

ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO

April 23, 2002

Redevelopment Agency of the City of Sacramento
Sacramento, CA

Honorable Members in Session:

**SUBJECT: AUTHORIZATION TO ENTER INTO EXCLUSIVE NEGOTIATIONS WITH
CIM/SACRAMENTO FOR DEVELOPMENT OF THE METRO PLACE SITE**

LOCATION/COUNCIL DISTRICT: Council District 1, Half block between 8th and 9th
Streets and J Street and the alley.

RECOMMENDATION:

Staff recommends that the Redevelopment Agency of the City of Sacramento (RACS) approve the attached resolution which:

- Approves CIM/Sacramento, LLC, as the housing partner of First Key, LLC (Developer), as required in the Metro Place DDA.
- Authorizes the Agency to negotiate for an additional 60-day period with CIM and receive a good faith deposit of \$50,000 from CIM. The deposit is to be allocated to a non-interest bearing account for the purpose of paying for third-party costs and securing the good-faith efforts of CIM to promptly deliver revised project information for staff evaluation as outlined in schedule for the 60-day period in the report. The form of the deposit shall be approved with the Agency Counsel.
- Directs staff to report back with an evaluation of the restated project proposal as it relates to the Metro Place Disposition and Development Agreement (DDA) and related environmental document approved in March 2001.
- Directs staff to negotiate new business terms, as necessary, for the restated project and report back with the appropriate agreements and related documents for RACS consideration.

CONTACT PERSON: Wendy Saunders, Development Manager, 264-8196
Michelle Nelson, Senior Project Manager, 264-7064

FOR THE COUNCIL MEETING OF: April 30, 2002

SUMMARY:

This report recommends that the Agency negotiate for a 60-day period with CIM/Sacramento, LLC (CIM), the new, lead equity partner with First Key, LLC for development of the Metro Place site. Staff will report back on a restated project proposal and new business terms, as appropriate, for development of the Metro Place site.

BACKGROUND

On March 21, 2001, the City Council certified the Metro Place EIR and approved a DDA with First Key LLC for construction of a 32-story office/residential tower with ground-floor retail and public parking on the J Street site between 8th and 9th streets. The project consisted of 872,000 gross square feet, including: 261,000 square feet for office space, 19,500 square feet for retail, 114 residential units and a 1,044-space garage of which 250 of the spaces would be dedicated for public use. The estimated cost to construct the project was approximately \$116,840,000.

Of significant interest to the City Council was the housing component of the project. The DDA was conditioned on the Developer's ability to secure a housing partner for the project, in addition to other equity funding sources. Other business terms of the DDA included:

- Conveyance of the Agency Parcel to the Developer (\$4,800,000)
- Financial assistance of \$7,180,750 specifically for the market rate housing, residential parking and historic preservation elements of the Project, in addition to the redevelopment benefits of the project.
- A separate, but related document for the Developer to construct 250 public parking spaces within the garage at a cost of no more than \$4,719,250

Due to the slowdown in the economy and the tragic events of September 11th, the Developer was unable to secure financing or leasing commitments for the high-rise project in the original time period allowed in the DDA.

On October 30, 2001, City Council approved an amendment to the DDA to extend the time period for the developer to secure a housing partner and project financing by an additional 120 days. An additional 60 days was authorized provided there was evidence of progress toward an agreement with a housing partner.

CIM/Sacramento, LLC / First Key Partnership

Over the last 45 days, the Developer has entered into partnership with CIM/Sacramento, LLC (CIM). CIM is based in Hollywood and specializes in street retail and urban mixed-use projects in downtown redevelopment areas. Some of CIM's most recent projects in California include loft-style apartments in San Diego's Gaslamp Quarter, Old Pasadena, and Brea, as well planned projects in downtown San Jose and Los Angeles. CIM is currently in negotiations with the Agency for a mixed-use project at 10th & K streets (Woolworth's Building).

CIM has strong investors participating in its private equity fund that focuses on urban infill investment. Investors in the California Urban Real Estate Fund include the California Public

Employees Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS), as well as CIM principals and other investors, for a total fund amount of \$180 million.

Under the partnership agreement with First Key, LLC, CIM will assume the role of lead developer for the Metro Place project. CIM is currently reviewing the existing DDA and related entitlement documents to redefine a mixed-use project concept for the site. In keeping with previous Council direction, housing will continue to be a major component in the revised project concept.

60-day Period

As evidence of good faith negotiations, CIM will provide the following to staff for review and analysis within the next 30 days:

- Revised project concept, including design, site layout, elevations, and typical floor plates
- Manner in which historic impacts will be addressed
- Estimate of sources and uses of funds
- 10-year cash flow analysis
- Analysis of alternative financing mechanisms to enhance project feasibility
- Estimated construction schedule
- Proposal for financial assistance

Over the remaining 30-day period, CIM will communicate on a regular basis with staff, no less than weekly, to develop business points and refine the project concept. At the end of 60 days, staff will return to RACS with a recommendation regarding next steps.

FINANCIAL CONSIDERATIONS

CIM will be required to deliver to the Agency a good faith deposit of \$50,000 upon approval of this report. The deposit will be held for payment to third parties in the evaluation of the revised proposal and as security to ensure good faith negotiations and timely delivery of work products over the 60-day period.

The \$50,000 will be deposited in a non-interest bearing account. The deposit will be fully refunded, less any third party costs, provided that CIM has adhered to the schedule above for the delivery of work products and negotiation during the 60-day period, regardless of any future RACS action.

ENVIRONMENTAL CONSIDERATIONS

The actions recommended in this report do not require environmental documentation.

POLICY CONSIDERATIONS

Development of the subject site is a high priority and consistent with the Merged Downtown Redevelopment Plan. The recommended actions are consistent with the City's Strategic Plan that promotes policies and strategies to encourage the development of the fullest range of housing choices in the City.

ESBD CONSIDERATIONS

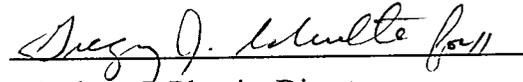
Not applicable.

Respectfully submitted:



Wendy Saunders
Downtown Development Manager

Approved:



Andrew J. Plescia, Director
Economic Development Department

RECOMMENDATION APPROVED:



w/ ROBERT P. THOMAS
City Manager



RA
RESOLUTION NO. 2002-020

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

**RESOLUTION AUTHORIZING NEGOTIATIONS FOR 60 DAYS WITH
CIM/SACRAMENTO, LLC AS NEW LEAD DEVELOPER
FOR DEVELOPMENT OF THE METRO PLACE SITE**

NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

1. The Agency approves CIM/Sacramento, LLC, as the housing partner of First Key, LLC, as required in the Metro Place Disposition and Development Agreement (DDA).
2. The Agency is authorized to negotiate for a 60-day period with CIM and receive a good faith deposit of \$50,000 from CIM to be allocated to a non-interest bearing account for the purpose of paying for third party costs and securing the good faith efforts of CIM to promptly deliver revised project information for staff evaluation during the 60-day period according to the schedule outlined below. The form of the deposit shall be approved with Agency Counsel.
3. As evidence of good faith negotiations, CIM will provide the following to staff for review and analysis within the next 30 days:
 - Revised project concept, including design, site layout, elevations, and typical floor plates
 - Manner in which historic impacts will be addressed
 - Estimate of sources and uses of funds
 - 10-year cash flow analysis
 - Analysis of alternative financing mechanisms to enhance project feasibility
 - Estimated construction schedule
 - Proposal for financial assistance

Over the remaining 30-day period, CIM will communicate on a regular basis with staff, no less than weekly, to develop business points and refine the project concept.

4. Staff is directed to report back with an evaluation of the restated project proposal as it relates to the Metro Place DDA and related environmental document approved in March 2001.

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RESOLUTION NO.: _____

DATE ADOPTED: _____ 5 _____

5. Staff is further directed to negotiate, as necessary, new business terms for the restated project and report back with the appropriate agreements and related documents for RACS consideration.

Chair

Attest:

Secretary

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____