



APPROVED
SACRAMENTO REDEVELOPMENT AGENCY
CITY OF SACRAMENTO



Agency Rpt
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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

MAY 24 1983 May 11, 1983

Redevelopment Agency of the
City of Sacramento

CITY MANAGER'S OFFICE
RECEIVED
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Honorable Members in Session:

SUBJECT: Rede Company Development Parcel APN 006-032-29 Project 4,
600 I Street

SUMMARY

Attached is a resolution authorizing the Executive Director to respond to the Rede Company's May 16, 1983 presentation on the default dated January 26, 1983 by revesting the property at 600 I Street.

BACKGROUND

On June 19, 1979 the Agency (SHRA 2833) approved the disposition and development criteria for the 5-6-I-J Block and the quarter block on the corner of 6th and I Streets.

The development sites were advertised and forty-six proposal packages were sold. Five proposals were submitted by developers on September 7, 1979.

An ad hoc evaluation committee composed of representatives of

Development Committee of the Housing and Redevelopment Commission
City Planning Commission
Architectural Review Board
Downtown Development Team Staff

evaluated and reviewed the proposals, assisted by Keyser-Marston Associates - Economists.

The Committee gave the highest rating to the 5th and I Associates proposal, but preferred to have more than one developer working on the project. Because Rede Company submitted a proposal for the quarter block at 6th and I Streets, the developers (Rede and 5th & I Associates) consented to cooperate on the development with the following modifications:

1. Two levels of parking would be allowed under the quarter block so that lender and City/Agency parking requirements could be met directly by the quarter block developer;

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2. Since the bridge across 6th Street was included in the 5th and I Associates proposal to allow the quarter block parking requirements to be met on the full block it is no longer of any functional value and should be eliminated from the design.
3. To offset the loss of the strong architectural statement made by the bridge, the developers will augment the project budget for art work by 1% to be spent on enhancement of the project architecture.
4. The full block building design will be modified to provide interest on the I Street frontage through architecturally consistent commercial space.
5. The exterior land area of the Rede quarter block will be re-designed to provide a smooth transition from the 630 I Street building to the new building through the intervening plaza area.

The Community Development Committee requested that the Sacramento Housing and Redevelopment Commission transmit the following recommendation to the Sacramento City Council and Redevelopment Agency:

The block bounded by 5th, 6th, I and J Streets be sold to 5th and I Associates for the sum of \$1,037,830. The quarter block and the southeast intersection of 6th and I Streets should be sold to Rede Company for \$198,400. The entire transaction be structured to implement the following terms and conditions:

- A. Two levels of parking to be constructed under the office building on the Rede Company parcel.
- B. The bridge across 6th Street to be eliminated from the 5th and I Associates design.
- C. Rede Company and 5th and I Associates to augment the expenditures for the arts by one percent of the gross construction cost.
- D. 5th and I Associates will include commercial space on the I Street frontage of their project.
- E. The landscape and building design on the Rede parcel would adhere to the architecture submitted for that parcel by 5th and I Associates.
- F. The exterior and landscape design of the Rede parcel will be modified to provide useful and attractive transition

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space between the new building and 630 I Street.

In summary, the Downtown Development Team and the Agency Evaluation Committee's recommendation to the Agency on selection of the Rede Company for the development of the 600 I Street parcel was subject to the agreement by Rede to utilize the design proposed for the site in the 5th and I Associates proposal; less the originally proposed connecting bridge. In mid October 1979, Rede Company submitted presentation boards reflecting revision to the design. In December the design was still not finalized in that the number of stories to be built had not been determined. The Scope of Development to which Rede Company has submitted a proposal was for a four or five story structure which "shall be stepped back from adjacent streets providing landscaped terraces at each level." The public hearing scheduled in December was continued into January 1980, February 1980 and then March 1980, as the configuration of the proposed building was revised based upon parking, structural, and economic considerations.

The Agency economics consultant, Keyser-Marston Associates, found that Rede Company had adequate financial capacity to develop the project, as originally proposed.

Throughout this period Leason Pomeroy & Associates were the design architect of record. By memorandum of February 20, 1980 the Redevelopment Agency was informed that "there appears to be no good solution for satisfying the parking requirements for this project. The quantity is dictated by the size of the project and the size of the spaces by the structural layout, which is governed by building design above. In order to comply with the Plan (Redevelopment Plan Parking Requirements), the building will need substantial change which will result in a departure from the selected design... If the design concept as selected is to be followed, the parking requirements of the Redevelopment Plan cannot be met."

Rede Company submitted a preliminary building design, proposed for five stories but without the original open stepped terraces at the fourth and fifth levels. The Architectural Review Board at its February 20, 1980 meeting had no adverse comments on the modifications to the building elevation. The ARB was to review both the Preliminary and Final Construction Plans. The Redevelopment Commission, at its meeting of the same date adopted a motion recommending that the Agency approve the contract with Rede Company with the requested modifications. The Scope of Development was revised to read, "The structure shall be stepped back from adjacent streets providing landscaped terraces at the first three levels."

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On March 18, 1980, SHRA No. 2896, the Agency approved the final selection of the Rede Company. In July 1980, the architectural firm of Dreyfuss and Blackford submitted a revised design to the Agency and to City Planning. Dreyfuss and Blackford replaced Leason Pomeroy as the design architects. Both the Agency staff and City Planning staff expressed concern relative to the proposed Dreyfuss and Blackford design modification deleting all stepped back landscaped terraces and substitution of planted balconies.

The Planning Commission, at its August 14, 1980 meeting, as a condition of its granting of the required special permit, requested that the ARB again review the project for design compatibility with the proposed office complex on the 5th-6th-I-J Site. Planning staff recommended continuation of the item until ARB review was completed.

Agency staff, by memorandum of July 16, 1980 notified the Planning Commission that the new design represented a substantial change from the design originally selected and previously approved, and recommended review and approval of the proposed changes by all who previously selected and approved the original design. Staff posed the questions, "To what degree does the proposed design of the Preliminary Plans submitted satisfy the intent of the original selection and approval of the Commission?"

On July 21, 1980 the Commission approved the Preliminary Plans as prepared by Dreyfuss and Blackford. Rede Company was informed that the plans as submitted to and approved by the Commission must be approved by the ARB. Subsequently, in late September, the ARB voted to approve the project by a 5 to 2 vote.

Due to Mr. Heller, President of the Rede Company being out of the country, approval of the Preliminary Plan by the Agency was delayed until after Mr. Heller's return. The item was scheduled on the consent calendar for December 16th, 1980 and was referred to the Planning and Community Development Committee for hearing at its January 7, 1981 meeting. The Planning and Community Development Committee approved the Preliminary Plans at their January 7, 1981 meeting.

On January 9, 1981 the Redevelopment Agency reviewed the Preliminary Plans for the Rede Company's office building. The Preliminary Plans were not approved until February 3, 1981 SHRA 81-006. Due to the delay in submission, and approval of the Preliminary Plans, the Agency approved a request for a 6 month time extension for sub-

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mission of final plans, or until August 6, 1981. The Schedule of Performance requires that evidence of financing be submitted, within 6 months after the March 19, 1980 agreement execution date.

On August 6, 1981 the Rede Company submitted final construction plans to the Agency. However, the plans were "insufficiently complete for approval." The Rede Company requested a 30-day extension to complete the plans, except for the final plaza design and landscaping plans. The Rede Company's 30-day extension request was approved by the Agency. The final plan submission date was rescheduled to September 8, 1981.

On September 8, 1981 the Rede Company again submitted final plans. These plans were inadequate due to access/egress problems and were referred back to Rede Company. The date for submission of final plans was pushed back to September 22, 1981. On October 13, 1981 the Planning and Community Development Committee approved the plans. On October 19, 1981 they were reviewed by the Redevelopment Commission.

On October 19, 1981 the Redevelopment Commission approved the final plans for the 68,000 square foot office building. They were approved by the Agency on October 27, 1981 (RA 81-085), subject to certain conditions related to the Architectural Review Board approval, approval of the easement for access and egress, and certain conditions relating to building materials and color.

In accordance with a new scheduled performance, Rede Company would submit evidence of financing for the office building by November 27, 1981. The evidence of financing would include:

1. A letter from a financing institution indicating the amount to be loaned;
2. The purpose of the loan;
3. The availability of the loan;
4. A statement that the loan was not conditional;
5. Verifiable evidence of total project cost.

On November 27, 1981, the Agency received no evidence of financing from Rede Company.

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On December 2, 1981 staff submitted a recommendation to the PD/OS Committee that Rede Construction Company be noticed in default of their contract with the Agency.

On January 18, 1982 the Commission granted a 20' x 20' easement on Agency property to Rede Construction to facilitate development of the Rede office project.

On March 18, 1982 the Agency received evidence of financing for the project from Wells Fargo Bank. On April 27, 1982 (Resolution RA 82-030), the Agency found the evidence of financing to be adequate and authorized the Agency's Executive Director to execute the sale of the 6th and I property to Rede Construction Company. In accordance with the Schedule of Performance contained in the Contract for the Sale of Land for Private Redevelopment, the developer would deposit the purchase price in escrow two weeks after approval of evidence of financing, or May 11, 1982.

The scheduled performance also provided that the Agency deposit the deed to the property to escrow on the same date, and on May 5, 1982 the Agency conveyed the deed to Chicago Title Insurance Company. Upon receipt of funds from Rede Company, escrow was scheduled to close on May 24, 1982.

On May 11, 1982 Rede Company made no deposit into escrow.

On May 14, 1982 Rede made an oral request for a 120-day time extension for close of escrow from the May 24, 1982 date. This request was confirmed in a letter on May 19, 1982. The letter explained that the 120 day extension would enable Rede Company to "continue to explore alternative sources of permanent financing, as well as several pending proposals for ownership and occupancy of the building" (no mention is made of the March 18 letter from Wells Fargo Bank evidencing project financing, nor of the financing plans approved by the Agency on April 27, 1981.)

On May 26, 1982 the Agency's Executive Director, William Edgar, responded to the extension request in a letter to Rede Company's attorney. Mr. Edgar explained that the staff would recommend approval of the extension request only upon the following conditions:

1. That the Redeveloper agree to pay to the Agency an option extension fee as provided in Paragraph 2(d) of the land disposition agreement at the rate of fifty dollars (\$50) per day for each additional day of the extension period, or a total of \$6,000.

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2. That the sales price be adjusted to full market value, or a lesser amount, if the Executive Director determines it is necessary to make the development feasible. The upward adjustment of the purchase price to reflect the current fair market value of the parcel as determined by an appraisal by a qualified appraiser to be selected by the Agency, the cost of said appraisal being borne by the Redeveloper.
3. That the Redeveloper pay the Agency ten percent (10%) of the sales price at the time of contract execution. This shall be an amount in addition to and separate from any previous good faith deposit the Redeveloper may have made.
4. The immediate execution of a voluntary rescission agreement by the Redeveloper and the deposit of said agreement within the land disposition escrow with the additional instruction to the escrow agent that if the escrow has not been closed within the 120 day extension period, the rescission agreement should be forwarded to the Agency for execution. It would be the intent of this agreement to terminate the land disposition agreement at the close of the 120-day period without further declaration of default or the provision of any additional period for cure. It would be the intent that this agreement supersede any remedies set forth in the land disposition agreement itself.

In the absence of an affirmative response to these conditions, Mr. Edgar would proceed to notice the default. In response to Mr. Edgar's letter, the attorney for Rede Construction Company submitted the letter to the Agency that he was leaving town on a vacation and would be back to discuss Mr. Edgar's letter with his client on June 7, 1982.

At its regular meeting of June 1, 1982 the Commission adopted a motion recommending approval of the extension request subject to Mr. Edgar's conditions.

On June 8, 1982 the Agency attorney submitted escrow instructions to Rede Company. The instructions explained that the Commission and thereafter, the Agency, would drop from their calendars their intention to initiate default proceedings, if the contract purchase price for the 6th and I Street site were deposited in escrow on or before June 14, 1982.

The Contract of Sale to purchase the property at 6th and I Streets establishes a purchase price of \$198,000 for the parcel. This amounts to \$7.75 per square foot. The market value of the site, as determined by an appraisal performed at that time, set the market price at \$1,020,000 or \$40.31 per square foot.

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The Redevelopment Agency met on June 21, 1982 and adopted a motion recommending approval of Rede's extension request subject to the conditions of Mr. Edgar's letter dated May 26, 1982. On June 15, 1982 Rede Construction Company deposited into escrow the full purchase price for the 6th and I Street site. On June 16, 1982 the purchase price was recorded by Chicago Title Insurance Company in a special warranty deed. In a letter to Rede Company dated August 30, 1982 Mr. Edgar agreed to desist from default proceedings. The letter explained the conditions under which Rede Company would proceed with development of the 6th and I property:

1. Rede Company would pay the cost to fence the property and pay the monthly rental cost for the fence.
2. Visible signs of construction activity would occur during August, 1982.
3. Construction would begin by September 15, 1982 pursuant to the Contract of Sale and the Special Warranty Deed.

By September 15, 1982, Rede Construction failed to commence construction as required by the Special Warranty Deed, pursuant to the provisions of the Covenant Third.

In a letter dated September 21, 1982 to the Executive Director, Rede attorney, William G. Holliman, Jr. requested that the Agency delay, until October 15, 1982 serving notice of default for failure to commence construction.

On October 16, 1982 construction had not commenced on the site and Executive Director Edgar prepared a letter to Rede Company noticing them in default. This letter was not delivered although meetings with attorney Holliman and Rede representatives were scheduled to consider the default status.

On January 26, 1983 Rede Company was notice in default of their contract with the Agency and the Covenant Third of the Special Warranty Deed.

The January 26, 1983 letter and the Special Warranty Deed allowed Rede Company three months (or until April 26, 1983) to cure the default. If by April 26, 1983 construction had not commenced, the property would revert to the Agency and the Agency would proceed with resale of the property.

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On March 18, 1983 Rede Company's attorney Holliman submitted a proposal to remedy the default. In the letter to Executive Director Edgar, Holliman proposed a modified architectural design for the office building, and steps to complete the project within one year.

The Holliman proposal was for a completely new project which bears no resemblance to the approved project, the 6th and I Associates building to the west, nor does it comply with the original five conditions justifying selection of Rede Company as developer for the 6th and I Street site in March 1980. The Rede Construction Company plans (without elevations) for the new office building on the 6th and I Street site, show a 32,721 square foot office building, providing 84 parking spaces. The office building is shown as 3 levels with one level of underground parking. The proposal represented less than half the office square footage proposed in the original office building plans. (The original plans showed a 68,000 square foot building with 166 underground parking spaces.) Although no elevations were provided in these new plans, it was apparent that the project differs significantly from that project previously approved by the Architectural Design Review Board, the Agency's Commission, and the Agency's members.

In a letter dated March 28, 1983 Executive Director Edgar advised Mr. Holliman that the Commission would review the new plans on May 2 upon completion of a staff analysis.

The staff analysis included a comparison of tax increment generation as follows:

	APPROVED REDE PROJECT	NEW REDE PROPOSAL	READVERTISED FOR NEW DEVELOPER (example only)
Bldg. Size	68,000 sq. ft. 5-story	32,721 sq. ft. 3-story	192,000 sq. ft. 12-story (assumed)
Const. Cost	\$5,100,000 (\$75/sq. ft.)	\$2,400,000 (\$75/sq. ft.)	\$14,400,000 (\$75/sq. ft.)
Land Price*	\$198,000 (\$7.75/sq. ft.)	\$298,000 \$11.66/sq. ft.)	\$1,030,000 \$40.31/sq. ft.)
Tax Inc. Per Year**	\$51,680	\$26,680	\$146,300

* 1981 appraised value for land was \$1,030,000

** assumes 1950 base year land value \$30,000

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On May 2, 1983 Rede Company Attorney William Holliman delivered a letter to Executive Director Edgar withdrawing Rede's earlier proposal to cure the default noticed on April 26, 1983 and requesting that the discussion of the 6th and I Street parcel be put off until May 16, 1983. This date is the end of the cure period for the default which was previously extended from April 26, 1983.

At the May 16, 1983 Commission meeting, Rede Company introduced no reasonable proposal to cure the default. The Agency's action should be to authorize the Executive Director to take steps necessary to revest the property at 6th and I Street.

FINANCIAL DATA

There is no immediate financial impact on the Agency.

POLICY IMPLICATION

The actions proposed in this staff report are consistent with previously approved policy and there are no policy changes being recommended.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of May 16, 1983 the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Angelides, Hall, Luevano, Miller Ose, Pettit,
Teramoto, Vargas, Walton

NOES: None

ABSENT: None


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RECOMMENDATION

The staff recommends approval of the attached resolution to
revest the property at 6th and I Streets, APN 006-032-29 Project 4.

Respectfully submitted,


WILLIAM H. EDGAR
Executive Director

Contact Person: Bruce D. Pope, Chief of Redevelopment

TRANSMITTAL TO COUNCIL:


WALTER J. SLIPE, City Manager

For:

RESOLUTION NO.

83-043

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

May 24, 1983

AUTHORIZING THE EXECUTIVE DIRECTOR TO
REVEST THE 6TH AND I STREETS PARCEL,
GRANTED TO REDE COMPANY, A JOINT VENTURE

WHEREAS, the Agency entered into a Contract for Sale of Land for Private Redevelopment with Rede Company on March 18, 1980, for redevelopment of Parcel APN 006-032-29, 600 I Street, in Project No. 4, and conveyed said parcel to Rede Company by Special Warranty Deed on June 16, 1982; and

WHEREAS, the Agency noticed the Rede Company in default of said Special Warranty Deed on January 26, 1983; and

WHEREAS, the period to cure the default ended on May 16, 1983.

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

Section 1. The Agency hereby finds that the Rede Company has failed to cure its default by May 16, 1983, the time provided by the Special Warranty Deed and extended by the Agency.

Section 2. The Executive Director is authorized and directed to take all actions necessary to revest to the Agency, the property referenced above.

CHAIRMAN

ATTEST:

SECRETARY

APPROVED
SACRAMENTO REDEVELOPMENT AGENCY
CITY OF SACRAMENTO

MAY 24 1983