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ECONOMIC DEVELOPMENT
DEPARTMENT

**CITY OF SACRAMENTO
CALIFORNIA**

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May 5, 2000

City Council
Sacramento, California

Honorable Members in Session:



SUBJECT: OLD SACRAMENTO WATERFRONT RESTAURANT— SITE A

LOCATION/COUNCIL DISTRICT: Council District 1

RECOMMENDATION:

This report recommends that City Council, by resolution:

1. Acknowledge the withdrawal of Pyramid Breweries Inc. from exclusive negotiations for Site A; and
2. Authorize staff to commence the proposed recruitment efforts and to report back to City Council in no more than 90 days on progress and proposed next steps.

CONTACT PERSON: Elizabeth Cook, Senior Management Analyst, 264-1931
Wendy Saunders, Development Manager, 264-8196

FOR COUNCIL MEETING OF: May 16, 2000

SUMMARY:

Pyramid Breweries Inc. has withdrawn from the 180-day exclusive negotiation period for the Old Sacramento Waterfront Restaurant – Site A and staff requests approval for a new recruitment effort.

BACKGROUND:

In 1998, the City of Sacramento drove 45 piles into the Sacramento River between the Tower Bridge and L Street in Old Sacramento. The piles were driven in anticipation of attracting a restaurant to the site (Site A) after Gordon Biersch unexpectedly withdrew from negotiations in October of that year. In May 1999, staff began the process of again marketing the Old Sacramento Waterfront Restaurant – Site A. In October 1999, staff and the established Evaluation Committee of experienced restaurant developers, lenders, and

community stakeholders completed a review of information submitted by restaurant development teams. Staff and the Evaluation Committee reached the conclusion that the Pyramid Breweries Inc. proposal was the only one that met all of the City requirements for the development of the premiere waterfront site. The Evaluation Committee also made a strong recommendation to staff that if Pyramid Breweries Inc. was to withdraw from exclusive negotiations for any reason, staff should immediately begin a new recruitment process.

On November 16, 1999 City Council authorized the City Manager to exclusively negotiate lease terms and related legal documents for up to 180 days with Pyramid Breweries Inc. That Exclusive Right to Negotiate expires on May 14, 2000.

However, on April 24, 2000 Pyramid Breweries Inc. withdrew from the negotiation process (Exhibit A). The decision to withdraw was a mutual disappointment. After numerous organizational changes over the last several months, Pyramid Breweries Inc. admitted the inability to perform the necessary steps in the negotiation timeline established with the City. Pyramid Breweries Inc. remains committed to the market and hopes to continue pursuing a waterfront site but does not want to hinder the City's ability to restart recruitment efforts.

Site A is the City of Sacramento's premiere waterfront restaurant site and staff is ready to begin the recruitment process again. In addition to taking advantage of a significant citywide marketing effort planned for the International Council of Shopping Center's Leasing Mall to be held later this month, staff will work on an on-going basis with The Fransen Company.

The Downtown Development Group, in partnership with the Downtown Sacramento Partnership, recently entered a contract with The Fransen Company. The Fransen Company is a retail development, consulting firm tasked to implement a tenant-attraction program with a very strategic focus in the K Street District and Old Sacramento. For that reason, staff recommends recruitment efforts work through this established relationship rather than entering a contract with a commercial brokerage firm.

The Fransen Company will work very actively with staff to develop a marketing approach and they will share their access to companies known for their financial stability and restaurant development experience. After the initial screening meetings and based on the number of competitive companies, The Fransen Company, staff, and the Site A Evaluation Committee will provide City Council with a recommended process to move forward through selection and negotiations.

Staff also recommends the expansion of the Site A Evaluation Committee established in October 1999 to include a developer and elected official as shown in Exhibit B. Staff will meet with the committee prior to returning to City Council in August, when staff will report back to Council on the recruitment efforts and with recommendations for next steps.

FINANCIAL CONSIDERATIONS: This report has no fiscal implications.

ENVIRONMENTAL CONSIDERATIONS:

Approvals from the following agencies have been received for work completed to date and staff will continue to work with these agencies throughout the development of Site A: Army Corps of Engineers, Reclamation Board, State Lands Commission, Department of Fish and Game, and the Old Sacramento Design Review Committee. A Negative Declaration was approved by City Council in July 1998.

POLICY CONSIDERATIONS:

In April 1995, the Redevelopment Agency of the City of Sacramento adopted the Riverfront Master Plan as the overall vision for the development and enhancement of the Sacramento River. In accordance with the goals of the Riverfront Master Plan, the proposed project will:

- Establish the riverfront area as an active, vibrant, urban district and public precinct
- Emphasize pedestrian orientation, amenities and scale
- Provide for visitor and community-serving uses and amenities
- Provide for uses and amenities that complement uses and amenities in the area

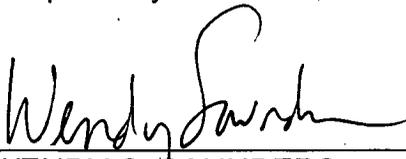
Although not included specifically in the Riverfront Master Plan, the proposed project is seen as a catalyst project to increase local patronage of Old Sacramento and the Waterfront. The project would also be a complement to a number of improvements under construction or recently completed on the Waterfront including the Visitor Boat Docks, the Promenade, and the Embassy Suites Waterfront Hotel.

ESBD CONSIDERATIONS:

Not applicable.

Respectfully submitted,

APPROVED:



 WENDY S. SAUNDERS
 Development Manager



 ANDREW J. PLESCIA
 Economic Development Dept. Director

RECOMMENDATION APPROVED:



 ROBERT P. THOMAS
 City Manager



April 24, 2000

Ms Wendy Saunders
Downtown Development Group
City of Sacramento
1030 Fifteenth Street, Suite 250
Sacramento, CA 95814-4009

Dear Wendy:

It was a pleasure speaking with you on Monday afternoon regarding the Old Sacramento site. As we discussed, it appears that we will be unable to come to terms acceptable to Pyramid Breweries, Inc. and the City of Sacramento, on a timetable that is acceptable to both parties. Consequently, we discussed that the best course of action is for us to withdraw from negotiations on this site, so that the city may proceed with other alternatives.

We remain committed to the Sacramento market, and are convinced that the riverfront site can be a good location, given the right financial structure, and operator/developer combination. I wish you the best of luck with your future efforts with this location.

Best regards,

Martin Kelly
President & CEO
Pyramid Breweries Inc.

cc: Nick Walpert



EXHIBIT B

Site A Evaluation Committee

At least two representatives of local business associations, business improvement districts or chambers of commerce.

At least one local restaurateur with experience developing and managing local restaurants.

At least one Sacramento-based certified public accountant or qualified financial underwriter.

At least one experienced local commercial developer.

At least one City of Sacramento Councilperson.

APPROVED
MAY 16 2000
OFFICE OF THE
CITY CLERK

RESOLUTION NO. 2000-250

APPROVED
MAY 16 2000
OFFICE OF THE
CITY CLERK

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION ACKNOWLEDGING WITHDRAWAL
OF PYRAMID BREWERIES INC. AND
AUTHORIZING STAFF TO BEGIN RECRUITMENT OF
NEW RESTAURANT FOR WATERFRONT RESTAURANT – SITE A

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO AS
FOLLOWS:

1. Pyramid Breweries Inc.'s withdrawal from the exclusive right to negotiate for Waterfront Restaurant – Site A is hereby acknowledged; and
2. Staff is authorized to commence recruitment efforts and report back to Council in no more than 90 days on progress and proposed next steps.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ 6