



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento

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www.CityofSacramento.org

**STAFF REPORT
April 18, 2006**

Honorable Chair and Members of the Board:

Subject: Land Assembly Agreement and Related Documents: 700 and 800 blocks of K and L streets

Location/Council District: Portions of the area between 7th, 8th, 9th and K streets, north of the alley, Central Business District (District 1)

Recommendation:

Adopt a Resolution authorizing the City Manager, acting as the designated authority for the Redevelopment Agency, to execute the following documents for a portion of the 700 and 800 blocks of K Street : 1) A Land Assembly Agreement with Zeiden Properties ("Zeiden") and Saca Development, LLC, M.H. Mohanna, 718 K Street LLC, 726 K Street LLC , the Saca Team Entity, LLC and Urban Innovation Partners, LLC (collectively known as the "Saca Team"); 2) A Settlement and Land Exchange Agreement with the Saca Team; 3) An Option Agreement with Zeiden for properties currently owned within the subject blocks; and 4) Exclusive Negotiation Agreements (ENAs) with Zeiden for the 700 block of K Street and with the Saca Team for a portion of the 800 block of K and L streets.

Contact: Michelle Nelson, Senior Project Manager, 808-7223
Leslie Fritzsche, Downtown Development Manager, 808-5450

Presenters: Leslie Fritzsche, Downtown Development Manager

Department: Economic Development

Division: Downtown Development Group

Organization No: 4451

Summary:

On October 16, 2005, the Redevelopment Agency (Agency) approved the execution of an Exclusive Right to Negotiate Agreement (ERN) with Zeiden Properties, Saca Development, LLC, M.H. Mohanna, and Urban Innovation Partners, LLC (represented by John Lambeth) to further refine the development concept for the 700 and 800 blocks of K Street (see site location on Attachment 1). The purpose of this ERN, executed by the above parties, was to establish the terms of a land-assembly agreement that would lead to two development projects – one with Zeiden for the 700 block of K Street and the second with the Saca Team for a portion of the 800 block of K and L streets. This agreement has been drafted and staff recommends authorization to execute the Land

Assembly Agreement with both teams; a Settlement and Land Exchange Agreement with the Saca Team; an Option Agreement with Zeiden; and separate ENAs with each team.

Committee/Commission Action: None

Background Information:

On October 16, 2005, the Redevelopment Agency (Agency) approved the execution of an ERN with Zeiden Properties, Saca Development, LLC, M.H. Mohanna, and Urban Innovation Partners, LLC to further refine the development concept for the 700 and 800 blocks of K Street. The purpose of this ERN, executed by the above parties, was to establish the terms of a land-assembly agreement that would lead to two development projects – one with Zeiden properties for the 700 block of K Street and the second with the Saca Team for the 800 block of K and L streets.

The original ERN served as an interim agreement between the parties to lead to refining a “land swap” concept by which land currently owned by M.H. Mohanna on the 700 block would be exchanged for similar square footage on the 800 block to allow for two development projects to proceed, one for each block. In addition, the ERN identified the need for additional property to be purchased by the Agency to assure sufficient square footage to embark on catalytic retail redevelopment on the two blocks. The properties are in separate ownerships and are in blighted condition. These conditions are a significant impediment to the redevelopment of these two critical blocks of K Street.

On January 17, 2006, the Agency approved beginning negotiations to purchase eight parcels within these two blocks to further the implementation of the projects (see Attachment 2). On January 31, 2006, the Agency approved a budget for acquisition, relocation and other costs related to these acquisitions.

What has evolved in the negotiations with the two development teams are five separate but interrelated agreements:

- 1) Land Assembly Agreement among all parties;
- 2) Settlement and Land Exchange Agreement with the Saca Team;
- 3) Option Agreement with Zeiden ; and
- 4) ENAs with each team.

These agreements outline the steps necessary to complete the assembly and transfer of the properties within the two blocks as well as establishing the parameters for project negotiations. The agreements are on file with the Agency and City clerks. The Flow Chart For Legal Agreements Related to 700/800 K Street (Attachment 3) summarizes the parties and purpose of each agreement. The elements of the agreements are described below.

Land Assembly Agreement

The Land Assembly Agreement sets forth the obligations of the Agency, Zeiden and the Saca Team related to the negotiations for the acquisition of properties by the Agency, the transfer of properties owned by Zeiden and the Saca Team, respectively, to the Agency, and the transfer of Agency-owned properties to the Saca Team and Zeiden.

It presents the overall framework for the assembly of the property among all parties. Currently Zeiden owns one property within the 800 block and the Saca Team owns five properties within the 700 block (Attachment 4). These properties would be exchanged for other properties within the blocks the respective development teams wish to develop, i.e., the 700 block of K Street for Zeiden and the 800 block of K Street for the Saca Team. In addition, there are properties not currently owned by either party that are being pursued for acquisition by the Agency in order to provide sufficient property for the two projects to proceed (reference Attachment 2).

The specific terms of the exchanges are outlined in the Settlement and Land Exchange Agreement and the Option Agreement. The acquisitions have been determined to be at market value and the exchange is at market rate.

Settlement and Land Exchange Agreement with Saca Team ("Land Exchange Agreement")

This document provides the Agency an exclusive option to acquire interest in the Saca Team-owned parcels in the 700 block of K (712, 716, 718, 724 and 726 K). These properties, along with the remaining parcels on the half-block of the 700 block, 731 K and the Agency-owned kiosk, have been identified as necessary to provide sufficient property for the Zeiden project. The properties owned by the Saca Team would be exchanged for property of similar value in the 800 K Street block, currently envisioned to be the properties numbered 800 K, 802 K, 812 K (currently owned by Zeiden), 809 L, and 815 L Street. Based upon direction provided by the Agency in January, Agency staff is currently in negotiations to purchase these parcels.

The Land Exchange Agreement also contains a First Right of Negotiation for the Saca Team. In the event that the parcels in the 700 K block have been conveyed to the Agency and the Agency and Zeiden do not enter into a disposition and development agreement (DDA) for the development of the 700 block, the First Right of Negotiation would allow the Saca Team to have the first opportunity to present a development proposal for development of the 700 K block. If approved, this First Right of Negotiation would expire eighteen months from the termination of the agreement with Zeiden, or nine months from the date the Agency certifies the environmental impact report, whichever is later. The agreement contains similar provisions for the 800 block properties.

Option Agreement with Zeiden ("Option")

This document provides the Agency an exclusive option to acquire interest in 812 K Street, currently owned by Zeiden. This property, formerly known as the home of Casablanca Furniture, is one of the parcels identified as necessary to provide sufficient property for the Saca Team project. The term of this option coincides with the earlier occurrence of the expiration of the term of the ENA, the termination of the ENA by Zeiden, or the Agency's exercising the option. The property would be provided in an "as-is" condition. The purchase price for this parcel is established in this agreement as \$1,413,000, Zeiden's original purchase price.

In addition to the parcel owned in the 800 block, Zeiden also owns three properties (708 K Street, 1111 7th Street, and 1113 7th Street, a 208-square-foot parcel adjacent to 708 K Street) in the 700 K block. The Option provides the Agency an option to acquire all of the Zeiden-owned properties in the 700 and 800 K Street blocks if the Agency and Zeiden are unable to reach agreement and complete a DDA. The purchase price for the parcels within the 700 block is established in this agreement as \$1,525,000 which is

based on an Agency-completed appraisal of the properties. Under the terms of the proposed Option, the Agency would have 90 days from the expiration of the ENA to complete the acquisitions (if the Agency and Zeiden do not complete a DDA).

Before exercising this Option, staff would return to the Council to secure approval for the acquisition and the funds necessary to consummate the sale.

Exclusive Negotiation Agreements

The ENA s contain specific milestones for the development teams and the Agency to perform to further refine the development concepts and to be in a position to return to the Agency with two separate DDAs – one with the Zeiden Team and one with the Saca Team. The milestones are the same for each team but vary in time deadlines due to the varied complexity of the two proposals. The Zeiden proposal maintains the current structures while the Saca project is envisioned to be a project involving demolition resulting in a large mixed-use development, the latter requiring the completion of a full environmental impact report.

Zeiden

- | | | |
|---|--|---|
| 1 | Submission of Development Proposal per Section 4 of ENA | Within 30 days of effective date of ENA |
| 2 | Agency staff to review and either approve or disapprove Development Proposal per Section 4 of ENA | Within 30 days from receipt of Development Proposal |
| 3 | Agency and Zeiden to complete negotiations of business terms and conditions per Section 6.1 of ENA | Within 120 days of effective date of ENA |
| 4 | Agency and Zeiden to complete negotiations and preparation of draft DDA per Section 6.2 of ENA | Within 180 days of effective date of ENA |

Saca Team

- | | | |
|---|---|--|
| 1 | Submission of Development Proposal per Section 4 of ENA | Within 90 days of effective date of ENA |
| 2 | Agency to review and either approve or disapprove Development Proposal per Section 5 of ENA | Within 30 days from receipt of Development Proposal from Saca Team |
| 3 | Agency and Saca Team to complete negotiations of business terms and conditions per Section 6.1 of ENA | Within 120 days of effective date of ENA |
| 4 | Agency and Saca Team to complete negotiations and preparation of draft DDA per Section 6.2 of ENA | Within 270 days of effective date of ENA |
| 5 | Consideration of draft DDA by Redevelopment Agency Board | Within 30 days from date DDA is executed by Saca Team |

The proposed ENAs have a term of eighteen months from the date of the Agency's certification of the environmental review documentation for the proposed developments in accordance with the California Environmental Quality Act process, or from completion of the exchange of properties, whichever date is later.

Staff Recommendation

The land assembly and exchange as recommended by staff will combine properties on the 700 and 800 blocks of K Street into two developable parcels for future redevelopment by combining lots that are currently in multiple ownership and inadequate size for current development standards. Furthermore, many of the properties are vacant lots or buildings and exhibit blighting conditions to the corridor.

Staff recommends the execution of these agreements in order to further the implementation of these key redevelopment projects. The implementation of these projects will bring new retail vibrancy to the 700 and 800 blocks. The Zeiden proposal features the attraction of new significant, regionally unique destination retail while maintaining the historic character and scale of the K Street storefronts. The Saca-Team will develop a mixed-use residential project with retail frontage on the 800 block (along K and 8th streets). The ground-floor retail space will be designed to attract strong urban retail tenants consistent with a retail tenanting strategy/merchandising plan that will complement the proposed Zeiden tenanting mix. The implementation of these projects will bring to reality the objectives outlined in the J-K-L Corridor visioning process and dramatically change the face of K Street bringing new vitality and life to one of the City's most challenged corridors.

Financial Considerations:

On January 28, 2006 the Agency approved a budget of \$20 million for the acquisition and related costs of the eight parcels not currently owned by the two development teams. Negotiations are progressing. The execution of the documents described in this report does not obligate the Agency to provide additional funding for these projects. If the Zeiden option is exercised, however, an additional \$2,938,000, along with closing and carrying costs, will be needed to consummate the sales. In addition, depending on the success of the negotiations for acquisition, there may additional funds required to secure and maintain the properties once acquired. Staff will return to the Agency for approval of any additional funding.

Environmental Considerations:

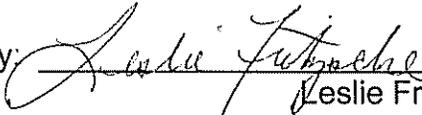
The proposed action to enter into land assembly, exchange and option agreements regarding potential future property acquisitions and exclusive right to negotiate agreements with the developers to further refine the scope of potential development projects are exempt from environmental review under CEQA Guidelines Section 15004(b)(2)(A), which allows land acquisition agreements where the agency will conduct CEQA review once the proposed project has been defined, and Section 15262, planning for possible future action.

Policy Considerations:

The negotiations are anticipated to result in DDAs for land-assembly and conceptual development plans that will be consistent with the Amended Merged Downtown Redevelopment Plan, the Five-Year Implementation Plan, and the JKL Charrette development objectives.

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 Redevelopment Development Manager
on behalf of the Redevelopment Agency
of the City of Sacramento

Recommendation Approved:

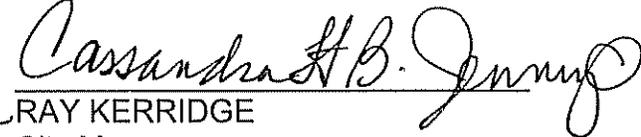
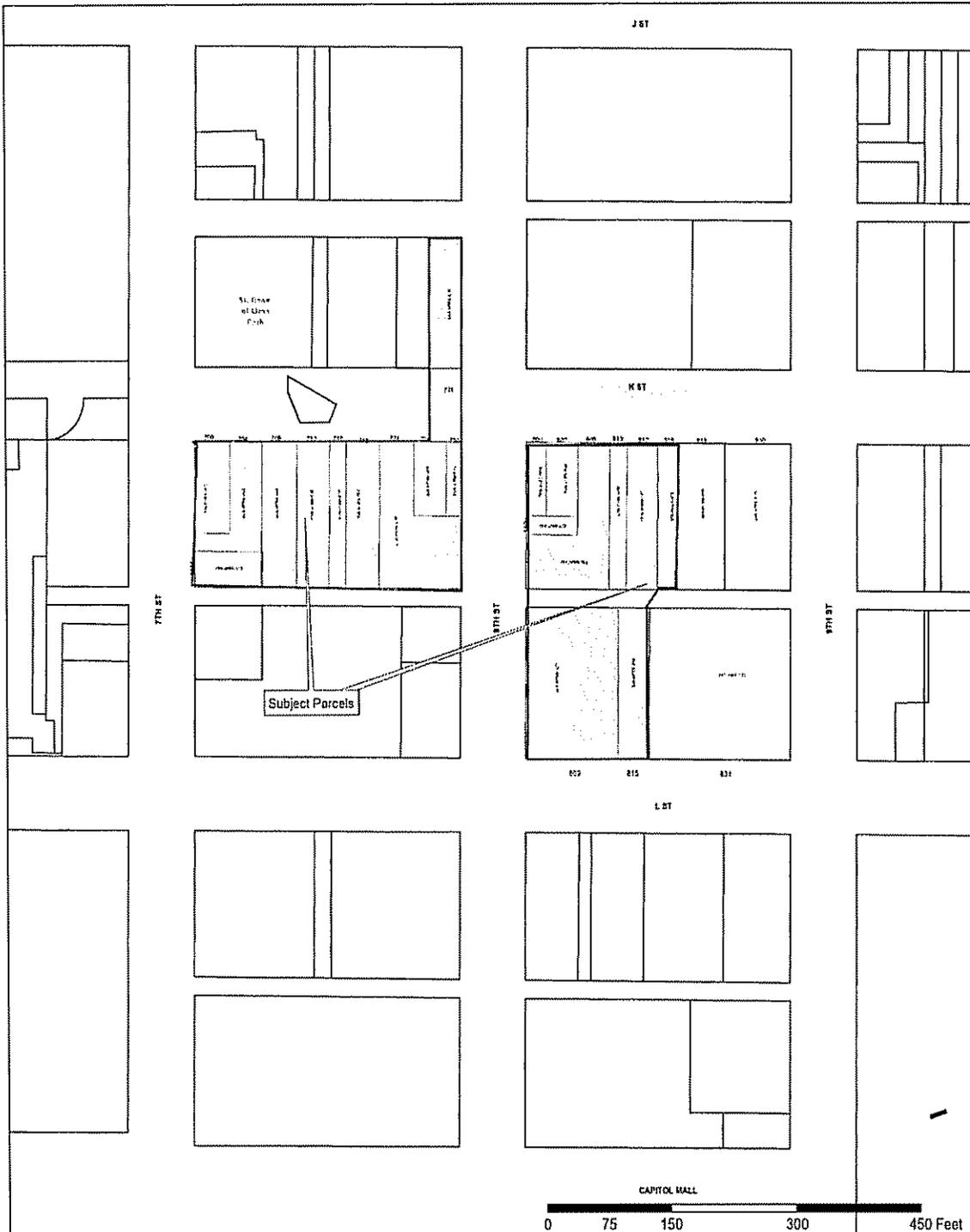

for RAY KERRIDGE
City Manager

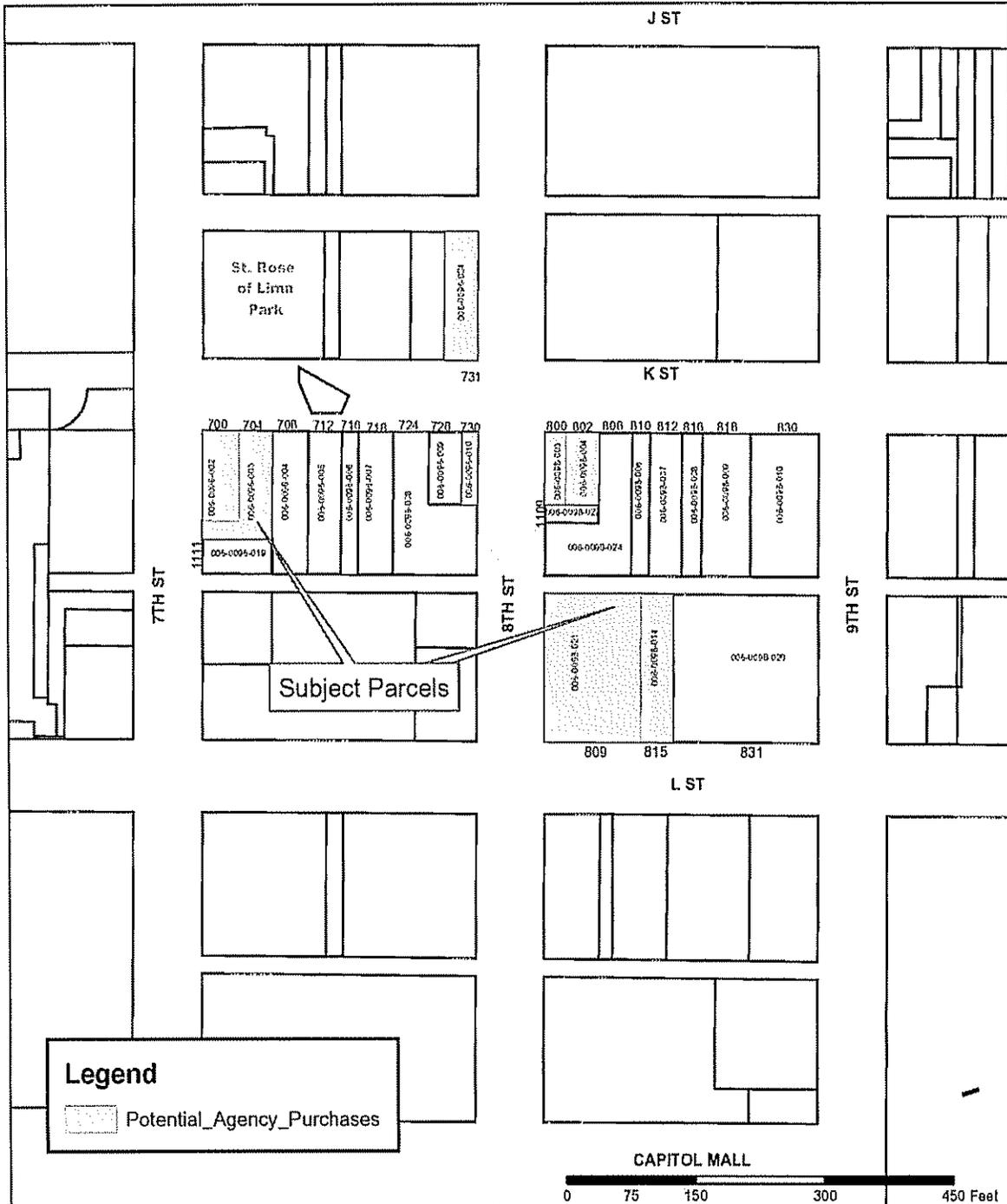
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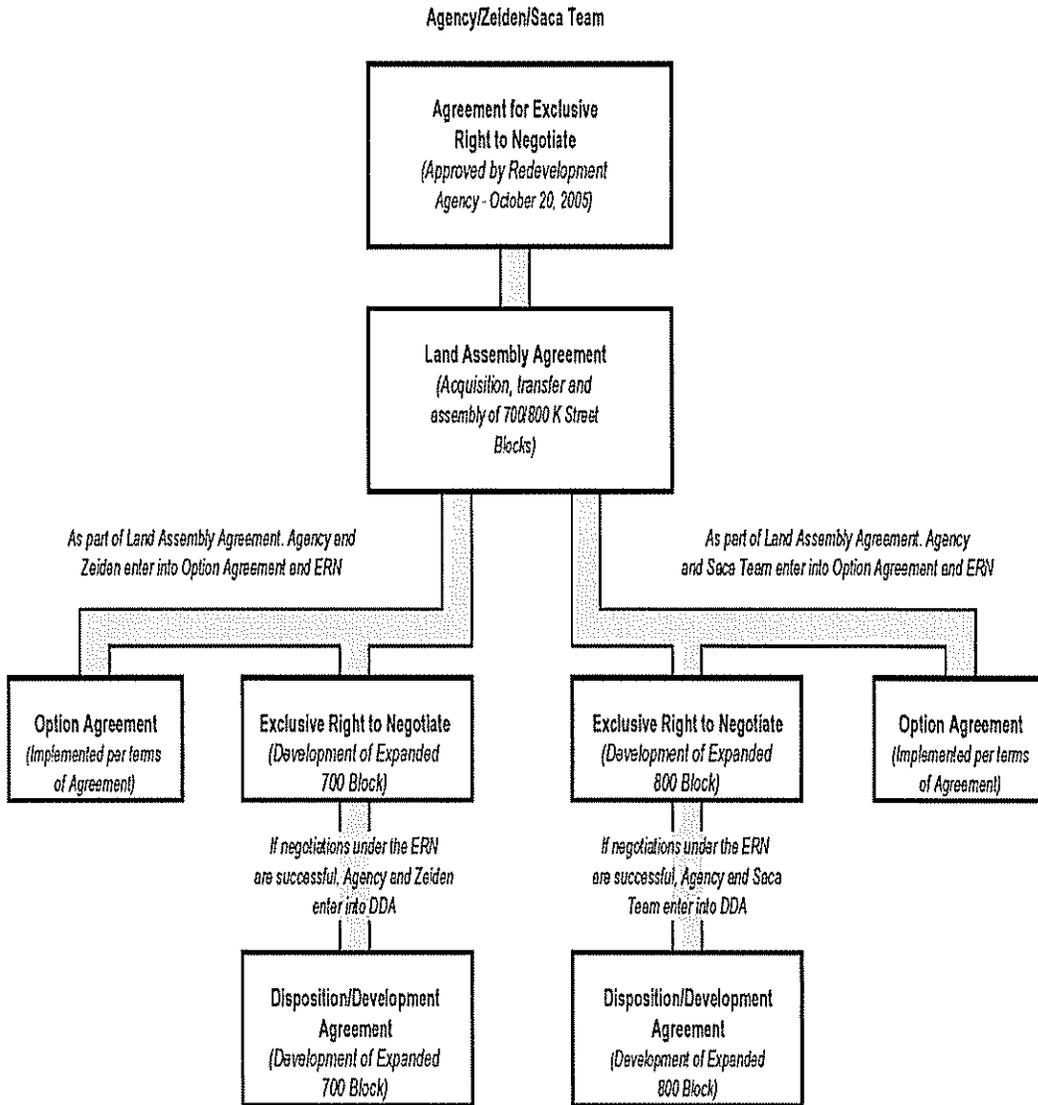
700 and 800 Blocks of K Street
Project Location



700 and 800 Blocks of K Street
Potential Agency Purchases

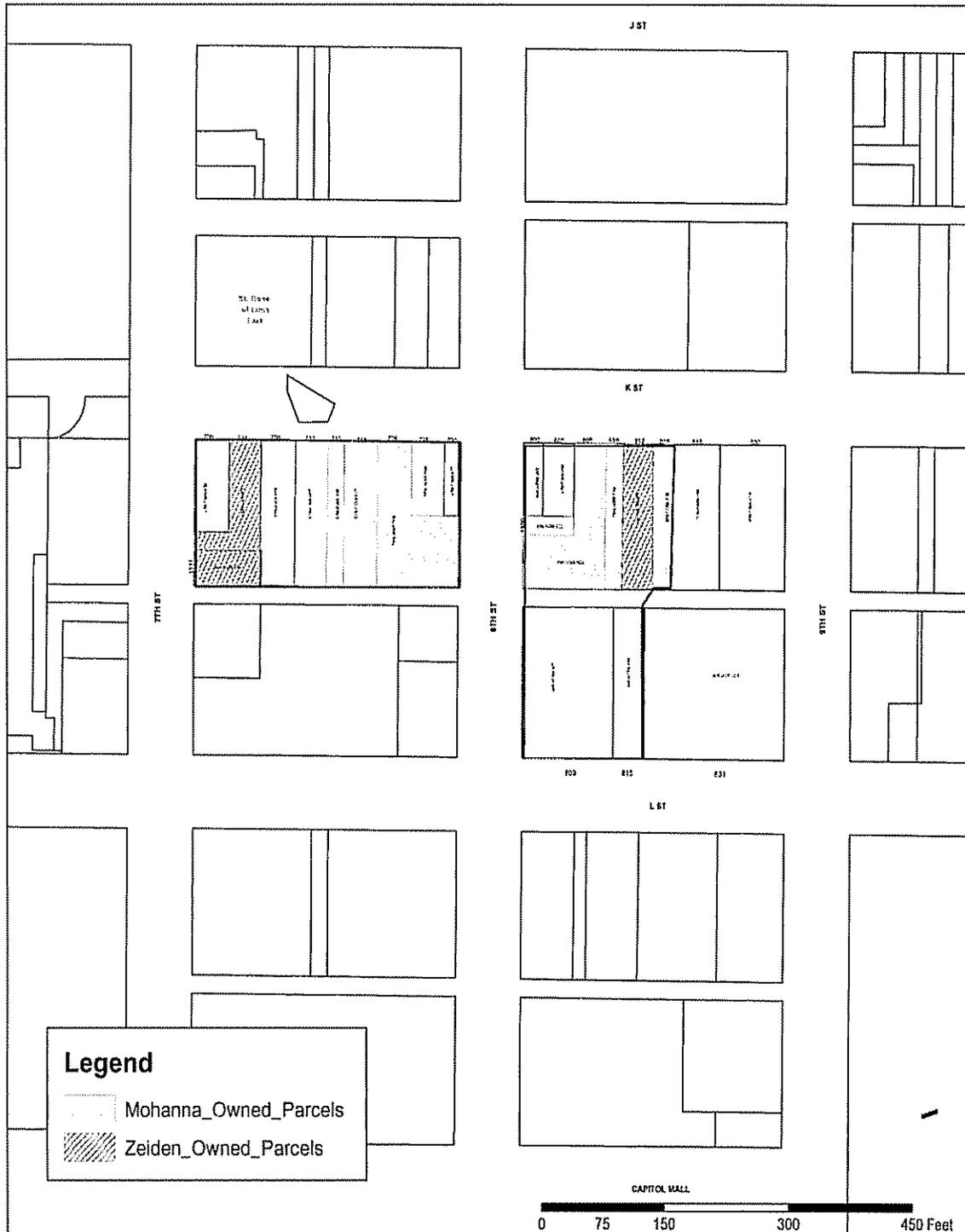


FLOW CHART FOR LEGAL AGREEMENTS
RELATED TO 700/800 K STREET



12/2/2005

700 and 800 Blocks of K Street
Property Ownership



RESOLUTION NO.

Adopted by the Redevelopment Agency of the City of Sacramento

Date _____

**Land Assembly Agreements for
700/800 Blocks of K Street**

BACKGROUND

- A. The 700 and 800 blocks of K Street contain numerous vacant and deteriorated buildings and vacant sites. These blight conditions have impeded redevelopment of these key blocks in Sacramento’s Central City.
- B. On August 16, 2005, the Redevelopment Agency of the City of Sacramento (Agency) adopted Resolution 2005-0620 which concluded the formal Owner Participation Request for Proposal (RFP) process for the 700/800 blocks of K Street and authorized staff to negotiate with Zeiden Properties for redevelopment of the 700 block and with John Saca for a portion of the 800 block of K Street, subject to further negotiation.
- C. A 45-day schedule of negotiations was established, including, participation by development teams in City-initiated mediation to facilitate cooperative real estate discussions between the parties.
- D. On October 16, 2005, the Redevelopment Agency approved the execution of an Exclusive Right to Negotiate Agreement (ERN) with Zeiden Properties, Saca Development, LLC, M.H. Mohanna, and Urban Innovation Partners, LLC to further refine the development concept for the 700 and 800 blocks of K Street. The purpose of this ERN, executed by the above parties, was to establish the terms of a land-assembly agreement that would lead to two development projects – one with Zeiden properties for the 700 block of K Street and the second with the Saca Team for the 800 block of K and L streets.
- E. The Land Assembly Agreement, Settlement and Land Exchange Agreement, Option Agreement, and Exclusive Negotiation Agreements are on file with the Agency and City clerks.

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

Section 1. The City Manager, acting as the designated authority for the Redevelopment Agency, is authorized to execute the Land Assembly Agreement with Zeiden Properties, LLC, Saca Development, LLC, M.H. Mohanna, John Lambeth, 718 K Street LLC, 726 K Street LLC , The Saca Team Entity, LLC and Urban Innovation Partners, LLC (hereafter referred

to "Saca Team") that outlines the terms of land-assembly for portions of the 700 and 800 blocks of K Street.

- Section 2. The City Manager, acting as the designated authority for the Redevelopment Agency, is authorized to execute the Settlement and Land Exchange Agreement with Saca Team that describes the terms of the exchange of properties currently owned by the Saca Team on the 700 block for property to be acquired on the 800 block of K Street.
- Section 3. The City Manager, acting as the designated authority for the Redevelopment Agency, is authorized to execute the Option Agreement with Zeiden Properties, LLC for property numbered 1111 7th Street, 1113 7th Street, 708 K Street, and 816 K Street.
- Section 4. The City Manager, acting as the designated authority for the Redevelopment Agency, is authorized to execute the Exclusive Negotiation Agreement with Zeiden Properties, LLC to further develop the terms of a development concept for the 700 block of K Street.
- Section 5. The City Manager, acting as the designated authority for the Redevelopment Agency, is authorized to execute the Exclusive Negotiation Agreement including a First Right of Negotiation with the Saca Team to further develop the terms of a land-assembly and development concept for the 800 block of K Street.
- Section 6. After due consideration of the facts presented, the findings, including the environmental findings regarding this action, as stated in the staff report, are approved.

