



**Sacramento
Housing &
Redevelopment
Agency**

**REPORT TO THE
REDEVELOPMENT AGENCY
of the City of Sacramento**
915 I Street, Sacramento, CA 95814-2604
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STAFF REPORT
January 5, 2006

Honorable Chair and Members of the Board

Subject: Selection of a development team 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 (District 4).

Recommendation:

Adopt a Resolution which authorizes staff to exclusively negotiate with KSWM Docks Partners, LLC for a 180-day period regarding the development of the Docks Area.

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

Presenters: Laura Sainz, Senior Project Manager, 808-2677

Department: Economic Development

Division: Downtown Development

Organization No: 4451

Summary:

This report recommends exclusive negotiations between the Redevelopment Agency of the City of Sacramento (Agency) and KSWM Docks Partners, LLC for a 180-day period regarding development of the Docks Area along the Sacramento riverfront. The process will follow the *Guidelines for Individual Project Review (Guidelines)* adopted by the Agency in 2004, attached as Exhibit A.

Committee/Commission Action: Not Applicable.

Background Information:

In July 2003, the cities of Sacramento and West Sacramento accepted the newly updated Sacramento Riverfront Master Plan. At that time, the Sacramento City Council defined a vision for the Docks Area that included a mixed-use community with parks and riverfront open space. Currently the Docks Area is a blighted, underutilized site due to irregular parcelization, contamination and inadequate infrastructure.

In March 2005, the City engaged the community in a planning process to further define development parameters for the Docks Area. The process included a total of three community workshops attended by over 250 community members. At the workshops the community reaffirmed the vision established in 2003 for the Docks Area including:

- A mixed-use neighborhood with an emphasis on residential development;
- Pedestrian and bicycle access integrated throughout the plan area;
- Public and open space including parks and a riverfront parkway; and
- Medium- to high-density development with heights designed to maximize views.

The Developer Selection Process

In order to ensure the community vision for the Docks Area is realized, the City issued a Request for Qualifications (RFQ) designed to attract developers experienced in waterfront, Brownfield, redevelopment, and urban infill neighborhood development. The RFQ was issued in October 2005. The City received eight submittals in response to the RFQ. An evaluation committee made up of staff, community members and technical experts evaluated the RFQs and identified five development teams to move forward and present their concepts to the community. The five final development teams made presentations to the community on Wednesday, December 14, 2005. A second evaluation committee interviewed the final development teams. Based on the interviews as well as input from the community presentation, the evaluation committee unanimously recommended KSWM Docks Partners, LLC as the final development team. Members of the evaluation committees are identified in Attachment 1. Staff recommends entering into an Exclusive Right to Negotiate (ERN) with KSWM Docks Partners, LLC. The ERN is on file with the City and Agency clerk and is included in the Resolution as Exhibit B.

KSWM Docks Partners, LLC

KSWM Docks Partners, LLC is a limited liability company comprised of the following developers:

1. Kenwood Investments, LLC

Kenwood Investments, LLC is a California private equity real estate development firm, headquartered in San Francisco. Kenwood Investments specializes in residential and mixed use urban infill projects in the San Francisco Bay Area and California. The principals of Kenwood Investments have over 25 years of combined experience in real estate entitlement and development. The principals have insisted that all of their project designs are sensitive to their environments and inspire a sense of community while ensuring economic viability. Kenwood has distinguished itself by the entitlement and development projects it undertakes. Currently, Kenwood is the manager of the 400 acre redevelopment of Treasure Island, in the center of the San Francisco Bay.

2. Wilson Meany Sullivan, LLC

Wilson Meany Sullivan (WMS) is owned by development partners from the former William Wilson & Associates (WW&A) and affiliated companies. For over 35 years, WW&A was one of the most respected and consistently successful investment and development firms in the Bay Area. The partners have extensive experience with mixed-use, residential, retail and office properties, including some of the most innovative and distinctive projects in the Bay Area. Collectively, WMS partners have been responsible for over six million square feet of development and historic renovation projects, including acting as the lead development team for the historic renovation and waterfront improvements to the San Francisco Ferry Building.

3. Stockbridge Capital Group, LLC

Stockbridge Capital Group, LLC is a real estate investment firm formed by a cohesive team of real estate professionals with extensive experience in making real estate investments, operating real estate assets, managing relationships with operating partners and executing real estate capital market transactions (the "Stockbridge Professionals"). Currently, the Stockbridge Professionals manage \$490 million of equity capital commitments, of which approximately 90% was invested or committed for investment as of December 31, 2004.

Schedule and Next Steps

The next steps in the Docks Area redevelopment process include:

Step 1 – Further Define the Docks Area Specific Plan

The Docks Area Specific Plan will build on the concept plan developed from the three community planning workshops to further define the shared vision for the future Docks Area. The Specific Plan will be built on the community's vision for the area and will incorporate the developer's vision and goals regarding the final development in the Docks Area. The Specific Plan will include public space, such as the riverfront parkway and open/park space, as well as further definition of the private development. The Specific Plan will also include Design Standards for the Docks Area, paying particular attention to the interaction of the public and private space.

Step 2 – Finish the Environmental Review Process

The environmental review process will include both a state (CEQA) and Federal (NEPA) Master Environmental Impact Report (EIR). The preferred land-use scenario, which will be based on the City and developer's shared vision for the Docks Area, will be presented to City Council in early 2006. The land-use scenario will be based on the guiding principles taken from the 2003 Riverfront Master Plan and Docks community planning process, including:

- Public access to the river
- Linkages to adjacent neighborhoods
- Pedestrian orientation throughout the area
- An animated riverfront district

Step 3 – Finalize a Disposition and Development Agreement with KSWM Docks Partners

Based on what is identified in the Specific Plan, the Disposition and Development Agreement will clearly define the roles and responsibilities of the developer, the City of Sacramento and the Agency.

Step 4 – Approval of Final Documents

In the summer of 2006, staff expects to present to the City Council the following items for approval/certification:

- CEQA/NEPA document;
- Entitlements, including the Docks Area Specific Plan; and
- A Disposition and Development Agreement between the Agency and KSWM Docks Partners, LLC.

Financial Considerations:

There are no financial actions being recommended as part of this report.

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:

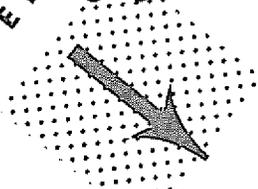
2005 Downtown Sacramento Redevelopment Strategy

In 2000, a strategy was prepared to guide redevelopment activities for Downtown Sacramento. Section Three focuses on the Waterfront and Old Sacramento area. The ERN is consistent with the goals mentioned in the 2005 Downtown Sacramento Redevelopment Strategy including:

1. 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;
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.

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Emerging Small Business Development (ESBD): None.



Approved By: Wendy S. Saunders
Wendy S. Saunders
Economic Development Director

Recommendation Approved:

Cassandra A.B. Jennings
Ray Kerridge
Interim City Manager

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Attachment 1
Final Evaluation Committee

1. Larry Brown
Portland Development Commission – Senior Development Manager for the North Macadam and RiverPlace Urban Renewal Areas.
2. Bill Chizmar
Fulcrum Capital – Lead development team for the West Sacramento "Triangle Area."
3. Paul Crawford
Crawford Multari & Clark Associates – Urban designers and consultants in form based zoning.
4. Ignacio Dayrit
Emeryville Redevelopment Agency – Redevelopment project manager for a number of Brownfield sites and redevelopment projects in Emeryville, CA.
5. Dan Gorfain
Friend of the Sacramento Parkway
6. Debbie Kern
Keyser Marston Associates – Lead negotiator for the Redevelopment Agency of the City of Sacramento on the Docks Project.
7. Mike Luken
West Sacramento – Redevelopment project manager for the West Sacramento riverfront.
8. Gordon Price
Former Vancouver, BC City Councilor, is adjunct professor of urban planning at the University of British Columbia
9. Mike Zilis
Walker Macy – Landscape Architect to a number of prominent riverfront areas in Portland, Oregon

RESOLUTION NO.
ADOPTED BY THE REDEVELOPMENT AGENCY
OF THE CITY OF SACRAMENTO

January 5, 2006

AUTHORIZING THE EXCLUSIVE RIGHT TO NEGOTIATE
WITH KSWM DOCKS PARTNERS, LLC FOR THE DEVELOPMENT
OF THE DOCKS AREA IN SACRAMENTO

BACKGROUND

- A.** The Amended Redevelopment Plan for the Merged Downtown Sacramento Redevelopment Project Area was prepared by the Redevelopment Agency of the City of Sacramento ("Agency") and approved and adopted on June 17, 1986, by Ordinance No. 86-063, -064, -065, -066, and -067 of the City Council of the City of Sacramento and subsequently amended.
- B.** Three of the goals of the Redevelopment Plan for the Project Area are:
 - 1. 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;
 - 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;
- C.** The Agency adopted the Merged Downtown Five Year Strategic Plan and Implementation Plan for the Project Area on February 29, 2000
- D.** The Downtown Five Year Strategy and Implementation Plan identified the development of opportunity sites along the Sacramento Riverfront.

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

- Section 1. After due consideration of the facts presented, the findings, including the environmental findings regarding this action as stated in this Resolution and the staff report that accompanies this Resolution, are adopted.
- Section 2. The City Manager or his designee is authorized to exclusively negotiate, on behalf of the Agency, with KSWM Docks Partners, LLC for the development of the Docks Area along the Sacramento riverfront. Staff is directed to follow the adopted *Guidelines for Individual Project Review*.

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- Exhibit A – Guidelines for Individual Project Review
Exhibit B – Exclusive Right to Negotiate

Exhibit A**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 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:

10. Commence negotiations on the project;
11. 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
12. 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.