RESOLUTION NO. 2006-023

Adopted by the Redevelopment Agency
of the City of Sacramento

April 4, 2006

AUTHORIZATION OF BUSINESS TERMS FOR AN OWNER PARTICIPATION AGREEMENT REGARDING THE TERMS OF AN AGREEMENT FOR REDEVELOPMENT OF THE PROPERTY LOCATED AT 926 J STREET

BACKGROUND

A. 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.

B. One of the outcomes of that Workshop was an interest in looking at stimulating redevelopment not only along K Street, but also on the adjacent corridors of J and L streets because of their high visibility and significance as the main transportation corridors in the Central City.

C. The Redevelopment Agency (Agency) has invested in the 9th and J Lofts project to stimulate additional redevelopment and elimination of blight along the J Street corridor.

D. The property located at 926 J Street (Proposed Project) lies within one block of that significant Agency investment.

E. The Proposed Project is an historic structure in deteriorating condition.

F. On February 14, 2006, the Agency authorized staff to negotiate an Owner Participation Agreement (OPA) with Rubicon Partners regarding the terms of an agreement for redevelopment of the Proposed Project with a public investment of not more than $15 million.

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 regarding this action, as stated in the staff report, are approved.

Section 2. Staff recommends the following business terms to be incorporated into the OPA, currently being negotiated:

- A loan of $8.4 million for hard construction costs for the hotel component, with the following components:
    - $3.3 million of which is forgivable upon project completion for improvements related to the extraordinary costs associated with the historic preservation and structural improvements needed for the building

    - $5.1 million of which will be repaid with zero percent interest, utilizing one-half percent of the gross hotel revenues once the hotel generates $17 million of gross revenues, and the project achieves a net operating income of 26 percent
- A loan of $850,000 for a signature restaurant, at zero percent interest for a ten-year period. The Agency will be repaid by receiving 55 percent of the percentage rents generated from the project;

- An additional $600,000 reserved for public improvements on 10th Street to accommodate outdoor seating opportunities, if needed; and

- Pledging project-generated tax increment back to the project for a period of 15 years at a total estimated value of $1.68 million.

Additionally, the following City assistance (adopted by separate resolution) is also needed to make the project financially feasible:

- Access to 175 City public parking spaces, paid by Rubicon Partners at a premium rate (rates and locations to be determined); and

- Providing Sacramento County Regional Sanitation District connection fee credits to the project (application for fee credits to be handled separately).

Adopted by the City of Sacramento Redevelopment Agency on April 4, 2006 by the following vote:

Ayes: Members Cohn, Fong, Hammond, Pannell, Sheedy, Tretheway, Waters and Chair Fargo.

Noes: None.

Abstain: McCarty.

Absent: None.

Heather Fargo

Heather Fargo Chair

Attest:

Shirley Concolino

Shirley Concolino, Secretary