



# REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento

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

STAFF REPORT  
February 14, 2006

Honorable Chair and Members of the Board

**Subject:** Final ERN documents for the Docks Area

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

**Recommendation:** Receive and file

**Contact:** Laura Sainz, Senior Project Manager, 808-2677  
Leslie Fritzsche, Downtown Development Manager, 808-5450

**Presenters:** Not Applicable

**Department:** Economic Development

**Division:** Downtown Development

**Organization No:** 4451

## **Summary:**

On January 5, 2006 of this year, the City Council approved exclusive negotiations between the Redevelopment Agency of the City of Sacramento (Agency) and KSWM Docks Partners, LLC (KSWM) for the development of the Docks Area. At the request of City Council, staff is presenting the final Exclusive Right to Negotiate (ERN) Developer Milestones Table as well as the final *Guidelines for Individual Project Review (Guidelines)*.

**Committee/Commission Action:** Not Applicable.

## **Background Information:**

On January 5, 2006, the City Council approved exclusive negotiations between the Agency and KSWM for developing the Docks Area. At that time, the City Council asked staff to present the final Developer Milestones Table which originally was an attachment to the ERN. In addition, the City Council modified the *Guidelines* in order to ensure the Docks Area design is consistent with the *2003 Sacramento Riverfront Master Plan*. The final Developer Milestones Table as well as the redlined and final *Guidelines* are attached as Attachments 1, 2 and 3 on pages 3, 4 and 8.

**Financial Considerations:** None



**Environmental Considerations:**

The proposed action is continuing a part of the Docks Area planning activities and it is exempt from environmental review pursuant to the CEQA Guidelines Section 15262. Environmental review will be conducted before the Agency commits to a definite course of action or approval of a specific development project.

**Policy Considerations:**

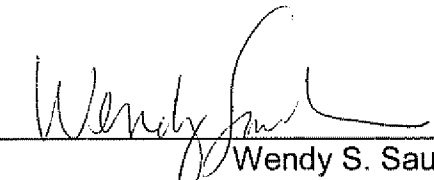
**2005 Downtown Sacramento Redevelopment Strategy**

The Docks Area ERN is consistent with the 2005 Downtown Sacramento Redevelopment Strategy goals including:

1. The elimination of environmental deficiencies in the Merged Project Area, including, mixed and shifting uses, small and irregular lots, obsolete, aged and deteriorated building types, inadequate or deteriorated public improvements, and incompatible and uneconomic land uses;
2. The strengthening of retail and other commercial functions in the downtown area, the strengthening of the economic base of the Merged Project Area and the community by the installation of needed site improvements either inside or outside the Merged Project Area to stimulate new commercial/light industrial expansion, employment and economic growth; and
3. The establishment and implementation of performance criteria to assure high site-design standards and environmental quality and other design elements, which provide unity and integrity to the entire Merged Project.

**M/WBE Considerations:**

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Approved By:   
 Wendy S. Saunders  
 Economic Development Director  
 on behalf of the Redevelopment Agency  
 of the City of Sacramento

Approved for Council Information:


  
 for Cassandra H.B. Jennings  
 Ray Kerridge  
 Interim City Manager

Table of Contents

Pg 1 Report

Pg 3 Attachment 1: Final ERN Developer Milestones Table

Pg 4 Attachment 2: Final *Guidelines for Individual Project Review* with redline changes

Pg 8 Attachment 3: Final *Guidelines for Individual Project Review*

## Docks Area Developer Milestones Table – Attachment 1

	<b>Activity</b>	<b>Who Pays</b>	<b>Timeline</b>	<b>Reimbursed if DDA not finalized?</b>
1.	Agency shares progress/work completed to date.	N/A	12/21/2005	N/A
2.	Agency and Developer agree on milestones, timeline and finalize Docks Area - Developer Milestones table.	N/A	1/13/2006	No
3.	Developer completes residential and retail market assessment.	Developer	4/21/06	No
4.	Agency provides update to City Council of market analysis and preliminary concept plan.	Developer	5/2/06	No
5.	Developer completes preliminary pro forma.	Developer	6/9/06	No
6.	Agency has property to be acquired under contract.	Agency	7/1/06	N/A
7.	Developer, with Agency input, completes final draft concept plan.	Developer	8/11/06	No
8.	Developer and Agency present final draft concept plan to community for feedback.	Developer	8/31/06	No
9.	Developer and Agency negotiate preliminary business terms.	Developer	10/4/06	No
10.	Developer and Agency present final draft concept plan and preliminary business terms to City Council.	N/A	10/5/06	N/A

Note: Failure to meet this schedule may constitute a default, unless developer has acted diligently and in good faith in performing its obligations under the ERN, pursuant to section 10 of the ERN.

## Guidelines for Individual Project Review, Redlined Version – Attachment 2

**Guidelines for Individual Project Review****Background and Criteria**

The Downtown Development Group serves as the redevelopment arm of the City of Sacramento for the Downtown and Richards Boulevard/Railyards redevelopment project areas. Its purpose is to engage in redevelopment activities and projects that revitalize the project areas and meet one or more of the following criteria adopted by the Redevelopment Agency in late 2003:

- Contributes to achieving the vision of adopted 5-year Redevelopment Strategy;
- Removes blight;
- Leverages significant private or public investment;
- Spurs additional private investment in the vicinity;
- Contributes to City revenues; and
- Creates jobs.

Additionally, proposed projects that meet one or more of the following criteria may be given priority:

- Achieves multiple redevelopment goals;
- Takes advantage of an existing asset or investment;
- Appeals to a large group of users;
- Contributes significantly to the aesthetic environment; and
- Employs smart growth principles and infill development strategies.

***The following information must be submitted prior to consideration of a development proposal.***

**Development Team Identification and Experience**

- ... Provide the name, address, and telephone numbers of the development team. Include resumes and a description of background experience of each principal and of each person having major responsibilities for project development.
- ... Identify the type of legal entity with whom the Agency would contract (e.g., individual, corporation, partnership, joint venture, other). If the legal entity with which the Agency would contract is different than the parent corporation, please indicate the relationship and degree of control and whether the parent corporation will guarantee performance or provide some other such guaranty.
- ... Identify and describe any relationship the development team may have with subsidiaries, joint ventures partners or others who are significant to the project development.
- ... Provide documentation demonstrating that development team is qualified to undertake the proposed project, including:

- Experience with the product type proposed by respondent;
  - Experience with developments in other urban areas;
  - Experience with public/private development, including references for public partners;
  - Prior relationship with key tenants;
  - Access to financial resources consistent with project requirements;
  - Experience in redevelopment or other public private development;
  - Track record of superior architectural design; and
  - Track record of development team.
- Identify the principal person within the development team authorized to negotiate on its behalf ("Key Negotiator"), and the level of authority that the Key Negotiator possesses. If the Key Negotiator has limited authority, describe the process required to obtain authorization. Key Negotiator's resume should indicate that he/she is qualified to serve as Key Negotiator, including successful experience in negotiating public private partnerships, successful experience developing the type of development being proposed, and references who can validate Key Negotiator's role in prior projects.

#### **Statement of Financial Capability**

- Copies of any annual reports, financial rating reports, or other documents indicating the financial condition of the development team must be provided. The Agency will, to the extent of its ability under the law, endeavor to keep all financial data in strict confidence and return it to the developer upon completion of the review process.
- Prior to taking a recommendation forward to City Council and based on the scale of the project, staff may occasionally request copies of audited financial statements prepared by an independent licensed certified public accountant in accordance with generally accepted accounting principles must be provided.

#### **Development Proposal and Financing Plan**

##### Project Design

- The project design must comply with the Redevelopment Plan, be consistent with the 2003 Sacramento Riverfront Master Plan and meet or exceed the City's adopted Design Guidelines. Any additional assumptions made by the developer should be clearly stated in the submitted reports.
- The project design should contain sufficient detail to show the scale, scope, size, and mix of project elements. The following required drawings must be at a scale and level of detail necessary to accurately and reliably estimate the cost of project development and operation. The project design must give verifiable detail on project materials and construction quality, which may be satisfied by reference to other buildings and their components
- Include, at a minimum, the following design information in schematic form:
1. Site Plan;
  2. Elevations; and

### 3. Floor plan.

Project design and quality is a material reason for Agency's participation in a project and changes in design and quality, irrespective of their nature, are grounds for Agency's withdrawal from negotiation.

#### Financing Plan and Business Offer

The purpose of the financial plan is to demonstrate the feasibility of project financing and the feasibility of the proposed project upon completion. The financial plan must include:

- A proposed financing plan, based on and including development and operating pro forma budgets. The financing plan should include the terms of a business offer to acquire or lease the development site, in addition to the plan to finance the development.
- All assumptions used in preparing the financing plan. An adequate plan will identify the amount and sources of equity, construction financing, and permanent financing, and will include letters of interest or commitment from equity partners and lenders, if any.
- Agency funding must be justified as necessary gap financing or as the cost of public amenities included in the project.

#### Proposed Development Schedule

- Include a preliminary schedule for development of the proposed project which addresses, at a minimum, preparation of plans, projected plan approval dates, commencement of construction, construction milestones, and completion of construction. It should provide for development in a logical and expeditious manner.

#### **Property Control**

If the development team represents that it has legal control of the property (or a substantial portion of the property) where the project would be located, the following must be provided:

- Property deeds;
- Copies of executed and enforceable real property sales contracts;
- Copies of executed and enforceable real property option agreements;
- Evidence that property has been purchased or is under contract to be purchased at price not substantially greater than market value; and
- If Development Team is a partnership, evidence that the Key Negotiator has the legal authority to commit the subject property to the proposed development project.

#### **Submittal Review Process**

For any proposed project, the Agency may elect not to participate in the project, engage in an open bidding process, or choose to negotiate with a sole source. A sole-source negotiation will not proceed unless all of the Individual Project Review requirements listed above are met within a reasonable time frame. The Agency, after review of the application, may elect not to proceed further. Decisions to commence negotiations are made at the staff level and typically do not require governing board approval. Once a

complete application has been submitted, the following process will apply:

- Within 30 days of application submittal, staff will review and determine if additional information is needed.
- Within 60 days of determination that the submittal is complete, staff will consider which of the following directions is appropriate:
  1. Commence negotiations on the project;
  2. Reject proposal because the project does not meet established criteria, lack of development team experience, lack of available funding or staff resources, excessive subsidy request or determination that the project is not of sufficient priority; and/or
  3. Seek City Council approval of an Exclusive Right to Negotiate with development team that specifies the duration of the negotiation period and the Agency and Developer' expectations during the negotiation period.

**Note:** the Agency reserves the right to reject any proposal submitted, elect not to negotiate, and/or withdraw from any negotiation at any time.



## Guidelines for Individual Project Review, Final Version – Attachment 3

**Guidelines for Individual Project Review****Background and Criteria**

The Downtown Development Group serves as the redevelopment arm of the City of Sacramento for the Downtown and Richards Boulevard/Railyards redevelopment project areas. Its purpose is to engage in redevelopment activities and projects that revitalize the project areas and meet one or more of the following criteria adopted by the Redevelopment Agency in late 2003:

- Contributes to achieving the vision of adopted 5-year Redevelopment Strategy;
- Removes blight;
- Leverages significant private or public investment;
- Spurs additional private investment in the vicinity;
- Contributes to City revenues; and
- Creates jobs.

Additionally, proposed projects that meet one or more of the following criteria may be given priority:

- Achieves multiple redevelopment goals;
- Takes advantage of an existing asset or investment;
- Appeals to a large group of users;
- Contributes significantly to the aesthetic environment; and
- Employs smart growth principles and infill development strategies.

***The following information must be submitted prior to consideration of a development proposal.***

**Development Team Identification and Experience**

- Provide the name, address, and telephone numbers of the development team. Include resumes and a description of background experience of each principal and of each person having major responsibilities for project development.
- Identify the type of legal entity with whom the Agency would contract (e.g., individual, corporation, partnership, joint venture, other). If the legal entity with which the Agency would contract is different than the parent corporation, please indicate the relationship and degree of control and whether the parent corporation will guarantee performance or provide some other such guaranty.
- Identify and describe any relationship the development team may have with subsidiaries, joint ventures partners or others who are significant to the project development.
- Provide documentation demonstrating that development team is qualified to undertake the proposed project, including:

- Experience with the product type proposed by respondent;
  - Experience with developments in other urban areas;
  - Experience with public/private development, including references for public partners;
  - Prior relationship with key tenants;
  - Access to financial resources consistent with project requirements;
  - Experience in redevelopment or other public private development;
  - Track record of superior architectural design; and
  - Track record of development team.
- Identify the principal person within the development team authorized to negotiate on its behalf ("Key Negotiator"), and the level of authority that the Key Negotiator possesses. If the Key Negotiator has limited authority, describe the process required to obtain authorization. Key Negotiator's resume should indicate that he/she is qualified to serve as Key Negotiator, including successful experience in negotiating public private partnerships, successful experience developing the type of development being proposed, and references who can validate Key Negotiator's role in prior projects.

#### **Statement of Financial Capability**

- Copies of any annual reports, financial rating reports, or other documents indicating the financial condition of the development team must be provided. The Agency will, to the extent of its ability under the law, endeavor to keep all financial data in strict confidence and return it to the developer upon completion of the review process.
- Prior to taking a recommendation forward to City Council and based on the scale of the project, staff may occasionally request copies of audited financial statements prepared by an independent licensed certified public accountant in accordance with generally accepted accounting principles must be provided.

#### **Development Proposal and Financing Plan**

##### Project Design

- The project design must comply with the Redevelopment Plan, be consistent with the 2003 Sacramento Riverfront Master Plan and meet or exceed the City's adopted Design Guidelines. Any additional assumptions made by the developer should be clearly stated in the submitted reports.
- The project design should contain sufficient detail to show the scale, scope, size, and mix of project elements. The following required drawings must be at a scale and level of detail necessary to accurately and reliably estimate the cost of project development and operation. The project design must give verifiable detail on project materials and construction quality, which may be satisfied by reference to other buildings and their components
- Include, at a minimum, the following design information in schematic form:
1. Site Plan;
  2. Elevations; and

### 3. Floor plan.

Project design and quality is a material reason for Agency's participation in a project and changes in design and quality, irrespective of their nature, are grounds for Agency's withdrawal from negotiation.

#### Financing Plan and Business Offer

The purpose of the financial plan is to demonstrate the feasibility of project financing and the feasibility of the proposed project upon completion. The financial plan must include:

- A proposed financing plan, based on and including development and operating pro forma budgets. The financing plan should include the terms of a business offer to acquire or lease the development site, in addition to the plan to finance the development.
- All assumptions used in preparing the financing plan. An adequate plan will identify the amount and sources of equity, construction financing, and permanent financing, and will include letters of interest or commitment from equity partners and lenders, if any.
- Agency funding must be justified as necessary gap financing or as the cost of public amenities included in the project.

#### Proposed Development Schedule

- Include a preliminary schedule for development of the proposed project which addresses, at a minimum, preparation of plans, projected plan approval dates, commencement of construction, construction milestones, and completion of construction. It should provide for development in a logical and expeditious manner.

#### **Property Control**

If the development team represents that it has legal control of the property (or a substantial portion of the property) where the project would be located, the following must be provided:

- Property deeds;
- Copies of executed and enforceable real property sales contracts;
- Copies of executed and enforceable real property option agreements;
- Evidence that property has been purchased or is under contract to be purchased at price not substantially greater than market value; and
- If Development Team is a partnership, evidence that the Key Negotiator has the legal authority to commit the subject property to the proposed development project.

#### **Submittal Review Process**

For any proposed project, the Agency may elect not to participate in the project, engage in an open bidding process, or choose to negotiate with a sole source. A sole-source negotiation will not proceed unless all of the Individual Project Review requirements listed above are met within a reasonable time frame. The Agency, after review of the application, may elect not to proceed further. Decisions to commence negotiations are made at the staff level and typically do not require governing board approval. Once a

complete application has been submitted, the following process will apply:

- Within 30 days of application submittal, staff will review and determine if additional information is needed.
- Within 60 days of determination that the submittal is complete, staff will consider which of the following directions is appropriate:
  4. Commence negotiations on the project;
  5. Reject proposal because the project does not meet established criteria, lack of development team experience, lack of available funding or staff resources, excessive subsidy request or determination that the project is not of sufficient priority; and/or
  6. Seek City Council approval of an Exclusive Right to Negotiate with development team that specifies the duration of the negotiation period and the parties' expectations during the negotiation period.

**Note:** the Agency reserves the right to reject any proposal submitted, elect not to negotiate, and/or withdraw from any negotiation at any time.