



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



3

June 8, 1988

Budget and Finance and Transportation/
Community Development Committees
of the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Status Report re Docks Development Project

SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the Redevelopment Agency of the City of Sacramento.

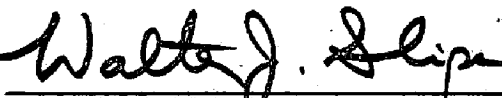
RECOMMENDATION

The staff recommends approval of the recommendations outlined the attached report.

Respectfully submitted,


WILLIAM H. EDGAR
Executive Director

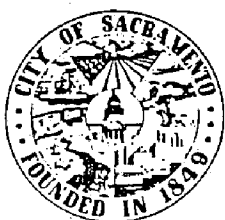
TRANSMITTAL TO COMMITTEE:



SOLON WISHAM JR.
Assistant City Manager

Attachment

FOR



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



June 6, 1988

Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Status Report on the Docks Development Project

SUMMARY

This report is being submitted at the request of the Redevelopment Agency on May 10, 1988. The report is intended to provide an update on the status of the Docks Hotel Project and set forth recommended actions for proceeding with the subject project, specifically in relation to the developer Riverview Development Group.

BACKGROUND

Attached as "Exhibit I" is a chronology of the Docks Project. A number of the listed items which were beyond the control of the Agency and developer have negatively affected the timing for the development of the overall project. These items include: 1) delay in the developer selection process including a second review after an initial selection had taken place; 2) the issue of siting of the proposed State Museum of Railroad Technology (M.O.R.T.) as it related to the initially proposed residential uses; 3) the issue of the exclusion of the proposed office site on Lot X east of Interstate 5, and exclusion of such site from the overall project; 4) the issue of the proposed Light Rail Transit route as it related to the MORT site; 5) toxic problem on the P.G.E. property; and 6) extension of time to approve and certify the Environmental Impact Report on the Docks Master Plan.

6-8-88

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The items listed on "Exhibit I" that directly relate to the timing for development of the hotel component of the Docks Project are items 7, 9, 11, 12, 15, 17, 18, 20, and 21. In summary, Riverview Development Group was selected as developer for the Docks Project in October 1986 and entered into a nine-month exclusive negotiating period with the Agency. In February 1987, the first status report was prepared and submitted to the Redevelopment Agency. In June 1987, a second status report was prepared and submitted. At that time the Redevelopment Agency rendered a decision on the siting of the M.O.R.T., and the elimination of the office site (Lot X) from the overall project (see "Exhibit II"). Also, the Agency and developer entered into a Memorandum of Understanding (MOU) governing the negotiations on the hotel project. In addition, the nine-month negotiating period was extended from July to October, 1987 in order to allow appropriate time for the environmental review process and conclude negotiations on the business arrangement. A tentative business arrangement was later reached with staff in October 1987 and approved by the Redevelopment Agency on December 7, 1987.

Accomplishments to Date

On the positive side: 1) a Master Lease for the Docks area has been approved by the City Council and is pending approval by the State Lands Commission; 2) almost all of the land needed for private development has been acquired or is in a stage of ready transfer public ownership; 3) the Docks Master Plan has been approved; 4) the EIR on the Docks Master Plan has been approved and certified; 5) one major (Towe Ford Museum) project in the southern portion of the project area has become a reality; and 6) the basic business terms and conditions and accompanying legal agreements for the hotel component have been agreed to between the Agency staff and developer (Riverview Development Group).

As to the hotel component of the Docks Project, the current status is that all of the necessary development agreements and leases have been completed and agreed to by the Agency staff and Riverview Development Group. These agreements which were completed in April, 1988 include: 1) Predevelopment Agreement; 2) Development Agreement; 3) Hotel Ground Lease; and 4) Parking Garage Lease. These documents were prepared based on the basic business terms and conditions approved by the Redevelopment Agency on December 7, 1987.

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Current Requirements

An executed agreement between Riverview Development Group and a joint venture partner is the next item to be completed in order to seek approval of the development agreements and leases and begin implementation of the project. As part of the original proposal, Riverview Development Group was to joint venture with Condel, Inc. and Laural Hotels for the hotel project. However, Riverview Development Group did not enter into an agreement with Condel, Inc. for a number of reasons. A primary reason was that Condel, Inc. was purchased by a large European corporation, and the direction and strategy for real estate development was changed by the new ownership. Subsequently, Riverview Development Group indicated an intent to joint venture with Harbor View Investments. However, it was learned recently by the staff that that partnership also was not consummated by the subject parties.

The staff has indicated to Riverview Development Group that upon submission of an executed joint venture partnership agreement and evidence of financial capability of the joint venture partner, staff would submit the subject development agreements and leases to the Redevelopment Agency for review and approval along with the subject joint venture partnership agreement.

Proposed Joint Venture

On May 25, 1988, Agency staff met with representatives of Riverview Development Group and their proposed joint venture partner, Embassy Suites. The developer represented to the staff that the partnership between the two entities would be split 50% each with each entity providing 50% of the necessary equity for the hotel project. Embassy Suites would also manage the subject hotel through a management agreement with the development partnership.

Embassy Suites is a wholly-owned subsidiary of the Holiday Corporation which is a corporation that also owns Holiday Inn, Hampton Inns, and Harrah's Casino/Hotels, in addition to Embassy Suites. Embassy Suites manages 45 hotel properties in which they have an equity/ownership role in 25 of these properties. In addition, Embassy Suites has 40 franchise properties for a total of 85 hotel properties.

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Based on information presented and staff knowledge of Embassy Suites, staff feels Embassy Suites has the financial capability, hotel development and management experience (particularly in regard to the proposed all-suite hotel concept for the Docks Project) to be an acceptable joint venture partner with Riverview Development Group. This assessment, however, is subject to review of financial information on Embassy Suites and provisions of an actual joint venture partnership agreement, particularly in regard to equity investment and hotel management.

At the subject meeting on May 25, 1988, representatives of Embassy Suites indicated they had thoroughly reviewed: 1) the proformas and financial projections for the proposed subject hotel; 2) the basic business terms and conditions of the agreements and leases with the Redevelopment Agency; and 3) hotel market information for the Sacramento area. The Embassy Suites representatives indicated they were prepared to make a commitment to proceed with Riverview Development Group in a joint venture equity and hotel management capacity. To evidence this commitment in writing, representatives of Riverview Development Group and Embassy Suites indicated they would submit to the Agency staff by June 6, 1988 an executed letter of intent between the two entities. The letter of intent would set forth in detail the basic business terms and provisions relative to their proposed joint venture partnership. Subsequently, an actual executed partnership agreement would be submitted to the Agency in approximately six weeks or July, 1988. This agreement would be subject to the approval of the Holiday Corporation hotel committee which would consider the subject agreement in late July or late August, 1988, depending on the scheduling of the hotel committee meetings. The representatives of Embassy Suites were extremely positive about the potential joint venture partnership and indicated all of the necessary written documentation could be in place by late July or August, 1988.

POSSIBLE OPTIONS AND ALTERNATIVES

As to future actions for proceeding with the Docks Project, and specifically in regard to the hotel component and relationship with Riverview Development Group, there appear to be three options.

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Option No. 1

Under Option No. 1, Riverview Development Group would be allowed additional time to secure a joint venture partner within the provisions of the Memorandum of Understanding (MOU) and exclusive negotiating agreement without regard to an established time frame other than a reasonable period of time.

Option No. 2

Under Option No. 2, Riverview Development Group would be given a specific time frame (sixty days) certain to obtain a signed partnership agreement. Under this option the negotiating period in accordance with the subject MOU would be extended to the subject established date and Riverview Development Group would sign an automatic rescission agreement, similar to ones previously used by the Agency, whereby if they cannot submit a signed joint venture partnership agreement satisfactory to staff, within the established time frame, the exclusive right to negotiate would automatically be terminated.

Option No. 3

Under Option No. 3, negotiations with Riverview Development Group would be terminated immediately under the provisions of the subject MOU.

Staff feels that the most appropriate action would be that as set forth under Option No. 2. This would afford Riverview Development Group and their prospective joint venture partner an opportunity to conclude their present negotiations and develop/execute an agreement within a reasonable fixed period of time (sixty days).

If for any reason negotiations with Riverview were terminated under any of the major options discussed above then there would be a number of possible alternatives on how to proceed with the subject hotel project.

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Alternative A

Under this alternative, there could be selection of the second finalist (Cal-Coast) from the original developer selection process for the Docks Project. Under this alternative, Cal-Coast and Agency could enter into a mutually agreeable period of time, e.g., six (6) months to exclusively negotiate and prepare a business agreement and related legal documents. This selection procedure may be appropriate since Cal-Coast was the other finalist in the previous selection process.

Alternative B

Under this alternative, the planning and partial implementation of waterfront public improvements would continue, the triangular hotel site would be transferred from City to Agency, Second Street/Nesham Circle realigned with approval of Cal-Trans and Front Street abandoned to create a building site for a future private project on the hotel site. The actual request for proposals for the hotel site would be postponed until land assembly was completed and public improvements planning (schematic Master Plan) was completed and implementation plan approved.

Alternative C

This alternative would approve a new selection process based on a Request for Qualifications (RFQ) for the hotel site. Selected developer would have an exclusive right to negotiate with Agency for stipulated period of time.

Alternative D

Under this alternative, further development of the hotel site and waterfront public improvements would cease and be postponed indefinitely.

Staff feels that the most appropriate action would be that as set forth under Option No. 2. This would afford Riverview Development Group and their prospective joint venture partner an opportunity to conclude their present negotiations and develop/execute an agreement within a reasonable fixed period of time (sixty days).

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The staff feels the most appropriate action would be to proceed as set forth in Alternative B. This would allow the Agency to proceed with formation of the hotel development site and implementation of the public waterfront improvements.

Obviously the most expeditious approach would be to continue to work with the current developer assuming they can satisfy the requirements for the joint venture partnership as discussed earlier. The other options and alternatives discussed would extend the time it would take to accomplish the proposed hotel project.

FINANCIAL DATA

The total cost of Agency third-party costs to date associated with the hotel component of the Docks Project is approximately \$55,675.00. These costs were for review of developer proformas/financial projections; toxics study; review of schematic plans and cost estimates for hotel, parking and public improvements; legal descriptions of the subject property; and assistance in negotiations of the business terms and provisions.

In February 1987, Riverview Development Group did submit an irrevocable standby letter of credit in the amount of \$300,000 to the benefit of the Redevelopment Agency. Should Riverview Development Group default under the "Offer to Purchase/Lease and Redevelop Land," then the entire amount would be due to the Agency. If the subject agreement were terminated in good faith, then payment for Agency third-party expenses would be due to the Agency.

VOTE AND RECOMMENDATION OF COMMISSION

It is anticipated that at its regular meeting of June 6, 1988, the Sacramento Housing and Redevelopment Commission will adopt a motion recommending adoption of the attached resolution. Should the Commission fail to do so, the staff will inform the Redevelopment Agency at its meeting on June 8, 1988.

POLICY IMPLICATIONS

The actions proposed in this staff report are consistent with previously approved policy and there are no policy changes being recommended.

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RECOMMENDATION

The staff recommends adoption of the attached resolution: 1) approving proceeding with Option No. 2 set forth above in this report which would afford Riverview Development Group and their prospective joint venture partner an opportunity to develop and execute an agreement within a sixty-day period of time; 2) Authorizing the Executive Director to execute an amendment to the Memorandum of Understanding (MOU) establishing August 8, 1988 as the automatic termination date for the exclusive negotiating period with Riverview Development Group; and 3) approving proceeding with Alternative No. 2 as set forth above in this report should the exclusive negotiation agreement with Riverview Development Group terminate.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

Walter J. Slipe

WALTER J. SLIPE
City Manager

Contact Person: Leo T. Goto, 440-1320

1100WPP(25)

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
ON DATE OF

June 8, 1988

RESOLUTION REGARDING DOCKS PROJECT

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

Section 1: That Option No. 2 as set forth in the staff report filed with this resolution is hereby approved as to proceeding with the exclusive negotiation period with Riverview Development Group related to the proposed Docks Hotel Project and related public improvements.

Section 2: The Executive Director is authorized to execute an amendment to the Memorandum of Understanding (MOU) dated July 6, 1987 between the Agency and Riverview Development Group which sets the termination date of said MOU and all other agreements as August 8, 1988.

Section 3: That Alternative B as set forth in the staff report filed with this resolution is hereby approved as to proceeding with development of the subject hotel site and related public improvements should the exclusive negotiation period with Riverview Development Group terminate.

CHAIR

ATTEST:

SECRETARY

1100WPP2(30)

(9)

DOCKS PROJECT CHRONOLOGY

<u>ITEM</u>	<u>APPROVED</u>
1. Original Docks Plan prepared by City Planning Dept.	August 1977
2. Agency approval of the concept of a single developer for the Docks Project, draft RFQ and authorization to contract for a market study.	November 1983
3. Agency acceptance of Docks Report (Market Study), approval of the RFQ and authorization to proceed with developer selection.	December 1984
4. Agency approval of Docks Development Project and work program.	January 1985
5. Selection of Riverview Development Group as developers for the Docks Area.	June 1986
6. Status report regarding general support for the Museum of Railroad Technology in the Docks Area (without specific site location), information regarding a merger of Kimmel/Hanover Group with Cal-Coast, final developer concepts and reference checks on two finalists.	September 1986
7. Selection of Riverview Development Group (results of a reexamination of two finalists based on a change in the composition of one of the finalists and new information) selection of developer consists of a six month exclusive negotiating period.	October 1986

8. File report on funding of underwater archeological investigation. November 1986
- ✓ 9. Status Report - Developer submitted option fee for \$300,000, key meetings were held with state, local and federal staff, submission of draft letter agreement on partnership with Condel and finalization of a portion of the preliminary Master Plan. The preferred location for the Museum of Railroad Technology (MORT) was conceptually approved for location on the PG&E site. February 1987
10. Collapse of a portion of the sea wall south of Tower Bridge. February 1987
- ✓ 11. Status Report - Developer updated market studies, prepared schematic site plans and elevations, financial projection and pro-formas. Extension of the negotiation period from July 12, 1987 to October 1, 1987 approved to allow for environmental review and conclude negotiations on business arrangements. June 1987
- ✓ 12. Report back on Museum of Railroad Technology - Policy direction made by Agency reversing previous action by approving the location of MORT on land owned by the Agency and preferred by the State of California. Elimination of the office development as proposed by the developer east of the I-5 freeway. June 1987

13. Preparation of the draft Master Plan and public review and comment on the draft EIR. September 1987
14. Draft EIR transmittal of public comments received to date on Draft EIR. October 1987
15. Extension of public review period for the draft EIR due to a possible conflict in location of the proposed Meadowview Light Rail line and MORT. The public review period was extended from October 11, 1987 to November 9, 1987. October 1987
16. Special study by consultants through SACOG regarding costs and other factors related to Meadowview Light Rail and MORT in the Docks area. October 1987
17. Status of Docks Report - Memorandum stating that Agency staff and developers have reached a tentative agreement on the business arrangement and that the Memorandum of Understanding (MOU) provides for automatic extension of the negotiating period if a tentative agreement was reached and time is needed to process the EIR and obtain final approvals. Agency staff had determined that these provisions have been met and the extension of time as provided in the MOU is appropriate. October 1987
18. Certification of the Docks EIR, approval of the Master Plan (Phase I) and business arrangement, and authorization to complete various development agreements. December 7, 1987

19. Approval of Phase II and III of the Docks Master Plan (including designation for a future Meadowview Light Rail line and location of MORT). January 25, 1988
20. Staff and developer agreement on final drafts of predevelopment agreement, disposition and development agreement, and hotel and parking leases. April 5, 1988
21. Memo to Agency regarding withdrawal of Harbor View Investments as a proposed joint venture partner. May 9, 1988

2110WPP(2)
5/19/88

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into as of July 6 1987, by and between the Redevelopment Agency of the City of Sacramento (the "Agency") and Riverview Development Group ("Redeveloper").

RECITALS

A. On October 14, 1986, the Agency selected the Redeveloper as the party to negotiate with the Agency regarding the proposed development of the Docks Development Project (the "Project"). This selection gave the Redeveloper an exclusive right to plan and negotiate the Project with the Agency for a period of nine months.

B. On September 10, 1986, prior to its formal selection, the Redeveloper entered into an Offer to Purchase/Lease and Redevelop Land (the "Offer") with the Agency. The Offer, though not attached hereto, is incorporated herein by reference and made a part hereof.

C. In accordance with the terms of the Offer, the Redeveloper has submitted a Letter of Credit in the amount of \$300,000 as the Option Fee required in the Offer.

D. On February 9, 1987, the Agency staff and Redeveloper presented their first status report on the Project to the Agency. The written status report to the Agency dated February 9, 1987 (the "February Status Report"), and signed by the Agency's Executive Director and the City Manager of the City of Sacramento (the "City"), though not attached hereto, is incorporated herein by reference and made a part hereof.

E. The Agency and Redeveloper desire to enter into this MOU for the purpose of: (1) acknowledging the planning for the Project as of the date of this MOU, (2) developing a Master

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Plan for the Project (3) defining the Project including possible alternatives for purposes of commencing and completing the preparation and certification of an environmental impact report ("EIR") for the Project, and (4) establishing the framework for conducting negotiations between the Agency and Redeveloper on the terms of projects agreements and disposition and development agreements (the "DDAs") and related documents including provisions for financing of the improvements made by the Agency and/or Redeveloper in connection therewith.

F. It is the intention of the parties by entering into this MOU to generally define the Project and to provide direction to the staff of the Agency and to the Redeveloper and their respective agents and consultants to proceed with planning and negotiations for the Project, subject to mutual agreement by the parties hereto and subject to compliance with all laws pertaining thereto, including public hearings and environmental clearances.

UNDERSTANDINGS

A. Parties to Project Agreements; Other Agencies; Consultations.

1. The parties to the Project agreements shall be:
 - a. the Agency;
 - b. the developer, Riverview Development Group, Inc., a California Corporation. Additional joint venture partners shall be as set forth in Project Agreements. Any changes in the composition of the Redevelopers must be approved by the Agency. Once the final project agreements have been negotiated, documentation including the final joint venture agreements will be submitted for approval by the Agency.
 - c. the City of Sacramento to the extent required to carry out the Project.
2. Other Agencies: the Agency and Redeveloper have identified in Exhibit A attached hereto other governmental agencies ("Other Agencies")

which must take action with respect to the Project. Agency and Redeveloper shall use best efforts to obtain such actions as necessary.

B. Negotiation Period.

1. For purposes of the Offer, Redeveloper Selection and this MOU, the Negotiation Period is that 270-day period as here in extended commencing October 15, 1986 and ending at 5:00 p.m. on July 12, 1987. In order to complete environmental reviews, the negotiation period has been extended to October 1, 1987.
2. If the parties have reached agreement as to the terms and conditions of Project agreements relating to the Parcels within the Project during the Negotiation Period, and the Redeveloper has executed and submitted the Project agreements to the Agency for approval, the Negotiation Period shall be automatically extended for such additional period as is necessary to obtain final Agency approval thereof including completion and certification of the EIR, and Redeveloper shall not be required to pay any additional Optional Fee or other consideration during such extended period.
3. In addition to the extension referred to in subsection B-2, above, the Negotiation Period may be extended by mutual agreement of the Agency and Redeveloper, subject to the rights of the Agency to require the Redeveloper to pay an additional monthly fee to the Agency as provided in Section 4 of the Offer.
4. If the parties fail to agree upon the terms to such Project agreements within the time limits of this MOU, the MOU shall terminate and the Redeveloper's \$300,000 Letter of Credit shall be released and returned to the Redeveloper, as provided therein. Thereafter, the Agency

shall be free to develop the Project with other developers without any legal liability or obligation to the subject Redeveloper.

C. Master Plan.

1. For the purposes of planning the Project, the Agency shall adopt a Master Plan.
 - a. The Draft Master Plan is attached hereto as Exhibit "A" of the overall staff report and incorporated herein by reference. The Draft Master Plan is subject to further revision and refinement as part of the on-going negotiations between the Agency and Redeveloper during the subject Negotiation Period.
 - b. Agency shall adopt a final Master Plan for the Project prior to the approval of any Project agreements between the parties for the Project. Such Master Plan shall include:
 - (1) A legal description of the site of the Project,
 - (2) The uses and the scope of development on the private development parcels within the site,
 - (3) A financing plan for public improvements which takes into account the private improvements related to each of the subject land use components.
 - (4) An implementation strategy for development of the subject land use components of the Project, and

- (5) The method of and basis for conveyance of the private development parcels from the Agency to the Redeveloper.

D. Scope of Project.

For the purpose of establishing the possible scope of development for the Project, the parties may negotiate the terms for the following:

1. Hotel: A hotel complex of approximately 250 to 300 rooms of a quality substantially equal to the Park Suite Hotel or Embassy Suites franchise to be located as shown on the Draft Master Plan on a triangular parcel of land at Capitol Mall, Front Street and Interstate 5. The number of parking spaces shall be in conformance with the City of Sacramento code requirements and shall be provided to the hotel as part of a larger parking facility to be developed by the Agency on site if such an arrangement is shown to be financially feasible based upon mutual negotiations between Agency and developer.
2. Office: An office building approximately 140,000 square feet and 240,000 square feet of net leasable area. Parking that shall be in conformance with the City of Sacramento code requirements. In addition, the developer has proposed a 12,000 square foot building shell encompassing a 300 seat theatre, art gallery, and 6000 square foot office for a community art center, as shown on the Master Plan Map on the block bounded by Capitol Mall, N Street, 2nd and 3rd Streets. The size of the office building would be finally determined as a result of further negotiations between the Agency and Redeveloper.
3. Residential: Up to approximately 600 residential units depending on configuration of the site availability, in three phases,

which approximately 150-200 low-rise units in phase I, approximately 200 hi-rise units in phase II and approximately 200 hi-rise units in phase III (on the PG&E property, assuming the State Museum of Railroad Technology is located exclusive of such parcel and such parcel can be used for residential purposes as finally determined by Pacific Gas and Electric Company and other appropriate government agencies) located as shown on the Draft Master Plan. Adequate parking in conformance with the City of Sacramento code requirements shall be provided on-site by means of parking structures. Residential uses may be designed and approved as condominiums but may be initially marketed as apartments.

4. Restaurant: Freestanding restaurant uses of between approximately 8,000 to 10,000 square feet located as shown on the Draft Master Plan. Parking shall be in conformance with the City of Sacramento code requirements.
5. Other uses, facilities, etc., identified in the Draft Master Plan would be negotiated between Agency and Redeveloper.

E. Method of Disposition

1. If the parties have reached agreement on the terms and conditions for development of the private development parcels, each parcel subject to this MOU within the Project shall be transferred separately from the Agency to the Redeveloper.
2. The Redeveloper's proposal to the Agency was to purchase the Office Parcel and the Residential Parcels and lease the Hotel Parcel (with an option to purchase) under a Master DDA. The Agency now proposes an option agreement for a DDA and a ground lease would be used for each individual private development parcel within the Project. In order to exercise an option agreement for a

parcel, and with a design/construction package approved by the Agency.

Under the Agency proposal, option agreements would be executed concurrently by the parties. The option periods for each option agreement would be based upon the schedule of performance as agreed upon by parties for phased development of the Project. In no event, would the Agency authorize the Redeveloper to exercise subsequent options until the Redeveloper has commenced substantial completion of the structure or structures on a parcel transferred as part of a prior DDA and ground lease and the Agency determines that the construction financing is sufficient to complete such structure or structures.

3. The Agency further proposes that the option agreements and DDAs would provide for the following disposition of parcels to the Redeveloper:
 - a. Hotel: ground lease with the terms to be negotiated by the parties.
 - b. Office: ground lease with the terms to be negotiated by the parties.
 - c. Restaurant (freestanding): ground lease with the terms to be negotiated by the parties.
 - d. Residential uses: ground lease with the terms to be negotiated by the parties.
4. The Agency's proposals set forth in paragraphs 2, and 3., above, are neither accepted nor rejected by the Redeveloper at the time of

the ability to attract investment and secure financing, the ability of the Agency to assure delivery of the Parcels of the Site to the Redeveloper and the ability of the Agency to assure the financing of the public improvements. Subject to these concerns and other uncertainties regarding certain elements of the Project which are beyond the control of the Agency and Redeveloper both parties agree to negotiate in good faith to assure that the total Project will be developed in a timely manner.

F. Public Improvements:

The DDAs shall set forth the specific method by which the Agency shall construct and install, or cause to be constructed or installed, the necessary public improvements.

1. Method of Financing: Public Improvements.

- a. During the Negotiation Period, the Agency and the Redeveloper shall consider and negotiate methods of financing the public improvements which achieve the completion of said improvements in conjunction with the implementation strategy of the Redeveloper's improvements and assures (subject to the qualifications set forth in 2., below) that construction and financing shall be supported by Project revenues, consisting of tax increments, lease payments and other revenue sources to the Agency. Such methods of financing the public improvements may include a combination of forms of tax-exempt and taxable public financing, based on considerations of security, interest rate, overall costs to the Project and other factors or private financing of the public improvements by the Redeveloper with

reimbursement to the Redeveloper from the revenues generated to the Agency by the Project.

- b. The Redeveloper's original proposal for the Project, including phasing, method of disposition, and public financing indicated that financing and construction of public improvements could be supported by Project revenues to the Agency without support or assistance from the City or City revenues, and that if lease revenue bond financing was used, a surplus of Project revenues would be created for use by the Agency or City for other purposes. The Agency recognizes that to the extent the Redeveloper and Agency negotiate changes in the concept of phasing of the Project from that originally proposed by the Redeveloper, because of the Agency's proposals as set forth in Section D of this MOU, that such changes may result in material changes to the financing plan for the public improvements as proposed by the Redeveloper. The Agency agrees that in the event of any Agency initiated changes, it will be the responsibility of the Agency, in conjunction with the Redeveloper, to demonstrate the feasibility of the financing plan.

G. Schedule.

During the Negotiation Period, the Agency and Redeveloper shall use best efforts to adhere to the schedule attached hereto as Exhibit "E" of the overall staff report and incorporated herein by reference, and to update such schedule as required and agreed to by parties.

H. Acknowledgement

The Redeveloper acknowledges that the parcels within the Project are owned by parties other than the Agency and the failure of the Agency to purchase or lease any of the parcels from their owners shall not give rise to any legal liability or obligation by the Agency to the Redeveloper.

I. Other matters.

This MOU does not purport to set forth all of the matters that must be negotiated to the mutual satisfaction of the parties as part of the Project agreements.

IN WITNESS WHEREOF, we have executed this instrument as of the date first above written.

APPROVED AS TO FORM:

William H. Edgar
Agency Counsel

REDEVELOPMENT AGENCY OF
THE CITY OF SACRAMENTO

BY *William H. Edgar*
William H. Edgar
Executive Director

APPROVED:

[Signature]
Organization

REDEVELOPER:

RIVERVIEW DEVELOPMENT
GROUP

BY *Edmund J. Cozart*

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Other Agencies Involved in the Doc. Project

1. United States Army Corps of Engineers, Sacramento District
2. United States Department of Transportation, Coast Guard, Navigation Hazards Section
3. State Lands Reclamation Board
4. State Lands Commission
5. United States Department of Interior, Sport, Fisheries and Wildlife
6. State Department of Water Resources
7. State Department of Parks and Recreation
8. State Department of Boating and Waterways
9. State Department of Fish and Game