

ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO

November 15, 2004

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

Honorable Members in Session:

**SUBJECT: APPROVAL OF A DISPOSITION AND DEVELOPMENT AGREEMENT
AND RELATED DOCUMENTS BETWEEN THE REDEVELOPMENT
AGENCY OF THE CITY OF SACRAMENTO AND MAGNOLIA LORDS
BUILDING PARTNERS TO RECONSTRUCT THE MAGNOLIA SALOON
AND LORDS RESTAURANT BUILDING IN OLD SACRAMENTO AND
THE PUBLIC HEARING PURSUANT TO CALIFORNIA HEALTH AND
SAFETY CODE SECTION 33433**

LOCATION AND COUNCIL DISTRICT: 119 and 121 J St. in Old Sacramento
Council District 1

RECOMMENDATION:

Staff recommends that the Redevelopment Agency adopts the attached Agency resolution which authorizes:

- Approval of the Mitigated Negative Declaration and adoption of the Mitigation Monitoring Plan;
- A public hearing to meet Health and Safety Code Section 33433 requirements for the disposition of property acquired with tax increment funds; and
- Execution of a Disposition and Development Agreement (DDA) between the Redevelopment Agency of the City of Sacramento (Agency) and the Magnolia Lords Building Partners for the reconstruction of the Magnolia Saloon and Lords Restaurant Building in Old Sacramento.

Staff recommends that the City Council adopt the attached City resolution which adopts the findings regarding the sale of Redevelopment Agency property.

CONTACT PERSON: Laura Sainz, Senior Project Manager, 808-2677

FOR COUNCIL MEETING OF: November 30, 2004

SUMMARY:

The Economic Development Department, acting as the agent of the Redevelopment Agency of the City of Sacramento, issued a Request for Qualifications (RFQ) to reconstruct buildings on a number of sites in Old Sacramento. One of these sites included the Magnolia Saloon/Lords Restaurant Building located near the intersection of J and 2nd Streets. In response to the RFQ, the Magnolia/Lords Building Partners submitted qualifications as well as a more detailed proposal to reconstruct the building. This report requests authorization for the actions necessary to reconstruct the Magnolia Saloon and Lords Restaurant Building at 119 and 121 J Street. The recommended actions include:

- Approving the Mitigated Negative Declaration and Mitigation Monitoring Plan for the project;
- Authorizing the City Manager to execute a DDA between the Agency and the Magnolia/Lords Building Partners to reconstruct the Magnolia and Lords Building; and
- Holding a public hearing to meet California Health and Safety Code Section 33433 requirements for the disposition of property acquired with tax increment funds.

BACKGROUND:

The Economic Development Department, acting as the agent of the Redevelopment Agency of the City of Sacramento, issued a Request for Qualifications to reconstruct buildings on four sites in Old Sacramento. The four sites included:

- The Magnolia Saloon/Lords Restaurant located at 119 and 121 J Street;
- The Orleans Hotel, located at 1022 2nd Street;
- The Ebner and Empire Buildings, located at 116 and 118 K Street; and
- The Firehouse Parking Lot, located at 1121 Front Street.

In response to the RFQ, the evaluation committee made up of Old Sacramento and Downtown stakeholders selected two teams to continue negotiations, including the Magnolia/Lords Building Partners and the Scurfield Company/Carson Development Partnership.

The Magnolia/Lords Building Partners submitted a proposal to reconstruct the Magnolia Saloon and Lords Restaurant Building. The terms of that proposal included:

- The Redevelopment Agency would contribute the land to the project; and
- The construction of the project would be privately financed by the Magnolia/Lords Building Partners; no additional subsidy from the Agency would be required.

In addition to the terms discussed above, the Magnolia/Lords Building Partners (Partners) have also agreed to reconstruct the building in compliance with the Secretary of the Interior Standards for Reconstruction of Historic Sites. The façade of the building has already been established and approved, as is the case for many of the sites in Old Sacramento. The Partners have already started the design review process with the Old Sacramento Design Review Committee. The elevation for the building is included (Attachment I).

Finally, as a condition of the Agency contributing the land to the project, the Partners have also agreed to a Regulatory Agreement, which controls the types of uses permitted in the ground-floor retail space. The intent of the Regulatory Agreement is to ensure the ground-floor use is consistent with the Old Sacramento Strategic Plan and retail strategy.

Public Hearing

Because the Redevelopment Agency of the City of Sacramento is contributing the land to this project, the project is subject to Health and Safety Code Section 33433: "Sale or Lease of Property Acquired with Tax Increment Funds; Approval by Legislative Body after Public Hearing." The Agency is required to make available a report which references the proposed DDA and cites the cost of land to the Agency, including relocation and improvements, estimated value, purchase price, explanation of a sale price which is less than fair market value, and an explanation of why the sale or lease will assist in eliminating blight. The report has been prepared and is on file with the Clerks of both the City and Agency. The public hearing notice (Attachment II) was published in a newspaper of general circulation on November 15th and November 22nd, 2004.

Disposition and Development Agreement

The DDA, which is on file with both the City and Agency Clerks, describes the following responsibilities:

The Magnolia/Lords Building Partners will be responsible for:

- Reconstructing the Magnolia Saloon/Lords Restaurant Building as approved by the Old Sacramento Design Review Committee;
- Obtaining private construction and permanent financing for the project;
- Obtaining all entitlements, subject to the appropriate approval process, required for the project; and
- Maintaining ground-floor uses consistent with the Regulatory Agreement.

The Redevelopment Agency of the City of Sacramento will be responsible for:

- Transferring the site to the Partners at no cost (the value of the property after construction, based upon projected revenues, is negative).

FINANCIAL CONSIDERATIONS:

The total estimated cost of the project is approximately \$1.3 million. The recommended Agency contribution to the project is the land.

ENVIRONMENTAL CONSIDERATIONS:

The activities outlined in the DDA have been analyzed in accordance with the California Environmental Quality Act (CEQA). An Initial Study/Mitigated Negative Declaration (MND) was prepared and a Notice of Intent to Approve a Mitigated Negative Declaration was published and circulated for review and comments from June 16, 2004 to August 4, 2004. The MND and the Notice of Intent to Approve are on file at the Clerk's offices of both the City and the Agency.

The MND determined that the proposed project will not result in significant adverse impacts on the environment that cannot be mitigated. Implementation of mitigation measures outlined in the Mitigation Monitoring Plan and measures included in the project or imposed through adopted ordinances of the City reduce potential impacts to a less than significant level. Staff therefore recommends that the MND and Mitigation Monitoring Plan be approved for the purpose of approving the DDA.

POLICY CONSIDERATIONS:

2005 Downtown Sacramento Redevelopment Strategy

In 2000, a strategy was prepared to guide redevelopment activities for Downtown Sacramento. Section Three of the *Framework for Strategic Investment* focuses on the Waterfront and Old Sacramento area. The reconstruction of the Magnolia Saloon/Lords Restaurant Building 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;

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; and
4. The preservation and/or restoration, where feasible, of historically or architecturally significant structures.

Strategic Plan and Guiding Principles

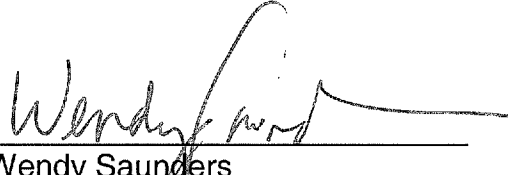
The reconstruction of the Magnolia Saloon/Lords Restaurant Building assists the City in meeting three of the goals listed in the 2001-2004 City of Sacramento Strategic Plan including:

1. Enhance and preserve the neighborhoods;
2. Preserve and expand the arts and culture, open space, urban forest, parks and recreation opportunities; and
3. Promote and support economic vitality.

ESBD CONSIDERATIONS:

This contract meets the City's ESBD requirements.

Respectfully submitted,



Wendy Saunders
Economic Development Director

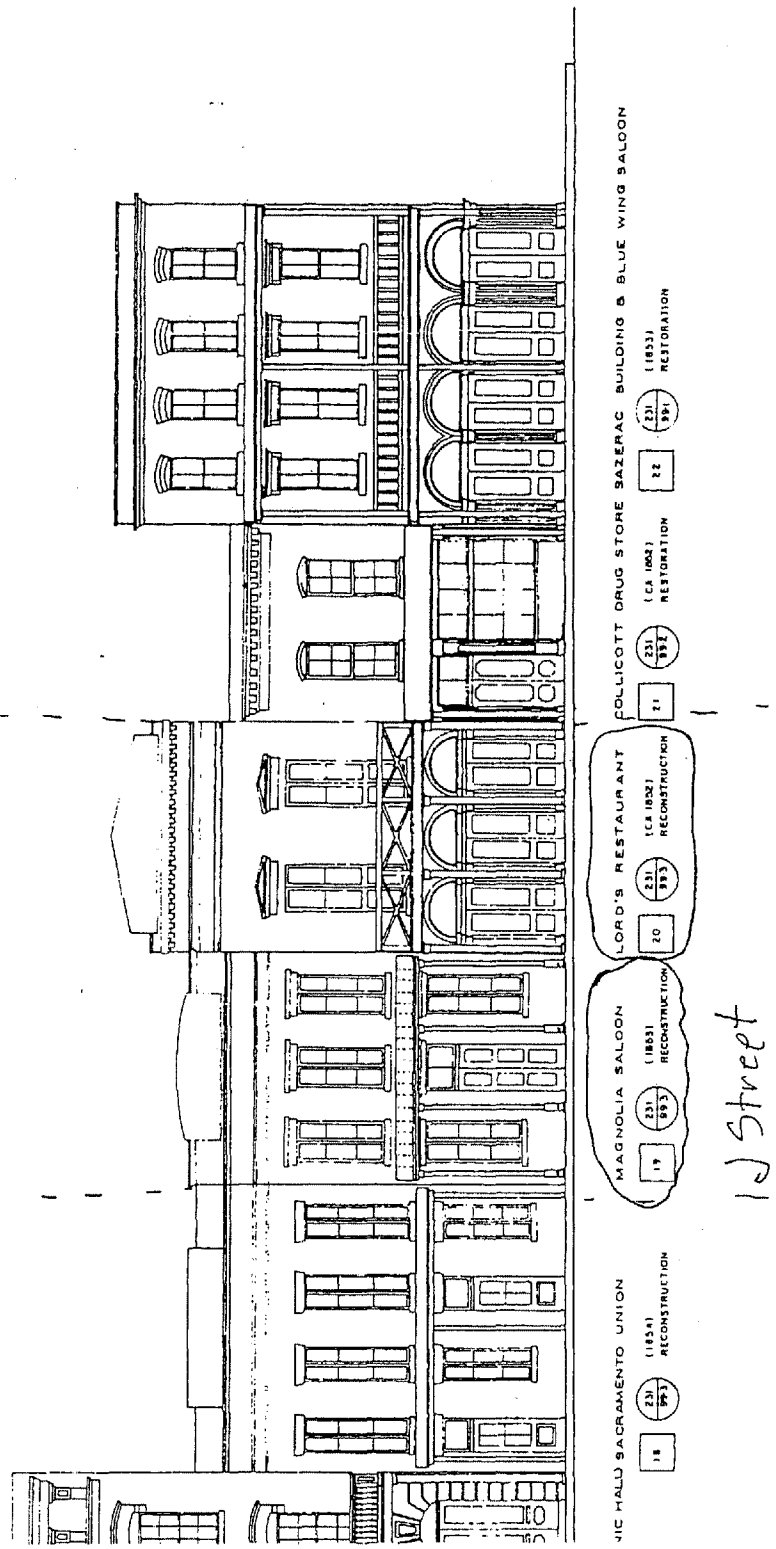
RECOMMENDATION APPROVED:



ROBERT THOMAS, City Manager

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PUBLIC NOTICE

Notice of Hearing and Information on the Proposed Disposition of 119 & 121 J Street (006-0012-029) in the Merged Downtown Redevelopment Project Area.

NOTICE IS HEREBY GIVEN THAT THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO will hold a public hearing on the disposition of 119 & 121 J Street located in the Historic Old Sacramento District pursuant to Section 33433 of the Health and Safety Code of the State of California.

The hearing is scheduled as follows:

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

November 30, 2004
7:00 PM
City Council Chambers
730 I Street
Sacramento, California 95814

Any persons or organization desiring to be heard on the proposed land disposition will be afforded an opportunity to speak at said hearing.

The aforementioned property will be purchased for the reconstruction of a 7,000 sq ft, 3-story building with commercial uses.

The report relating to this proposed disposition is available for public inspection on or before November 15, 2004 at the following address:

Sacramento Housing and Redevelopment Agency
Agency Clerk
630 I Street, 3rd Floor
Sacramento, CA 95814

and

City of Sacramento
City Clerk
730 I Street
Sacramento, CA 95814

RESOLUTION NO. _____

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

**MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT AREA:
RECONSTRUCTION OF THE MAGNOLIA/LORDS BUILDING IN OLD SACRAMENTO:
FINDINGS, APPROVAL OF MITIGATED NEGATIVE DECLARATION,
MITIGATION MONITORING PLAN AND AUTHORIZATION FOR EXECUTION
OF A DISPOSITION AND DEVELOPMENT AGREEMENT WITH
MAGNOLIA/LORDS BUILDING PARTNERS REGARDING THE
MAGNOLIA/LORDS RECONSTRUCTION PROJECT AND RELATED AUTHORIZATIONS**

WHEREAS, the Redevelopment Agency of the City of Sacramento ("Agency") has adopted the Merged Downtown Sacramento Redevelopment Plan ("Redevelopment Plan") and an "Implementation Plan" for the Merged Downtown Redevelopment Project Area ("Project Area");

WHEREAS, the Agency owns certain real property ("Property"), in the Project Area and acquired with Project Area tax increment funds and other sources, which Property is generally described as 119 & 121 J Street and more particularly described in the legal description, attached as Exhibit 1 to the proposed Disposition and Development Agreement, a copy of which is on file with the City and Agency Clerk;

WHEREAS, the Agency and the Magnolia/Lords Building Partners ("Developer") desire to enter into a Disposition and Development Agreement ("DDA"), a copy of which is on file with the City and Agency Clerk, which DDA would convey fee interest in the Property, as more specifically described in the DDA, and which would require the improvements within the Property, as further described in the DDA (collectively, "Project");

WHEREAS, in accordance with the California Environmental Quality Act and its implementing regulations, an Initial Study has been prepared for the proposed project as described in the DDA and said Initial Study has disclosed no negative impacts of the proposed project upon the environment which cannot be mitigated to less than significant; and

WHEREAS, a report under Health and Safety Code 33433 ("33433 Report") has been prepared, filed with the City and Agency Clerk and duly made available for public review, and, proper notice having been given, a hearing has been held in accordance with Health and Safety Code Sections 33431 and 33433.

FOR CITY CLERK USE ONLY

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RESOLUTION NO.: _____

DATE ADOPTED: _____

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF
SACRAMENTO:

Section 1. The Foregoing recitals are true and correct.

Section 2: After preparation and review of the Initial Study for the Project, prepared in accordance with California Code of Regulations ("CCR") 15063, a draft "Mitigated Negative Declaration" has been prepared for the Project in accordance with CCR 15070 and circulated for public review in accordance with CCR15073. A copy of the Mitigated Negative Declaration, including without limitation, findings and mitigation measures, is on file with the City and Agency Clerk. The Mitigated Negative Declaration and all resulting public comments having been considered in accordance with CCR 15074. The Mitigated Negative Declaration, including, without limitation, findings and mitigation measures contained in it and comments and responses entered into the public record, is certified as adequate and complete and reflects the independent judgment of the Agency. The Mitigated Negative Declaration, including without limitation all said findings and mitigation measures, are approved and adopted. The City Manager is directed to file a "Notice of Determination" pursuant to CCR 15075.

Section 3. The statements and findings of the 33433 Report are true and correct and are hereby adopted. The Project will assist in the elimination of blight as stated in the 33433 Report. The Project is consistent with the goals and objectives of the Redevelopment Plan and the Implementation Plan. Goals of the Redevelopment Plan, as stated in the Implementation Plan, include, 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; 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; 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; and the preservation and/or restoration, where feasible, of historically or architecturally significant structures. The DDA shall be deemed an implementing document approved in furtherance of the Redevelopment Plan, the Implementation Plan for the Project Area and all applicable land use plan, studies, and strategies.

Section 4. The consideration given for the interest conveyed under the DDA is not less than the fair reuse value at the use and with the covenants, conditions, restrictions, and necessary development costs authorized by the DDA and conveyance documents.

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RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 5. The DDA is approved and the Executive Director or her designee is authorized to execute the DDA with the Developer and to take such actions, execute such instruments, and amend the budget as may be necessary to effectuate and implement this resolution and the DDA.

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

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RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO. _____

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT AREA: FINDINGS REGARDING SALE OF REDEVELOPMENT AGENCY PROPERTY

WHEREAS, the Redevelopment Agency of the City of Sacramento ("Agency") has adopted the Merged Downtown Sacramento Redevelopment Project Area Redevelopment Plan ("Redevelopment Plan") and an "Implementation Plan" for Merged Downtown Sacramento Redevelopment Project Area ("Project Area");

WHEREAS, the Agency owns certain real property ("Property"), in the Project Area and acquired with Project Area tax increment funds and other sources, which Property is generally described as 119 & 121 J Street and more particularly described in the legal description, attached as Exhibit 1 to the proposed Disposition and Development Agreement, a copy of which is on file with the City and Agency Clerk;

WHEREAS, the Agency and the Magnolia/Lords Building Partners ("Developer") desire to enter into a Disposition and Development Agreement ("DDA"), which DDA would convey fee interest in the Property, as more specifically described in the DDA, and which would require the improvements within the Property, as further described in the DDA (collectively, "Project"); and

WHEREAS, a report under Health and Safety Code 33433 ("33433 Report") has been prepared, filed with the City and Agency Clerk and duly made available for public review and, proper notice having been given, a hearing has been held in accordance with Health and Safety Code Sections 33431 and 33433.

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

Section 1. The statements and findings of the 33433 Report are true and correct and are hereby adopted. The Project will assist in the elimination of blight as provided in the 33433 Report.

Section 2. The Project is consistent with the goals and objectives of the Redevelopment Plan and the Implementation Plan, as stated in the DDA.

FOR CITY CLERK USE ONLY

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RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 3. The consideration given for the interest conveyed under the DDA is not less than the fair reuse value at the use and with the covenants, conditions, restrictions, and necessary development costs authorized by the DDA and conveyance documents.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

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RESOLUTION NO.: _____

DATE ADOPTED: _____