



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento

915 I Street, Sacramento, CA 95814-2671

Consent
May 4, 2006

Honorable Chair and Members of the Board:

Subject: 10th/K Exclusive Right to Negotiate Agreement Extension

Location/Council District: Southeast corner of 10th and K streets, Central Business District (District 1)

Recommendation:

Adopt the attached Redevelopment Agency (Agency) Resolution authorizing the City Manager to extend, on behalf of the Agency, the Agreement for Exclusive Right to Negotiate with the K Street Central team (K Street Central) for an additional 90-days to negotiate the terms of an agreement for redevelopment of the Agency-owned properties located at 1000, 1012, and 1022 K Street.

Contact: Traci Michel, AICP, Senior Project Manager, 808-8645
Leslie Fritzsche, Downtown Development Director, 808-7223

Presenters: N/A

Department: Economic Development

Division: Downtown Development

Organization No: 4451

Summary:

In September 2005, the Agency authorized the City Manager, on behalf of the Agency, to execute an Agreement for Exclusive Right to Negotiate (ERN) with K Street Central for a 240-day period regarding the terms of an agreement for redevelopment of the Agency-owned properties located at 1000, 1012, and 1022 K Street (Agency Site), as well as consideration of additional properties controlled by K Street Central. This report requests a 90-day extension to the ERN Agreement.

Committee/Commission Action:

An Ad Hoc Committee of the Agency's board (Ad Hoc) met on several occasions last year to discuss K Street Central's development proposal for the Agency Site. The decision was unanimous to support approval of the ERN with K Street Central for

redevelopment of the Agency Site, with additional direction to staff to conduct additional performing arts analysis.

Background Information:

In September 2005, the Agency authorized an ERN for a 240-day period with K Street Central regarding the terms of an agreement for redevelopment of the Agency Site. K Street Central is comprised of David S. Taylor Interests, Inc. and the CIM Group, along with The Cordano Company, St. Anton Partners, and Paragary's Restaurant Group. At that time, the Agency provided additional direction for analysis and consideration, including the feasibility of a performing arts facility on the Agency Site.

Staff hired LMN Architects (LMN), with AMS Planning & Research (AMS) and Davis Langdon, to analyze live theater/performing arts options for the Agency Site, including:

- Defining potential users and programs, including review of existing relevant studies;
- Preparing preliminary design concepts based on alternative theater configurations, site constraints/opportunities, and analysis of comparable projects;
- Conducting a market analysis of the Sacramento metropolitan area, including surveying existing organizations to determine utilization, financial information and rental rates, preparing a representative operating budget based on identified potential users, and recommending alternative operation approaches; and
- Developing an optimal design concept, including capital and operating cost estimates.

As a result of the analysis, on February 7, 2006 the Agency directed staff to continue negotiations with K Street Central for redevelopment of the Agency Site, prepare a revised project proposal that incorporates a studio theater or other live performance options, if feasible, and report back to the Agency.

Since that time, K Street Central has been working to modify their initial development proposal, based on the findings in the analysis. The new proposal for the Agency Site includes renovation of existing buildings combined with new construction to accommodate a live entertainment and restaurant venue with a residential component. The venue, as envisioned, could draw upwards of 500,000 people annually to the Agency Site. Additionally, K Street Central is building on that theme for other properties they control at the 10th/K intersection, providing a unique opportunity to transform the intersection in a short amount of time.

The analysis of the performing arts option and its possible incorporation into the designs has taken longer than anticipated. In addition, challenges with tenant improvement designs and cost estimating, as well as market condition adjustments have delayed K Street Central's ability to finalize a financial proposal to the Agency by the ERN deadline

of May 6, 2006. It is anticipated that a complete project proposal will be ready for Agency review at the end of the month, but staff is recommending a 90-day extension to accommodate any additional delays that might occur.

Financial Considerations:

There are no financial considerations with the actions recommended in this report. A project description and budget for the development of the Agency Site will be presented to the Agency upon completion of the project proposal by the K Street Central team.

Environmental Considerations:

The proposed action directing staff to continue with the ERN negotiations with K Street Central and to commence environmental review is authorized under CEQA Guidelines Section 15262, planning for possible future action.

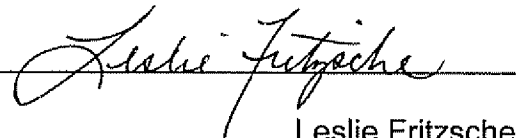
Policy Considerations:

The ERN negotiation period will result in a proposed project consistent with the Amended Merged Downtown Redevelopment Plan and 2005-2009 Implementation Strategy. Additionally, the proposed project is consistent with the development objectives outlined in the recent JKL Community Workshop process.

M/WBE Considerations:

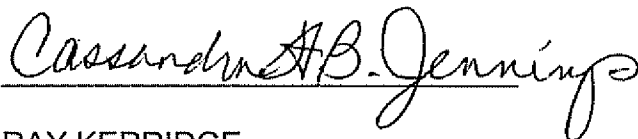
Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully submitted by:



Leslie Fritzsche
Downtown Development Director
on behalf of the Redevelopment Agency

Recommendation Approved:



for RAY KERRIDGE
City Manager

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RESOLUTION NO.

Adopted by the Redevelopment Agency of the City of Sacramento

90-DAY EXTENSION OF THE AGREEMENT FOR EXCLUSIVE RIGHT TO NEGOTIATE WITH DAVID S. TAYLOR INTERESTS, INC. AND CIM GROUP REGARDING THE TERMS OF AN AGREEMENT FOR REDEVELOPMENT OF THE AGENCY-OWNED PROPERTIES LOCATED AT 1000, 1012, AND 1022 K STREET

BACKGROUND

- A. In February 2005, the Agency issued a Request for Proposals (RFP) for a Downtown Cultural, Entertainment and Retail Complex for the Agency-owned property located at 1000, 1012, and 1022 K Street (Agency Site). The RFP also indicated that the Agency would consider proposals for a project that incorporated other parcels in addition to the Agency Site.
- B. In April 2005, one proposal was received from the K Street Central development team, which consisted of David S. Taylor Interests, The CIM Group, St. Anton Partners, The Cordano Company and Paragary's Restaurant Group.
- C. The K Street Central team proposed a development vision for the 10th and K intersection, which included K Street Central-owned properties in addition to the Agency Site.
- D. In September 2005, the Agency approved the selection of K Street Central as the preferred developer for the Agency Site, authorized the City Manager to negotiate an Agreement for Exclusive Right to Negotiate, and directed staff to bring back the Agreement for Exclusive Right to Negotiate for Agency approval with additional direction for further performing arts analysis and consideration.
- E. As a result of the analysis, in February 2006, the Agency directed staff to continue negotiations with K Street Central for redevelopment of the Agency Site, prepare a revised project proposal that incorporates a studio theater or other live performance options, if feasible, and report back to the Agency.

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

- Section 1. The City Manager is authorized to extend, on behalf of the Agency, the Agreement for Exclusive Right to Negotiate with David Taylor Interests and CIM Group, on behalf of the K Street Central team for an additional 90-days to negotiate the terms of an agreement for redevelopment of the Agency Site, as well as consideration of additional properties controlled by the K Street Central Team.

