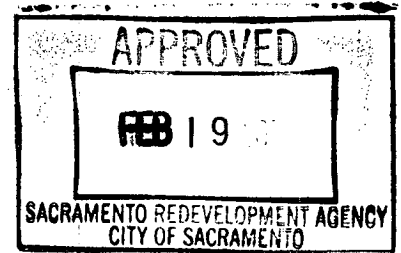


ECONOMIC DEVELOPMENT DEPARTMENT  
CITY OF SACRAMENTO

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February 19, 2002

Redevelopment Agency of the City of Sacramento  
Sacramento, CA

Honorable Members in Session:

**SUBJECT: PURCHASE AGREEMENT FOR 1012 AND 1014 K STREET**

**LOCATION/COUNCIL DISTRICT:** Council District 1, near SE corner of 10<sup>th</sup> and K Streets

**RECOMMENDATION:**

Staff recommends that the Redevelopment Agency of the City of Sacramento (Agency) approve the attached resolution which authorizes the Deputy City Manager, on behalf of the Agency, to:

- Purchase properties located at 1012 and 1014 K Street (Attachment A) for \$1.35 million, in accordance with the terms and provisions included in the Purchase Agreement between the Agency and Petrovich Development Company; and
- Execute a Purchase Agreement between the Agency and Petrovich Development Company.

**CONTACT PERSON:** Traci Michel, Senior Management Analyst, 264-8645  
Wendy Saunders, Downtown Development Manager, 264-8196

**FOR THE COUNCIL MEETING OF:** February 19, 2002

**SUMMARY:**

This report recommends the Agency purchase of properties located at 1012 and 1014 K Street (currently the Rite Aid site) and approval of a Purchase Agreement between the Agency and Petrovich Development Corporation, for the purpose of continued redevelopment of the K Street Mall.

**BACKGROUND:**

The project site, currently housing a Rite Aid drugstore, is immediately adjacent to the Agency-owned site on the southeast corner of 10<sup>th</sup> and K Streets (formerly Woolworth's). This location is considered key to downtown redevelopment efforts for several reasons:

- Agency currently owns adjacent property identified as a location for catalyst retail/entertainment development;
- Assembly of the two properties allows for a larger-scale and more dynamic project;
- 10<sup>th</sup> Street's high traffic volumes offer significant visibility;
- The site is located in close proximity to the State Capitol, and enjoys significant pedestrian traffic;
- It is the center of the five-block area of K Street (between 7<sup>th</sup> and 12<sup>th</sup>) most in need of redevelopment attention;
- Although smaller than the Agency-owned property, the building is still large enough (approximately 27,000 square feet) to house a significant retail venue;
- In combination with the Agency-owned site, the 26,000-square-foot footprint provides the largest existing development opportunity on K Street; and
- Public parking to support the site is available behind the building at 10<sup>th</sup> and L Streets.

Last month City Council approved the selection of the CIM Group as the preferred developer for the adjacent Agency-owned site, as well as an exclusive negotiation period for development of the site. Since that time, the new location for Rite Aid has neared completion (9<sup>th</sup> and K Streets). The Agency was notified that Rite Aid would be vacating its existing location and the owner of the property, Petrovich Development Corporation, offered the site to the Agency at \$1.35 million.

Project concepts explored by the CIM Group for the Agency site include ground-floor and lower-level promotional retail and a destination restaurant and/or a state-of-the-art multi-screen cineplex, as well as upper floors housing a minimum of 20 live/work style loft apartments. Combining the subject parcel with the Agency-owned site provides a greater opportunity for implementing any of the concepts explored.

**Redevelopment Workshops**

Last year, a series of redevelopment workshops were presented to City Council regarding the future of downtown redevelopment over the remaining life of the Redevelopment Plan. City Council approved the focus of efforts in three areas:

- Retail and entertainment development in the K Street District (J, K and L Streets between 4<sup>th</sup> and 15<sup>th</sup> Streets) and the remaining development sites in Old Sacramento;
- Urban residential development within, or in proximity to, the project area; and
- Open space and public improvements, with particular emphasis on the Sacramento River urban waterfront.

The workshops focused on single issue areas in downtown Sacramento, and Council heard from guest speakers who discussed strategies employed by other jurisdictions in similar circumstances. The following key strategic actions for retail developments were identified in the workshops:

- Gain control of land;
- Improve infrastructure and streetscape environment;
- Recruit tenants that generate foot traffic;
- Make certain all corners are active and vibrant;
- Support the success of local businesses;
- Complete missing portions of the streetscape; and
- Attract new residents to the Central City.

Furthermore, control of land was identified in the workshops as a key strategic action for downtown residential development.

#### **FINANCIAL CONSIDERATIONS:**

Tax increment funds in the amount of \$1.35 million from the Merged Downtown Development Assistance Project will be used for the land acquisition.

#### **ENVIRONMENTAL CONSIDERATIONS:**

No environmental review is necessary at this time. This property, as part of a project, will be subject to environmental review before any actions are taken.

#### **POLICY CONSIDERATIONS:**

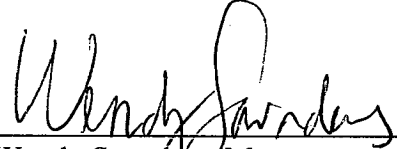
The purchase of the subject property is consistent with the goals and objectives of the Merged Downtown Redevelopment Plan and Five-Year Strategy. Additionally, the purchase of the property will result in a larger-scale catalyst development project which meets the evaluation criteria established by Council following the redevelopment workshops, including:


- Contributing to achieving the vision of adopted Five-year Implementation Strategy;
- Helping to remove blight;
- Helping to leverage public investment by creating opportunity for a larger-scale project;
- Helping to spur additional private investment in the vicinity;
- Contributing to City revenues through property tax and sales tax upon project completion; and
- Creating jobs, both during construction and project completion.

**ESBD CONSIDERATIONS:**

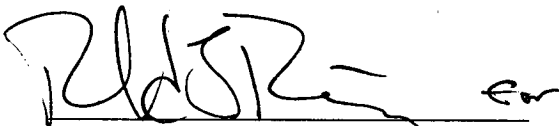
There are no ESBD considerations contemplated with the requested action.

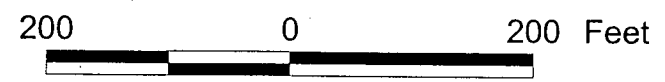
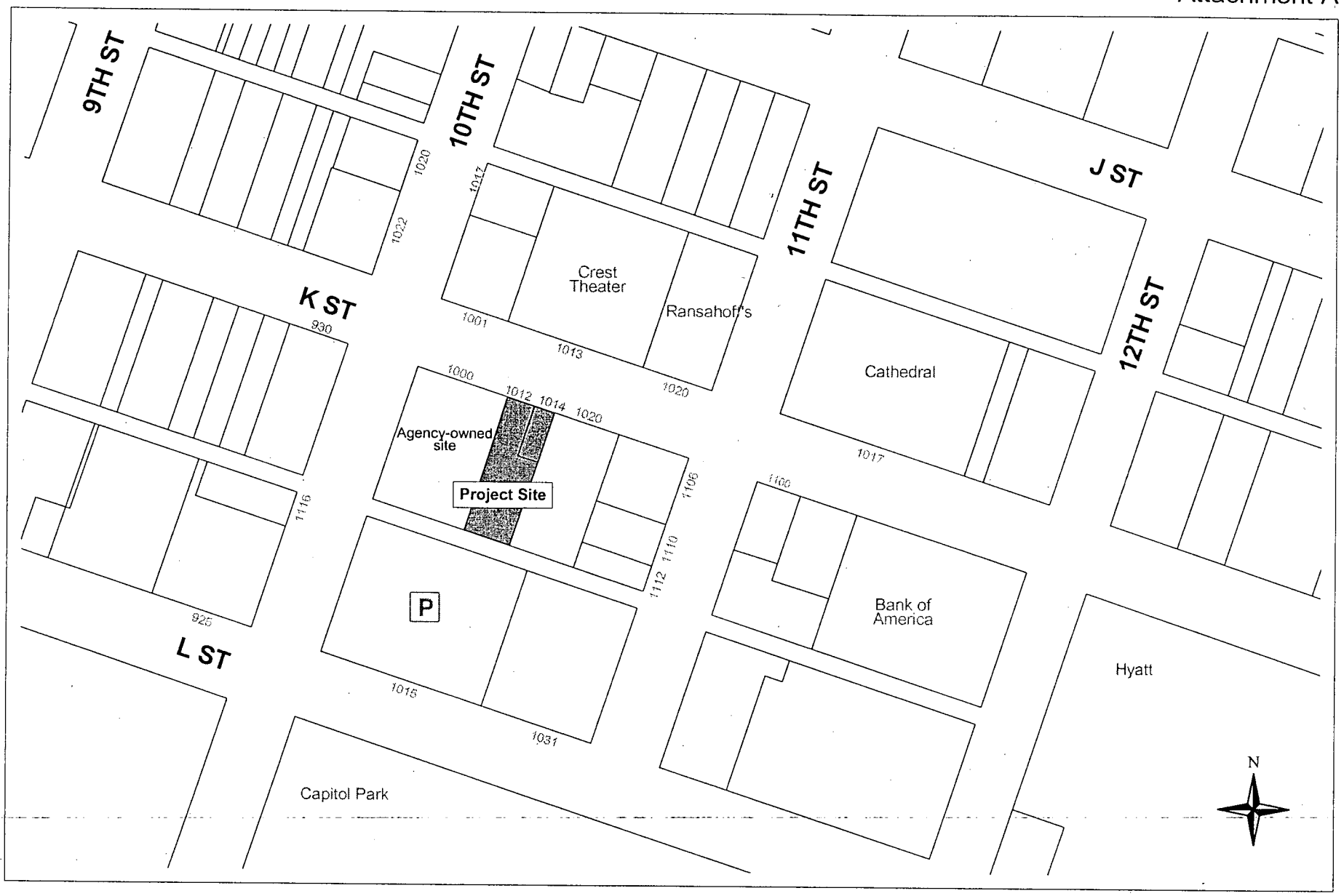
Respectfully submitted:

  
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Wendy Saunders, Manager  
Downtown Development Group

  
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Andrew J. Plescia, Director  
Economic Development Department

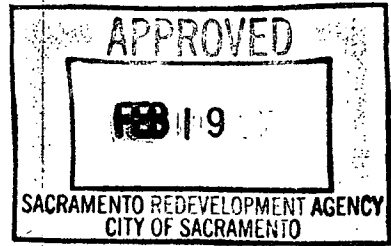
RECOMMENDATION APPROVED:

  
\_\_\_\_\_  
ROBERT P. THOMAS  
City Manager



Project Site Map

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**R.A. RESOLUTION NO. 2002-011**

**ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO**

ON DATE OF

**ESTABLISH JUST COMPENSATION FOR PROPERTIES LOCATED AT 1012 AND 1014 K STREET AND AUTHORITY TO PURCHASE PROPERTY**

WHEREAS the Project Site located at 1012 and 1014 K Street (APN 006-0104-002 and APN 006-0104-003) was offered to Agency for sale at a \$1.35 million by Petrovich Development Company;

WHEREAS the Agency establishes just compensation to be the price at which the property was offered to the Agency; and

WHEREAS the purchase of the property will provide land assemblage opportunities for further implementation of the Merged Downtown Sacramento Redevelopment Plan, Five-Year Implementation Plan, and 2005 Strategy.

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1. The Deputy City Manager is authorized, on behalf of the Agency, to purchase property located at 1012 and 1014 K Street in the amount of \$1.35 million using Merged Downtown Sacramento tax increment funds including without limitation execution of agreement for purchase and sale of the property and escrow instructions.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_