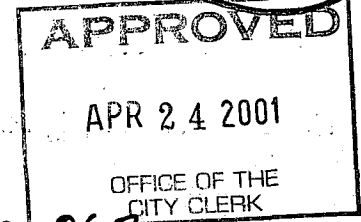




ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO

5.3



AG 2001-067

April 17, 2001

City Council
Redevelopment Agency of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Approval of a Sublease, Owner Participation Agreement and associated agreements for the development of a 13,000-square-foot platform and full-service restaurant on the Sacramento Waterfront.

LOCATION: Old Sacramento Waterfront, Council District 1

RECOMMENDATION:

This report recommends that the Redevelopment Agency of the City of Sacramento (RACS) adopt the attached resolution, which:

- Authorizes the Deputy City Manager to execute an Owner Participation Agreement (OPA) and associated agreements with Crab Addison Inc. to develop a 13,000-square-foot full-service restaurant facility
- Authorizes the Deputy City Manager to execute a Public Improvement Development Agreement (PIDA) with Landry's Development Co. Inc to construct a 13,000-square-foot structural platform on piles already driven in the Sacramento River as the foundation for a 13,000-square-foot full-service restaurant facility.

This report recommends that the City Council adopt the attached resolution, which:

- Authorizes the Deputy City Manager to execute a sublease with Crab Addison Inc. for 13,000-square-foot parcel on the waterfront in order to operate a full-service restaurant.

CONTACT PERSON: Elizabeth J. Cook, Senior Project Manager, 264-1931
Wendy Saunders, Downtown Development Manager, 264-8196

FOR THE COUNCIL MEETING OF: April 24, 2001

Building on Our History ~ Creating The Place to Be.

SUMMARY:

Landry's Seafood Restaurants Inc. was selected in Fall 2000 by the Site A Evaluation Committee to develop a Joe's Crab Shack restaurant on the Sacramento River, at the Old Sacramento Waterfront Restaurant Site A. The developer, Landry's Seafood Restaurants Inc., proposes to build a one-story, 13,000-square-foot full-service restaurant facility that will contribute significantly to completing the Old Sacramento waterfront. Landry's Seafood Restaurants Inc. will complete a project begun in 1998 with the installation, by the City of Sacramento, of 45 piles in the Sacramento River for a new waterfront restaurant.

The actions recommended in the report will approve the necessary legal agreements (between the City of Sacramento, RACS, Landry's Seafood Restaurants Inc., Landry's Development Co. Inc. and Crab Addison, Inc.) to develop the complete project and provide RACS funding for the development of the structural platform.

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 City drove the piles to attract a restaurant to the site. Site A is the City of Sacramento's premier waterfront restaurant site.

~~Landry's Seafood Restaurants Inc. (Landry's) was selected in September 2000 by the Site A Evaluation Committee. Landry's opened its first restaurant, Landry's Seafood House, in 1980. The company now operates over 150 restaurants throughout the country and is engaged in a Northern California expansion. Restaurant concepts owned and operated by Landry's include: Joe's Crab Shack, Landry's Seafood House, Willie G's, The Crab House, Cadillac Bar, Aquarium, Rain Forest Café and others, including the Rusty Duck in Sacramento. The Old Sacramento site meets all of Landry's mandatory site selection criteria: adjacent residential population, tourist destination, convention business destination, pedestrian accessibility for daytime office worker and a waterfront location. In addition to the corporation's financial capacity to develop the proposed project, the Landry's team impressed the Evaluation Committee with its experience designing, constructing and operating waterfront restaurants. The Landry's development team received more than 92 percent of all the possible points in the evaluation process.~~

Landry's proposes to develop a Joe's Crab Shack restaurant at the Old Sacramento Waterfront Restaurant Site A. Joe's Crab Shack is a family-oriented restaurant with a variety of food: appetizers, soups, salads, steaks and seafood. The restaurant focuses on delivering lots of good food in a fun environment. The décor and wait-staff create a lively, casual restaurant that will fit well into the Old Sacramento area. This concept is also distinct from the other restaurants currently located on the Old Sacramento Waterfront.

The project deal points are the result of staff negotiations with the Landry's. The development project includes construction of a structural platform on the piles and construction of the restaurant facility and tenant improvements for a Joe's Crab Shack. The total estimated project costs are as follows:

Development Cost Estimates

Professional Fees	\$ 325,000
Permits/Fees	300,000
Platform Construction	950,000
Promenade Extension	380,000
Utilities to Site	225,000
Trash Enclosure/Loading Zone	100,000
<u>Building Shell/Tenant Improv.</u>	<u>+/- 3,650,000</u>
Estimated Project Costs	\$ 5,930,000

Sources of Funds

RACS contribution to Platform Construction	\$ 950,000
<u>Landry's contribution</u>	<u>+/- 4,980,000</u>
Total Sources of Funds	\$ 5,930,000

Several negotiated legal agreements form the structure of the project by assigning roles and responsibilities to the City of Sacramento, RACS and Landry's Seafood Restaurants, Inc., Landry's Development Co., Inc. and Crab Addison, Inc. Landry's Seafood Restaurants, Inc. is the parent company, and will guarantee completion of the project; Crab Addison, Inc., will be responsible to construct the restaurant facility and tenant improvements and will operate the restaurant; and Landry's Development Co., Inc., is the developer entity for Landry's and will construct the public improvements.

Owner Participation Agreement (OPA)

RACS and Crab Addison, Inc. will enter an OPA. The OPA details the overall project, but specifically the restaurant building and tenant improvements to be built, and all roles and responsibilities throughout the development process. The developer will be required to deliver the completed project no later than September 2002.

The OPA also requires the developer to submit its final plans for RACS approval as well as to develop plans through the Old Sacramento Design Review Process and to be subject to the Old Sacramento Special Sign Standards.

The OPA executed by Landry's Seafood Restaurants Inc. is on file at the offices of the City and Agency Clerks.

Regulatory Agreement

The Regulatory Agreement is recorded against the property and remains in effect until the scheduled expiration of the master lease. It includes provisions for the building and grounds maintenance, allowable uses, and required mitigation.

Public Improvement Development Agreement (PIDA)

RACS and Landry's Development Co., Inc. will enter a PIDA to design and construct the structural platform on the City's piles. The PIDA establishes the rights and obligations of Agency and Landry's regarding the structural platform development. Integrating the construction of the platform as part of the overall restaurant development is the most efficient means to completing the construction. The total costs to the Agency of constructing the Public Improvements will be substantially less than if the platform and the restaurant

improvements were constructed as separate construction projects. The Redevelopment Agency of the City of Sacramento will pay Landry's Development Company Inc. \$950,000 for this task. Upon completion, the platform will be conveyed to the City of Sacramento.

Sublease Terms

The City of Sacramento master leases the waterfront from the State Lands Commission. The City of Sacramento is able to negotiate a maximum sublease term through June 30, 2035, the expiration date of the master lease. Crab Addison, Inc. will sublease the piles and platform from the City of Sacramento in order to operate its business. The City of Sacramento will receive base rent and commencing in the third sublease year, percentage rent. Base rent will escalate every five years based on the Consumer Price Index or as a percentage of the effective rent from the previous five-year period, whichever is greater.

After City Council approval, the sublease will be submitted to the State Lands Commission for approval. Downtown staff has received the support of State Lands Commission staff in their shared review of the project and sublease negotiations and documentation.

At the end of the sublease the restaurant facility reverts to City of Sacramento ownership.

FINANCIAL CONSIDERATIONS:

The total estimated construction cost for the project is \$ 5,930,000. The developer's project meets many of the redevelopment goals for the subject site: additional restaurant/entertainment facilities of the waterfront; additional access to the river's edge for the public, and completion of the Old Sacramento visitor area. The sublease terms and conditions for this site represent a market-rate project and a fair return on investment by the Redevelopment Agency on the piles and platform costs over the first ten years of the project. The developer will also receive a market-rate return on its investment in the restaurant facility and site development.

Under the PIDA, the Agency will pay Landry's Development Co., Inc. a maximum sum of \$950,000 to construct the platform on the piles. The Agency will deposit the funds into a special account and make disbursements for progress payments related to the design and construction of the platform. Agency funding will come from Downtown Tax Increment Funds, which are already allocated to the project in the RACS 2000 Budget.

ENVIRONMENTAL CONSIDERATIONS:

Approvals from the following agencies have been received for work completed to date: Army Corps of Engineers, Reclamation Board, State Lands Commission, Department of Fish and Game, and the Old Sacramento Design Review Committee. Staff will continue to work with these agencies throughout the development of Site A.

A Negative Declaration was approved by City Council in July 1998 in conjunction with approval of a restaurant use at the site, and pile construction was completed with that approval. An addendum to the document identifying the original project description and the current project description is included as Exhibit 1. There are no significant changes in the project that require additional environmental review. This action is in furtherance of the Merged Downtown Redevelopment Plan, and no further environmental review is required per CEQA Guidelines sections 15080, 15162 or 15163.

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

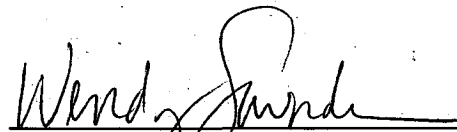
Although not included specifically in the Riverfront Master Plan, the proposed project is seen as a catalyst project to increase local patronage of Old Sacramento and the Waterfront. The project would also be a complement to a number of improvements under construction or recently completed on the Waterfront,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

ESBD CONSIDERATIONS:

The Agency currently has no established ESBD policy.

Respectfully submitted,

APPROVED:


Wendy S. Saunders
Downtown Development Manager


Andrew J. Plescia
Economic Development Dept. Director

RECOMMENDATION APPROVED:



ROBERT P. THOMAS
City Manager

EXHIBIT 1

Addendum to Negative Declaration

Negative Declaration was approved by City Council in July 1998 in conjunction with approval of a restaurant use at the site, and pile construction was completed with that approval. This addendum to that document identifies the original project description and the current project description. There are no significant changes in the project that require additional environmental review.

This action is in furtherance of the Merged Downtown Redevelopment Plan, and no further environmental review is required per CEQA Guidelines sections 15080, 15162 or 15163.

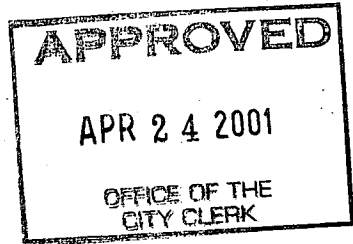
ORIGINAL PROJECT DESCRIPTION

OLD SACRAMENTO WATERFRONT RESTAURANT SITE A - The proposed project, located in Old Sacramento on the Sacramento River, would include an 8,000 square foot single-story, full-service restaurant with an exterior dining deck area of approximately 4,000 sq. ft. extending over the Sacramento River. The restaurant would provide seating for approximately 500 people and include a main dining area, a private dining area with fireplace, a bar area oriented toward the river, an open kitchen, covered and uncovered beer gardens, covered and uncovered dining areas, a silo, and a visible working brewery area.

Negotiations with the original proposed tenant ceased several years ago and the current proposed tenant will develop essentially the same size and scale of restaurant project on the site. Minor modifications are noted below.

CURRENT PROJECT DESCRIPTION

OLD SACRAMENTO WATERFRONT RESTAURANT SITE A - The proposed project, located in Old Sacramento on the Sacramento River, would include an 8,000 square foot single-story, full-service restaurant with an exterior dining deck area of approximately 4,000 sq. ft. extending over the Sacramento River. Piles were driven to accommodate a platform and restaurant facility up to 13,000 square feet; the proposed restaurant may increase the exterior dining deck area from 4,000 to 5,000 square feet. The restaurant would provide seating for approximately 500 people and include a main dining area, a bar area oriented toward the river, a kitchen, and covered and uncovered dining areas.



RESOLUTION NO. 2001-243

ADOPTED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO
ON DATE OF

OLD SACRAMENTO WATERFRONT RESTAURANT SITE A
DEVELOPMENT BY LANDRY'S SEAFOOD RESTAURANTS, INC.;
TAX INCREMENT FINANCING FOR PUBLIC IMPROVEMENTS; SUBLEASE OF REAL
PROPERTY

WHEREAS, the City of Sacramento and the Redevelopment Agency of the City of Sacramento intend to enter into a sublease and certain other agreements with Landry's Seafood Restaurants, Inc., and two of its affiliated subsidiary entities, for the redevelopment of certain real property leased by the City from the State of California, through its State Lands Commission, and known as Old Sacramento Waterfront Restaurant Site A (the "Project"), to include a full service restaurant of approximately 13,000 square feet;

WHEREAS, plans for the proposed restaurant will require the development of certain public infrastructure and facilities consisting of a building platform to be constructed on piles (installed in the Sacramento River bed and owned by the City), together with related on- and off-site improvements (the "Public Improvements") in conjunction with construction of the proposed restaurant to alleviate blighting conditions, including but not limited to uneconomic land uses, within Old Sacramento and the Merged Downtown Sacramento Redevelopment Project Area (the "Project Area");

WHEREAS, the construction of the Public Improvements is so interwoven with the redevelopment of the property to construct the proposed restaurant that it is not feasible from a design, architectural, engineering, construction or cost standpoint to redevelop the Public Improvements and the restaurant as separate construction projects, the construction of both elements by subsidiaries of Landry's Seafood Restaurants, Inc., is the only feasible means of achieving such construction, and the total costs to the Agency of construction of the Public Improvements will be substantially less than if such elements were constructed separately;

WHEREAS, Landry's Development Company, Inc., the development subsidiary of Landry's Seafood Restaurants, Inc., will agree to undertake the construction of the Public Improvements for their conveyance to public ownership as a part of the Project, and together with Agency and City staff has investigated all reasonable means of financing the construction of the Public Improvements; and

WHEREAS, the construction of the Public Improvements will make the Public Improvements an asset to all residents of the Project, which will directly benefit the Project Area;

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

WHEREAS, a Negative Declaration was approved on July 28, 1998 by Resolution Number 98-384 for the project then proposed to be constructed on the property, and the project currently proposed is not substantially different in any material respect as set forth in Exhibit 1 to the staff report;

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

Section 1. The City Council of the City of Sacramento hereby finds and determines all of the following:

- (a) The construction of the Public Improvements will benefit the Project Area and the immediate neighborhood in which the Public Improvements will be located.
- (b) No reasonable means of financing the construction of the Public Improvements is available to the community except for tax increment financing.
- (c) The payment of tax increment funds for the construction of the Public Improvements will assist in the elimination of one or more blighting conditions inside the Project Area, and is consistent with the implementation plan adopted pursuant to California Health and Safety Code Section 33490.

~~Section 2. The Deputy City Manager is authorized to execute the Sublease with Crab Addison, Inc., in substantially the form on file with the City Clerk, subject to modification as approved by the City Attorney, and to take all other necessary action, including execution of documents in form approved by the City Attorney, which may be required to give effect to and implement the Sublease.~~

Section 3. The City Council of the City of Sacramento hereby finds and determines that;

- (a) The Negative Declaration previously adopted is adequate;
- (b) There are no significant changes in the project design that would require additional environmental review;
- (c) This action is in furtherance of the Merged Downtown Redevelopment Plan;
- (d) No further environmental review is required per CEQA Guideline Section 15080, 15162, and 15163.

MAYOR

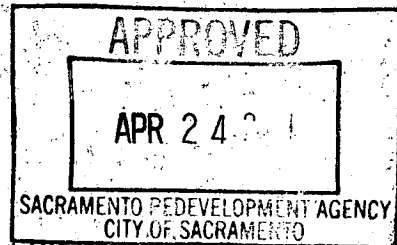
ATTEST:

CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



RESOLUTION NO. 2001-029

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
ON DATE OF

OLD SACRAMENTO WATERFRONT RESTAURANT SITE A
DEVELOPMENT BY LANDRY'S SEAFOOD RESTAURANTS, INC.:
TAX INCREMENT FINANCING FOR PUBLIC IMPROVEMENTS; PUBLIC
IMPROVEMENT DEVELOPMENT AGREEMENT; OWNER PARTICIPATION
AGREEMENT AND RELATED AGREEMENTS

WHEREAS, the City of Sacramento and the Redevelopment Agency of the City of Sacramento intend to enter into certain agreements with Landry's Seafood Restaurants, Inc., and two of its affiliated subsidiary entities, for the redevelopment of certain real property leased by the City from the State of California, through its State Lands Commission, and known as Old Sacramento Waterfront Restaurant Site A (the "Project"), to include a full service restaurant of approximately 13,000 square feet;

WHEREAS, plans for the proposed restaurant will require the development of certain public infrastructure and facilities consisting of a building platform to be constructed on piles (installed in the Sacramento River bed and owned by the City), together with related on- and off-site improvements (the "Public Improvements") in conjunction with construction of the proposed restaurant to alleviate blighting conditions, including but not limited to uneconomic land uses, within Old Sacramento and the Merged Downtown Sacramento Redevelopment Project Area (the "Project Area");

WHEREAS, the construction of the Public Improvements is so interwoven with the redevelopment of the property to construct the proposed restaurant that it is not feasible from a design, architectural, engineering, construction or cost standpoint to redevelop the Public Improvements and the restaurant as separate construction projects, the construction of both elements by subsidiaries of Landry's Seafood Restaurants, Inc., is the only feasible means of achieving such construction, and the total costs to the Agency of construction of the Public Improvements will be substantially less than if such elements were constructed separately;

WHEREAS, Landry's Development Company, Inc., the development subsidiary of Landry's Seafood Restaurants, Inc., will agree to undertake the construction of the Public Improvements for their conveyance to public ownership as a part of the Project, and together with Agency and City staff has investigated all reasonable means of financing the construction of the Public Improvements; and

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____

WHEREAS, the construction of the Public Improvements will make the Public Improvements an asset to all residents of the Project, which will directly benefit the Project Area;

WHEREAS, a Negative Declaration was approved on July 28, 1998 by resolution number 98-384 for the project then proposed to be constructed on the property, and the project currently proposed is not substantially different in any material respect as set forth in Exhibit 1 to the staff report;

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

Section 1. The Redevelopment Agency of the City of Sacramento hereby finds and determines all of the following:

- (a) The construction of the Public Improvements will benefit the Project Area and the immediate neighborhood in which the Public Improvements will be located.
- (b) No reasonable means of financing the construction of the Public Improvements is available to the community except for tax increment financing.
- (c) The payment of tax increment funds for the construction of the Public Improvements will assist in the elimination of one or more blighting conditions inside the Project Area, and is consistent with the implementation plan adopted pursuant to California Health and Safety Code Section 33490.

Section 2. The Deputy City Manager is authorized to execute the Public Improvement Development Agreement ("PIDA") with Landry's Development Company, Inc., in substantially the form on file with the Agency Clerk, subject to modification as approved by Agency Counsel, and to take all other necessary action, including execution of documents in form approved by Agency Counsel, which may be required to give effect to and implement the PIDA and the agreements for redevelopment of the Public Improvements.

Section 3. The Deputy City Manager is authorized to execute the Owner Participation Agreement ("OPA") with Crab Addison, Inc., in substantially the form on file with the Agency Clerk, subject to modification as approved by Agency Counsel, and to take all other necessary action, including execution of documents in form approved by Agency Counsel, which may be required to give effect to and implement the OPA and the agreements for redevelopment of the property to include a full service restaurant facility.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 4. The Redevelopment Agency of the City of Sacramento hereby finds and determines that;

- (a) The Negative Declaration previously adopted is adequate;
- (b) There are no significant changes in the project design that would require additional environmental review;
- (c) This action is in furtherance of the Merged Downtown Redevelopment Plan;
- (d) No further environmental review is required per CEQA Guideline Section 15080, 15162, and 15163.

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____