

RESOLUTION NO. 2006-057

Adopted by the Redevelopment Agency
of the City of Sacramento

October 17, 2006

**APPROVAL OF A DISPOSITION AND DEVELOPMENT AGREEMENT
FOR THE ORLEANS HOTEL PROJECT IN OLD SACRAMENTO**

BACKGROUND

- A. The Redevelopment Agency of the City of Sacramento ("Agency") has adopted the Merged Downtown Sacramento Redevelopment Plan ("Redevelopment Plan") and an "Implementation Plan" for the Merged Downtown Redevelopment Project Area ("Project Area");
- B. The Agency owns certain real property generally described as 1022 Second Street ("Property") in the Project Area, which was acquired with tax increment funds and other sources;
- C. The Agency desires to enter into a Disposition and Development Agreement ("DDA"), a copy of which is on file with the City Clerk and Agency Clerk, which conveys fee interest in the Property and requires certain improvements on the Property, as further described in the DDA (collectively, "Project");
- D. In accordance with the California Environmental Quality Act and its implementing regulations, an Initial Study has been prepared for the proposed Project as described in the DDA and said Initial Study has disclosed no negative impacts of the proposed Project upon the environment which cannot be mitigated to less than significant; and
- E. A report under Health and Safety Code 33433 ("33433 Report") has been prepared, filed with the City Clerk and duly made available for public review, and proper notice having been given, a hearing has been held in accordance with Health and Safety Code Sections 33431 and 33433.

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

Section 1.

The Mitigated Negative Declaration prepared for the Project is hereby approved and the Executive Director is directed to file a Notice of Determination.

Section 2.

The statements and findings of the 33433 Report are true and correct and are hereby adopted. The Project will assist in the elimination of blight as stated in the 33433 Report. The Project is consistent with the goals and objectives of the Redevelopment Plan and the Implementation Plan. Goals of the Redevelopment Plan, as stated in the Implementation Plan, include, the elimination of environmental deficiencies in the Merged Project Area, including, among others, 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; 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; 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; and the preservation and/or restoration, where feasible, of historically or architecturally significant structures. The DDA shall be deemed an implementing document approved in furtherance of the Redevelopment Plan, the Implementation Plan for the Project Area and all applicable land use plan, studies, and strategies.

Section 3.

The consideration given for the interest conveyed under the DDA is not less than the fair reuse value at the use and with the covenants, conditions, restrictions, and necessary development costs authorized by the DDA and conveyance documents.

Section 4.

The DDA in the form that is on file with the City Clerk and Agency Clerk is approved and the Executive Director or her designee is authorized to execute the DDA with the Developer and to take such actions, execute such instruments, and amend the budget as may be necessary to effectuate and implement this resolution and the DDA.

The Construction and Permanent Loan Agreement is approved and the Executive Director or her designee is authorized to execute the agreement with the Developer in an amount not to exceed \$4 million. The Agency loan terms include:

- Loan amount of \$4 million is funded from taxable bond funds;
- Loan funds shall be used for construction only;
- The term of the loan is 30 years.
- The interest rate is 0%;
- Loan repayments begin once the project reaches a Return on Equity (ROE) over 12%.
 - Return on Equity is calculated as: Annual Net Cash Flow/Developer

- Equity.
- Borrower shall pay Lender an annual payment of 50% of the amount of Annual Net Cash flow in excess of the 12% ROE threshold for that year.
 - The Developer is to provide annual audited financial statements to calculate the ROE and to have an independent auditor's verification of the ROE.
- At the end of the 30 years, the remaining principal balance is due to the Agency.

The Construction and Permanent Forgivable Loan Agreement is approved and the Executive Director or her designee is authorized to execute the agreement with the Developer in an amount not to exceed \$2 million. The second Agency loan terms include:

- Loan amount of \$2 million is funded from tax-exempt bond funds;
- Loan funds shall be used for construction only;
- The interest rate is 0%; and
- The loan is forgiven upon project completion and issuance of a Certificate of Occupancy.

Section 5.

The Executive Director is authorized and directed to transfer \$6 million from the 2005 Merged Downtown Tax Allocation Bond to the Orleans Hotel project.

Section 6.

The Executive Director is authorized to perform such actions necessary to implement funding assistance as authorized herein to ensure proper repayment of Agency funds, including without limitation, subordination, extensions and restructuring of payment as approved by Agency counsel.

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Exhibit A – Disposition and Development Agreement on file with the Agency and City Clerk.

Adopted by the City of Sacramento Redevelopment Agency on October 17, 2006 by the following vote:

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

Noes: None.


Abstain: None.

Absent: Councilmember Tretheway.



Heather Fargo, Chair

Attest:



Shirley Concolino, Secretary