	Cost
Fix roof on existing facility	\$12.5 million
Reinforce roof to support a park	\$60 million
Relocate facility	\$81 million

In July, 2006, the Developer hired its own consultant and looked at alternative treatment methods in their proposed solutions. The analysis was prepared by ARUP and resulted in the following:

Item	Cost
Reinforce roof to support a park	\$56.6 million
Relocate with conventional storage	\$40.5 million

Long term, the City will prepare a comprehensive study of the Combined Water/Sewer system and proposed improvements to upgrade the entire system. Since this study may not be complete within the Docks entitlement performance schedule, the Department of Utilities has agreed to fund an internal study that will 1) value engineer a re-roof/park option to determine if there is a more cost effective alternative to what has been previously presented, and 2) examine whether or not the Pioneer Reservoir capacity could be absorbed into another current or future facility.

Updated timeline: Present findings by February 29, 2008

**5. DTSC Deed Restrictions**

Term: Agency agrees to complete the Scope of Work identified in the Environmental Oversight Agreement (EOA) with the Department of Toxic Substances on or before June 30, 2007.

Progress: The EOA required three major milestones: 1) review of existing site data, 2) review of successful case studies, 3) preparation of an HRA and submittal to DTSC for review. The HRA will evaluate health risk related to development of proposed land uses and would identify remediation if necessary. Items 1 and 2 are complete. Nichols Engineering prepared an outline of the HRA in December, 2006. Until recently, the City and its consultants have had difficulty in getting a commitment from DTSC regarding finalizing the outline and identifying any necessary data gaps. In March, 2007, the City met with the DTSC’s Director and Division Manager, which resulted in an agreement to an accelerated review schedule to meet the revised EIR preparation and entitlement schedule.

Preparation of the Draft HRA is anticipated to be complete in August, 2007 and reviewed by DTSC in September 30, 2007.

Timeline: September 30, 2007

## **6. Riverfront Promenade**

**Term:** On or before June 30, 2007, Agency shall inform the Developer of the City's decision to precede with the Riverfront Promenade in connections with the development of Phase I.

**Progress:** As noted in Section 3. Project Entitlements (a) above of this report, flood protection and the design of the promenade has been a major challenge. Design criteria that would affect the width of the levee design include flood fighting easements, whether or not the flood-fighting easements can be shared with railways or roadways, and setbacks from the inside top of levee to proposed development. The design of the promenade ultimately affects the development envelope and the land use planning efforts. Formal application to the State Reclamation Board in October, 2007 will result in design resolution.

Alternative promenade designs were presented at public workshops and stakeholder meetings in April, 2007 and a preferred alternative is expected to be developed by the end of June, 2007 to be evaluated in the environmental impact report. The design of the promenade is on schedule and can be development concurrent with or can precede Docks Phase I development.

**Timeline:** Depending on funding availability, the timing of construction for Phase I of the promenade can be made. Will re-evaluate on March 31, 2008

## **7. Infrastructure and Remediation**

Agency shall provide evidence of funding for Phase 1 infrastructure and remediation on or before June 30, 2007.

The HRA will determine if additional remediation is required on-site. The Agency will have these discussions with DTSC in August, 2007. The proposed specific plan will also contain an infrastructure plan. Nichols Engineering will prepare an infrastructure financing analysis/plan to support the infrastructure plan. The development of the infrastructure plan is anticipated to be complete in August 2007. Staff will seek funding for remediation and the infrastructure based on the outcome of the outcome of the HRA and the Infrastructure Financing Plan based on the proposed improvements.

**Timeline:** March 31, 2008

## **8. Relocation Plan**

**Term:** Agency shall be responsible for the relocation of all tenants in Phase I. On or before January 31, 2007, City and Developer shall be in agreement on a relocation plan for Phase I.

With the exception of State Parks parcels identified in Attachment 3, the City/Agency owns Phase I properties. The only tenants currently occupying sites in Phase I are horse and carriage vendors that provide services in Old Sacramento. The Town Manager of Old Sacramento indicates that there is an agreement with the horse and carriage vendors and that the Department of Convention Culture and Leisure is responsible for relocating these

vendors. The agreement requires the vendors to relocate when asked. The Agency only needs to provide them with a realistic date for the development of Phase I.

Updated timeline: Agreement by March 31, 2008

**Attachment 5**  
**Exclusive Right to Negotiate Extension**

**EXCLUSIVE RIGHT TO NEGOTIATE  
DOCKS AREA**

The Redevelopment Agency Of The City Of Sacramento ("Agency") and KSWM Docks Partners, LLC ("Developer"), have entered into this Extension of the Agreement for Exclusive Right to Negotiate ("Agreement") as of June 26, 2007, ("Effective Date") upon the following terms:

1. **DEPOSIT FEE.** All terms related to the initial deposit fee remain the same. An additional deposit fee of \$75,000 will be submitted by July 1, 2007. Agency will use the deposit fee for the following project related expenses:
  - a. Completion of the Environmental Impact Report;
  - b. Negotiations on the development agreement; and
  - c. Completion of the Specific Plan.

The additional \$75,000 is refundable if the Developer does not move forward with Phase I or any portion of the Docks project.

2. **RECITALS.** This Agreement is based upon the following recitals, facts and understandings of the Parties:
  - a. Developer desires to negotiate with Agency to develop certain real property ("Property") located in the City of Sacramento, County of Sacramento, State of California, called the "Docks Area" The Property is within the Merged Downtown Sacramento Redevelopment Project Area ("Project Area"). The development of the Property ("Project") is consistent with the Merged Downtown Sacramento Redevelopment Plan ("Redevelopment Plan") and it's implementing documents, and has been identified by the Agency as important to the furtherance of the Project Area and the elimination of blighting conditions in the Project Area.
  - b. The purpose of this Agreement is to state the obligations of the parties to investigate the feasibility of the project and to develop a project proposal. Once such feasibility is demonstrated, the parties intend to negotiate a Disposition and Development Agreement exclusively and in good faith.
  - c. Agency represents, and Developer agrees, that the development of the Site, the completion of the Project and the fulfillment generally of this Agreement are for the purpose of community improvement and welfare, for the benefit of the Project Area and in accord with the public purposes and provisions of any applicable federal, state and local laws and requirements under which the project is to be undertaken.

3. **IDENTITY OF PARTIES.** The legal identities of the parties to this Agreement and their

addresses are as follows:

- a. Developer is KSWM Docks Partners, LLC, organized and doing business in the State of California. KSWM Docks Partners, LLC is made up of Kenwood Investments, LLC, Wilson Meany Sullivan, LLC, and Stockbridge Capital Partners, LLC. The principal office of Developer is located at 100 Spear Street, Suite 1600, San Francisco, CA.
  - b. Agency is the Redevelopment Agency of the City of Sacramento, a public body, corporate and politic, organized under California law and functioning within the jurisdiction of the City of Sacramento. The principal office of Agency for purposes of this agreement is located at 1030 15<sup>th</sup> Street, Suite 250, Sacramento, CA 95814. Agency includes any successor to operations of Agency.
  - c. Notices to any party shall be personally delivered or sent by first class mail to its principal office address. Notices to Agency shall be clearly marked "Attention: Downtown Development Group (Docks Area Project)." A copy of all notices to Agency shall be mailed or delivered to 630 I Street, Sacramento, CA 95814 and marked "Attention: Legal Department (Docks Area Project)."
4. EXTENSION OF THE EXCLUSIVE RIGHT TO NEGOTIATE. Agency grants to the Developer an extension of the exclusive right to negotiate as long as the following new conditions are met accordingly:
- a. Developer must complete a more extensive community outreach process prior to the issuance of an Environmental Impact Report, including presentations to the City's Parks and Recreation Commission, Waterfront Advisory Committee, Design Review Board and Planning Commission.
  - b. Developer must provide a market feasibility study for the Project Area.
5. TERM. This Agreement shall be effective as of Effective Date and shall terminate on March 31, 2008.
6. PROJECT APPROVAL. If the final proposed project is disapproved by final action of the governing bodies of the Agency, as a result of CEQA review or otherwise as may be required in this Agreement or by law, this Agreement shall terminate as of the date of such disapproval. If the Agreement terminates without the execution of a DDA, each party shall bear its own costs related to this Agreement.
7. REFINEMENT OF PROPOSAL. As a condition to the Agency negotiating for and entering into a DDA, Developer must prepare and submit to Agency a proposal that meets the objectives of the parties and that is approved by the Agency as provided in this Agreement and more clearly specified in the *Guidelines*. It is agreed and understood that approval of a proposal is a prerequisite and preliminary step to further processing a proposal, and that the approval of the full proposal under this Agreement for further processing and consideration is not intended to, and does not, in fact, compel or require the Agency to approve the Project, enter into a DDA or agree to contribute Agency property to Developer following completion of

CEQA and/or other review processes.

8. SCHEDULE OF PERFORMANCES. The parties shall perform the stated obligations by March 31, 2008.

9. EXTENSION PERIOD. Upon written request of Developer, Agency shall reasonably consider an extension of this Extension, if Developer has acted diligently and in good faith in performing its obligations under this Agreement, subject to governing board approval.

10. DEFAULTS. Either the Agency or the Developer shall be in default of this Agreement if it (a) fails to fulfill its obligations when due, which failure is not caused by the other party (b) does not reasonably cooperate with the other in fulfilling the other's obligations under this Agreement, or (c) unilaterally terminates this Agreement.

11. PREDEVELOPMENT COSTS. Developer shall bear predevelopment costs relating to actions of Developer under this Agreement, including but not limited to costs for planning, environmental, architectural, engineering and legal services and other costs associated with preparation of Developer's proposal and/or the DDA. The initial \$175,000 will be used toward these costs. In the event that the Developer does not move forward with the project, \$75,000 will be refunded.

12. ASSIGNMENT. This Agreement is not assignable by either party in whole or in part without the prior written consent of the other parties.

13. APPLICABLE LAW; VENUE. This Agreement shall be construed in accordance with the law of the State of California, and venue for any action under this Agreement shall be in Sacramento County, California.

14. 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, witness and expert fees and investigation costs. A party receiving an award after arbitration or an order or judgment after hearing or trial shall not be considered a prevailing party if such award, order or judgment is not substantially greater than the other party's offer of settlement made in advance of the arbitration, hearing or trial.

15. UNAVOIDABLE DELAY. For the purposes of any of the provisions of this Agreement, neither Agency nor Developer shall be considered in breach of, or default in, its obligations with regard to their respective obligations, if the delay in the performance of such obligations is due to unforeseeable causes beyond the delayed party's control and without its fault or negligence. Unforeseeable causes shall include acts of God, acts of the public enemy, acts of the federal government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather (as for example, floods, tornadoes, or hurricanes). In the event of the occurrence of any such delay, the time or times for performance of such obligations of Agency and Developers shall be extended for the period of the delay provided that the party seeking the benefit of the provisions of this Section shall, within ten days after it has or should have knowledge of any such delay, first

notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the delay.

EXECUTED as of the date first written above, in Sacramento, California.

AGENCY: REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO      Approved as to form:

By: \_\_\_\_\_  
Ray Kerridge, City Manager as  
Designated Signatory

By: \_\_\_\_\_  
Agency Counsel

DEVELOPER: KSWM Docks Partners, LLC      Approved as to form:

By: \_\_\_\_\_  
Jay Wallace, Managing Member

By: \_\_\_\_\_  
Counsel for Developer

**TERM SHEET**

**BETWEEN**

**THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ("Agency")  
AND**

**KSWM DOCKS PARTNERS, LLC ("DEVELOPER")**

THIS NON-BINDING TERM SHEET FOR THE REDEVELOPMENT OF THE SACRAMENTO DOCKS AREA PROJECT ("Term Sheet") dated as of \_\_\_\_\_, 2007, is between the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ("Agency") and KSWM DOCKS PARTNERS, LLC, a limited liability company ("Developer").

**RECITALS**

A. The Agency is currently in the process of planning an area known as the "Docks Area Project" consisting of approximately 23 acres in the City of Sacramento that are located north of the freeway/Pioneer Bridge. The Docks Area Project is within the Merged Downtown Sacramento Redevelopment Project Area ("Project Area").

B. The Agency owns some of the parcels comprising the Docks Area Project; however, other parcels are owned by the City of Sacramento ("City"), the State Department of Parks and Recreation, or Pacific Gas & Electric Company ("PG&E"). The Agency is currently negotiating with these property owners and is continuing to pursue site control of all of the parcels comprising the Docks Area Project.

C. Agency and Developer are parties to that certain Agreement for Exclusive Right to Negotiate, dated as of January 7, 2006, as amended by the Extension of the Agreement for Exclusive Right to Negotiate dated as of August 22, 2006 (as amended, the "ERN"). This agreement is further extends the Agreement for Exclusive Right to Negotiate to March 31, 2008. Under the ERN, the Agency has granted to Developer the exclusive right to negotiate a Disposition and Development Agreement ("DDA") which would set forth the respective parties' rights and obligations with regard to development of the Docks Area Project.

D. The ERN requires the Developer to prepare and submit to the Agency a proposal that meets the objectives of the parties for consideration by the Agency and requires the Agency to proceed with the planning process for the Docks Area Project. In furtherance thereof, this Term Sheet sets forth the key policy goals, basic development guidelines, financial framework and other key terms and conditions that will inform the basis of the continuing planning process and the negotiation and completion of a final DDA between the parties.

**TERM SHEET**

**I. Project Description.**

**A. The Project Site/Ownership**

The Project Site includes the following properties located north of the freeway/Pioneer Bridge and west of Front Street:

<b>Docks Area Project Site Parcels</b>		
	<b><u>Assessor's Parcel Number</u></b>	<b><u>Owner</u></b>
1.	006-0181-004	City of Sacramento
2.	006-0241-011	Agency
3.	006-0241-007	Agency
4.	009-0012-051	Agency
5.	009-0012-050	Agency
6.	009-0012-067	Agency
7.	009-0012-066	City of Sacramento
8.	009-0012-048	State Department of Parks and Recreation
9.	009-0012-058	State Department of Parks and Recreation
10.	009-0012-059	State Department of Parks and Recreation
11.	009-0012-022	Agency
12.	009-0012-021	Agency
13.	009-0012-020	Agency
14.	009-0012-019	Agency
15.	009-0012-002	Agency
16.	009-0012-018	Pacific Gas & Electric Company
17.	009-0012-017	State Department of Parks and Recreation
18.	009-0012-003	Pacific Gas & Electric Company
19.	009-0012-073	State Department of Parks and Recreation
20.	009-0012-045	PG&E
21.	009-0012-075	City of Sacramento
22.	009-0012-005	City of Sacramento
23.	009-0012-068	Agency
24.	006-0243-010	State Department of Parks and Recreation

**B. Development Description.**

The Project Site presents the Agency and the City with a unique opportunity to create a vibrant and active riverfront development that will reclaim Sacramento's waterfront as a local and regional asset. However, the Project Site also presents unique challenges due to disparate ownership, inadequate public infrastructure and environmental issues.

In order to achieve the full potential of the Project Site, the Agency is currently planning The Docks Area Project through the proposed Docks Area Specific Plan (the "Specific Plan" or the "Plan"). The Plan will reflect the community vision for a mixed-use neighborhood and is consistent with the 2003 Sacramento Riverfront Master Plan. The Docks Area Project will include significant open space, vehicular, bicycle and pedestrian circulation improvements, existing, new and replacement infrastructure facilities, and a mixed-use urban infill development that takes advantage of the waterfront location. Agency anticipates that the City will construct a new riverfront promenade along the entire westerly boundary of the Project Site, funded in part by an existing grant from the Sacramento Area Council of Governments (SACOG).

The Project Site also includes the existing Pioneer Reservoir that is currently located on approximately 6 acres located immediately north of the freeway. As part of the continuing planning process, the Agency will work with the City to determine whether or not the Pioneer Reservoir should stay in its existing location, taking into account any potential adverse impacts on adjoining new residential development proposed under the Specific Plan, and if it remains in its existing location, whether or not it is feasible to incorporate park and open space on the facility's roof.

In addition to the public benefits described above, the mixed-use, urban infill development anticipated for the Project Site will consist primarily of residential uses, which may include a mix of town homes, flats and high rise condominiums, as well as offices along the I-80 corridor, restaurants and waterfront-oriented retail. The mix of housing product type will be refined during the continuing planning process for the Project Site. The entire Project Site may accommodate up to 1,850 units; however, preliminary studies indicate that the total number of units is expected to be between 1000-1400 units.

The Agency anticipates that full development of the Project Site will occur in phases over a period of years. Phase 1 includes all of the horizontal and vertical development within an approximately 8 acres area located immediately north of the PG&E facility (Parcel NO. 009-0012-003) and west of Front Street, and consists of the following parcels (collectively, the "Phase 1 Site"):

<b>Docks Area Project - Phase I Parcels</b>		
	<b><u>Assessor's Parcel Number</u></b>	<b><u>Owner</u></b>
1.	006-0181-004	City of Sacramento
2.	006-0241-011	Agency
3.	006-0241-007	Agency
4.	009-0012-051	Agency
5.	009-0012-050	Agency
6.	009-0012-067	Agency
7.	009-0012-066	City of Sacramento
8.	009-0012-048	State Department of Parks and Recreation
9.	009-0012-058	State Department of Parks and Recreation
10.	009-0012-059	State Department of Parks and Recreation
11.	009-0012-022	Agency
12.	009-0012-021	Agency
13.	009-0012-020	Agency
14.	009-0012-019	Agency
15.	009-0012-002	Agency

Future phases will include development of the PG&E parcels, potentially the Pioneer Reservoir site and adjacent parcels, as well as the extension of the Riverfront Promenade.

**C. Transaction Overview.**

1. Overview. The redevelopment of the Property requires both "horizontal" land development necessary to transform the Property into parcels that are improved with streets, sidewalks, parks and infrastructure suitable for the "vertical" development of the proposed residential and mixed-use buildings.

As is more particularly described in this Term Sheet, the Agency is committed to undertake the following with respect to the "horizontal" development: (1) acquire all parcels within Phase I of the Project Site; (2) prepare a Specific Plan for the Project Site to assure a well-planned community with public benefits, high site-design standards and environmental quality, and complete the necessary environmental review and entitlements to allow adoption of the Plan and related planning documents and infrastructure development; (3) take such actions as necessary to lift or modify existing environmental deed restrictions and remediate the site to allow for residential development on the Project Site in accordance with the Plan; (4) work with the City to develop a plan and funding mechanism for the repair or relocation of the Pioneer Reservoir; (5) identify funds and undertake such necessary horizontal infrastructure as necessary to create economically viable vertical residential development sites within the Project Site; and (6) enter into a Disposition and Development Agreement

("DDA") and related documents with private developers for the development of the Project Site in accordance with the Specific Plan. Agency will consider the option to shield private developers from liability to future homeowners as a result of pre-existing conditions on the Property, including environmental conditions. Subject to the Agency's performance of its obligations, the DDA will give Developer the right to acquire the parcels and undertake the "vertical" development within Phase 1, and will give Developer a right of first offer to develop remaining phases. Developer will also cooperate closely with Agency during the Project planning phase.

2. Term Sheet. The purpose of this Term Sheet is to set forth the process and provide timelines for achieving certain benchmarks related to the planning and site acquisition process and to determine whether or not Developer and Agency are able to reach agreement on achieving an economically feasible project that meets the parties' goals and objectives. The Agency will consider final Transactional Documents for the development of the Project Site upon completion of environmental review and the planning process. Nothing in this Term Sheet is intended to commit the Agency or Developer to a particular development plan or create a binding obligation on either party to proceed with the development of the Project. Except as otherwise provided in Article VII hereof, no binding obligations shall exist unless and until the parties have negotiated, executed and delivered mutually acceptable agreements based upon information produced from the CEQA process and other public review and hearing processes and subject to all applicable governmental approvals.

## **II. Site Control**

**A. Agency Obligation to Obtain Site Control.** A prerequisite to development of the Project Site is the Project Site acquisition in fee by the Agency. The Agency agrees that on or before January 31, 2008, Agency shall provide written evidence to Developer demonstrating Agency has secured site control (i.e. ownership or binding commitment to obtain ownership or required easements) for parcels comprising Phase I of the Project Site, subject only to compliance with CEQA. Such evidence shall include but not be limited to (i) evidence indicating Pacific Gas & Electric's willingness to enter into such agreement, for the transfer of fee title and/or related easements for the construction of the promenade, (ii) an agreement with the State of California Department of Parks and Recreation demonstrating commitment to transfer fee title and/or related easements, (iii) the filing of State legislation authorizing the necessary transfer of fee title and/or related easements from the State Department of Parks and Recreation related to the Project Site, and (iv) agreement with all other individuals or entities with an ownership or other property interest in Phase I of the Project Site.

Agency will consider that any purchase or other property acquisition contract evidencing site control must provide that Developer and its successors and assigns would have no on-going liability to the applicable transferor for environmental contamination or related issues, and the DDA will shield Developer and its successors and assigns from liability to future homeowners as a result of pre-existing conditions on the Property, including environmental conditions.

**B. Agency to Provide Evidence of Financing.** On or before January 31, 2008, Agency must demonstrate to Developer's reasonable satisfaction that Agency will have sufficient financing to complete the acquisition of the identified properties in Phase I of the Project Site, including identifying the proposed purchase price and sources and availability of funding for the identified properties, subject only to compliance with CEQA.

### **III. Project Entitlements**

**A. Agency's Obligations.** As stated in the ERN, Agency will use Developer's initial deposit of \$100,000 to complete the Environmental Impact Report (EIR) and the Docks Area Specific Plan. By July 1, 2007, the Developer shall deposit an additional \$75,000 deposit for EIR and Docks Area Specific Plan third party costs. Agency shall be responsible for completing all entitlements and approvals necessary for the Project, even if costs exceed Developer's deposits. This includes, but is not limited to, the EIR, the cost to prepare, process and approve the Specific Plan, and the costs related to negotiations of a DDA. Agency agrees to use best efforts to cause the EIR to be certified and the Plan and related entitlements approved on or before March 31, 2007. Related entitlements include:

- General Plan Amendment
- Community Plan Amendment
- Adoption of Docks Area Specific Plan
- Rezone of all Docks Area Project properties

If the Developer does not move forward with Phase I or any portion of the Docks project, the City will refund \$75,000.

**B. Developer's Obligations.** Developer shall work cooperatively with Agency to facilitate the entitlement process, including participating in planning meetings and community outreach process. Developer shall provide a market feasibility study for the proposed Project Site Plan (Market study to be conducted in August, 2008). Developer's costs for participation in the entitlement process shall not be recoverable by Developer unless Developer develops Phase I pursuant to the terms of a DDA. If the Plans result in a development that Developer determines is economically infeasible, Developer shall have the right to terminate the ERN and receive a refund of its deposit as more particularly described in Section VII below.

### **IV. Pioneer Reservoir**

**A.** Agency shall work with the City and provide Developer with a plan on or before February 29, 2008 for the repair and/or replacement of the City's Pioneer Reservoir ("Reservoir"), including a determination of its proposed location within the ultimate development and the suitability of the proposed location with respect to any adverse impacts on new residential development on adjacent parcels.

**B.** Agency shall work with the City and develop a schedule showing the estimated costs associated with the necessary repairs and/or relocation of the Reservoir on or before January 31, 2008.

### **V. Environmental Issues**

**A. DTSC Deed Restrictions.** On May 30, 2006 Agency approved an Environmental Oversight Agreement (“EOA”) with the California Department of Toxic Substances Control (“DTSC”) for the review and approval of remediation options in the Docks Area. Agency commits to completing the Scope of Work identified in the EOA on or before September 30, 2008, at Agency expense, in an effort to secure DTSC approved remediation options for the project development.

**B. Liability for Environmental Conditions.** Agency will consider that Agency shall be responsible for any liability to a transferor, and that Developer shall only be liable for environmental conditions caused, or contributed to by Developer, and then only to the extent of Developer’s contribution. The DDA will require Agency to pay the cost of environmental insurance to cover both Agency’s and Developer’s liabilities for the environmental condition of the Project Site subject; provided, however, that the availability of such insurance at commercially reasonable cost to the Agency shall be a condition precedent to Agency’s obligations to proceed with Phase 1.

## **VI. Phase I Development of the Project Site**

**A. Phase I Assumptions.** The parties agree that they will negotiate in good faith to complete a DDA for the development of Phase 1 based in part on the following assumptions: (1) Agency will be responsible to undertake all horizontal development necessary to create the developable pads within Phase 1; (2) Phase 1 will include approximately 300-500 market-rate residential units within Townhomes, Podium Flats and/or High Rise Buildings; the final product mix will depend upon completion of the planning process, construction costs, market conditions and fiscal feasibility; (3) Developer will be entitled to a fair market-rate return on project costs; and (4) project costs will include payment by Developer of prevailing wages for project construction.

The parties have reviewed a current pro forma analysis of possible vertical development scenarios but recognize that such analysis is subject to significant change based on the outcome of the planning process, product mix, construction and labor costs, market conditions, financing costs and other factors. The parties acknowledge that depending on such factors, the DDA may allow for payment of a residual land value to the Agency and/or require the Agency to contribute land and additional subsidy to Developer - the terms of which will be negotiated as part of the DDA.

### **B. Phase I Developer Responsibilities**

1. **Pre-Development.** Developer shall work cooperatively with Agency to facilitate the entitlement process, including participating in planning meetings, community outreach process in accordance with Section III.B above and by performing a market feasibility analysis for the Project Site. Developer shall also cooperate with Agency and coordinate its design of the Phase 1 vertical development with the environmental remediation obligations and solutions of the Project Site undertaken by Agency.

2. **Construction of Phase 1.** The DDA will require Developer to construct Phase 1 upon satisfaction or waiver of certain conditions precedent, including satisfactory completion of the Agency’s Phase I responsibilities described in Section C below. Upon

satisfaction of all conditions and conveyance of the Phase 1 parcels to Developer, Developer's construction obligations will be subject to a reasonable schedule of performance, subject to extension for force majeure delay.

### **C. Phase I Agency Responsibilities**

1. Infrastructure Improvements and Remediation. As a condition to Developer's development obligations under the DDA, Agency shall complete, subject to available funding, the construction of all of the relevant horizontal off-site infrastructure improvements necessary for Developer to complete construction of housing units. This includes but is not limited to the costs of remediating the site to enable it to be usable for the contemplated residential development. By March 31, 2008, the Agency shall provide evidence of available funding sources to complete the remediation and infrastructure improvements. Infrastructure improvements include off site improvements, the circulation system, utility improvements and the delivery of developable parcels, including the remediation necessary for DTSC approval to proceed with proposed development. Both parties recognize that among the remediation options, one component of such options may include the built project; provided, however, that Developer shall not be required to design vertical development to accommodate remediation solutions in a manner that would result in an economically infeasible project or would have an adverse impact on marketability of the residential unit. Repair or relocation of the Pioneer Reservoir, or assurances satisfactory to Developer that such repairs or relocation will be completed within an appropriate timeframe shall be a condition precedent to Developer's obligation to proceed with development.

2. Riverfront Promenade. Agency shall use good faith efforts to work with the City to pursue the construction of the Riverfront Promenade adjacent to the Docks Area Project as part of the Phase I infrastructure improvements. On or before March 31, 2008, Agency shall provide Developer with a determination as to whether or not the City will proceed with the Riverfront Promenade in connection with development of Phase 1.

3. Availability of Funds. On or before March 31, 2007, Agency shall provide written evidence of the financing or other available resources for the Agency to perform infrastructure and remediation obligations for Phase 1, subject only to compliance with CEQA. Agency shall also use good faith efforts to identify sources of funding for subsequent phases of the Project Site horizontal development.

4. Relocation.

a. Agency shall be responsible for the relocation of all impacted tenants within Phase 1.

b. To the extent applicable, on or before March 31, 2008, Agency and Developer shall reach a mutual agreement on a relocation plan for Phase 1, will provide a clear timeline for relocation, and will outline estimated costs. Agency shall provide written evidence to the Developer of the sources and availability of funds for the relocation plan to the extent applicable to Phase 1.

**D. Financial Structure.**

1. Developer Constructed Units. Based on the assumptions described in Section VI.A above, the final DDA will set forth the terms under which Agency will convey fee title to the Phase I property to Developer, including the residual land value payable to the Agency, if any, and the amount and funding mechanism for Agency subsidies as required.

2. Disposition of Undeveloped Parcels. If the DDA terminates due to a Developer default, or if Developer fails to develop the Phase I parcels in accordance with the DDA (subject to force majeure extensions), the Agency reserves the right to enter into separate and distinct DDAs for such parcels not developed by Developer.

**E. Future Phases of Development**

During the planning process, the Agency in consultation with Developer will identify the scope and timing of future phases of development after Phase 1. Developer will have no obligation to complete future phases of development on the Project Site. However, so long as Developer is not in default under the DDA, the DDA will allow Developer to exercise a right of first offer as to future phases. Under the right of first offer, Agency will provide Developer the first opportunity to negotiate with Agency for the vertical development of such future phases and the parties will negotiate in good faith based on the assumptions described in Section VI.A above. If Agency and Developer are unable to reach agreement with a specified period of time, Agency will have the ability to bid or negotiate with other parties for the future phases of development on the Project Site.

**VII. Good Faith Efforts/Remedies**

Agency shall use its best efforts to satisfy its conditions described in Articles II.A and B, Article III.A, Article IV, Article V, and Article VI.C.3 and VI.C.4 hereof, within the times provided. If Agency is unable to satisfy any of the foregoing conditions within the times required, or if at any time, Developer reasonably determines that Agency is not pursuing the completion of such conditions with reasonable diligence and in good faith, it shall be deemed an event of default under Section 12 of the January 7, 2006 ERN. In such event, Developer, in its sole discretion, may terminate the ERN in writing to Agency and Agency shall refund the Deposit remaining at the date of termination in accordance with Section 3.c of the January 7, 2006 ERN and June 26, 2008 ERN.

In addition, if the Agency adopts a Plan, proposes the relocation or refurbishment of the Pioneer Reservoir, or adopts any other plans or policies that Developer determines will have an adverse impact on Developer's ability to achieve its required financial return or would adversely affect the suitability or marketability of Phase 1 as a residential development, then Developer, in its sole discretion, may terminate the ERN in writing to Agency and Agency shall refund the Deposit remaining at the date of termination in accordance with Section 3.c of the January 7, 2006 ERN.

In Witness Whereof, Agency and Developer enter into this Term Sheet as of the \_\_\_\_\_ day of \_\_\_\_\_, 2006.

AGENCY

Redevelopment Agency of the City of Sacramento

By: \_\_\_\_\_  
Ray Kerridge, City Manager as Designated Signatory

DEVELOPER

KSWM Docks Partners, LLC

By: \_\_\_\_\_  
Jay Wallace, Managing Member

Approved as to Form

\_\_\_\_\_  
Agency Counsel

**RESOLUTION NO.**

**Adopted by the Redevelopment Agency of the City of Sacramento**

**APPROVAL FOR AN EXTENSION OF EXCLUSIVE RIGHT TO NEGOTIATE AND  
REVISED BUSINESS TERMS FOR  
THE DOCKS AREA REDEVELOPMENT PROJECT**

**BACKGROUND**

- A. In July 2003, the City Council accepted the Sacramento Riverfront Master Plan (Master Plan). Included in the Master Plan was the identification of the Docks Area as an opportune redevelopment site. The original concept for the Docks Area included a mixed-use neighborhood with a riverfront parkway/promenade.
- B. In 2005, the City engaged in an extensive community planning process to further define the Docks Area. The 2005 Docks Area Community Planning Process resulted in a more detailed concept design which included a high-density, mixed-use neighborhood with a riverfront parkway/promenade.
- C. On January 5, 2006 the Redevelopment Agency of the City of Sacramento (Agency) approved an Exclusive Right to Negotiate (ERN) with KSWM Docks Partners, LLC (Developer) as the Master Developer for the Docks Area. The developer submitted a \$100,000 deposit to the Agency.
- D. The ERN with the KSWM Docks Partners, LLC was extended on August 22, 2006 until June 30, 2007.
- E. The vision for the redevelopment of the Docks Area is based on the 2003 Sacramento Riverfront Master Plan and 2005 Docks Area Community Planning Process.

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

- Section 1. All of the evidence presented having been duly considered, the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this Resolution, are approved.
- Section 2. The City Manager or his designee, on behalf of the Agency, is authorized to extend the term of the agreement with KSWM Docks Partners, LLC for the Exclusive Right to Negotiate for the development of the Docks Area along the Sacramento riverfront to March 31, 2008. Staff is directed to follow the adopted *Guidelines for Individual Project Review*.

Section 3. The Term Sheet is approved for the Docks Area redevelopment project. The responsibility of the Agency and the Developer are as follows:

**Developer Responsibilities**

- a. Continue to work with the Agency to ensure the entitlements for the project area reflect a feasible and marketable development;
- b. Fund a market feasibility study for the Project Site;
- c. Coordinate the remediation of the project area with the Agency's Environmental Oversight Agreement (EOA) with the Department of Toxic Substances Control (DTSC); and
- d. Develop 300-500 units in Phase I of the project, once remediation and infrastructure issues have been completed.
- e. Deposit an additional \$75,000 for the preparation of the Environmental Impact Report (EIR) and Docks Area Specific Plan. The deposit is refundable according to the terms of the ERN and Term Sheet if the Developer does not proceed with Phase I or any portion of the Docks project.

**Agency Responsibilities**

- a. Complete the acquisition of all properties located in Phase I of the Project Site;
- b. Complete the entitlements for the properties north of Pioneer Bridge and west of Front Street;
- c. Complete the remediation process through the EOA with DTSC for all properties north of Pioneer Bridge and west of Front Street;
- d. Complete all infrastructure improvements for Phase I of the project, subject to funding availability;
- e. Work with the City to determine plan for the repair/replacement of Pioneer Reservoir; and
- f. Work with the City to continue developing the riverfront promenade.

Section 4. Staff is directed to return to the Agency with a Disposition and Development Agreement for Phase I of the Docks Area redevelopment project. Phase I generally includes all of the properties north of the Pacific Gas and Electric (PG&E) parcel (APN: 009-0012-003) to Q Street.