



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



39

June 1, 1987

CITY MANAGER'S OFFICE
RECEIVED
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Redevelopment Agency of
the City of Sacramento
Sacramento, California

APPROVED
JUN - 9 1987
SACRAMENTO REDEVELOPMENT AGENCY
CITY OF SACRAMENTO

Honorable Members in Session:

SUBJECT: Report on Docks Development Project

SUMMARY

This is the second of three status reports regarding the Docks Development Project to be submitted to the Redevelopment Agency during the nine month negotiation period.

Based upon their original proposal, the developer (Riverview Development Group) has completed a number of activities since the previous status report dated February 9, 1987, including updated market studies which confirm earlier analysis; schematic site plans and elevations; financial projections and pro-formas. A number of external factors continue to impact planning for this project which have led to preparation of a Draft Master Plan and Memorandum of Understanding (MOU). In addition, an extension of the negotiation period from July 12 to October 1, 1987 is recommended due to the need to complete proper environmental review and conclude negotiations regarding the business arrangement.

BACKGROUND

1. First Status Report

The initial progress report dated February 9, 1987 outlined four activities that were planned and completed during the first three months of the nine month negotiating period. The four activities included: (1) submission of an option fee of

District 1
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\$300,000; (2) meeting with State and federal agencies; (3) submission of a signed letter agreement regarding the various joint venture partnerships for the Docks Development Project; and (4) conceptual approval by the Agency of the Preliminary Master Plan.

2. Progress on Developer's Proposal

Based upon the original proposal, a number of refinements and alterations have been completed by the developer in planning and design including construction cost analysis, market analysis and financial plans.

a. Design and Planning

The developer and architect have prepared conceptual site plans for the hotel, office, residential and restaurant components; and have completed analysis to determine parking requirements, density and general building configurations for each subject component. Full consideration was given to economic impacts from market analysis and construction cost information. Exhibit A is the Draft Master Plan which contains the subject design plans.

b. Construction Cost Analysis

The developer has prepared, with the assistance of several general contractors construction cost estimates for each of the proposed private development components. A number of comparable projects were analyzed and design and planning were integrated with projected market revenues.

The developer has also prepared an updated estimate of the cost for public improvements of \$9.36 million (see Exhibit B). The estimate is preliminary for budget purposes and is subject to refinement as additional information is received from the City Engineering Department relating to the final design solution of the seawall. The collapse of the seawall in February 1987 has complicated and held up design completion and cost estimates of the public improvements around the hotel component.

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c. Hotel Market Study

The developer retained the consulting firm of Pannell, Kerr and Forster (PKF) to complete a new market feasibility study for the proposed hotel. This study confirmed prior study results on items such as room rates and occupancy levels that were previously estimated at the time of the original proposal. The PKF study confirmed the feasibility of a 250 to 300 room all suite hotel from a market perspective.

d. Residential Market Study

The developer retained Bay Area Economics, a professional economic real estate firm to evaluate the residential market in downtown Sacramento. Their study confirms the feasibility of the market projected in the original residential pro-forma prepared by Keyser/Marsten.

e. Financing and Project Pro-Forma

Keyser/Marsten, the developer's economic consultant has prepared an updated financial analysis and evaluation of the entire Docks Project for each of the proposed private sector development components (see Exhibit C). Keyser/Marsten's evaluation indicates an increase in private capital investment from the original proposal of \$85.0 million to \$97.0 million. If the PG&E site becomes available for residential and the Museum of Railroad Technology is located elsewhere, Phase III of the developer's residential program would increase the total capital investment to \$119 million. For analytical purposes only, Keyser/Marsten has projected an annual property tax revenue of \$1,143,000 and a lease payment of \$317,000 for a total of \$1,460,000 per year, not assuming Phase III residential (which cannot be assumed now because of PG&E site problems and location of the Museum of Railroad Technology. This amount could possibly yield a net lease revenue bond of approximately \$13 million (without the Phase III residential).

According to this configuration, this would be an increase in the amount of funds available for public improvements from the original proposal and still shows the overall project to be self sustaining. Agency staff

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and consultant are analyzing the updated market studies and financial analysis and cost estimates as a prelude to negotiating all of the business arrangements.

3. Other Progress

a. Master Lease Agreement with State Lands Commission

A draft of the proposed Master Lease Agreement with State Lands has been prepared and submitted to State Lands Commission staff on April 23, 1987 (see Exhibit D). Discussions are currently underway and we expect to finalize the subject lease agreement by July 1987.

b. Environmental Review Process

The firm of EIP Associates has been selected to be the Agency's environmental consultant and is presently under contract. The notice of preparation has been circulated and comments received have been sent to the consultant. According to the work schedule the consultant plans to have an administrative draft to the Agency in early July. (see Exhibit E for the schedule). Due to the time necessary to properly complete the environmental review process staff is recommending an extension of the option period to October 1, 1987.

c. Legal Documentation on Development Entity

A letter agreement, signed by the joint venture partners was submitted as an attachment in the February 9, 1987 status report. This letter agreement specified the participation, duties, and responsibilities of each of the partners. The developers were requested to submit documents transforming the letter agreement into legal joint venture partnerships.

The developers have completed and executed documentation for formation of the managing general partners, Riverview Development Group, a California Corporation as of June 1, 1987. A copy of the papers have been submitted to the Agency.

The revised schedule in Exhibit E indicates the submission of legal joint venture partnership documents thirty days after agreement on the business terms of the respective DDA. The actual time for submission will be

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set forth in the DDA based on timing of the various phases. Approval of the respective DDA would not occur until satisfactory legal documentation is submitted to the Agency. At this point in time, the joint venture partners identified in the original proposal are still committed to the subject project.

4. External Matters

A number of external matters, previously identified in the February 9, 1987 status report have continued to impact the planning, financial plan and structuring of a business arrangement during the negotiations between staff and the developer. The five external matters are: (1) Pacific Gas & Electric property; (2) Light Rail Transit System Extension; (3) Lot "X"; (4) State Museum of Railroad Technology; and (5) seawall and riverline pier collapse.

a. PG&E Property

As noted in the February 9, 1987 staff report, PG&E submitted a work plan to the State for review and approval. Since that time, PG&E has retained a new consultant and has submitted a revised plan to the State for a detailed study of their site for possible toxic substances. Various review bodies have made comments on this proposed plan and the plan is now being finalized prior to formal submission. Approvals are expected in mid June. The study is projected to take five (5) months after project approval. PG&E has made presentations of their plan of study to City and Agency staff and to the City Toxic Commission on May 18, 1987. The City Toxic Commission did not take any formal action on the presentation, however, PG&E and their consultants received a number of favorable comments from Commissioners.

b. Light Rail

As noted in the Draft Master Plan (see Exhibit A), Regional Transit has indicated a preferred routing for a possible south corridor alignment. This preferred alignment would pass through the Docks Area. The possibility of having Light Rail Transit adjacent to the proposed residential component would be a positive aspect. However, it would be preferable to use Front Street instead of the levee. This is a matter that

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will continue to be discussed with Regional Transit representatives. Initial reaction from Regional Transit staff was positive regarding a Front Street alignment.

c. Lot "X"

The major policy issues as noted in the February 9, 1987 status report and related to the future of this lot are (1) the agreement between the City of Sacramento and the Crocker Art Museum Association for benefit of the Crocker Art Museum; and 2) Redevelopment Agency action indicating the Docks Project to be self-sustaining. In addition, from the developer's perspective, the comprehensive and economically integrated nature of the Redeveloper's proposal which included an office building on Lot "X" with the potential for shared parking for the Docks Area and certain beneficial uses for Crocker would have to be considered as one of the policy issues. However, on April 21, 1987, the City Council approved the City Manager's recommendation that all consideration of development of Lot "X" be held in obedience.

d. Museum of Railroad Technology (MORT)

The matter of a specific site location for MORT was detailed in the February 9, 1987 status report and in the attached Draft Master Plan. The State Department of Parks and Recreation has formally gone on record stating their strong desire for its preferred location as indicated in the Draft Master Plan and the fact that the State does not wish to locate in the Agency's and developer's preferred location.

e. Collapse of the Riverline Pier and Seawall

The collapse of the seawall in the Docks Project on February 6, 1987 necessitated emergency measures by the City and State/Federal agencies to take action to determine the cause of failure and prepare a plan for replacement of the seawall prior to high water in the fall of 1987. Contracts were let for debris removal, structural and soils analysis and topographic surveys. The developer was unable to complete the schematic plans for the hotel component and related public improvements because they received the City's consultant's initial preliminary reports on May 15, 1987.

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5. Response to External Issues

In response to the external issues and in accordance to the overall work program, staff working in conjunction with the developer, has prepared a Draft Master Plan and MOU as described below. In addition, the developer has presented a new proposal on Lot "X" which is summarized below.

a. Draft Memorandum of Understanding (MOU)

The Draft MOU attached as Exhibit F sets forth the agreements reached to date between staff and the developer regarding land uses; density; scope of development and parking. The Draft MOU also provides the basis for further negotiations that will lead to a final determination on matters of land conveyance; method of disposition; implementation strategy; and financing of public improvements prior to the end of the established negotiation period.

b. Draft Master Plan

The draft Master Plan sets forth the basic approach to development of the Docks Development Project. The Plan addresses land uses, public and private development components, financial strategies and implementation strategy. The Draft Master Plan contains plans and strategies as currently proposed by both the staff and developer.

In summary, the Agency's intent is to convey all the subject land through ground leases under a method of disposition which includes an option agreement and Disposition and Development Agreement for each private development component. The Disposition and Development Agreement would also set forth the plan for financing and constructing the public improvements related to each respective private development component. In addition, based on the uncertainties and externalities, it is the intent of the Agency to proceed with a phased implementation strategy. Initially the City and Agency would proceed with a developer on development of only the hotel component of the Master Plan including related public improvements. The City and Agency would only proceed with other private development components as the uncertainties are resolved to a point that would allow the proposed private development to occur.

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The developer's proposal is the same as originally proposed, i.e., to lease the hotel site with an option to purchase, and purchase outright the office, retail and residential sites. The developer also purposes a method of disposition based on an overall project agreement/DDA instead of an option agreement approach for each private development component. The developer proposal is to proceed with all of the private development components (hotel; office; retail and a portion of the residential) concurrently and not in a phased manner.

A final determination on these matters will be set forth in the final Master Plan.

c. Developer's Revised Proposal for Lot "X"

In an effort to enhance the desired environment as well as revitalize the waterfront and enhance the cultural and arts activity downtown, the developer is proposing a community arts center in the immediate vicinity of the Crocker Arts Museum and proposed office building site. This proposal will provide substantial ongoing revenues to the Crocker Art Museum as well as parking, office, exhibit and theatre arts space. The developer reports that there is substantial demand from diverse community arts groups seeking theatre and office space not available elsewhere.

The developer's revised proposal is to construct, at no cost to the City or Agency, a 12,000 square foot building shell providing theatre, exhibit and office space that the City may use for the Crocker Art Museum and/or other non-profit community, cultural or arts organizations.

On April 21, 1987, the City Council approved the recommendation of the City Manager's report ("Proposed Development of the 7th Street Capitol Mall Parking Site", April 9, 1987) that "the ultimate development of the Crocker triangle should be held in obedience until Lot "A" is redeveloped."

6. Summary of Next Steps

The Agency staff and developer in order to conclude negotiations will focus on a number of activities such as analysis of financial plans, pro-formas, financing of public

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improvements, proposal on Lot "X", finalization of Master Plan, conveyance of land, method of disposition and formulation of the partnerships. The specific items are:

- a. Review and analysis of financial and pro-forma information and cost estimates,
- b. Preparation of public improvement plan and cost estimates related to hotel and seawall,
- c. Analysis of developer's revised proposal for Lot "X",
- d. Agreement on business arrangements with developer,
- e. Preparation of final Master Plan, including financial plan for public and private development components,
- f. Agreement on method of land conveyance,
- g. Submission of legal documents related to partnerships,
- h. Agreement on terms and conditions of a Disposition and Development Agreement.

7. Extension of Time to Complete Environmental Review Process

The revised schedule in Exhibit E indicates a time extension from July 12, 1987 until October 1, 1987 to complete the required environmental review process and items listed in Section 6 above.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of June 1, 1987, the Sacramento Housing and Redevelopment Commission adopted a motion recommending the approval of the attached resolution. The votes were as follows:

AYES: Glud, Moose, Simon, Simpson, Wiggins, Amundson

NOES: None

NOT PRESENT TO VOTE: Pettit, Wooley, Yew

ABSENT: Sanchez, Sheldon

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POLICY IMPLICATIONS

The actions proposed in this staff report recommend a change in previously approved policy by recommendation of extension of the nine month negotiation period from July 12, 1987 to October 1, 1987. This is primarily due to the need to properly complete the environmental review process and conclude negotiations which have been impacted by external factors mentioned in this report.

RECOMMENDATION

The staff recommends adoption of the attached resolution (1) authorizing the Executive Director to execute the Memorandum of Understanding attached as Exhibit F, (2) extending the nine month negotiation period from July 12, 1987 to October 1, 1987, and (3) directing the Executive Director to proceed with preparation of the final Master Plan, based on the concept and approach of the Draft Master Plan attached as Exhibit A.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

Walter J. Slope
WALTER J. SLOPE
City Manager

Contact Person: Leo T. Goto, Director,
Special Projects Department, 440-1320

0726M

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RESOLUTION NO. 87-038

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

June 9, 1987

DOCKS DEVELOPMENT



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

Section 1: The Executive Director is hereby authorized to execute the Memorandum of Understanding for the Docks Project attached hereto as Exhibit "F".

Section 2: The Negotiation Period for the Docks Project is extended from July 12, 1987 to October 1, 1987.

Section 3: The Executive Director is directed to proceed with final development of the Master Plan and Disposition and Development Agreement (DDA) for the Docks Project and to continue negotiation with the developer using the MOU and draft Master Plan as a guideline.

CHAIR

ATTEST:

SECRETARY

0727M

DRAFT MASTER PLAN

FOR

THE DOCKS AREA

5/27/87

Exhibit A

1. Purpose of Draft Master Plan

This draft Master Plan is intended to summarize the desired nature and scope of the Docks Area Development from conception to ultimate completion as currently envisioned. Land uses, financial arrangements and phasing are presented as goals, but are subject to economic and market conditions and definitive agreements to be negotiated between Redeveloper and Agency.

The purpose of the Docks Master Plan is to set forth the major land use, development and financial policies related to development of the Docks Area. The Master Plan indicates the financial arrangements of the private and public sector needed to implement the Plan, the development phasing and responsibilities of all parties.

2. Legal Description of Docks Project Area

See Exhibit A for Project Boundary Map

3. Master Plan Map for the Docks Area

Attached as Exhibit B is the Master Plan Map for the Docks Area.

a. Uses and Scope of Private Development:

The specific land uses and private development to be included in the Docks Area are:

1. Hotel: A hotel complex of approximately 250 to 300 rooms of a quality substantially equal to the Park Suite Hotel or Embassy Suites franchise to be located as shown on the Master Plan on a triangular parcel of land at Capitol Mall, Front Street and Interstate 5. The number of parking spaces shall be in conformance with the City of Sacramento code requirements and may be provided to the hotel as part of a larger parking facility to be developed on the site.
2. Office: An office building between approximately 140,000 square feet and 240,000 square feet of net leasable area, plus parking that shall be in

conformance with the City of Sacramento code requirements, plus a 12,000 square foot building encompassing a art gallery, seat theater and 6,000 square foot office for a Community Arts Center, as shown on the Master Plan Map on the block bounded by Capitol Mall, "N" Street, 2nd and 3rd Streets.

3. Residential: Up to approximately 600 residential units, depending on configuration of the site available, in three phases, with approximately 150-200 low-rise units in Phase I, approximately 200 hi-rise units in phase II, and approximately 200 hi-rise units in Phase III, (on the PG&E property assuming approval from PG&E); adequate parking in conformance with the City of Sacramento code requirements shall be provided on site by means of parking structures and on-grade parking. Residential uses may be designed and approved as condominiums, but may be initially marketed as apartments.
4. Restaurants: Freestanding restaurant uses of approximately 8,000 to 10,000 square feet located as shown on the Master Plan Map. Parking shall be in conformance with the City of Sacramento code requirements.
5. Other: Other uses, facilities, etc., identified on the Master Plan may be developed contingent upon agreements between Agency and developer.

b. Uses and Scope of Public Improvements and Development

The specific public improvements and development to be included in the Docks Area as indicated on the Master Plan Map are:

1. Tour boat terminal and associated waterfront Marine oriented uses. Dock for transient boaters, (short term users only) No permanent berthing.
2. Public Plaza
3. Fishing Pods

4. Riverwalks and Promenades, Bicycle and Pedestrian paths
5. Infrastructure
6. Excursion Train

5. Other Considerations

- a. Land Ownership and Conveyance of Property to Implement Master Plan:

1. Ownership:

- a. At the present time, the ownership of land in the Docks Area is divided among a number of agencies as identified on the Property Ownership Map, Exhibit C. In order to facilitate the redevelopment of the Docks Area and reduce the number of governmental agencies the developer must contract with, the City of Sacramento would convey to the Redevelopment Agency of the City of Sacramento the following parcels:

006-138-1
006-133-10, 16, 17, 12, 18
006-135-28,29
006-181-4
006-241-11

Transfer to the Agency along with the land presently in Agency ownership will enable the developer to develop, on a phased basis, major components of the Docks Area as identified on the Master Plan Map through an agreement with the one government agency. The PG&E parcel would be leased under separate agreement.

2. Conveyance to Developer:

The re-parcelization of land will create a six or more private use parcels and one or more public improvement parcels.

- a. Each private parcel within the project shall be conveyed separately from the Agency to the developer. In order to commence development, the developer shall be required to provide the Agency with certain firm financing commitments and evidence of other funds required for the total costs to build the structure or structures upon the subject parcel, and with a design/construction package approved by the Agency.
- b. PG&E Study (009-012-3)

Manufactured gas plants were operated by PG&E and other energy utilities from the mid 1800's until the mid 1900's to produce gas from coal and/or oil for lighting, heating, and cooking. Gas plant residues and by-products were often sold or recycled for various purposes. Excess residues were commonly stored at gas plant sites and may still remain at some of these former sites. The residues consist mostly of tar, lampblack, and sludges. Major classes of chemicals associated with gas plant wastes are polynuclear aromatic hydrocarbons (PAHs), phenolics, light aromatic hydrocarbons, various inorganic sulfur and nitrogen compounds, and to a lesser extent, trace metals. All of these chemicals occur naturally and are common constituents in the environment.

PG&E recently conducted a preliminary site assessment of a former manufactured gas plant near Front and "I" Streets, in the City of Sacramento. The former Sacramento gas plant operated from about 1873 to 1957 and produced gas through the gasification of coal and/or oil. The gas was used locally for lighting, heating, and cooking.

Because of soil contamination and potential groundwater contamination beneath the site, the Department of Health Services and Central Valley Regional Water Quality Control Board (CVRWQCB) have requested further characterization of the site.

PG&E has submitted a site characterization work plan with the Central Valley Regional Quality Control Board and the State Department of Health Services. The study, after approval estimated to be mid June, is expected to take five months and be completed by November 15, 1987.

In a similar situation in another county, PG&E found it was possible to use the land for commercial or industrial purposes, but not for residential. The ultimate use of the PG&E property in the Docks Area will have to await the findings and conclusions from the proposed work plan and study.

c. Museum of Railroad Technology (MORT)

The Museum of Railroad Technology consists of three museum functions, i.e., reference collection of about 60 locomotives and cars from 1862 to the present, a restoration program which will also serve the steam trains and a exhibit area which will interpret significant engineering concepts of railroading in California and the West.

The location of the State of California Museum of Railroad Technology has been in planning and study for a number years. On September 9, 1986, the City Council of the City of Sacramento approved Resolution No. 86-704 supporting MORT to be developed in the Docks Area (see Exhibit D). In the detailed planning for the Docks Area, the City Council and the Sacramento Housing and Redevelopment Commission have formally supported by Resolution No. 87-015 locations of MORT to the southern portion of the Docks Area on and near the PG&E site (see Exhibit E). The Master Plan indicates a residential use of up to approximately 400 units to be constructed on Agency owned land north of the PG&E property and up to approximately 200 units on the PG&E property, subject to approval by PG&E and other appropriate agencies.

d. Master Lease with State Lands Commission

A Master Lease between the Agency and State Lands Commission is to be executed for the riverfront portion of the Docks Area. This is defined as the area bounded by the seawall, Tower and Pioneer Bridges and the center line of the Sacramento River. The lease is to be similar to the lease executed for the public and private use of the waterfront area in Old Sacramento. The lease term will be for 49 years. The Master Lease will allow the Agency to control uses on the water, and reduce the number of regulatory agencies that potential lessees must go through for approvals.

Uses permitted are construction of private and public commercial and non-commercial docks, marinas, retail complexes, walkways, access ramps, wharfs, platforms, fishing pods, floating vessels consistent with the Docks Master Plan.

e. Development of Lot "X"

1. Background:

Agency staff and developer have reviewed with City staff the issues of using City property at Capitol Mall, "N" Street, and 2nd/3rd Streets for office as part of the Docks Development Project in accordance with the Redevelopment Agency action on October 14, 1986. The issue is a policy matter relating to an agreement between the City of Sacramento and Crocker Art Museum Association dated June 22, 1980 regarding use of the subject property for the benefit of the Crocker Art Museum. Attorneys for the City and Agency agree that the agreement creates no legal obstacle to the development of the site as part of the Docks Development Project and the question is solely one of City policy.

The conceptual project master plan, as part of the Redevelopment Agency action on October 14, 1986, indicates use of the subject property for office development and the proceeds from disposition to be used to help finance the public improvements required as part of the overall Docks Development Project. In addition,

the Redevelopment Agency action indicates the Docks Development Project was to be self-sustaining in terms of public revenues and public costs. If the subject property is not used for office development and/or the anticipated disposition proceeds are diverted, either in whole or part, from the Docks Project, the developer's proposal could be materially adversely affected, and a larger public subsidy/investment would be necessary for the required public improvements. Conversely, should the anticipated proceeds not be used either in whole or part, for the benefit of the Crocker Art Museum, a larger public investment would result for future expansion and improvements for the Museum.

The Master Plan indicates an office to be constructed on Lot "X" with financial arrangements structured to assist the Crocker Art Museum through the City and the Docks Area to the benefit of both. A number of alternatives were discussed by City and Agency staff.

f. Light Rail Transit Extension Study and Preferred Route

Agency staff has received a letter from Regional Transit regarding a study by Sacramento Area Council of Governments (SACOG) regarding a preferred light rail extension alternative that may impact the Docks Area. Alternative 11-B would connect the Central Business District with the RT Meadowview Corridor. The proposed line would parallel the Sacramento River levee to about "R" Street where it would cross I-5 and continue on "R" to 5th Street. Details and map are in Exhibit F.

The developers have studied the proposed route and have analyzed its potential impact on their proposed residential project. They have concluded, as shown on the Master Plan, that the preferred route could be accommodated with the housing site. The developers, however, as depicted on the Master Plan want the proposed route to go down Front Street rather than continuing from "R" Street to the Sacramento River and then south along the levee.

6. Implementation Plan

Due to the issues and uncertainties that were set forth in Section 5 (Other Considerations), it is the intent of the Redevelopment Agency of the City of Sacramento to proceed with a phased implementation plan for the Docks Area. Initially, the City and the Agency would proceed with the developer on development of only the hotel portion of the Master Plan including the associated public improvements and development as shown in Exhibit G. The City and Agency would only proceed with the other private development components as the issues and uncertainties identified in Section 5 are successfully resolved to a point that would allow the proposed private development to occur.

In addition, conditions for City and Agency to proceed with subsequent phases would include completion and approval of preliminary plans, written evidence of developer financing in the form of firm financing commitments from a lender; written evidence of equity; and commencement of substantial construction on an earlier phase and evidence that the construction loan proceeds are sufficient in the determination of the Agency to complete the subject construction activity.

a. Hotel Development Program

(See Exhibit H for site plans and elevations.)

b. Public and Private Improvements for Hotel

Map showing public improvements and costs related to the hotel will be inserted here in the final Master Plan. A financing plan will be presented showing the revenues expected from the hotel project only and the amount of net bond proceeds that can be supported by the revenues. Public improvements expected to be a part of the hotel project would include strengthening of the seawall, public plaza and open space, promenades and walkways, tour boat and transient marina and if justified, parking for the hotel as a part of a larger public parking program.

The developer has not yet agreed to this phasing proposal, as it contains contingencies and is a departure from the initial project as proposed, but has agreed to consider it in negotiating final documents with the Agency so that the project may proceed in light of the issues and uncertainties set forth in Section 5.

c. Site plans for office and residential (see Exhibit H)

7. Financing Plan

(To be inserted as part of final Master Plan)

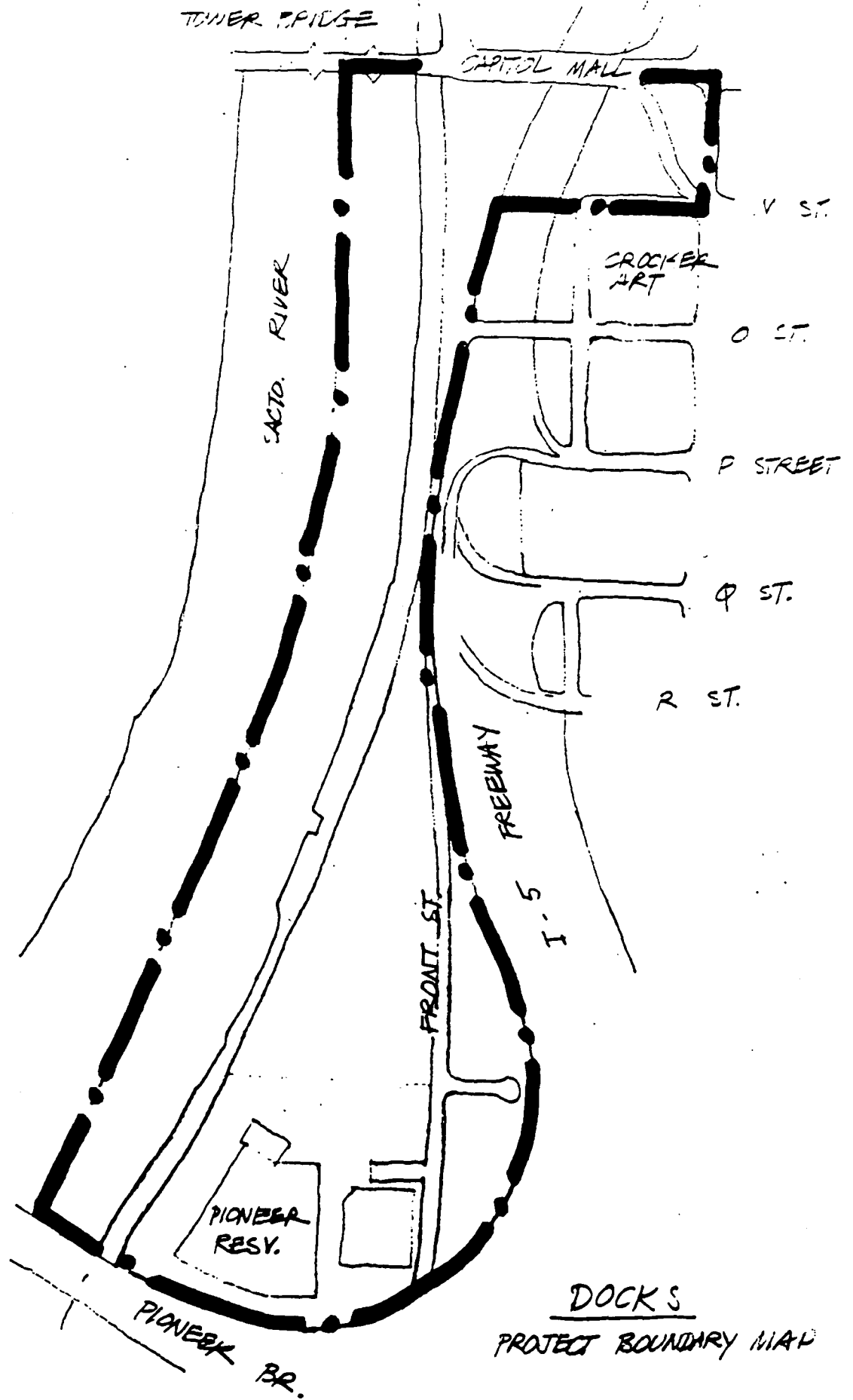
The financing plan for the project will be inserted in this section of the final Master Plan.

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Reports from Bond Underwriters and
Lawyers showing their analysis and
approval of proposed public financing

(To be inserted as part of the final Master Plan)

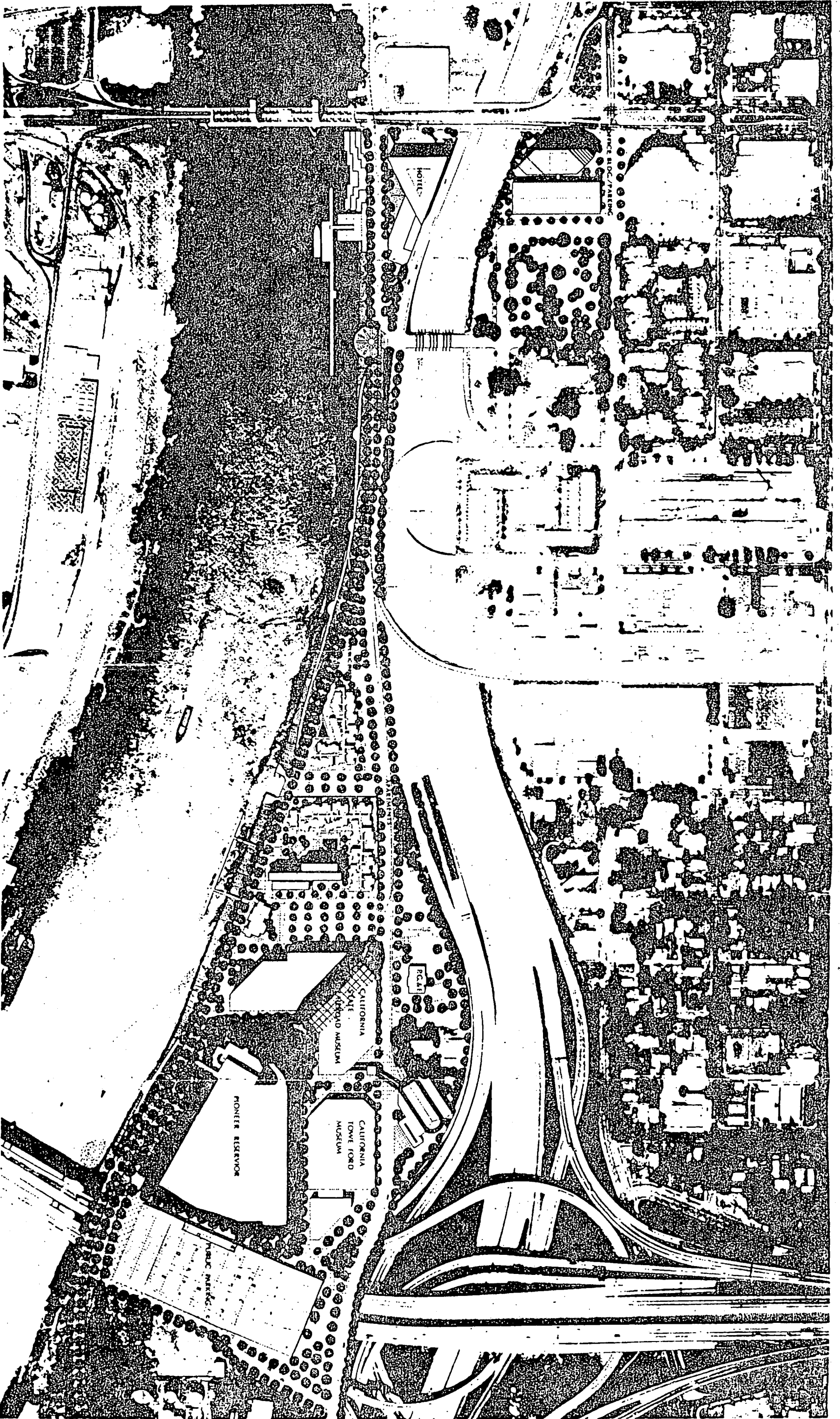
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DOCKS
PROJECT BOUNDARY MAP

MASTER PLAN MAP

EXHIBIT B



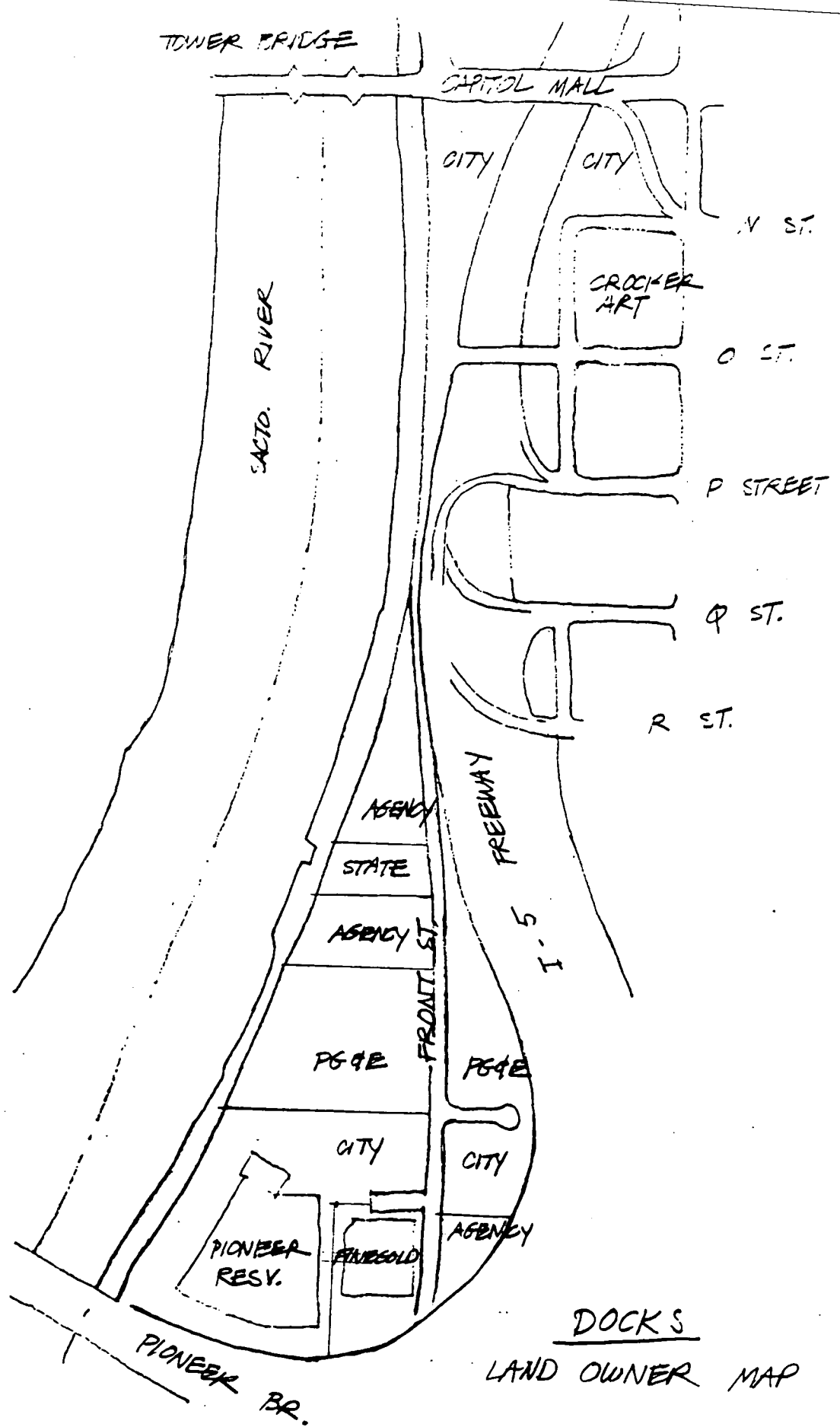
DOCKS AREA DEVELOPMENT

MASTER SITE PLAN

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

RIVERVIEW DEVELOPMENT GROUP

CARISSIMI ROHRER ASSOCIATES



DOCKS
LAND OWNER MAP

RESOLUTION No. 86-704

Adopted by The Sacramento City Council on date of

September 9, 1986

RESOLUTION SUPPORTING STATE EFFORTS TO DEVELOP THE MUSEUM OF RAILROAD TECHNOLOGY IN THE DOCKS AREA

WHEREAS, the California State Railroad Museum has achieved a worldwide reputation for its unique exhibitions and priceless collection, become an important center for railroad research and scholarship, and is one of Sacramento's most popular tourist attractions; and,

WHEREAS, the final phase of the California State Railroad Museum - the MUSEUM OF RAILROAD TECHNOLOGY (MORT), will present new exhibits about railroad technology, allow the public to view first-hand the excellent restoration and repair of locomotives and cars performed by the Museum, and consolidate and house the Museum's valuable collections; and,

WHEREAS, the site for the MUSEUM OF RAILROAD TECHNOLOGY (MORT), should be in close proximity to Old Sacramento, preferably in the Docks Area, which is directly accessible to the Museum's excursion railroad line;

NOW, THEREFORE BE IT RESOLVED, that the City Council encourages and supports the State of California in its efforts to develop the final phase of the California State Railroad Museum - the MUSEUM OF RAILROAD TECHNOLOGY (MORT); and,

BE IT FURTHER RESOLVED, that the Council directs staff to assist the State in securing an appropriate location in the Docks Area for the development of the MUSEUM OF RAILROAD TECHNOLOGY (MORT).

ANNE RUDIN

MAYOR

**CERTIFIED AS TRUE COPY
of Resolution No. 86-704**

ATTEST:

SEP 12 1986

**JANICE BEAMAN
Deputy CITY CLERK**

JATE CERTIFIED
[Signature]
Deputy City Clerk

RESOLUTION No. 86-704

SEP 09 1986

**EXHIBIT D
(27)**

RESOLUTION NO. 87-015

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

February 17, 1987

DOCKS DEVELOPMENT PROJECT
PRELIMINARY MASTER PLAN

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

Section 1: The Redevelopment Agency of the City of Sacramento generally supports the proposed development and land use designations presented in Exhibit "G" of the Status Report on the Docks Development Project dated February 9, 1987, in that they come closest to meeting the wishes and preferences of the Redevelopment Agency for the Docks Development Project. A copy of Exhibit "G" is attached to this resolution.

Annex
CHAIR

ATTEST:

William H. Flynn
SECRETARY

0746L

CERTIFIED AS TRUE COPY
REDEVELOPMENT AGENCY

of RA 87-015

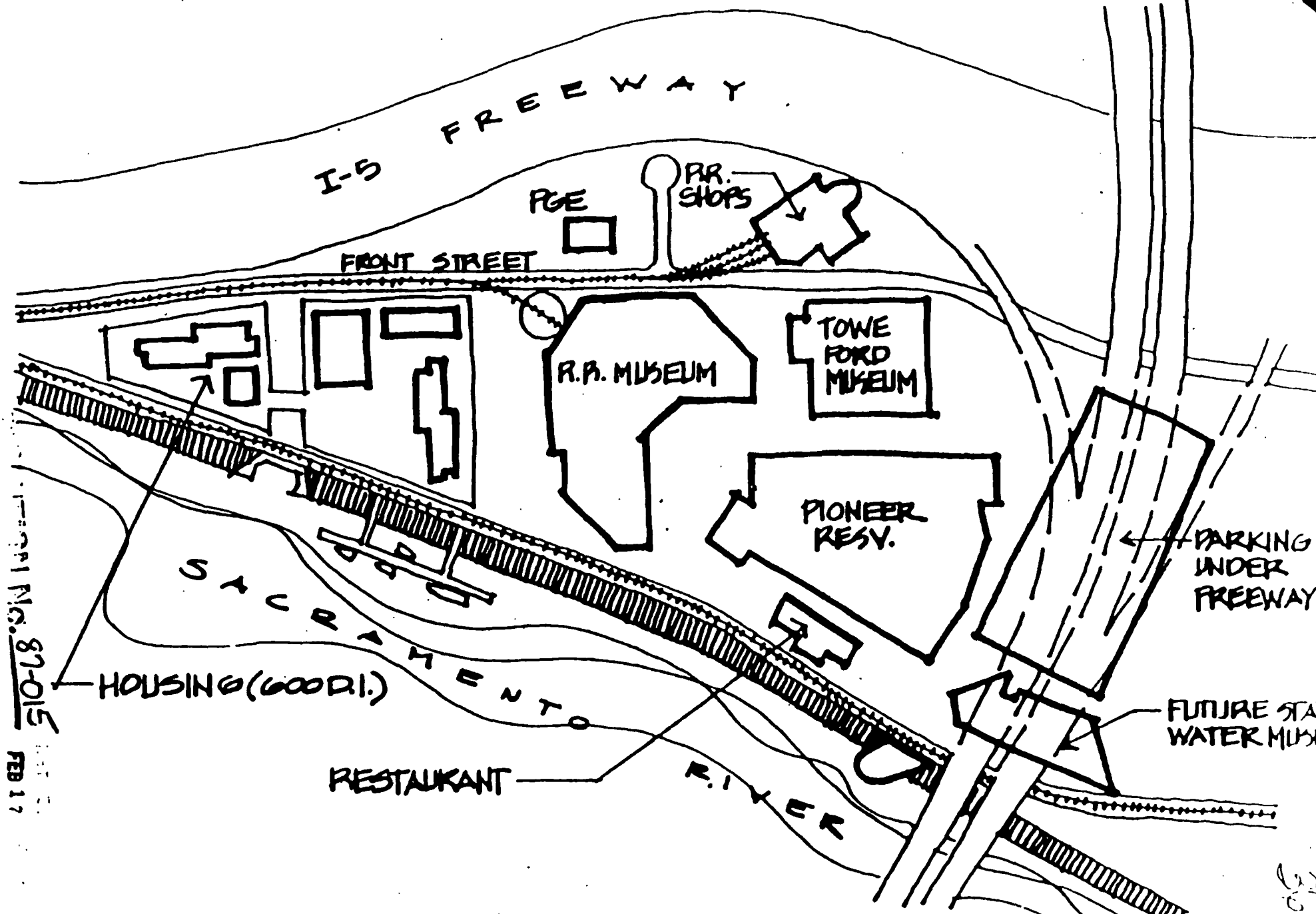
2-20-87
DATE CERTIFIED

James Stewart
Acting Secretary

RESOLUTION No. 87-015

FEB 17 1987

EXHIBIT E



DRAWING NO. 87-015
 FEB 17

DOCKS AREA DEVELOPMENT

1/5/87

REVISED PROPOSAL BY DEVELOPER



Regional Transit

P.O. BOX 2110 • 1400 29TH STREET • SACRAMENTO, CA 95810-2110 • (916) 321-2800

Leo
FY1

March 6, 1987

Mr. William Edgar, Executive Director
Sacramento Housing and Redevelopment Agency
630 I Street
Sacramento, California 95814

NAME OF DEVELOPMENT: Docks Area Development

CONTROL NUMBER: N/A

TYPE OF DOCUMENT: Developer Site Plan

DATE RECEIVED AT RT: August 1, 1986

STAFF COMMENTS: The SACOG Sacramento Light Rail Extension Final Report (May 1986) identifies a preferred light rail extension alternative that may impact the Docks Area Development. Alternative 11-B is the preferred alignment according to the SACOG Report. This alternative is identified on the enclosed map.

Alternative 11-B would connect the Central Business District with Regional Transit's Meadowview Corridor. Alternative 11-B would parallel the Sacramento River levee to about R Street, where it would cross I-5 and continue on R Street until 5th Street. At this point the alignment would move into a right-of-way owned by the Union Pacific Railroad and continue to 7th and 8th Streets for a connection with the RT Metro starter line at O Street. Upon review of the developer's site plans, Alternative 11-B would pass on the west side of the Towe Ford Museum and the Railroad Museum and turn from the levee to R Street in the vicinity of the proposed apartments.


The SACOG Report notes that this alternative can provide high speed service and an access route to downtown with no significant traffic impacts. The alternative can also provide access to an area south of downtown that shows potential for increased levels of development. The SACOG report concludes by stating that "this is one of the key pieces of right-of-way which should receive early preservation activity." The minimum right-of-way width should be 28 feet for doubletrack clearance, and a minimum of 40 feet at locations where stations may be required.

EXHIBIT F

Mr. William Edgar
March 6, 1987
Page 2

The principal purpose of the Sacramento Light Rail Extension Final Report is to identify such specific rights-of-way for preservation of an expanded light rail system. To this end, the City of Sacramento contributed 50 percent of the funding toward the preparation of the Report. There are many benefits that an extension of RT Metro could provide to the Docks Area Development, provided the necessary planning and right-of-way preservation is done at this early stage. We therefore would ask that the SHRA take whatever action possible to protect this future light rail right-of-way so that the option is not lost. We would be glad to meet and discuss this preferred alternative with the SHRA and the Riverview Development Group, if necessary. Please contact either staff person identified below to arrange such a meeting.

CONTACT PERSON(S): David Melko, Associate Planner - 732-2262
Ken DeCrescenzo, Assistant Planner - 732-2254


Wendy J. Hoyt
Assistant General Manager
Planning & Marketing

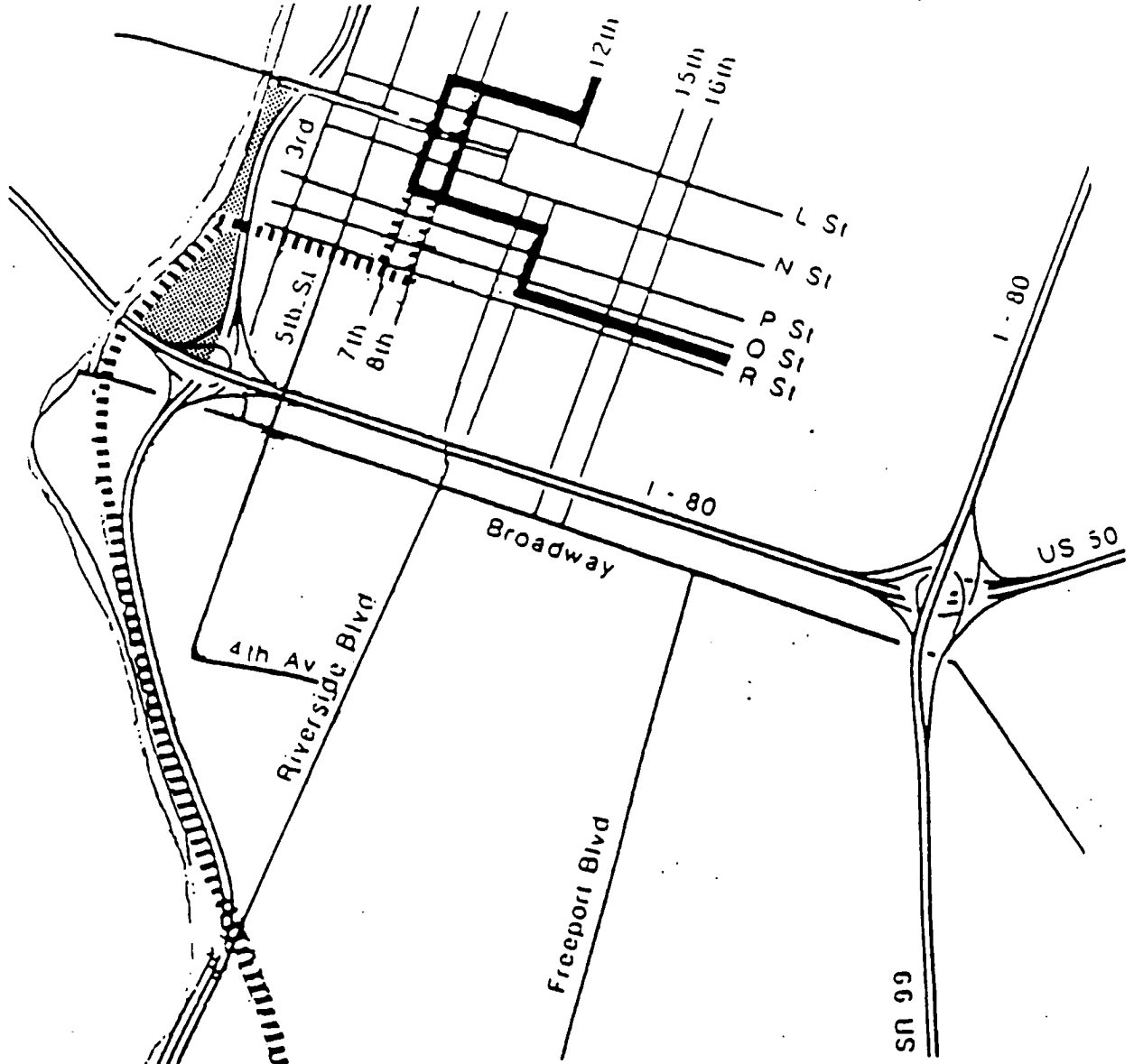
Enclosure

c: Andy Plescia, Deputy Executive Director, SHRA
Leo Goto, Community Development Director, SHRA
Edward Coyne, President, Coyne Co.
Pilka Robinson, Planning Manager, RT
Gene Moir, Technical Support Manager-TSD, RT



REGIONAL
TRANSIT

SACRAMENTO LIGHT RAIL EXTENSION STUDY
MEADOWVIEW ALIGNMENT ALTERNATIVE 11 B
ENCLOSURE A



PROPOSED DOCKS AREA PROJECT



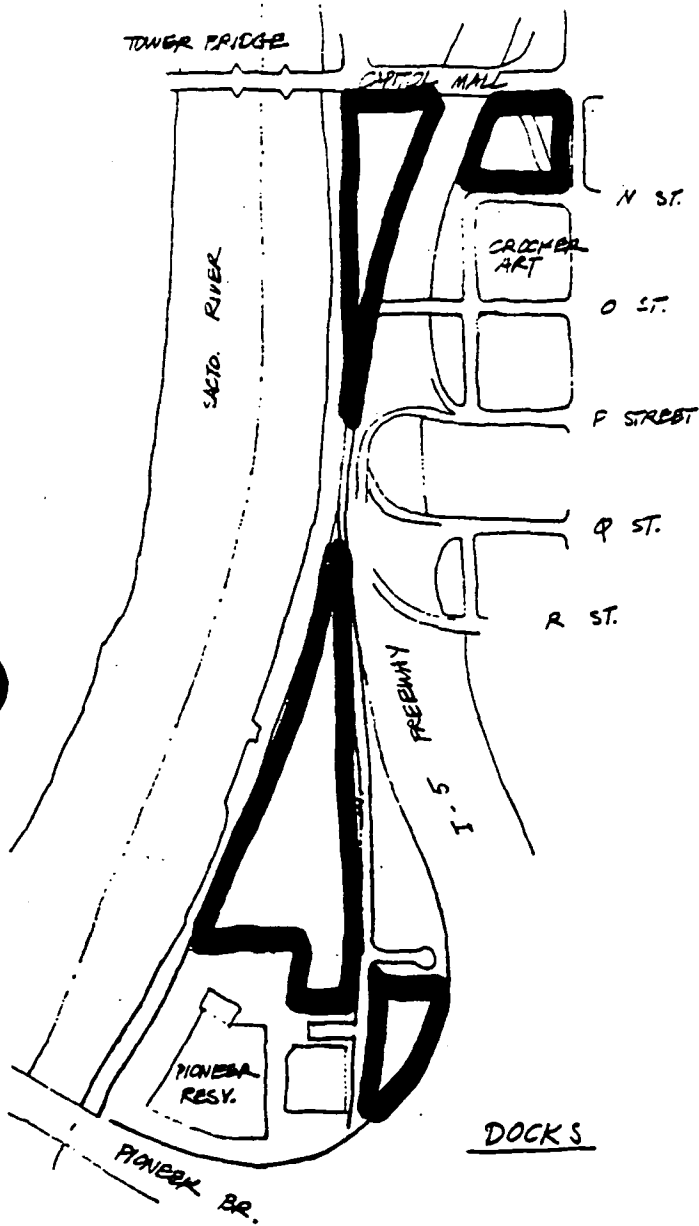
EXTENSION STUDY ALTERNATIVE 11B



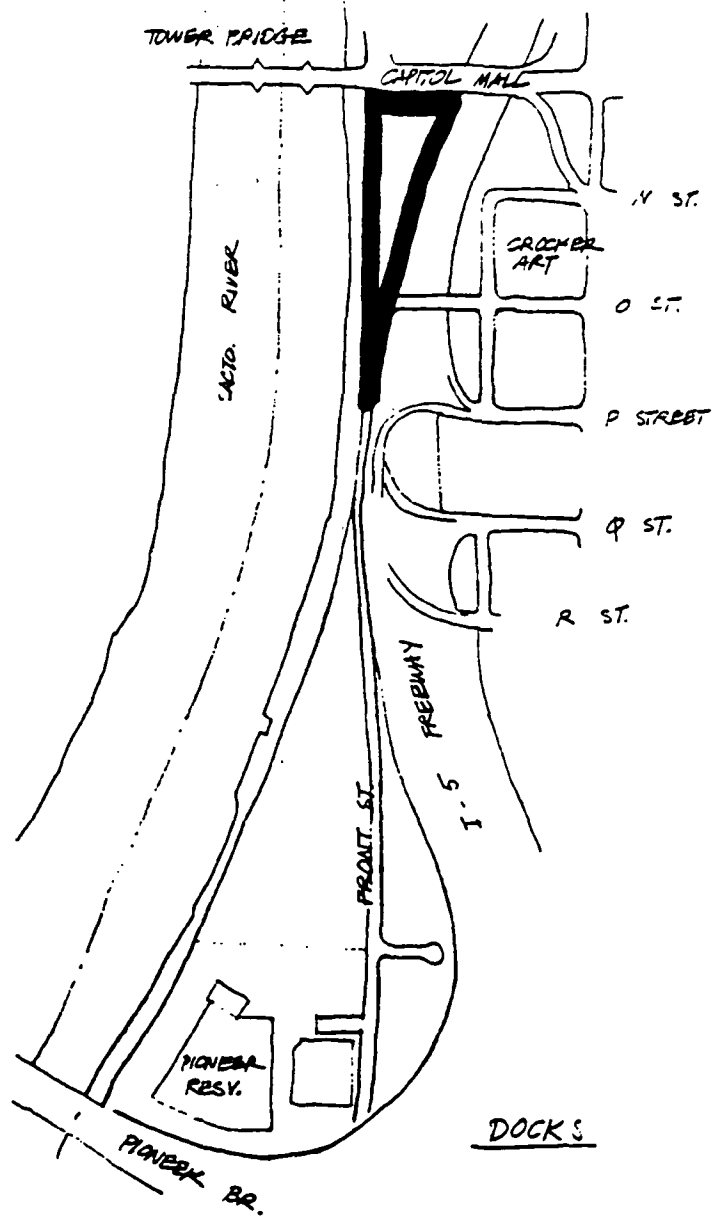
EXISTING RT METRO ALIGNMENT

SOURCE: SACOG SACRAMENTO LIGHT RAIL EXTENSION STUDY, MAY 1986

3/5/87



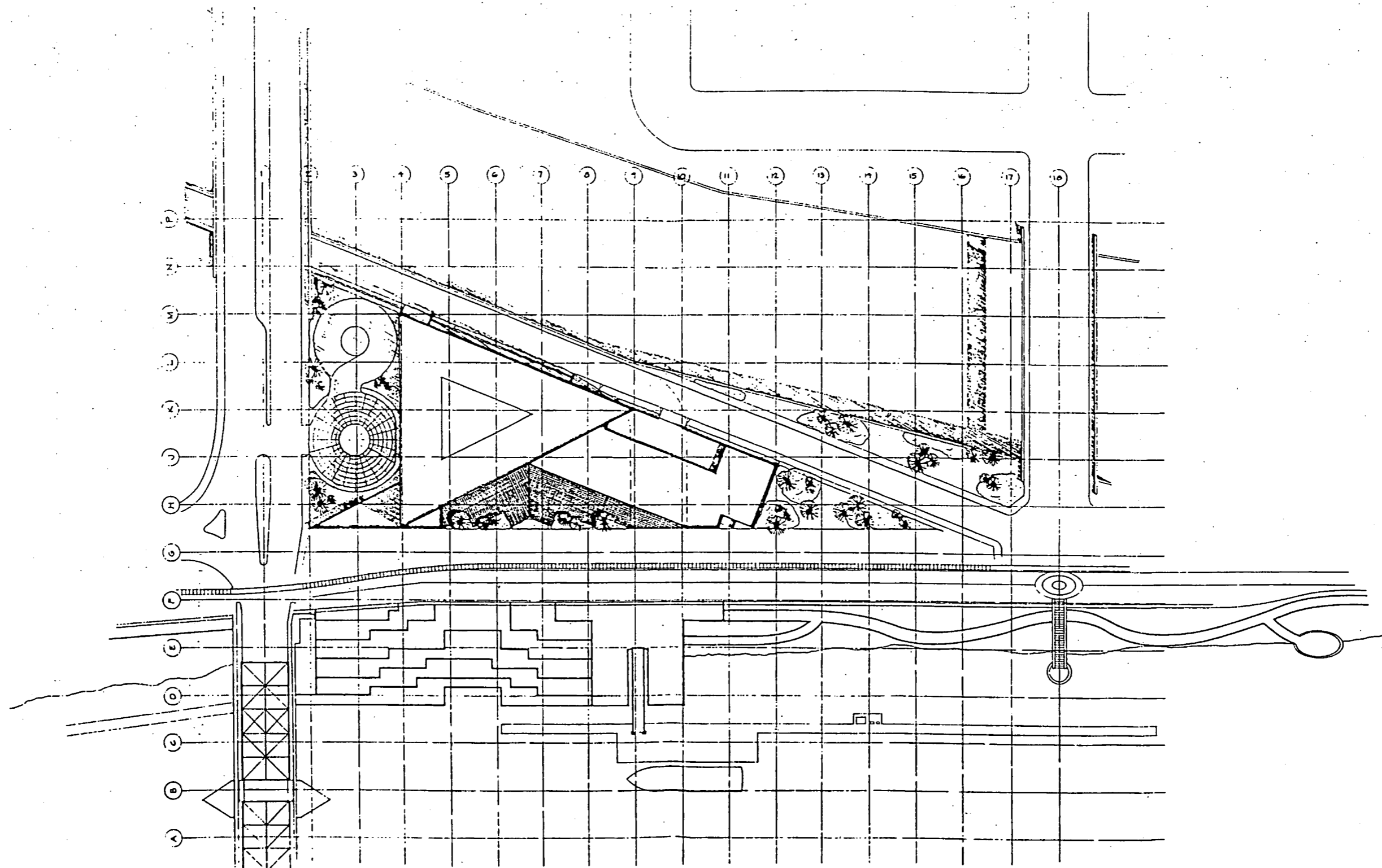
POTENTIAL AREAS FOR
DEVELOPMENT BEFORE EXTERNAL
FACTORS



POTENTIAL AREAS FOR INITIAL
DEVELOPMENT AFTER EXTERNAL
FACTORS ARE CONSIDERED

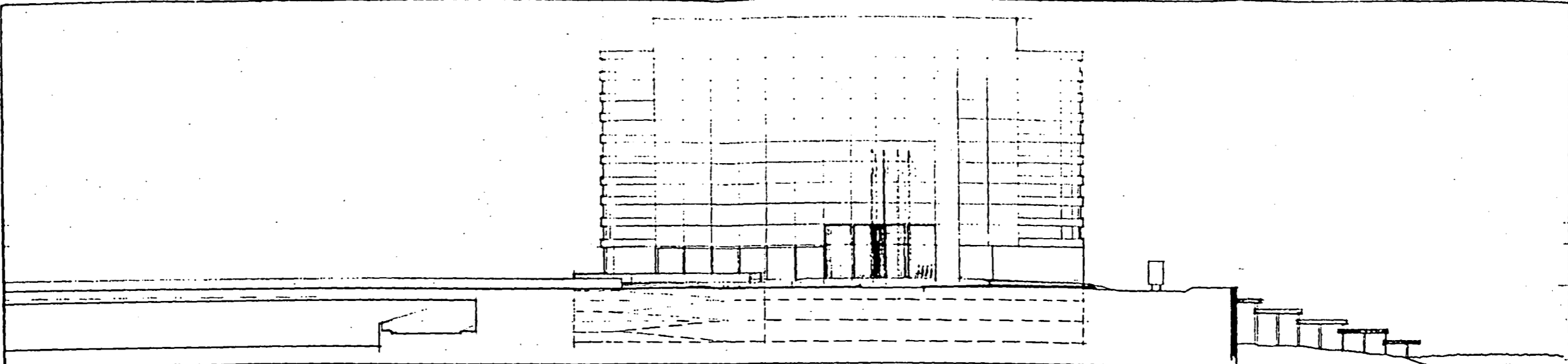
HOTEL, OFFICE AND RESIDENTIAL
PLANS

EXHIBIT H

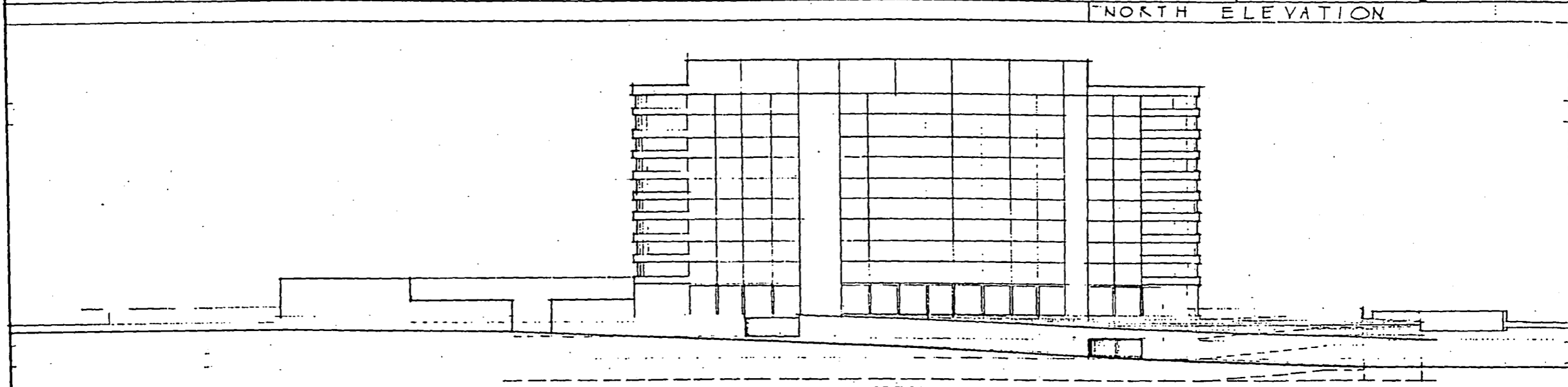


CARISSIMI-ROHRER-ASSOCIATES

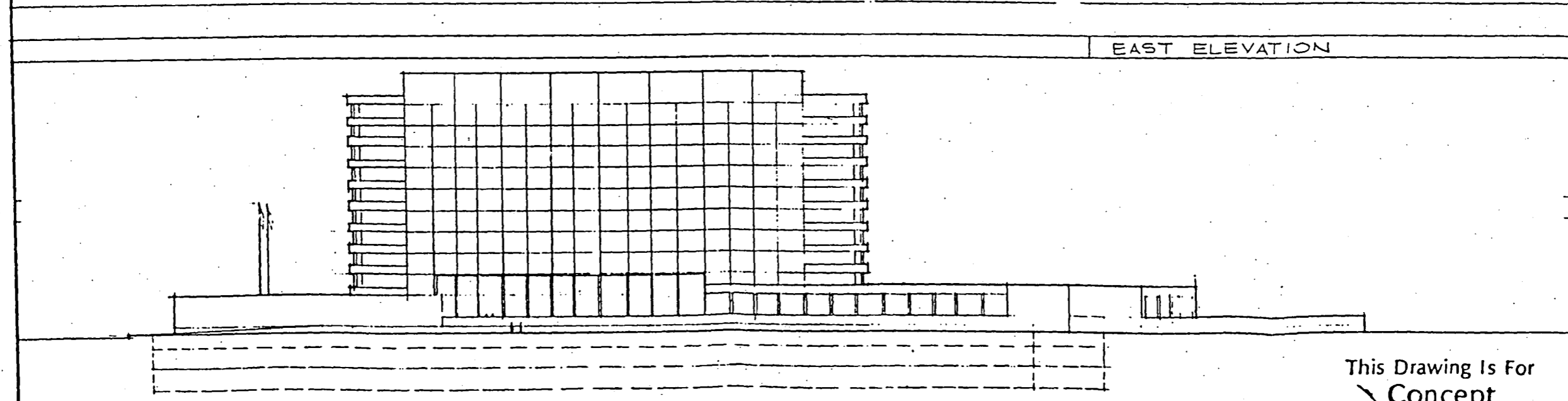
This Drawing Is for
 Concept
 Only



NORTH ELEVATION



EAST ELEVATION



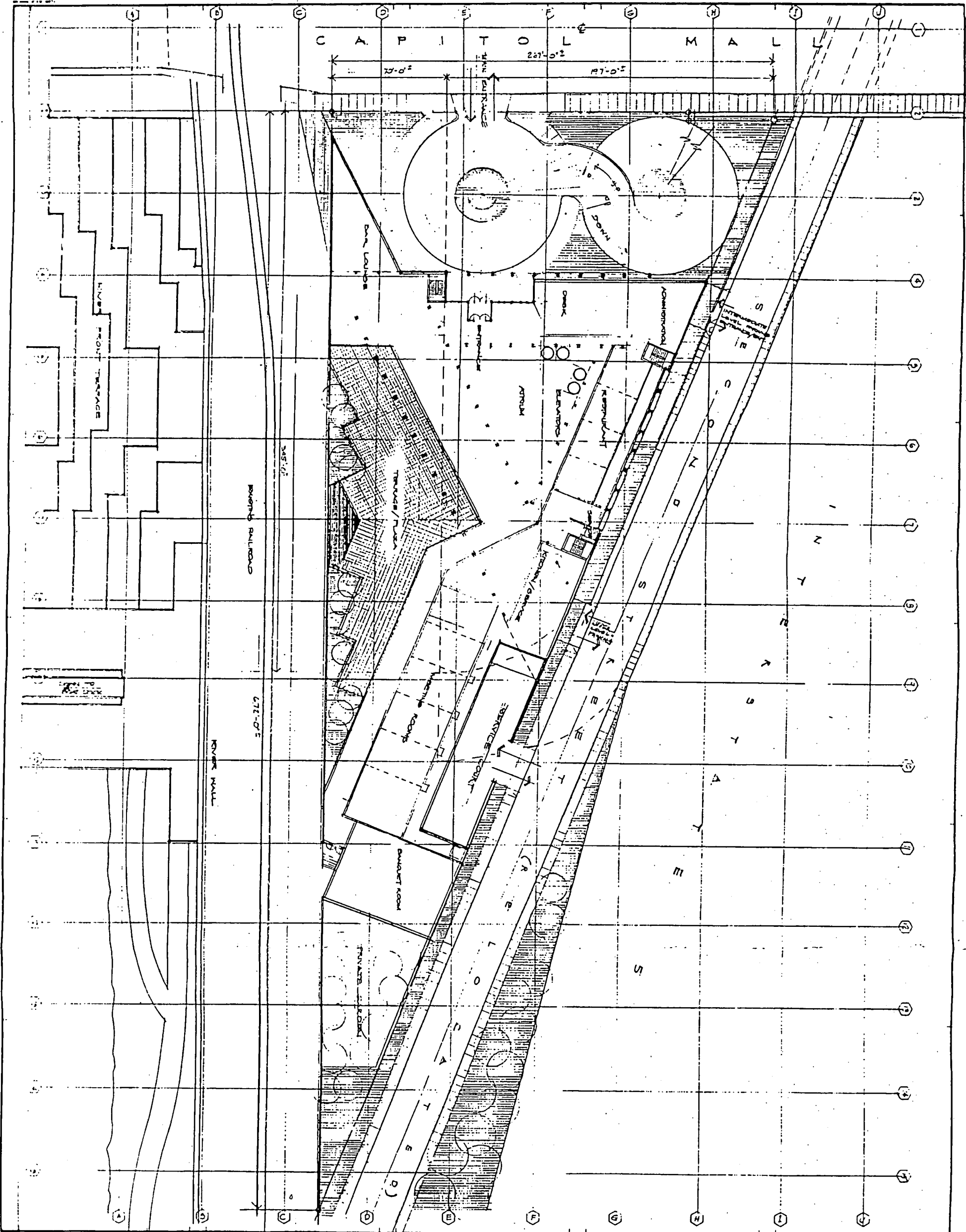
WEST ELEVATION SCALE 1/8" = 1'-0"

This Drawing Is For
Concept
Only



DOCKS AREA DEVELOPMENT
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
RIVERVIEW DEVELOPMENT GROUP
HOTEL

PROJECT NO.	
DATE	FEB 16 '87
SCALE	
BY	
CHECKED BY	
APPROVED BY	
1	



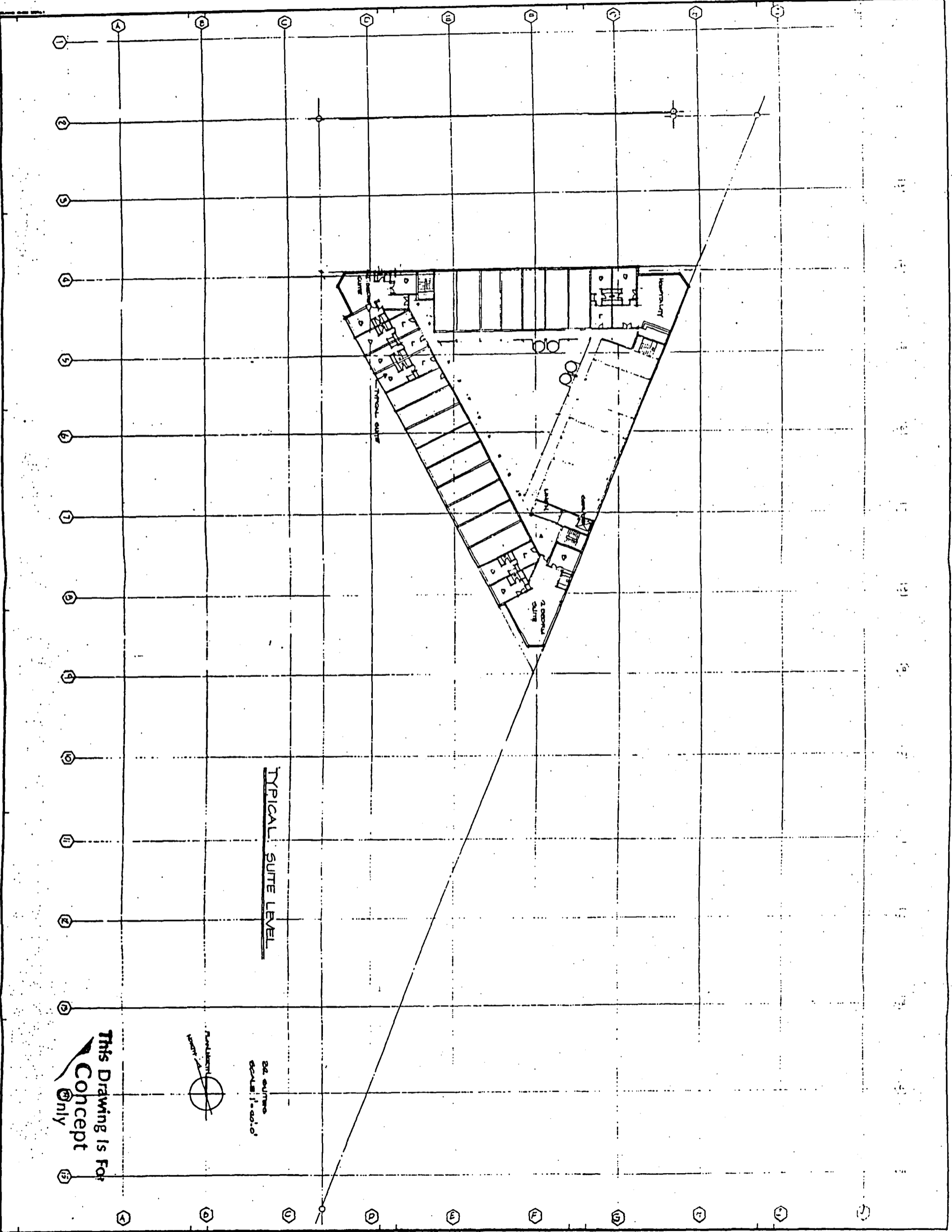
DOCKS AREA DEVELOPMENT

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

RIVERVIEW DEVELOPMENT GROUP
HOTEL



DATE	12/15/57
BY	RAC
PROJECT	RIVERVIEW HOTEL
SCALE	AS SHOWN
DESIGNED BY	RAC
CHECKED BY	RAC
APPROVED BY	RAC



TYPICAL SUITE LEVEL

2d. suites
SCALE: 1/8"=1'-0"

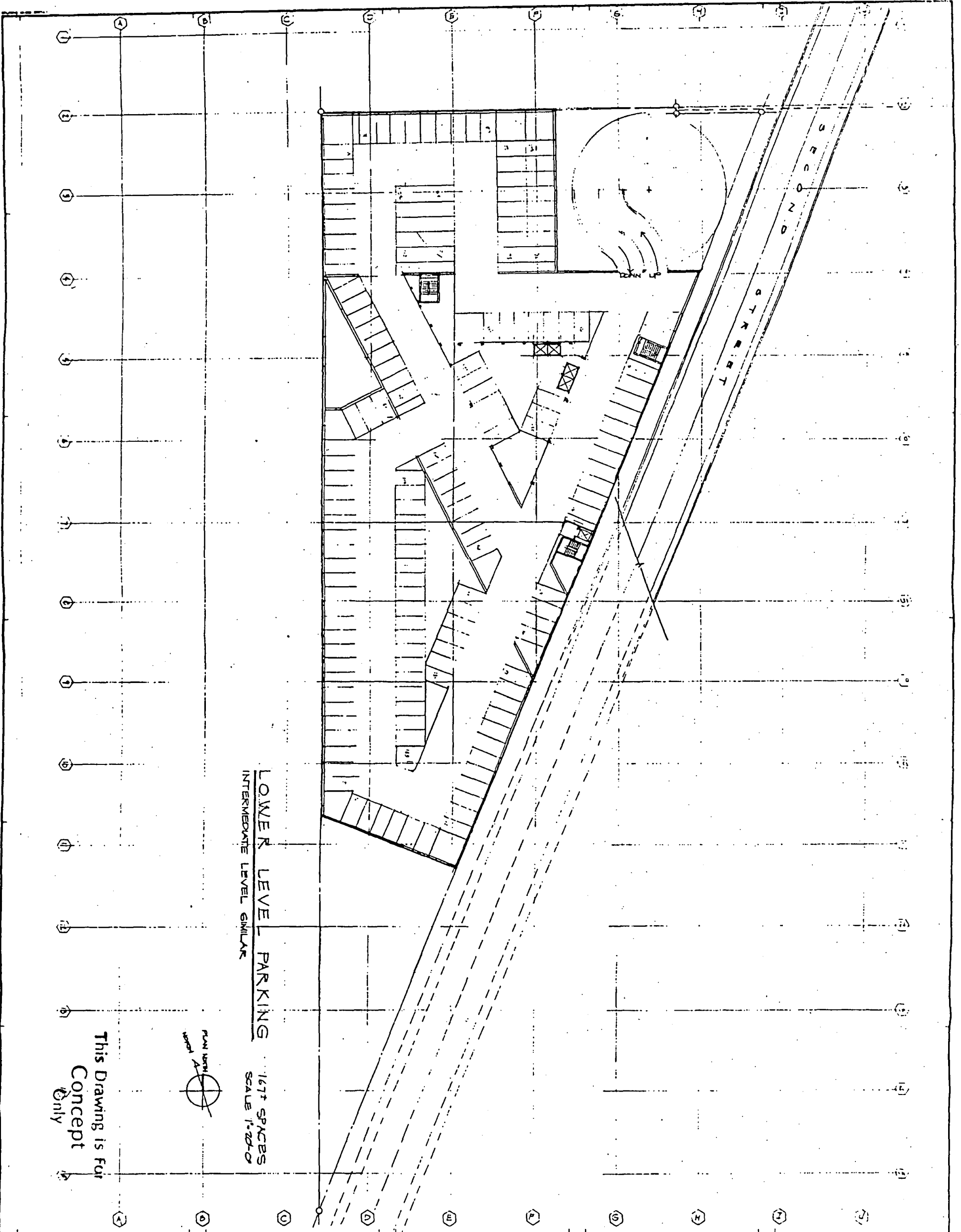


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Concept
Only

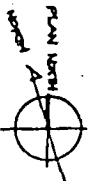
DOCKS AREA DEVELOPMENT
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
RIVERVIEW DEVELOPMENT GROUP
HOTEL



NO.	DATE	BY	CHKD.	DESCRIPTION
1	12/15/01	PLC		PRELIMINARY
2				
3				



LOWER LEVEL PARKING
 INTERMEDIATE LEVEL SIMILAR
 167+ SPACES
 SCALE 1"=20'-0"



This Drawing is For
 Concept Only

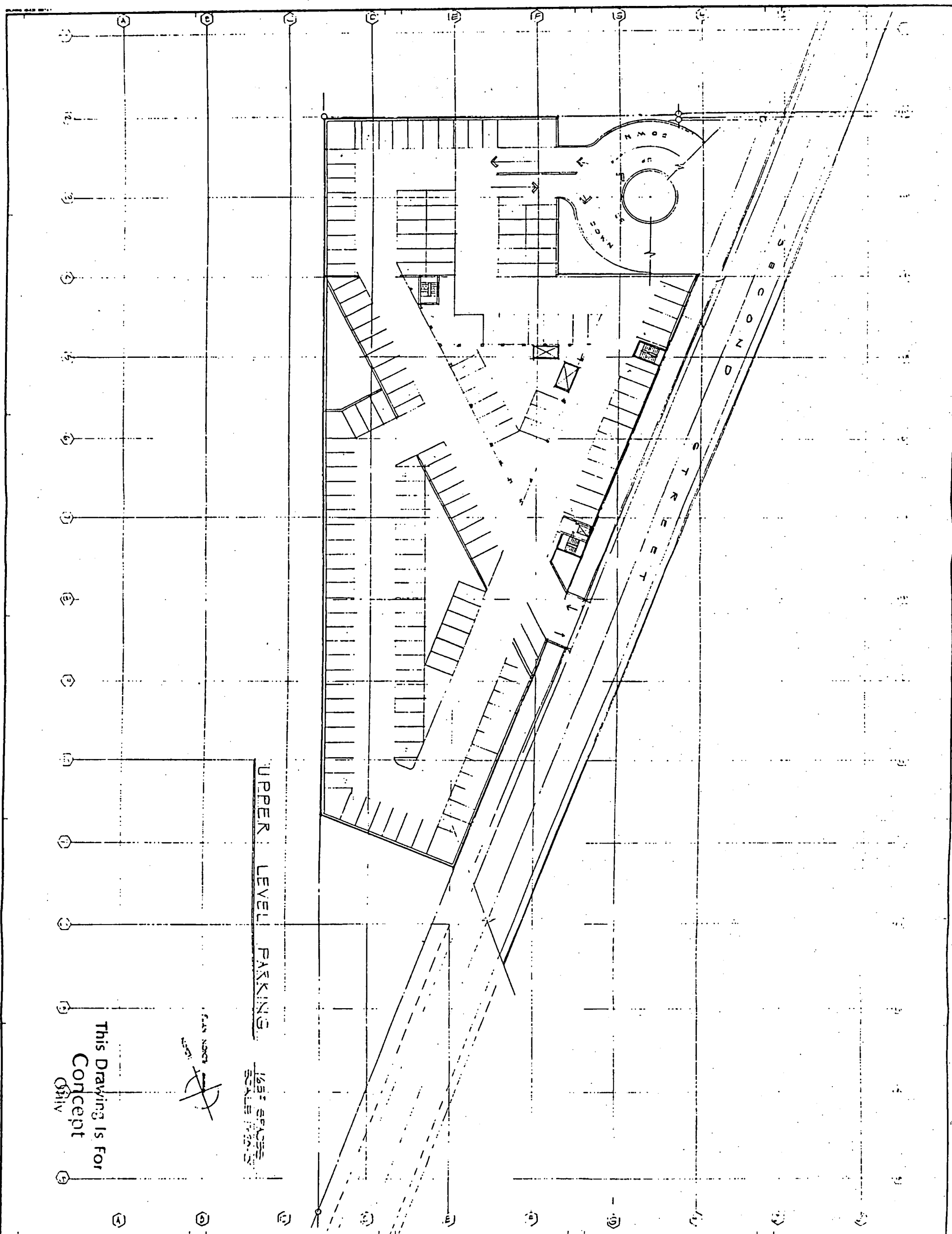
DOCKS AREA DEVELOPMENT

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

RIVERVIEW DEVELOPMENT GROUP
 HOTEL

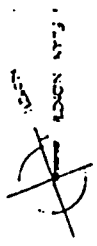


Project No.	167
Scale	1"=20'-0"
Date	10/16/07
Drawn by	KJC
Checked by	
Approved by	



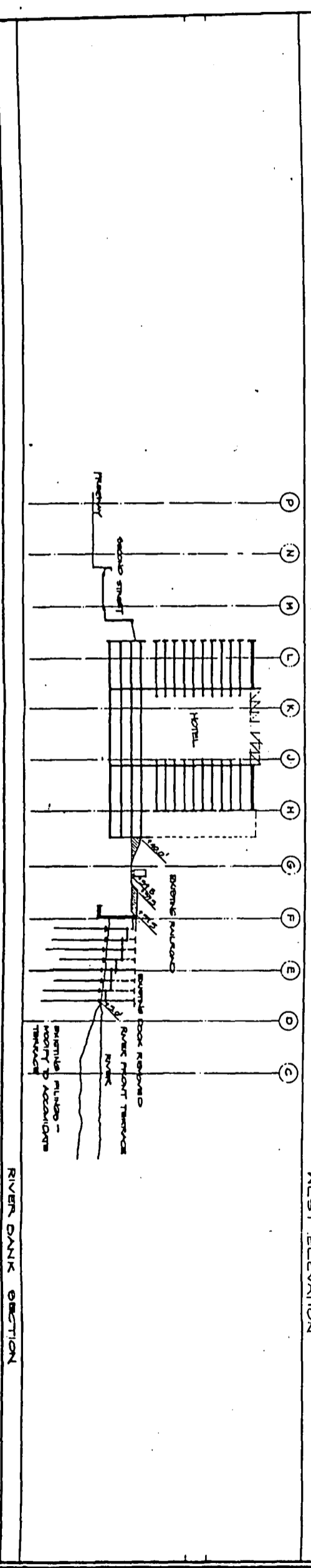
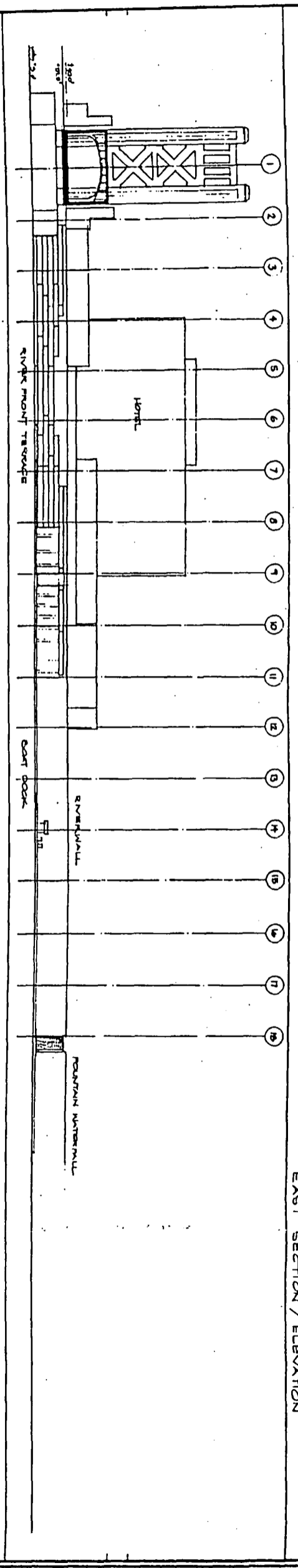
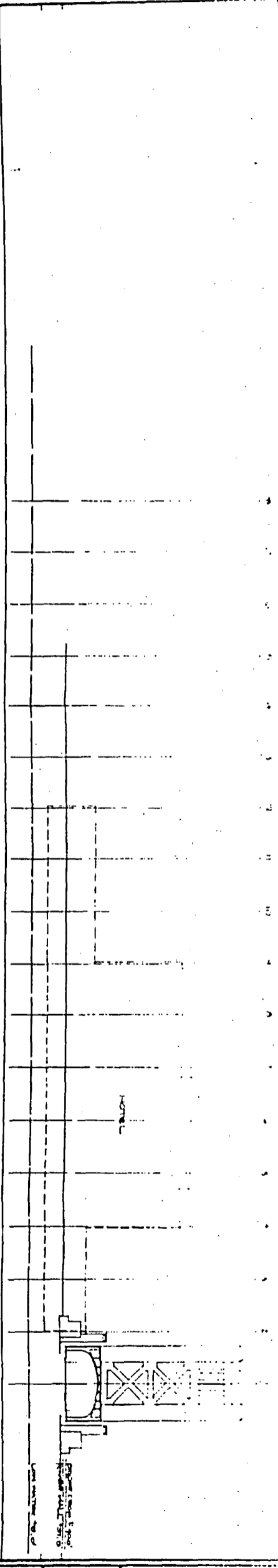
UPPER LEVEL PARKING
 1/8" SPACES
 SCALE PARKING

This Drawing Is For
 Concept
 Only



DOCKS AREA DEVELOPMENT
 REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
 RIVERVIEW DEVELOPMENT GROUP





This Drawing Is For
Concept
 Only

DOCKS AREA DEVELOPMENT
 REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
 RIVERVIEW DEVELOPMENT GROUP
 HOTEL



DATE: MAY '97
PROJECT: RIVERBANK HOTEL
DRAWN BY: [Name]
CHECKED BY: [Name]
SCALE: [Scale]
NO. 6

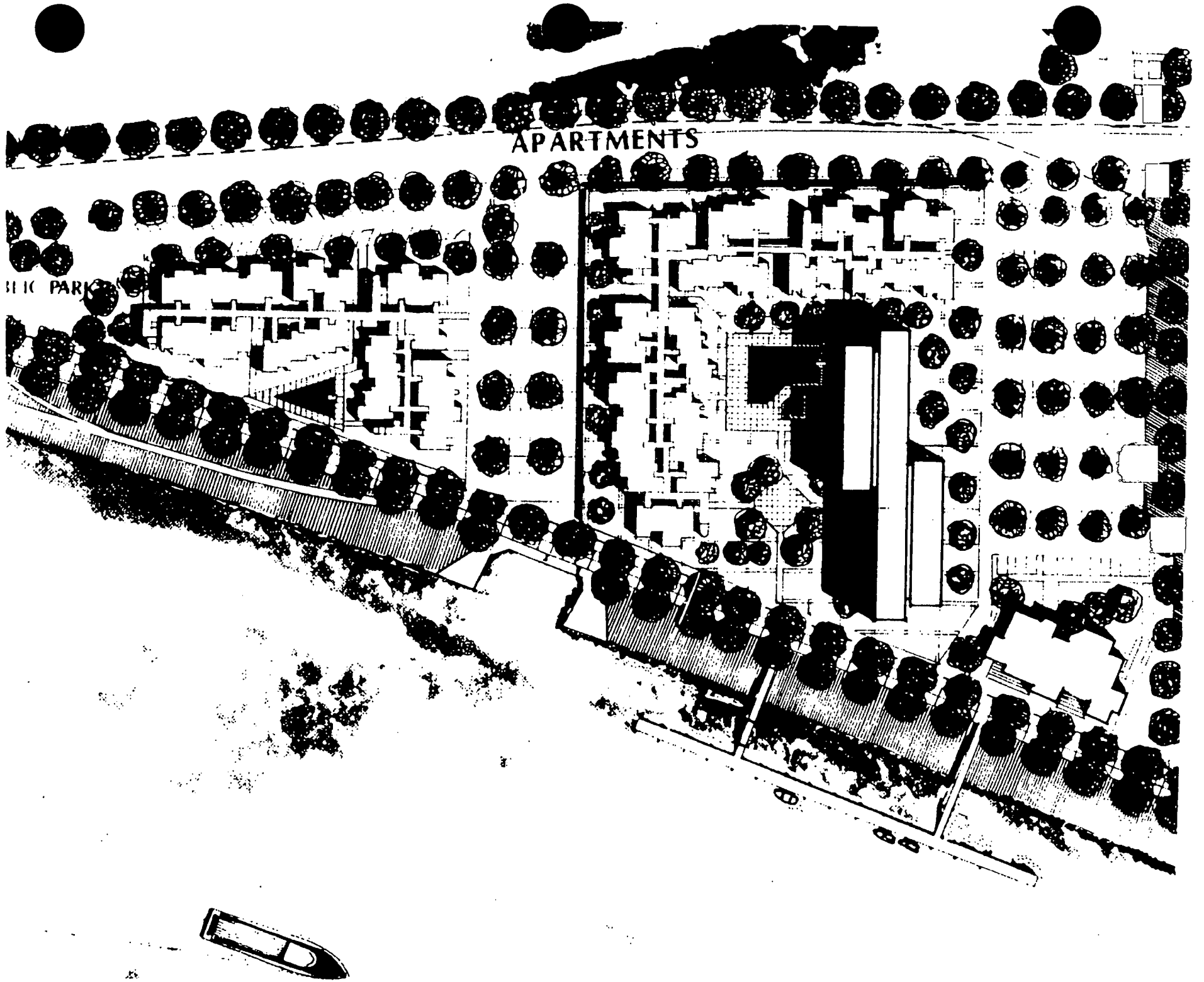


OFFICE BLDG./PARKING

HOTEL

67

68



APARTMENTS

PUBLIC PARK

BASIC DEVELOPMENT PROGRAM

Preliminary Estimate of Cost

1.	Streets, pedestrian over/underpass on Capital Mall, storm drains, sanitary sewer, domestic water including fire hydrants and street lighting improvements, A&E	\$ 860,000
2.	Floating docks including piling, access ways, utilities, A&E	540,000
3.	Floating tour boat terminal and 200 foot mooring barge, including 6,000 square feet retail and office space, elevator, access ramps, showers, rest-rooms, waste pump-out, A&E	1,150,000
4.	Two floating debris deflectors with steel pipe piling and pontoons, A&E	150,000
5.	Stabilization of River Lines Pier for plaza development, A&E	750,000
6.	Beautification of plaza on River Lines Pier, A&E	650,000
7.	Terrace Park: -- Stabilization of floodwall and rip rap levee, A&E -- Low-water promenade, fishing pads and retaining walls, A&E -- Promenade, walkways, bike paths, open green and landscaping on levee crown, including "O" Street Circle, A&E	3,200,000
8.	Trees for special landscaping along Front Street, I-5 corridor, Capitol Mall, "O" Street overpass and Third Street, A&E	500,000
	Subtotal	<u>\$7,800,000</u>
	Contingencies @ 20%	<u>1,560,000</u>
	TOTAL	<u>\$9,360,000</u>

NOTE: This estimate is an estimate only and was prepared from conceptual sketches and assumptions for preliminary budget purposes only.

EXHIBIT E

**DOCKS REDEVELOPMENT AREA PROPOSAL
FINANCIAL EVALUATION
SUMMARY TABLE (1)**

Land Use	Capital Cost (\$M) ²	Stabilized NOI ³	Est. ROC(%)	Target ROC(%)	Public Revenues			
					Annual Lease Payment (L) or Land Sales (S)	Annual Property Tax	Annual Sales Tax	Annual Hotel Occup. Tax
Office-240,000 SF	\$36.3 ⁴	\$4,356,000	12.0%	12.0%	\$1,604,000 (S)	\$416,000	-0-	-0-
Hotel-300 Rooms	26.5	3,408,000	12.9% ⁵	14.0%	317,000 (L)	318,000	187,000	849,000
L.R. Apartments-200 d.u.	13.2	1,253,000	9.5%	9.5%	-0- (S)	159,000	-0-	-0-
H.R. Apartments-200 d.u.	19.9	1,638,000	8.5%	8.5%	-0-	239,000	-0-	-0-
Restaurant-8,000 SF	<u>1.1⁶</u>	<u>168,000</u>	<u>12.0%</u>	<u>12.0%</u>	<u>320,000 (S)</u>	<u>11,000</u>	<u>168,000</u>	<u>-0-</u>
GRAND TOTAL	997.0	\$10,823,000	11.2%	11.5%	\$1,924,000 (S) \$317,000 (L)	\$1,143,000	\$355,000	\$849,000
Phase III Residential	<u>21.9</u>	<u>1,861,000</u>	<u>8.5%</u>	<u>8.5%</u>	<u>-0- (S)</u>	<u>263,000</u>	<u>-0-</u>	<u>-0-</u>
GRAND TOTAL	\$118.9	\$12,684,000	10.6%	11.5%	\$1,924,000 (S) \$317,000 (L)	\$1,406,000	\$355,000	\$849,000

(1) Totals may not add due to independent rounding.

(2) In 1988 dollars, except for high-rise residential which is stated in 1989 and 1991 dollars.

(3) Dollars stated in year of occupancy adjusted for stabilized operation (Office 1990, Hotel 1993, Low-Rise Apartments 1989, High-Rise Apartments 1991, Restaurant 1990).

(4) Includes \$1.6 million in development cost for the 12,000 SF stand-alone community arts theater/office building.

(5) Before land lease, ROC after Land Lease Payment is 11.7%.

(6) Developer's cost only.

Source: Keyser Marston Associates, Inc.
May 1987

EXHIBIT 2
(45)

MASTER LEASE

DRAFT

THIS LEASE, made and entered into this ____ day of _____, 1987, by and between the State of California, acting by and through its State Lands Commission, hereinafter called the State or Lessor, and the City of Sacramento, hereinafter called the Lessee.

WHEREAS, the State is the owner, by virtue of its sovereignty, of that area located in the Sacramento River below and waterward of the line of Ordinary High Tide, hereinafter referred to as "State Parcel," and more particularly described in Exhibit "A," attached hereto and by reference made a part hereof; and

WHEREAS, the Lessee is the owner of that area adjoining and immediately landward of the State Parcel (Lessee's Uplands); and

WHEREAS, the Lessee is preparing for the development of adjoining land for various water oriented user; and

WHEREAS, the Lessee now desires to utilize the State Parcel for public recreational, and commercial purposes; and

WHEREAS, in order to provide access to the State Parcel, Lessee will build or cause to be built certain improvements on both the State Parcel and Lessee's Upland;

NOW, THEREFORE, the parties do agree as follows:

1. Description of Demised Premises: For the better public use of the riverfront and promotion of commerce, and in consideration of the faithful performance by Lessee of the

agreements, covenants, terms and conditions hereof, and of the payments herein provided to be made by Lessee, the State has leased and demised, and by these presents does hereby lease, demise unto Lessee, and Lessee by these presents does lease, hire and take from the State, that certain parcel of land situated in the Sacramento River, City of Sacramento, County of Sacramento, State of California, more particularly described in Exhibit "A," and hereafter referred to as "State Parcel."

2. Term:

(a) The term of this lease shall be for a period of forty-nine (49) years, unless sooner terminated in accordance with other provisions of this lease, commencing upon the recording of a fully executed copy of this lease in the office of the Sacramento County Recorder. This lease shall begin on _____, and end on _____, even the lease is recorded after _____.

(b) Lessee is hereby granted and shall, if not at the time in default under this lease, have an option to renew this lease for an additional period of forty-nine (49) years from the expiration date hereof on the same terms, covenants, and conditions herein contained, except that the rental may, at Lessor's option, be increased to the sum of _____ percent (_____ %) of the gross annual rent the Lessee actually receives from any subleases or TWO HUNDRED DOLLARS (\$200.00) per year, whichever is greater. This option shall be exercised only by Lessee's delivering to Lessor in person or by United States

mail on or before ninety (90) days before expiration of the term hereof, written notice of the Lessee's election to renew this lease as herein provided.

3. Use of Property: The State Parcel may be used by the Lessee for the construction of private and public commercial and non-commercial docks, marinas, retail complexes, walkways, access ramps, wharfs, platforms, fishing pods, floating vessels and any other structures necessary or appurtenant to the Lessee's development of the State Parcel and for the mooring of vessels consistent with the Lessee's approved Docks Master Plan. The uses of the State Parcel by the Lessee shall not be inconsistent with the Public Trust for Commerce, Navigation and Fishing.

4. Subletting: State acknowledges the intent of Lessee to sublet all of or portions of the State Parcel to private parties or entities, but reserves the right to approve any and all sublessees and subleases between the Lessee and sublessees. Uses permitted under any assignment or subletting shall be consistent with and controlled by this master lease and with the Public Trust for Commerce, Navigation and Fishing. Lessee will secure the State's written approval of any and all sublessees and subleases and for any sublessee's proposed uses of the State Parcel prior to the placement by a sublessee of any improvements within or on the State Parcel. This requirement for prior approval of sublessees and subleases shall not apply to sublessees and subleases between a sublessee and subsequent parties. State shall make every effort to grant such approval as quickly as

possible, and such approval shall not be unreasonably withheld.

5. Rental:

(a) In order to recoup the substantial capital cost Lessee has expended to improve the facilities adjacent to and over Lessor's property, for the first five years of this lease term Lessee shall pay as rent the sum of One Dollar (\$1.00) per year. Commencing on the fifth anniversary of the lease term and continuing through the forty-ninth year of the lease term, Lessee shall pay to the Lessor as annual rent the sum of _____ (_____ %) percent of the gross annual rent Lessee obtains from any master sublease or One Hundred Dollars (\$100.00) per year, whichever is greater. Gross annual rent shall be the total amount of rent the Lessee actually receives from its sublessees on the premises during the preceding calendar year.

(b) Rent payments under this lease shall be made to the following address:

(c) Insurance proceeds paid to Lessee as a result of damage to the improvements on the premises shall not be included as gross annual rent for the purposes of this lease.

6. Market Rent for Sublease: Should Lessee elect to sublease all or any portion of the State Parcel pursuant to paragraph 4 hereof, then any such sublease shall provide for and

require the payment of a Fair Market Rent. This Fair Market Rent shall be established in accordance with standard practices of real estate appraisers (M.A.I. or other similar qualifications), and is subject to the review of State upon reasonable notice to Lessee. Lessor shall waive this provision if the Lessee demonstrates that the Fair Market Rent is unattainable after the Lessee has made a good faith effort to sublease the lease premises for ninety (90) days.

7. Easements: Lessor grants to Lessee the right to grant public easements over the lease premises to public entities and utility companies for any and all utilities or rights of way required by the Lessee's use of the lease premises. All such easements shall first be approved by the Lessor.

8. Encumbrancing and Hypothecation of Lease: State approval shall be required for the encumbrancing or hypothecation of the leasehold interest granted herein, but such approval shall not be unreasonably withheld. Request for such approval shall be made by Lessee or any sublessee in writing. However, such approval applies only to and through the use of that agreement attached to this lease as Exhibit "B" and entitled "Agreement and Consent to Encumbrancing of Lease" (Security Agreement). No security interest in this lease shall be created unless it shall be created through the use of the Security Agreement contained in Exhibit "B." The assignment of the security interest granted herein and any further security interest shall not be valid unless the prior written approval of the State is secured as spe-

cified in the Security Agreement.

9. Indemnity:

(a) Lessor shall not be liable and Lessee shall indemnify, hold harmless and, at the option of Lessor, defend Lessor, its officers, agents, and employees, against and for any and all liability, claims, damages or injuries of any kind and from any cause, occurring on the lease premises or improvements, or arising out of or connected in any way with the issuance of this lease.

(b) Lessee shall give prompt notice to Lessor in case of any accident, injury or casualty on the lease premises.

10. Liability Insurance:

(a) Lessee shall maintain in force and effect during the term of this lease public liability and property damage insurance, with such coverage and limits as may be reasonably requested by the State from time to time, but in no event for less than the sum(s) specified, insuring Lessee and Lessor against any and all claims or liability arising out of the ownership, use, occupancy, condition or maintenance of the lease premises and all improvements.

(b) The insurance policy or policies shall name the State of California as a named insured or additional insured party as to the lease premises and shall identify the lease by its assigned number. Lessee shall provide Lessor with a certificate of such insurance, and shall keep such certificate current. The policy (or endorsement) must provide that the

insurer will not be responsible for any premiums or other assessments on the policy. The insurance coverage provided by the insured (Lessee) shall be primary and non-contributing.

(c) The liability insurance coverage specified in this lease shall be in effect at all times during the lease term and subsequently until all of the lease premises have been either accepted as improved, by Lessor, or restored by Lessee,

(d) As an alternative to maintaining insurance in accordance with subsections (a) (b) and (c) of this section, the Lessee may provide a self-insurance program approved by Lessor.

11. Default and Remedies:

(a) Default: The occurrence of any one or more of the following events shall constitute a default or breach of this lease by Lessee:

(1) Lessee's failure to make any payment of rental as required under this lease;

(2) Lessee's failure to obtain or maintain liability insurance, self-insurance or a surety bond or other security;

(3) Lessee's vacation or abandonment of the lease premises during the lease term;

(4) Lessee's failure to observe or perform any other term, covenant or condition of this lease to be observed or performed by the Lessee when such failure shall continue for a period of sixty (60) days after Lessor's giving written notice; however, if the nature of Lessee's default or breach is such that

more than sixty (60) days are reasonably required for its cure, then Lessee shall not be deemed to be in default or breach if Lessee commences such cure within such sixty (60) day period diligently proceeds with such cure to completion.

(b) Remedies: In the event of a default or breach by Lessee and Lessee's failure to cure such default or breach, Lessor may at any time, and with or without notice, do any one or more of the following:

(1) Re-enter the lease premises, remove all persons and property, and repossess and enjoy such premises;

(2) Terminate this lease and Lessee's right of possession of the lease premises. Such termination shall be effective upon Lessor's giving written notice, and upon receipt of such notice, Lessee shall immediately surrender possession of the lease premises to Lessor;

(3) Maintain this lease in full force and effect and recover any rental as it becomes due, without terminating Lessee's right of possession, regardless of whether Lessee shall have abandoned the lease premises;

(4) Exercise any other right or remedy which Lessor may have at law or in equity.

12. Annual Reports: The Lessee and each master sublessee shall be required to submit, on forms approved by the State, an annual report detailing the income generated from or on the State Parcel. This report shall be accompanied by a Balance Sheet of the Lessee or master sublessee as of the last day covered by the

annual report and an Income Statement covering the results of Lessee's or sublessee's operations for the year ended on the last day covered by the annual report. These reports shall be due on the ninetieth (90th) day of the year following the end of the year covered by the annual report.

13. Books and Records: The Lessee shall maintain books and records of all financial transactions relating to the leased premises in accordance with generally accepted accounting principles. These records shall be supported by source documents such as agreements with renters, copies of invoices, receipts, and other pertinent documents. If requested by Lessor, the Lessee shall allow representatives of the State Lands Commission to examine copies of Federal and State Income Tax returns and Board of Equalization Tax returns in order to corroborate information shown on reports to the State Lands Commission. All annual reports submitted to Lessor are subject to audit and revision by the State Lands Commission. Lessor may inspect all Lessee's books, records, and documents relating to the operation of the leased premises at all reasonable times. Any statutory or other right that the Lessee may have to object to such inspection by the State Lands Commission are hereby waived.

14. Ownership and Improvements: All improvements constructed on the lease premises by Lessee or by any sublessee shall be owned by Lessee or such sublessee until expiration of the term.

15. Restoration of Lease Premises:

(a) Upon expiration or sooner termination of this lease,

Lessor may accept all or any portion of the lease premises, as then improved with structures, buildings, pipelines, machinery, facilities and fills in place; or Lessor may require Lessee remove all or any portion of such improvements at its sole expense and risk; or lessor may itself remove or have removed all or any portion of such improvements at Lessee's sole expense. Should Lessor elect to take title to some or all of the improvements upon expiration or sooner termination of the lease, it shall do so without cost to Lessor and without payment to Lessee. Lessee shall deliver to Lessor such documentation as may be necessary to convey title to such improvements to Lessor free and clear of any liens, mortgages, loans or other encumbrances.

16. Quitclaim: Lessee shall, within ninety (90) days of the expiration or sooner termination of this lease, execute and deliver to Lessor, in a form provided by Lessor, a good and sufficient release of all rights under this lease. Should Lessee fail or refuse to deliver such a release, a written notice by lessor reciting such failure or refusal shall, from the date of its recordation, be conclusive evidence against Lessee and all other claimants of the termination of this lease and any rights or interests of Lessee in the lease premises.

17. Holding-Over: Any holding over by Lessee after the expiration of the lease term, with or without the express or implied consent of Lessor, shall constitute a tenancy from month to month and not an extension of the lease term, and shall be on the terms, covenants and conditions of this lease with rental,

royalty or other consideration payable in advance on the first day of each month at the rate of one-twelfth (1/12th) of the annual amount.

18. Additional Provisions:

(a) Waiver:

(1) No term, covenant or condition of this lease, and no default or breach of any such term, covenant or condition, shall be deemed to have been waived by lessor's acceptance of a late or nonconforming performance or otherwise, unless such a waiver is expressly acknowledged by Lessor in writing.

(2) Any such waiver shall not be deemed to be a waiver of any other term, covenant or condition, or any other default or breach of any term, covenant or condition of this lease.

(b) Time: Time is of the essence of this lease and each and all of its terms, covenants or conditions in which performance is a factor.

(c) Notice: All notices required to be given under this lease shall be given in writing, sent by United States mail with postage prepaid, to Lessor at the offices of the State Lands Commission and to Lessee at the address specified below in this lease. Lessee shall give Lessor notice of any change in its name or address.

Lessor: State Lands Commission
1802 13th Street
Sacramento, CA

Lessee: City of Sacramento
915 "I" Street
Sacramento, CA 95814

(d) Consent: Where Lessor's consent is required under this lease, its consent for one transaction or event shall not be deemed to be a consent to any subsequent occurrence of the same or any other transaction or event. Lessor shall not unreasonably withhold its consent, whenever the Lessor's consent is required under this lease.

(e) Changes: This lease may be terminated, and its term, covenants and conditions amended, revised or supplemented, by mutual agreement of the parties.

(f) Successors: The terms, covenants and conditions of this lease shall be binding on the successors of any party to this lease, the obligations of the Lessee shall be joint and several.

(g) Captions: The captions of this lease are not controlling and shall have no effect upon its construction or interpretation.

(h) Severability: If any term, covenant or condition of this lease is judicially determined to be invalid, it shall be considered deleted and shall not invalidate any of the remaining terms, covenants and conditions.

(i) Attorney's Fees: If either party brings any legal action relating to the provisions of this lease, the prevailing party shall be entitled to reasonable attorney's fees.

(j) Assignment: Lessee shall not assign this lease without the prior written approval of the Lessor. Lessor shall not unreasonably withhold such approval.

19. Exemption from Rent: It is contemplated that the Lessee shall use the demised premises from time to time for activities, services, special uses, or security purposes, which may generate revenue. The parties agree that said use by said Lessee shall not constitute subleasing, nor shall any funds received constitute rent entitling Lessor hereunder to a percentage thereof in accordance with Paragraph 5. The types of activities contemplated by the Lessee and specifically exempted by this paragraph 19 include but are not limited to:

(a) City-owned and operated activities or services such as the operation of moorage, tour boats or marinas.

(b) Temporary activities or events conducted by or at the request of the City for which the City issues a permit, such as the Sacramento Jazz Festival, boat shows, displays, public entertainment, the annual City Water Festival, and other similar activities.

(c) Any living quarters designed for security personnel, the use of which might be supplied to an individual as part of his/her benefits or compensation.

STATE OF CALIFORNIA
LANDS COMMISSION

CITY OF SACRAMENTO,
a municipal corporation

By: _____

By: _____
City Manager

APPROVED AS TO FORM:

ATTEST:

City Attorney

City Clerk

EXHIBIT "A"

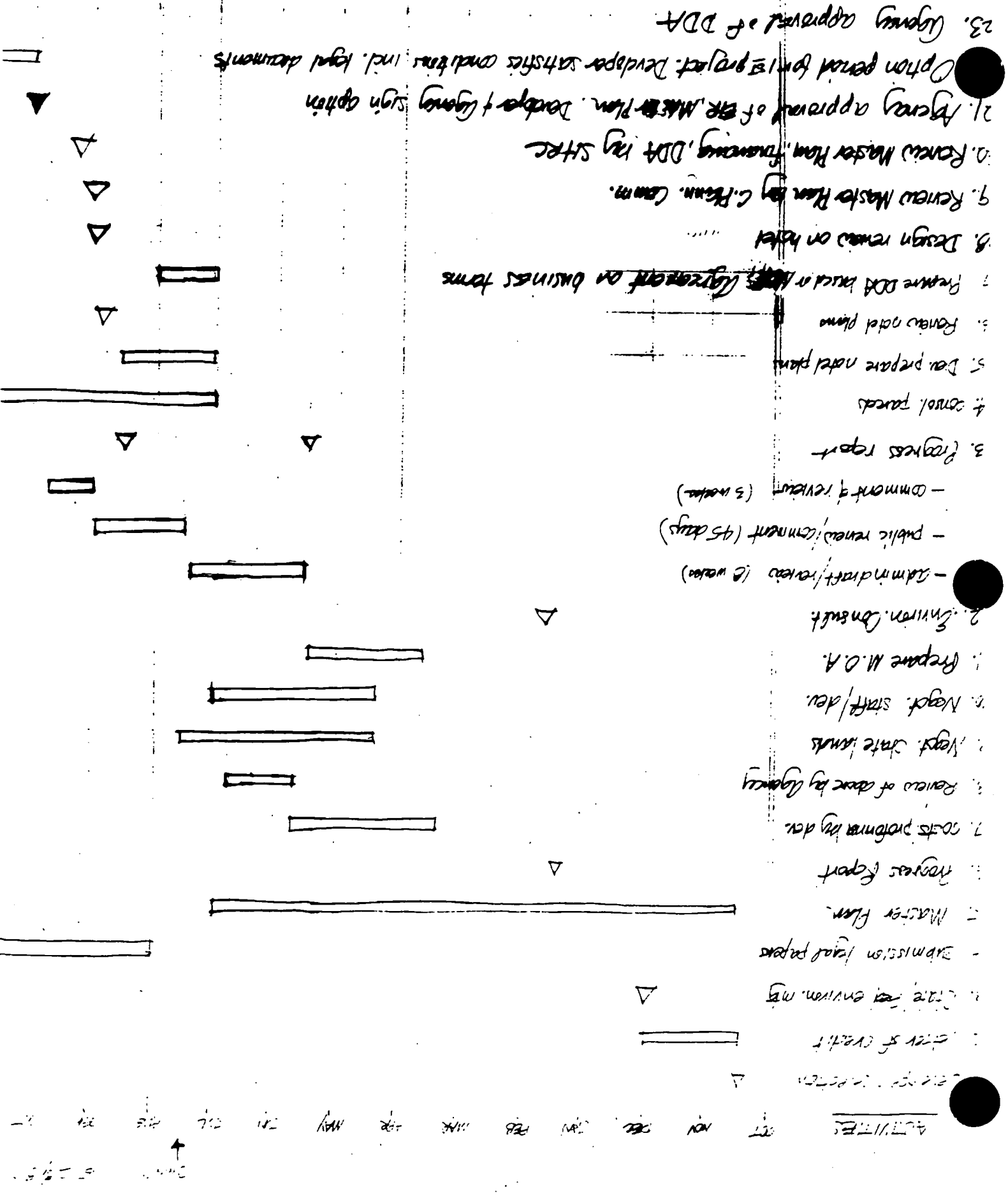
LAND DESCRIPTION

A strip of tide and submerged land in the bed of the Sacramento River, in the City of Sacramento, Sacramento County, California, described as follows:

Bounded on the north by the Tower Bridge (Capitol avenue), bounded on the south by the Pioneer Bridge (I-80 Bus.), bounded on the east by the river wall along the left bank of the Sacramento River and continuing to a point intersecting the Pioneer Bridge, and bounded on the west by the centerline of the Sacramento River.

EXCEPTING THEREFROM any portion thereof lying landward of the ordinary high water mark of the Sacramento River.

END OF DESCRIPTION



DATE TIME WORK PROGRESS

ACTIVITIES

JAN FEB MAR APR MAY JUN JUL

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MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into as of _____ 1987, by and between the Redevelopment Agency of the City of Sacramento (the "Agency") and Riverview Development Group ("Redeveloper").

RECITALS

A. On October 14, 1986, the Agency selected the Redeveloper as the party to negotiate with the Agency regarding the proposed development of the Docks Development Project (the "Project"). This selection gave the Redeveloper an exclusive right to plan and negotiate the Project with the Agency for a period of nine months.

B. On September 10, 1986, prior to its formal selection, the Redeveloper entered into an Offer to Purchase/Lease and Redevelop Land (the "Offer") with the Agency. The Offer, though not attached hereto, is incorporated herein by reference and made a part hereof.

C. In accordance with the terms of the Offer, the Redeveloper has submitted a Letter of Credit in the amount of \$300,000 as the Option Fee required in the Offer.

D. On February 9, 1987, the Agency staff and Redeveloper presented their first status report on the Project to the Agency. The written status report to the Agency dated February 9, 1987 (the "February Status Report"), and signed by the Agency's Executive Director and the City Manager of the City of Sacramento (the "City"), though not attached hereto, is incorporated herein by reference and made a part hereof.

E. The Agency and Redeveloper desire to enter into this MOU for the purpose of: (1) acknowledging the planning for the Project as of the date of this MOU, (2) developing a Master

Plan for the Project, (3) defining the Project including possible alternatives for purposes of commencing and completing the preparation and certification of an environmental impact report ("EIR") for the Project, and (4) establishing the framework for conducting negotiations between the Agency and Redeveloper on the terms of projects agreements and disposition and development agreements (the "DDAs") and related documents including provisions for financing of the improvements made by the Agency and/or Redeveloper in connection therewith.

F. It is the intention of the parties by entering into this MOU to generally define the Project and to provide direction to the staff of the Agency and to the Redeveloper and their respective agents and consultants to proceed with planning and negotiations for the Project, subject to mutual agreement by the parties hereto and subject to compliance with all laws pertaining thereto, including public hearings and environmental clearances.

UNDERSTANDINGS

A. Parties to Project Agreements; Other Agencies; Consultations.

1. The parties to the Project agreements shall be:
 - a. the Agency;
 - b. the developer, Riverview Development Group, Inc., a California Corporation. Additional joint venture partners shall be as set forth in Project Agreements. Any changes in the composition of the Redevelopers must be approved by the Agency. Once the final project agreements have been negotiated, documentation including the final joint venture agreements will be submitted for approval by the Agency.
 - c. the City of Sacramento to the extent required to carry out the Project.
2. Other Agencies: the Agency and Redeveloper have identified in Exhibit A attached hereto other governmental agencies ("Other Agencies")

which must take action with respect to the Project. Agency and Redeveloper shall use best efforts to obtain such actions as necessary.

B. Negotiation Period.

1. For purposes of the Offer, Redeveloper Selection and this MOU, the Negotiation Period is that 270-day period as here in extended commencing October 15, 1986 and ending at 5:00 p.m. on July 12, 1987. In order to complete environmental reviews, the negotiation period has been extended to October 1, 1987.
2. If the parties have reached agreement as to the terms and conditions of Project agreements relating to the Parcels within the Project during the Negotiation Period, and the Redeveloper has executed and submitted the Project agreements to the Agency for approval, the Negotiation Period shall be automatically extended for such additional period as is necessary to obtain final Agency approval thereof including completion and certification of the EIR, and Redeveloper shall not be required to pay any additional Optional Fee or other consideration during such extended period.
3. In addition to the extension referred to in subsection B-2, above, the Negotiation Period may be extended by mutual agreement of the Agency and Redeveloper, subject to the rights of the Agency to require the Redeveloper to pay an additional monthly fee to the Agency as provided in Section 4 of the Offer.
4. If the parties fail to agree upon the terms to such Project agreements within the time limits of this MOU, the MOU shall terminate and the Redeveloper's \$300,000 Letter of Credit shall be released and returned to the Redeveloper, as provided therein. Thereafter, the Agency

shall be free to develop the Project with other developers without any legal liability or obligation to the subject Redeveloper.

C. Master Plan.

1. For the purposes of planning the Project, the Agency shall adopt a Master Plan.

a. The Draft Master Plan is attached hereto as Exhibit "A" of the overall staff report and incorporated herein by reference. The Draft Master Plan is subject to further revision and refinement as part of the on-going negotiations between the Agency and Redeveloper during the subject Negotiation Period.

b. Agency shall adopt a final Master Plan for the Project prior to the approval of any Project agreements between the parties for the Project. Such Master Plan shall include:

- (1) A legal description of the site of the Project,
- (2) The uses and the scope of development on the private development parcels within the site,
- (3) A financing plan for public improvements which takes into account the private improvements related to each of the subject land use components.
- (4) An implementation strategy for development of the subject land use components of the Project, and

- (5) The method of and basis for conveyance of the private development parcels from the Agency to the Redeveloper.

D. Scope of Project.

For the purpose of establishing the possible scope of development for the Project, the parties may negotiate the terms for the following:

1. Hotel: A hotel complex of approximately 250 to 300 rooms of a quality substantially equal to the Park Suite Hotel or Embassy Suites franchise to be located as shown on the Draft Master Plan on a triangular parcel of land at Capitol Mall, Front Street and Interstate 5. The number of parking spaces shall be in conformance with the City of Sacramento code requirements and shall be provided to the hotel as part of a larger parking facility to be developed by the Agency on site if such an arrangement is shown to be financially feasible based upon mutual negotiations between Agency and developer.
2. Office: An office building approximately 140,000 square feet and 240,000 square feet of net leasable area. Parking that shall be in conformance with the City of Sacramento code requirements. In addition, the developer has proposed a 12,000 square foot building shell encompassing a 300 seat theatre, art gallery, and 6000 square foot office for a community art center, as shown on the Master Plan Map on the block bounded by Capitol Mall, N Street, 2nd and 3rd Streets. The size of the office building would be finally determined as a result of further negotiations between the Agency and Redeveloper.
3. Residential: Up to approximately 600 residential units depending on configuration of the site availability, in three phases,

with approximately 150-200 low-rise units in phase I, approximately 200 hi-rise units in phase II and approximately 200 hi-rise units in phase III (on the PG&E property, assuming the State Museum of Railroad Technology is located exclusive of such parcel and such parcel can be used for residential purposes as finally determined by Pacific Gass and Electric Company and other appropriate government agencies) located as shown on the Draft Master Plan. Adequate parking in conformance with the City of Sacramento code requirements shall be provided on-site by means of parking structures. Residential uses may be designed and approved as condominiums but may be initially marketed as apartments.

4. Restaurant: Freestanding restaurant uses of between approximately 8,000 to 10,000 square feet located as shown on the Draft Master Plan. Parking shall be in conformance with the City of Sacramento code requirements.
5. Other uses, facilities, etc., identified in the Draft Master Plan would be negotiated between Agency and Redeveloper.

E. Method of Disposition

1. If the parties have reached agreement on the terms and conditions for development of the private development parcels, each parcel subject to this MOU within the Project shall be transferred separately from the Agency to the Redeveloper.
2. The Redeveloper's proposal to the Agency was to purchase the Office Parcel and the Residential Parcels and lease the Hotel Parcel (with an option to purchase) under a Master DDA. The Agency now proposes an option agreement for a DDA and a ground lease would be used for each individual private development parcel within the Project. In order to exercise an option agreement for a

particular DDA and ground lease, the Redeveloper would be required to provide the Agency with certain legally binding financing commitments for the total costs to build the structure or structures upon the subject parcel, and with a design/construction package approved by the Agency.

Under the Agency proposal, option agreements would be executed concurrently by the parties. The option periods for each option agreement would be based upon the schedule of performance as agreed upon by parties for phased development of the Project. In no event, would the Agency authorize the Redeveloper to exercise subsequent options until the Redeveloper has commenced substantial completion of the structure or structures on a parcel transferred as part of a prior DDA and ground lease and the Agency determines that the construction financing is sufficient to complete such structure or structures.

3. The Agency further proposes that the option agreements and DDAs would provide for the following disposition of parcels to the Redeveloper:
 - a. Hotel: ground lease with the terms to be negotiated by the parties.
 - b. Office: ground lease with the terms to be negotiated by the parties.
 - c. Restaurant (freestanding): ground lease with the terms to be negotiated by the parties.
 - d. Residential uses: ground lease with the terms to be negotiated by the parties.
4. The Agency's proposals set forth in paragraphs 2, and 3., above, are neither accepted nor rejected by the Redeveloper at the time of

this MOU. The Redeveloper must consider the impacts of such Agency proposals on its initial proposal to the Agency and evaluate the effects of such Agency proposals on the overall economic feasibility of the Project, the ability to attract investment and secure financing, the ability of the Agency to assure delivery of the Parcels of the Site to the Redeveloper and the ability of the Agency to assure the financing of the public improvements. Subject to these concerns and other uncertainties regarding certain elements of the Project which are beyond the control of the Agency and Redeveloper both parties agree to negotiate in good faith to assure that the total Project will be developed in a timely manner.

F. Public Improvements:

The DDAs shall set forth the specific method by which the Agency shall construct and install, or cause to be constructed or installed, the necessary public improvements.

1. Method of Financing: Public Improvements.

- a. During the Negotiation Period, the Agency and the Redeveloper shall consider and negotiate methods of financing the public improvements which achieve the completion of said improvements in conjunction with the implementation strategy of the Redeveloper's improvements and assures (subject to the qualifications set forth in 2., below) that construction and financing shall be supported by Project revenues, consisting of tax increments, lease payments and other revenue sources to the Agency. Such methods of financing the public improvements may include a combination of forms of tax-exempt and taxable public financing, based on considerations of security, interest rate, overall costs to the Project and other factors or private financing of the public improvements by the Redeveloper with

reimbursement to the Redeveloper from the revenues generated to the Agency by the Project.

- b. The Redeveloper's original proposal for the Project, including phasing, method of disposition, and public financing indicated that financing and construction of public improvements could be supported by Project revenues to the Agency without support or assistance from the City or City revenues, and that if lease revenue bond financing was used, a surplus of Project revenues would be created for use by the Agency or City for other purposes. The Agency recognizes that to the extent the Redeveloper and Agency negotiate changes in the concept of phasing of the Project from that originally proposed by the Redeveloper, because of the Agency's proposals as set forth in Section D of this MOU, that such changes may result in material changes to the financing plan for the public improvements as proposed by the Redeveloper. The Agency agrees that in the event of any Agency initiated changes, it will be the responsibility of the Agency, in conjunction with the Redeveloper, to demonstrate the feasibility of the financing plan.

G. Schedule.

During the Negotiation Period, the Agency and Redeveloper shall use best efforts to adhere to the schedule attached hereto as Exhibit "E" of the overall staff report and incorporated herein by reference, and to update such schedule as required and agreed to by parties.

H. Acknowledgement

The Redeveloper acknowledges that the parcels within the Project are owned by parties other than the Agency and the failure of the Agency to purchase or lease any of the parcels from their owners shall not give rise to any legal liability or obligation by the Agency to the Redeveloper.

I. Other Matters.

This MOU does not purport to set forth all of the matters that must be negotiated to the mutual satisfaction of the parties as part of the Project agreements.

IN WITNESS WHEREOF, we have executed this instrument as of the date first above written.

APPROVED AS TO FORM:

Agency Counsel

REDEVELOPMENT AGENCY OF
THE CITY OF SACRAMENTO

BY _____
William H. Edgar
Executive Director

APPROVED:

Organization

REDEVELOPER:

RIVERVIEW DEVELOPMENT
GROUP

BY _____

0724M

Other Agencies involved in the Docks Project

1. United States Army Corps of Engineers, Sacramento District
2. United States Department of Transportation, Coast Guard, Navigation Hazards Section
3. State Lands Reclamation Board
4. State Lands Commission
5. United States Department of Interior, Sport, Fisheries and Wildlife
6. State Department of Water Resources
7. State Department of Parks and Recreation
8. State Department of Boating and Waterways
9. State Department of Fish and Game