



**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



5

March 27, 1990

Budget & Finance Committee  
Transportation/Community  
Development Committee  
Sacramento, CA

Honorable Members in Session:

SUBJECT: Approval of Business Terms for Downtown Plaza  
Renovation Project, Extension of Agreement to  
Negotiate, Approval of Entry of the Hahn Company into  
the Downtown Plaza Associates Partnership and  
Certification of Negative Declaration

SUMMARY

The attached report is submitted to you for review and  
recommendation prior to consideration by the Redevelopment  
Agency of the City of Sacramento.

RECOMMENDATION

The staff recommends approval of the attached resolutions  
certifying the Negative Declaration, approving the business  
terms, extending the Agreement and approving the entry of the  
Hahn Company.

Respectfully submitted,

ROBERT E. SMITH  
Executive Director

TRANSMITTAL TO COMMITTEE:

SOLON WISHAM, JR.  
Assistant City Manager  
Attachment



# **SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**



March 27, 1990

Redevelopment Agency of the  
City of Sacramento  
Sacramento, CA 95814

Honorable Members in Session:

**SUBJECT:** Approval of Business Terms for Downtown Plaza Renovation Project, Extension of Agreement to Negotiate, Approval of Entry of the Hahn Company into the Downtown Plaza Associates Partnership, and Certification of Negative Declaration

## **SUMMARY**

This Report recommends that the Agency approve the business terms for the Downtown Plaza Renovation project, and authorize the Executive Director to extend the term of the Agency's Agreement to Negotiate with the Downtown Plaza Associates/Hahn Company partnership in order to provide time for the preparation of legal documents. The report further recommends that the Agency formally approve the entry of the Hahn Company into the Downtown Plaza Associates partnership as managing general partner, and certify the Negative Declaration prepared for this project as adequate and appropriate.

## **BACKGROUND**

### **I. History**

In 1968, the Redevelopment Agency entered into a pioneering agreement with a consortium of local developers, the Downtown Plaza Associates (DPA), for the construction of a major retail mall in the then declining Central Business District. The Contract for Sale and Redevelopment, which was executed by the Agency and DPA in 1968 (1968 Contract) governed the development of major blocks of land between "J" and "L" and 4th and 7th Streets. Over the years, all of the parcels have been developed in accordance with the 1968 Contract, with the exception of "Parcel D-1", located immediately to the north of Macy's Department Store and adjacent to the historic Traveler's Building. One of the conditions of the 1968 Contract was that a major public parking garage would be constructed on the site along with additional retail uses.

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Parcel D-1 has remained undeveloped to this point for various reasons, including the difficulty of obtaining the public financing commitment required to construct a major public garage, and lack of consensus among the DPA partnership in regard to the scope and extent of investment to be undertaken in conjunction with development of the Parcel D-1. Renewed interest in development of the parcel and renovation of Downtown Plaza has, however, been spurred by changing market forces, which include the renovation of the Arden Fair Mall and the increase in demand for goods and services by the rapidly growing downtown work force and Sacramento's population in general. In response to these conditions, DPA forged a partnership with the Hahn Company, one of the nations top developers and operators of retail centers, and commenced planning the renovation and revitalization of Downtown Plaza.

Based upon the 1968 Contract and the qualifications of the development team, the Agency approved exclusive negotiations with the DPA/Hahn partnership (Developer) for the development of Parcel D-1. In August, 1989, the Agency entered into a 180-day Agreement Regarding Scope of Negotiations (ARSN), and commenced discussions with the Developer. The term of the ARSN has now expired, and Agency staff and the Developer have reached agreement on the business terms identified by the ARSN, subject to the Agency's approval. At this time, the staff seeks approval of the overall project and business terms, and recommends that a 90-day extension period of the ARSN (until May 1, 1990) be granted to allow for preparation of the Disposition and Development Agreement (DDA) and related legal documents. The staff also seeks approval of the entry of the Hahn Company into the Downtown Plaza Associates Partnership, which is required by the 1968 Contract. The Hahn Company's interest in the project will not exceed 50 percent.

## **II. The Project**

### **A. Overview**

Downtown Plaza currently consists of 719,900 square feet of retail space and 315,900 square feet of office space for a total area of 1,035,800 square feet. Two parking facilities with a total of 3,286 spaces serve the retail center. Lot G (1,336 spaces) is located between 3rd, 4th and L Streets and the K Street Mall, and Lot K (1,950 spaces) is the subterranean parking structure located beneath the retail area. The proposed project would add 159,000 square feet of retail and 18,000 square feet of office space,

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bringing the total project square footage to 1,212,800. An additional 460 space garage would be located on Parcel D-1. The new parking facility would be connected by underground tunnel (already partially developed) to Lot G, enabling parking overflow to move from one garage to the other, and allowing for entry to and exit from either garage on both L and J Streets.

The primary focus of development would be the southern portion of Parcel D-1 (D-1(a)) upon which the two-level, subterranean parking structure would be erected. A two-level, eight-to-ten screen cinema complex would be constructed atop the parking facility. Entry to the cinema would occur on the second level above grade, and would be surrounded by a "food court", housing a variety of restaurant and beverage vendors. Retail bays would surround the cinema complex on the ground floor. New retail area would also be added along east-west axis of Downtown Plaza by pulling forward existing store fronts between 4th and 7th Streets toward the center of the mall. In addition, a majority of the existing Plaza's second level would be converted from office to retail use.

The overall character of Downtown Plaza would be changed dramatically. Four courtyards would extend the length of the Plaza between 4th and 7th Streets, each with a distinct design theme, and each retaining the open air quality of the mall while offering shade or relief from rain, as the case may be.

Moving from east to west, the first court is the formal Tuscan garden, which extends approximately from the eastern edge of Weinstocks to the middle of 6th Street, and is characterized by a cylindrical opening to the sky, large palm trees (or sculptures) and three fountains. Next is the central rotunda, capped by an open air dome which reaches approximately 80 feet in height. The third courtyard is a sunlit market place or "Souk," and is covered by a gracious trellis structure. Push cart "incubator" businesses will primarily be located in the Souk. And, finally, the entertainment plaza, which will host the cinema complex, features expansive areas for sidewalk cafe seating and impromptu entertainment staging.

The 7th Street entry to the project will be characterized by a "water-stair" adjacent to I. Magnin, providing access to the second level. The water-stair will be designed by an artist as a part of the two percent Art in Public Places (APP) program. At the west end of the project, the second level shopping area will be connected to Garage "G" by a catwalk to be penetrated by a tower structure, also to be designed by an artist.

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Additional art projects to be completed as a part of the APP program include the three fountains in the Tuscan Court, eight larger-than-life sculptures in the entertainment plaza, and, perhaps most prominently, a laser sculpture emanating from the central rotunda, possibly extending beyond the bounds of the project.

The Jerde Partnership, project architects, will present a comprehensive design presentation for your review at this meeting. Attached for your immediate review are the following:

- Exhibit "A": Parking Plan
- "B": Roof level site plan
- "C": Exterior elevation, north view
- "D": Exterior elevation, west view
- "E": Exterior elevation, east view
- "F": Exterior elevation, south view
- "G": Transverse Sections
- "H": Transverse Sections

The City's Design Review Board conditionally approved the project on February 28, 1990. The Board's concerns primarily regard pedestrian access points, service access, exterior treatments on "J" and "L" Streets, especially surrounding existing buildings (such as the Ramona and Traveler's Buildings), and treatment of the 5th Street overpass. (It should be noted that the Developer is currently negotiating with Copeland's Sports for purchase of the Copeland's building. If the purchase occurs, the existing building would be demolished and a new structure erected.) The Board was also concerned with the effect of the Sacramento climate on black paving material, as proposed. The Design Review Board's motion for conditional approval will be distributed under separate cover. The Developer and the Developer's architect have warranted to work to modify the design to meet the concerns of the Board.

Of additional concern to the staff and the Developer is the project's relationship to other catalyst sites within the downtown. Fourth Street between the Southern Pacific Railroad property and the "K" Street Mall is designated by Sacramento's Urban Design Plan as a major pedestrian and visual corridor. Integration between Downtown Plaza and the "K" Street Mall east of 7th Street, which is the focus of the Downtown Cultural and Entertainment District,

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is of much importance, as is the strengthening of the link between the downtown and Old Sacramento via the Old Sacramento pedestrian tunnel. To the south of the project, Lot A and other projects on Capitol Mall will ultimately be developed. Pedestrian and visual linkages are equally important here.

The Developer and the Jerde Partnership have participated in a series of workshops with Old Sacramento merchants regarding potential improvements to the Old Sacramento/ Downtown Plaza link. The Jerde Partnership has also met with the Roma Design Group, architects for the Southern Pacific site. Given the magnitude of the project and the need for all four linkage points to be considered, the staff believes that a comprehensive linkage study should be undertaken. The Developer has agreed to contribute up to \$33,000 for such a study, and the staff intends to seek contributions from developers of adjacent parcels as well. A presentation on scope of the study and a recommendation for approval will be brought forward at a later date.

Another issue related to design of the project is the aesthetic state of existing Garages K and G. In order for Downtown Plaza to effectively compete with suburban malls, it must not suffer from adverse perceptions about security. Suburban malls primarily offer surface parking and natural light, as contrasted with the structured, artificially lighted parking at Downtown Plaza. The Developer believes that the structured facilities should be lit with the most natural light possible, and should be maintained in a pristine manner in order to obviate the perception of them as being dark, dingy and risky places. The Developer has therefore recommended that a new lighting system be installed in both Garages K and G. The system would employ metal halide fixtures which disperse a white light rather than the yellow light dispersed by high pressure sodium fixtures.

The importance of the Downtown Plaza renovation to the overall "vision" for the Downtown Project Area cannot be overstated. A primary goal of the Downtown Redevelopment Plan is to create an animated, lively core which will entice downtown workers to remain downtown in the evening hours and lure them away from the suburbs on the weekends (hopefully via Light Rail). Those of you who have visited Horton Plaza in San Diego will appreciate the excitement generated by a retail center that is not only architecturally invigorating, but also provides continuous entertainment (jugglers,

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mimes, music, etc.) to pique the pedestrian interest. The new multi-screen cinema complex in Downtown Plaza will serve to pull the population to the downtown during non-work hours, and the stimulating environment will keep them in the downtown.

In addition, the renovation project will serve to increase the employment base in the Project Area, as well as spur new economic investment. Keyser Marsten and Associates (KMA) estimates that 553 constructions jobs and 618 permanent jobs will be created by the project.

## **B. Public Financial Participation**

The cost of construction of the Downtown Plaza renovation project is estimated to be \$78.6 million dollars. Including the value of Downtown Plaza as it exists today, the new Downtown Plaza will be worth several hundred-million dollars. The staff have reached tentative agreement with the Developer regarding a series of business terms which will be the basis of the DDA. The business terms primarily regard the disposition of Agency-owned land (Parcel D-1 and portions of the "K" Mall area), Agency financial commitment to public facilities which benefit the project, Developer commitment to construct and operate the project in accordance with plans approved by the Agency, and Developer commitment to Agency policies.

The continuing 1968 contract has governed the scope of negotiations on many of the business terms. The 1968 Contract stipulates that, provided Parcel D-1 is developed for low-rise retail, low-rise commercial or hotel use, it shall be conveyed to the Developer for \$4.80 per square foot. The Contract also stipulates that the Agency must provide public parking to serve the development. Although both of the above stipulations convey considerable value to the developer, KMA's financial evaluation shows that the planned renovation would not occur without such public investment.

The Developers originally requested that the Agency contribute \$22 million to project improvements. The negotiated business terms peg the Agency investment at \$14,365,000, all of which would be expended for public aspects of the project, i.e., construction of the new public Garage U, the tunnel connection from Garage U to Garage G, new lighting, paint and graphics in existing Garages K and G, and a portion of the offsite improvements (curbs, gutters and sidewalks). The Agency's participation would be capped at the above figure, and all cost overrun risk would be borne by the developer. KMA's analysis shows that, given investment by the

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Agency of this amount, the rate of return to the developer is reasonable; that is, one which is not excessive, but which reflects acceptable cash returns given the type of project proposed and its associated risk.

The market conditions in Sacramento are such that parking facilities are impossible to justify on a cash-flow basis. Hence, the Agency's participation in large redevelopment projects is typically related to construction of the parking facility. It is important to note that, while the investment in such facilities may not "pencil" at the outset, the Agency remains the owner of an extremely valuable asset which can be leveraged in later years to undertake additional projects which promote the goals of the Agency.

A copy of the business terms is attached as Exhibit "I," and is summarized below.

### III. Business Terms

#### A. Disposition of Parcel D-1(a) and the "K" Mall Area

The negotiated business terms allow for the "take-down" of Parcel D-1 in two phases. The developers desired a phased arrangement as they do not believe the retail market will support development of the entire parcel for retail use at this time. The parcel has been subdivided, and Parcel D-1(a), the southern 80% of Parcel D-1, which totals 59,279 square feet, would be conveyed prior to the commencement of construction activities for a total of \$284,539.

In addition, the Agency would convey to the Developer the area on the "K" Mall between 4th and 7th Streets to which it holds fee title, allowing the developer to pull forward the mall shop storefronts, as described above. A pedestrian easement which provides assurances for continued public access along the "K" Mall between 4th and 7th Streets would be conveyed back to the Agency, and a land use restriction would be recorded against the conveyed property ensuring that the property would be used for only the use intended by the DDA. All costs for maintenance now borne by the Agency, approximately \$315,000 per year (over \$3 million in capitalized value), would be borne by the developer, as would all liability.



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The total mall area to be conveyed consists of approximately 75,000 square feet. The value of the property is extremely difficult to estimate since it is of value only to the adjacent property owner and probably could not be sold on an open-market basis. The financial analysis noted above indicates that even with Parcel D-1(a) conveyed at \$4.80 per square foot and the "K" Mall conveyed at no cost, the project still requires the level of public financial participation recommended in this report in order to produce a reasonable return. Any required land payment, therefore, would increase the ultimate public financial participation in the project.

## **B. Disposition of Parcel D-1(b)**

As described above, the planned renovation project would involve construction on the southern portion of Parcel D-1. The remaining portion, Parcel D-1(b), would be conveyed to the developer in a second development phase. Given the duration of the 1968 Contract and the Agency's desire that the remainder of the site be developed within a reasonable time period, the DDA would stipulate that Parcel D-1(b) be conveyed within two years of the date of approval of the DDA, with development of the site, in accordance with the allowable uses, to occur immediately following conveyance. If D-1(b) is not taken-down within this time frame, all rights of the Developer would expire and the Agency could, at its sole discretion, dispose of the land by RFP or other means.

In accordance with the 1968 Contract, the property, which totals 23,174 square feet, would be conveyed for \$111,235, or \$4.80 per square foot if developed as a three-story commercial project. In order to release the Agency from any obligation to construct parking to serve the D-1(b) parcel arising from the 1968 Contract, the business terms provide for reduction in monthly permits within the existing Garages. According to the business terms, at the time the project developed on Parcel D-1(b) is complete, the Agency will cause the number of monthly permits issued for spaces within Garages K and G to be decreased by the number of parking spaces which could have otherwise been developed on Parcel D-1(b) (approximately 100 spaces). This provision relieves the Agency from a costly future responsibility while providing assurance to the Developer that there will be adequate available short term public parking.

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## **C. "K" Street Mall Trolley**

As previously described, the existing storefronts along the K Street Mall will be pulled forward into the mall area, increasing the intensiveness of the project and giving a feel of greater urban density. Numerous fountains, sculptures and push carts will be scattered throughout the pedestrian area. While the improvements will be exciting from the design perspective, they may also have the unfortunate effect of inhibiting the function of the existing Regional Transit (RT) trolley on the mall. While it will remain physically possible for the trolley to traverse the mall from east to west, the narrowing of the mall, the location of objects through the center of the mall, and the anticipated number of people within the common area will create a virtual obstacle course for the trolley. Other concerns of continued operation of the trolley through the mall include exhaust fumes emitted in food areas, damage to surface materials, and cleanliness and maintenance of surface areas, especially in rainy weather.

The Negative Declaration submitted to you under separate cover outlines two potential alternative routes for the trolley. The alternative routes both circle Downtown Plaza from 7th Street on J and L Streets, then re-enter the mall at either 4th or 5th Streets, and continue on to Old Sacramento. Either route would require the purchase of a new type of vehicle which could operate on surface streets.

Rather than deciding on an alternative route for the shuttle at this time, however, the staff and the Developer would prefer to explore the possibility of a more expansive shuttle system which would serve a number of key downtown points of destination. Institution of a shuttle service connecting office locations with the retail core is listed as a catalyst project in the Implementation Strategy for the Merged Downtown Sacramento Project Area. A number of office developers have proposed shuttle systems to serve their tenants' transportation needs both during the day and to and from peripheral parking facilities and/or RT stops. A comprehensive shuttle system might meet the needs of the individual projects as well as provide transportation to Old Sacramento, Downtown Plaza, the Convention Center and other areas of public interest. Such a shuttle service would have a broader subsidy base (the existing trolley is subsidized by DPA and the Old Sacramento Merchants Association), and would circulate a larger number of people throughout the core area.

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The staff recommends that the Developer, the Agency and RT enter into an agreement to undertake a study regarding an alternative shuttle system. Should the study determine that the new system is infeasible and that the tram should continue operation on the "K" Mall, the agreement would stipulate the terms of continued operation on the Mall. The terms would include mitigation of the adverse effects of trolley operation. The staff also recommends that the Developer be required to provide funds for the downtown shuttle study with possible reimbursement from other beneficiaries of the system. The Developer will be required under the Negative Declaration mitigation measures to contribute its fair share toward implementation and operation of the shuttle.

A letter submitted to RT outlining the above is attached as Exhibit "J."

## **D. Parking Management and Operations Plan**

As a condition of the DDA, the Developer has requested that the Agency and the City enter into a Parking Management and Operations Agreement with the developer. The Agreement would stipulate the standards by which Lots U (the new garage), K, G and P (beneath the freeway) would be maintained and operated as well as provide for a validation program which responds to changes in market conditions likely to occur with development of Lot A. The Parking Management and Operations Plan will be attached to and incorporated in the DDA.

## **E. Pedestrian Linkage Study**

As outlined in the Project section of this report, the development of pedestrian corridors and visual linkages is essential to the aesthetic and economic success of the downtown area overall. The Developer has therefore agreed to contribute \$33,000 to the architectural linkage study to be completed in response to this project. The amount contributed by the Developers is estimated to be the proportional benefit of the study to the Downtown Plaza project. Agency staff intends to solicit the contribution of developers of adjacent projects as well.

## **F. Child Care**

The City's child care coordinator has determined that a contribution of \$76,000 to a pool for the development of a child care facility would satisfy the need for child care generated by the project. The Developer is considering operation of a child

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care facility within or adjacent to Downtown Plaza. Under the business terms, the developer would be required to pay \$76,000 into a child care pool or demonstrate the expenditure of at least \$76,000 on a child care facility prior to issuance of a certificate of completion for the project.

## G. Art in Public Places

The DDA will stipulate that the Developer comply with the City's Art in Public Places program. The estimated art budget, which is two-percent of the applicable construction costs, totals \$714,000. The Developer has retained the art consultant Tamara Thomas to develop the art program for the project. Ms. Thomas has presented the proposed art program to the Art in Public Places committee of the Sacramento Metropolitan Arts Commission, as described in the Project section of this report, which has been approved in concept.

## H. Hazardous Waste

Two hazardous waste evaluations have been performed on Parcel D-1 by Kleinfelder, Inc. The first, a Preacquisition Site Assessment prepared for the Developer, surveyed environmental documentation for sites surrounding the subject parcel, reviewed the historic use of the parcel, and examined the parcel for indications of contamination. The location of the Southern Pacific Railroad yard (SP) approximately 800 feet to the north raised concerns of potential ground water contamination. A second phase evaluation was therefore commissioned by the Agency. One ground water monitoring well was installed on the parcel in a location thought most likely to be contaminated, given the direction of flow of the ground water plume from the SP site. Analytical results indicate that no contaminants are present.

There remains concern, however, that dewatering activity during site excavation may pull contaminated water from the SP yard into the site. In accordance with the Negative Declaration, a qualified structural engineer will review all proposed construction dewatering operations prior to the start of construction. Extraction and disposal methods will also be subject to the review of the Required Water Quality Control Board.

Despite the analysis performed to date, there remains concern that an environmental hazard may be discovered on the site during the excavation process. In order to provide limitation on remediation obligations, the DDA will provide that the Developer will bear all cost of remediation of hazardous waste on Parcel D-1(a) up to

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\$250,000. If the cost of remediation exceeds \$250,000, the Agency may, at its sole discretion, pay the portion of the cost exceeding \$250,000. If the Agency chooses not to pay the cost of remediation exceeding \$250,000, the Developer will have the right to withdraw from the project or pay the amount in excess of \$250,000.

## **I. Default Provisions**

The Developer will be required to purchase performance bonds for construction of the parking garage. The cost of the performance bonds will be within the maximum compensation amount as described in the Business Terms.

## **J. Good Faith Deposit**

The good faith deposit for the project will be \$250,000, which is also the amount of liquidated damages.

## **FINANCIAL DATA**

The total investment in the Downtown Plaza Renovation and Expansion Project will be \$78.6 Million. The Agency's participation would be \$14.365 million, which results in a leverage ratio of private funds to public funds of approximately 4.5 to 1.

A total of \$10 million was allocated from the 1989 City of Sacramento Certificate of Participation. The balance of the obligation could be funded by a number of alternative sources, including: 1) the 1990 Tax Allocation Bond; 2) parking revenues generated by the project; 3) tax increment generated by the project; and/or 4) a third party loan. A specific recommendation regarding financing will be brought forward for your approval at the time the DDA is presented.

Initial projections show that the project will generate approximately \$373,000 in tax increment funds and \$132,000 in parking revenue annually above current receipts. In addition, the City will receive approximately \$800,000 per year in new sales tax revenue. A revenue cash flow estimate for the project is attached as Exhibit "K," and a tax increment projection from Katz Hollis is attached as Exhibit "L."

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## **ENVIRONMENTAL REVIEW**

An Initial Study and Negative Declaration was prepared for this project and circulated for public review on January 31, 1990. The Developer has reviewed and agreed to comply with all of the mitigation measures recommended in the Mitigation Monitoring Plan in the Initial Study. The following is a summary of the potential impacts and mitigation measures discussed in the Initial Study.

### **A. Air Quality**

An Air Quality analysis of the proposed project was prepared by Jones and Stokes Associates, dated December 21, 1989. A copy of this report is on file (Control No. 170-DR-89) with the Agency's Environmental Coordinator. The report analyzed air quality impacts associated with the proposed parking structure, on-site circulation system and adjacent circulation system which could occur as a result of project implementation and cumulative development in the surrounding area by the year 1995.

The report concluded that emissions from traffic conditions that result from project occupancy could not produce carbon monoxide or smog precursor emission problems in the project vicinity. Although the report also concluded that there is a potential for localized carbon monoxide problems near the ventilation system exhaust ports if sized at the minimum level required by building codes, the developer has agreed to increase the amount of mechanical ventilation to 2.25 cubic feet per minute per gross square foot.

### **B. Groundwater**

A detailed, site specific geotechnical investigation for the project site was prepared by the project applicant (Kleinfelder, 10/89). The results of this investigation indicate that groundwater exists near the lowest depth of the proposed construction and dewatering during construction will probably be required.

The general direction of ground water flow beneath the project site is from north and northwest to south and southeast (Regional Water Quality Control Board). A plume of contaminated groundwater from the Southern Pacific Railroad yard has been identified migrating to the south and southeast. The westward extent of the plume was reported to be Seventh and J Streets, approximately 800 feet east of the project site.

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A monitoring well was tested on the project site in January, and no detectable levels of any contaminants were found. However, if groundwater removed during dewatering draws contaminated water to the site, any contaminated groundwater removed during dewatering must be treated as hazardous waste and disposed of appropriately.

The City's Department of Public Works has also indicated that numerous developments in the vicinity are considering using Sump 52 for dewatering discharges. This may exceed the Sump's capacity, and require limiting use of this Sump. The developer will be required to work with the City to provide for appropriate dewatering.

Shoring and dewatering methods outlined in the Kleinfelder report would reduce the potential impacts of dewatering and excavation to a less-than-significant-level for the proposed project, provided the installation and surveying processes follow the recommendations of a qualified geotechnical and civil engineer, and provided that damage, if it occurs, is repaired in a timely fashion.

## C. Flood Control

New Flood Insurance Rate Maps (FIRMS) have been issued based on recent studies conducted by the U.S. Army Corps of Engineers (USCOE) and the Federal Emergency Management Agency (FEMA). FEMA has designated the newly identified flood area as an A99 zone. The A99 zone identifies "areas of special flood hazard, where enough progress has been made on a protective system such as dikes, dams and levees, to consider it complete for insurance rating purposes."

The proposed project is located within an area designated by FEMA as an A99 zone and determined by USCOE to have approximately 63-year flood protection. However, FEMA is now referencing the USCOE working maps, dated January 1989, for base flood elevations, which designate the Downtown Plaza Expansion project within Zone X, with a base flood elevation of 24.2 feet for the adjacent area. Whereas project excavations will occur below this elevation, from 16 to 24 feet, the project is considered to be located in an area of the City determined to have less than 100-year flood protection. Implementation of the project will therefore expose people and property to the risk of injury and damage in the event of a 100-year or lesser flood. These risks are considered significant adverse impacts under CEQA.

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The City Council has evaluated these impacts in the Environmental Impact Report (EIR) prepared in connection with the Land Use Planning Policy Within the 100-Year Floodplain (M89-054) adopted by the Council on February 6, 1990. The EIR is available through the Department of Planning and Development, 1231 I Street, Room 300, Sacramento, California. This document serves as a Program EIR addressing the flood-related risks to people and property created by new development in the 100-year floodplain in the City.

The flood-related risks created by the proposed project fall within the scope of the Program EIR. Accordingly, the findings adopted by the Council in connection with its certification of the program EIR and its adoption of the Policy are applicable to and should be adopted in connection with the proposed project.

These findings are set forth in the Findings of Fact/Statement of Overriding Considerations for the Land Use Planning Policy Within the 100-Year Floodplain in the City of Sacramento. This document is appended to the program EIR available through the Department of Planning and Development.

As set forth in the Findings, no flood-related mitigation measures applicable to the project have been required.

## D. Cultural Resources

No historic buildings currently exist on the site, but building rubble, foundations and abandoned utility lines are anticipated to be encountered during site grading. During ground disturbance activities, the site will be monitored by a qualified archaeologist. In the event that construction activity reveals evidence of prehistoric remains and/or historic structures, the resources will be researched, their history identified, and their existence mapped and recorded photographically.

Piles driven within 50 feet (measured horizontally) of existing structures may result in vibration-induced distress to the Travelers Hotel (listed on the National Register of Historic Places) and the Fruit Building, both historically significant structures adjacent to the proposed parking structure. A survey of adjacent buildings will be performed prior to driving any test piles. During pile driving, existing structures will be monitored for driving-induced displacements, velocities, and accelerations by an engineering firm qualified in vibration monitoring and driving will be modified to reduce vibrations as necessary.



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## **E. Transportation**

An independent Transportation Analysis was prepared by Barton-Aschman Associates, dated December 1989. A copy of this report is on file (Control No. 170-DR-89) with the Agency's Environmental Coordinator. The report analyzed the operation of thirteen (13) signalized intersections in the study area, parking demand and supply, and the adequacy of circulation on and near the study site. The analysis was based on initial square footage calculations which were later reduced by about 40 percent.

The study determined that twelve of the thirteen study intersections operate satisfactorily (Level of Service (LOS) A, B, or C) during all time periods. The one exception is the intersection of 3rd Street and J Street during the AM peak hour, which would worsen under background development conditions. The Downtown Plaza expansion would have a less than significant impact on the cumulative congestion at this intersection. However, the project will pay its fair share of improvements necessitated by cumulative growth in an amount proportionate to the demand created by the project, through an appropriate equitable funding mechanism generally applicable to all non-residential projects in the Central City, should a mechanism be established.

Parking - The proposed expansion project would add a net increase of 256 parking spaces to the Downtown Plaza. All visitor and short-term parking demand can be accommodated on-site. By City of Sacramento policy, long-term demand, such as parking for Downtown Plaza employees or other downtown workers, would be accommodated by off-site spaces according to availability.

Internal traffic circulation impacts caused by the joining of Lot "G" (3rd & 4th/K & L Streets), via the tunnel to the Lot "U" (parcel D-1 garage), are currently being addressed by the developer. The structural configuration of Lot "G", with existing traffic circulation design at the existing tunnel opening in conjunction with two-way tunnel traffic flow in and out of both facilities, will be analyzed and designed to prevent traffic jams and flow restrictions before the DDA is signed.

The overall findings of the transportation analysis are that no significant traffic or circulation impacts would result from the proposed expansion of the Downtown Plaza.

# **SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

Redevelopment Agency of the  
City of Sacramento  
March 27, 1990  
Page 17

## **F. Public Transit**

Please refer to Part III C of this staff report.

## **G. Noise**

Construction activities would generate high noise levels on and around the site throughout the entire period of construction (Table 1). The highest noise levels would be produced intermittently during pile driving activities over a four to six week period during construction of the parking structure.

Whereas, the project site is located in an area already impacted by significant traffic noise levels in excess of 64dBA, anticipated temporary construction noise impacts would be less than significant as long as City Code requirements are met.

## **H. Housing**

The Initial Study found that the project would create an estimated increased housing demand of 112 units, with a demand for 9 units in the Central City. Using the Commercial and Industrial Development and Very Low Income Housing Nexus Analysis (HAPP) methodology, the Initial Study also projected that the proposed project would result in a demand for 19 very low income housing units.

The Sacramento Area Council of Governments (SACOG) projects that the Sacramento region will expand its market rate housing supply to keep pace with population growth. With the generation of 20% set-aside tax increment funds from this project for subsidized housing, as well as the Agency's other programs aimed at maintaining and increasing the supply of below-market rate housing, the proposed project's impact on housing is considered to be less than significant.

The Negative Declaration will be distributed under separate cover.

# **SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

Redevelopment Agency of the  
City of Sacramento  
March 27, 1990  
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## **MBE/WBE and Local Hire**

The DDA will require the developer to utilize the Agency's MBE/WBE policies for all contracts awarded after February 1, 1990, and will also require the developer to distribute materials regarding the Agency's MBE/WBE program to all tenants subcontracting for tenant improvements. The February 1, 1990 date is given because several of the construction contracts have already been awarded.

The local hire goal for the project will be 50 percent.

## **VOTE AND RECOMMENDATION OF COMMISSION**

At its meeting of March 19, 1990, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions, with the condition that the business terms be modified to require that the Developer participate in the Downtown Cultural and Entertainment District as a member. The staff concurs with this recommendation and has modified the attached resolution to reflect the recommendation. The votes were as follows:

AYES: Diepenbrock, Moose, Pernell, Simon, Strong, Wiggins,  
Williams, Wooley, Yew, Simpson

NOES: None

ABSENT: Amundson

# **SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

Redevelopment Agency of the  
City of Sacramento  
March 27, 1990  
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## **RECOMMENDATION**

The staff recommends approval of the attached resolutions. The first certifies that the environmental documentation prepared in response to the proposed project is adequate and complete, and that the Negative Declaration is appropriate. The second approves the business terms outlined in this report, authorizes the Executive Director to extend the term of the Agreement to Negotiate regarding Scope of Development to May 1, 1990, and approves the entry of the Hahn Company into the Downtown Plaza Associates Partnership, as Managing General Partner, and limiting Hahn's ownership share to 50 percent.

Respectfully submitted,



ROBERT E. SMITH  
Executive Director

TRANSMITTAL TO COUNCIL:

---

WALTER J. SLIPE  
City Manager

Contact Person: Wendy Saunders, Program Manager  
440-1355

DTPSR

# RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF \_\_\_\_\_

## CERTIFYING NEGATIVE DECLARATION DOWNTOWN PLAZA EXPANSION PROJECT

WHEREAS, the Agency has issued Negative Declaration No. 170-DR-89 with respect to the Proposed Downtown Plaza renovation and expansion project; and

WHEREAS, an Initial Study has been prepared in support of the Negative Declaration; and

WHEREAS, the Initial Study has determined that said Project will not have a significant effect on the environment for the following reasons:

- a) It will not have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory;
- b) It will not have the potential to achieve short-term, to the disadvantage of long-term, environmental goals;
- c) It will not have impacts which are individually limited, but cumulatively considerable;
- d) It will not have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly.

---

FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

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

Section 1: The Agency finds, upon consideration of the information contained thereon, that Negative Declaration No. 170-DR-89 is adequate in accordance with the California Environmental Quality Act (CEQA) for the proposed Project.

Section 2: The Agency finds that the flood related risks created by the proposed project fall within the scope of the Program EIR adopted for the land use Planning Policy within the 100-year floodplain (M89-054) by the City Council on February 6, 1989, and that the Findings adopted by the Council in connection with its certification of the Program EIR and its adoption of the Policy are applicable to and are hereby adopted in connection with the proposed project.

Section 3: The Agency finds that any potential environmental impact of the proposed Downtown Plaza expansion and renovation project shall be insignificant or shall be reduced to an insignificant level by the mitigation measures outlined in the Mitigation Monitoring Plan, and therefore, hereby approves Negative Declaration No. 170-DR-89.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

1100WPP2(610)

\_\_\_\_\_  
FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

# RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF \_\_\_\_\_

APPROVAL OF BUSINESS TERMS AND PARTNERSHIP

WHEREAS, on August 1, 1989, the Redevelopment Agency of the City of Sacramento entered into an Agreement Regarding Scope of Negotiations for the renovation and expansion of Downtown Plaza; and

WHEREAS, Business Terms regarding this renovation and expansion have been agreed upon; and

WHEREAS, the Agency now desires to extend the term of the Agreement Regarding Scope of Negotiations so that legal documents may be prepared.

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

Section 1: The Business Terms as attached to this resolution are hereby approved.

Section 2: The project concept set out in the attached staff report is approved.

Section 3: The Developer shall participate as a member in the Downtown Cultural and Entertainment District.

Section 4: The Agency hereby approves assignment of not more than fifty (50) percent interest (as managing general partner) in the Downtown Plaza Associates Partnership to Ernest W. Hahn, Inc., doing business as the Hahn Company.

Section 5: The Executive Director is authorized to extend the term of the Agreement Regarding Scope of Negotiations to May 1, 1990, subject to the provisions of this resolution.

\_\_\_\_\_  
CHAIR

ATTEST:

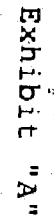
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SECRETARY

1100WPP2(612)

FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_



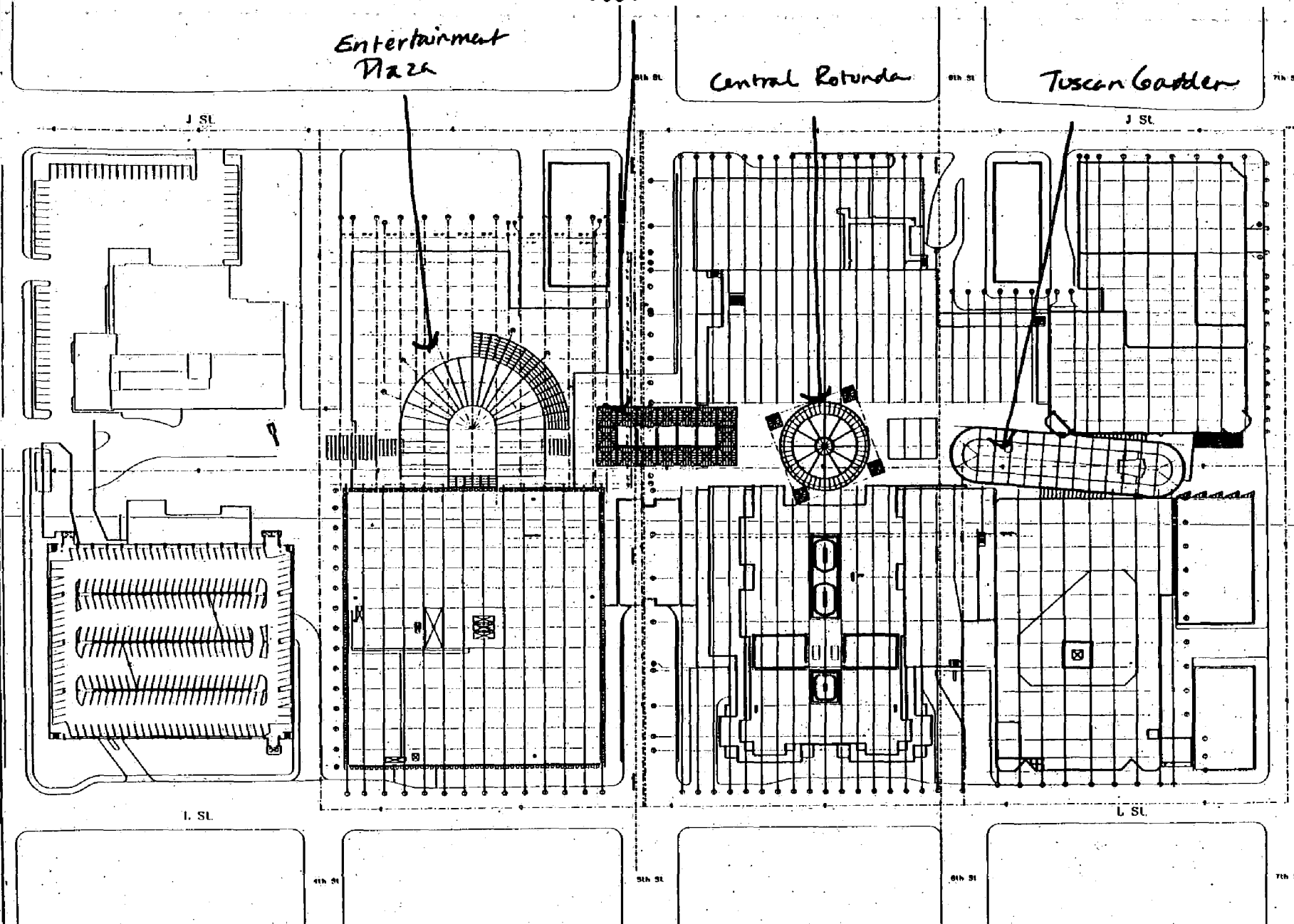


"Souk"

Entertainment  
Plaza

Central Rotunda

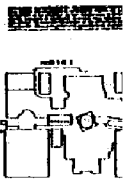
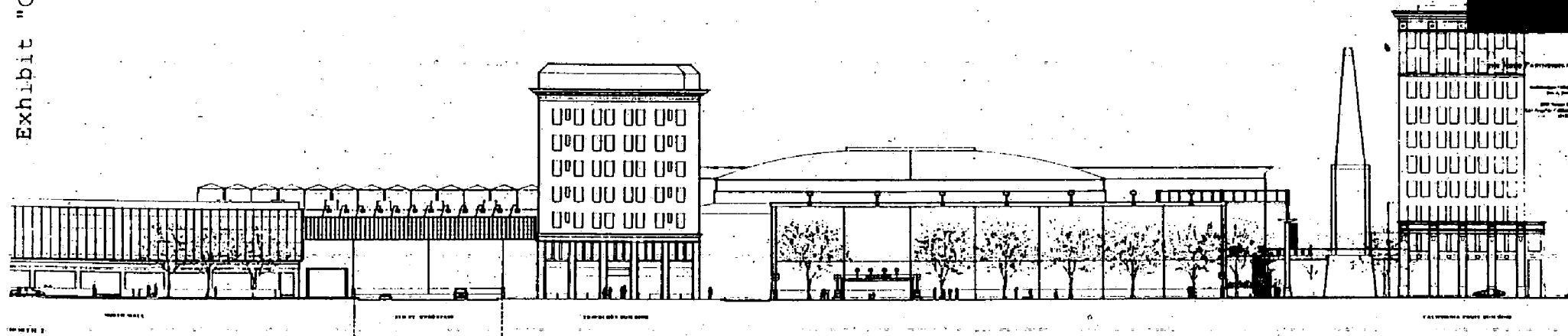
Tuscan Garden



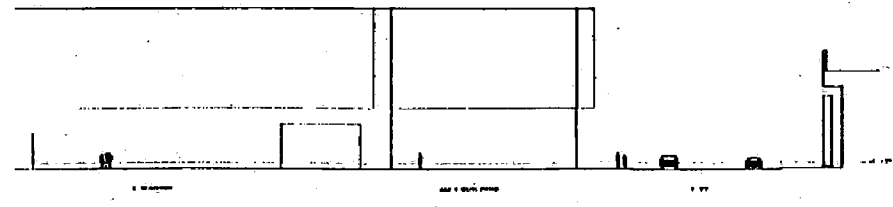
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Exhibit "C"

DOWNTOWN  
PLAZA



Key Plan  
ELEVATIONS  
NORTH  
EAST



1/10/01

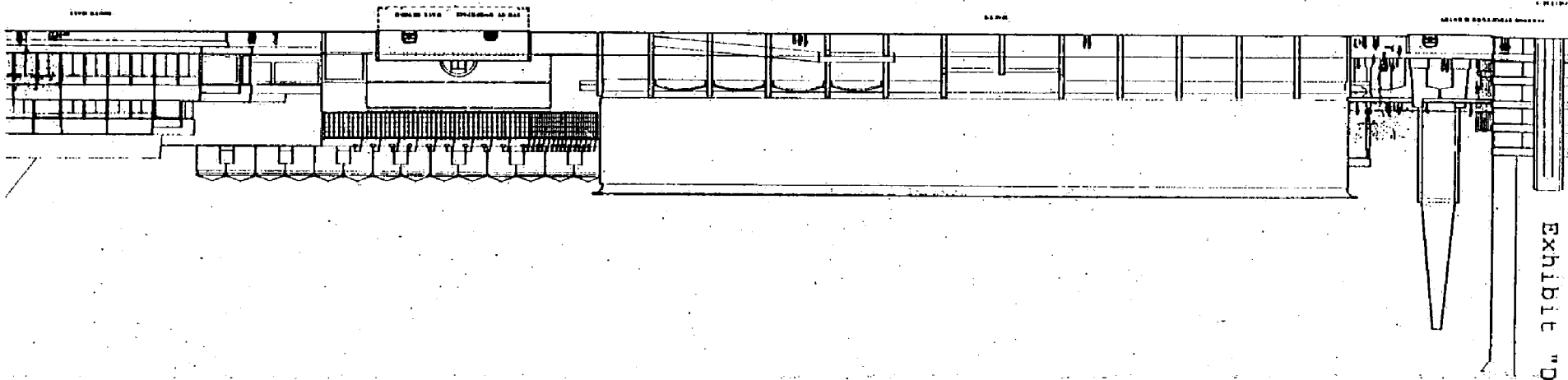
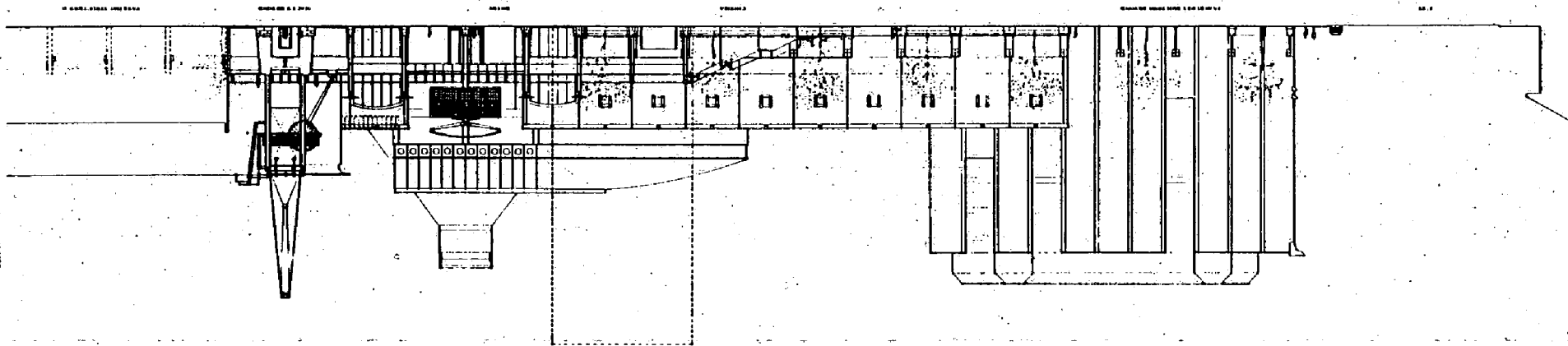


Exhibit "D"

Exhibit "E"

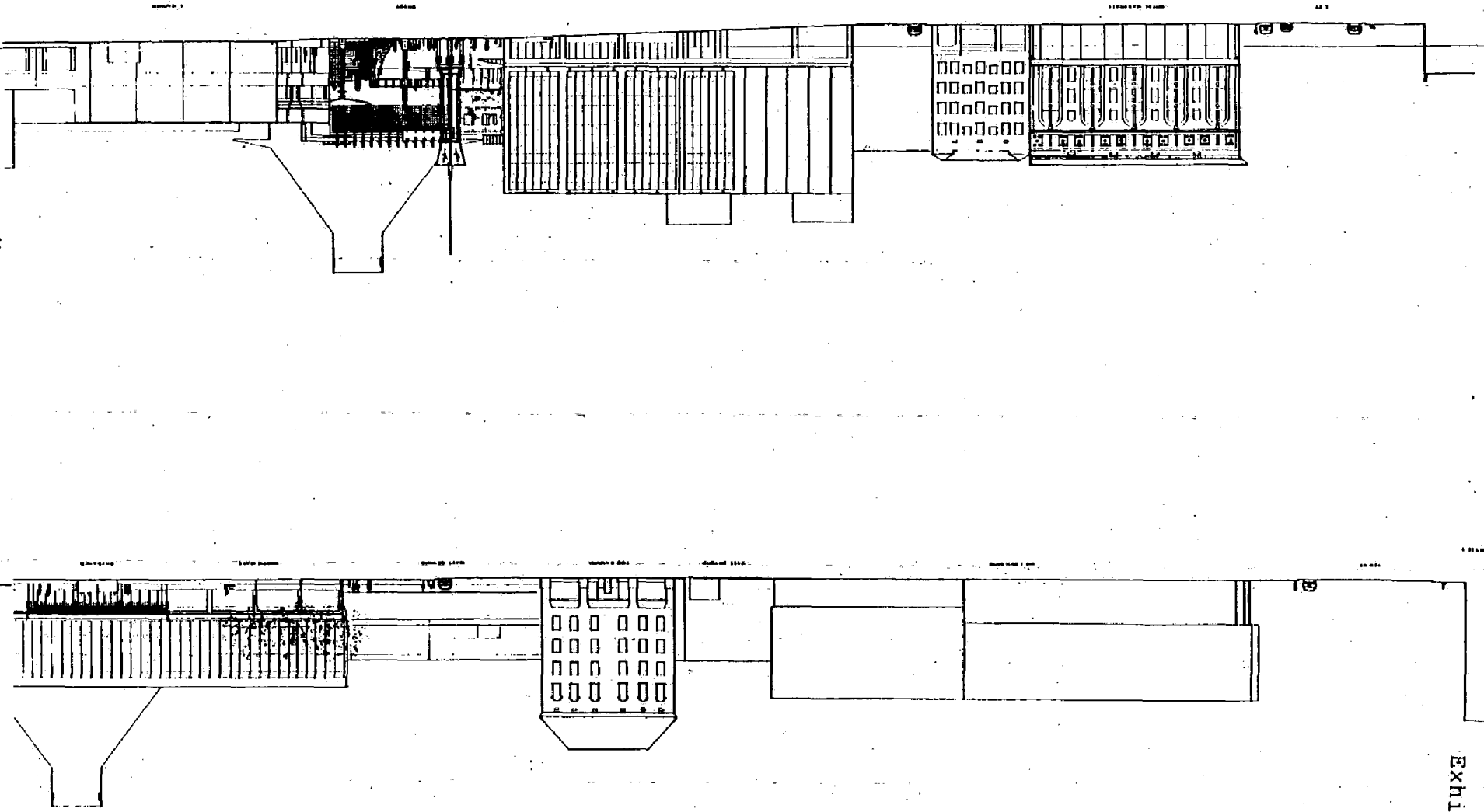


Exhibit "F"

Key Plan  
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Section 4  
Section 5  
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Section 100

DOWNTOWN  
PLAZA

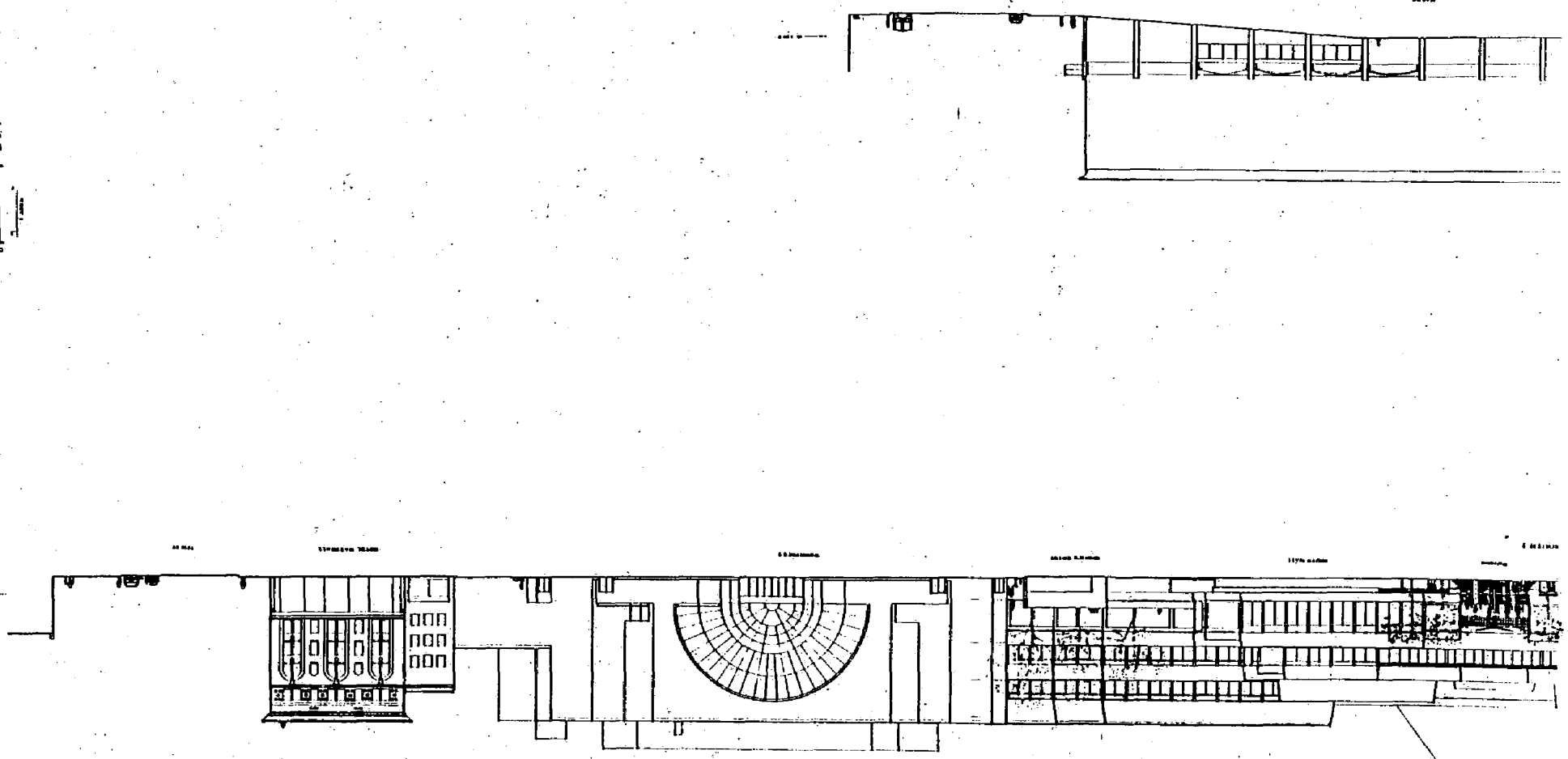
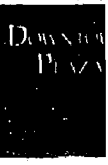
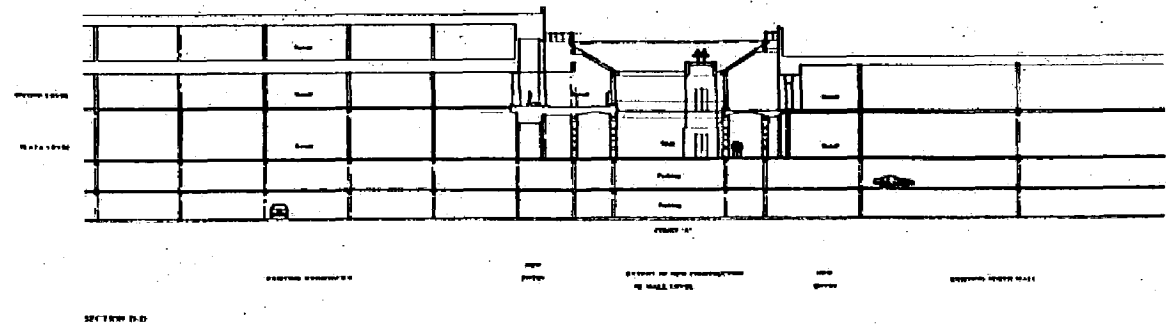
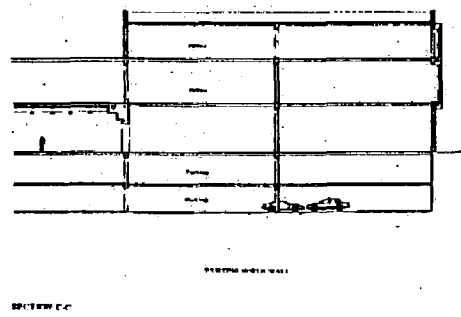
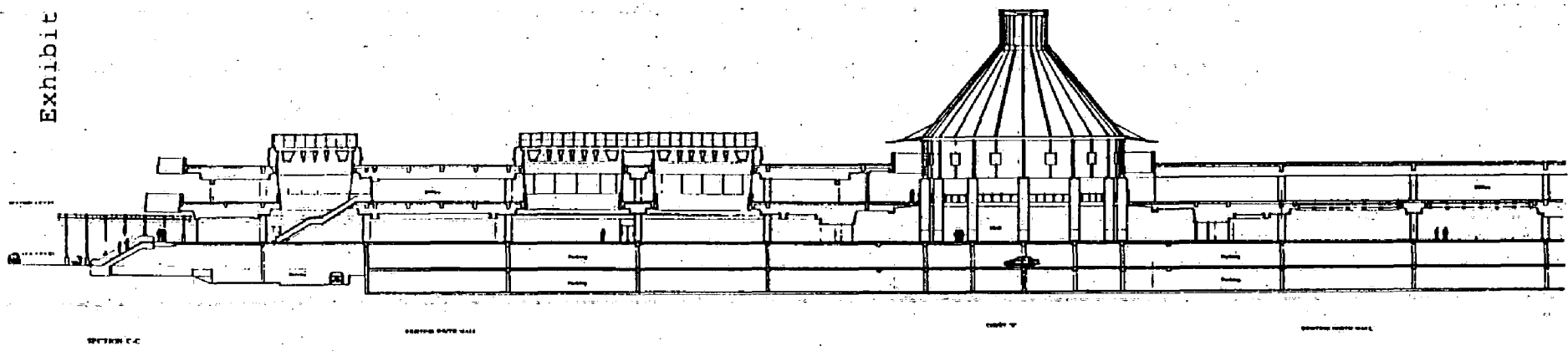


Exhibit "G"



THE JACO PAPERMAN

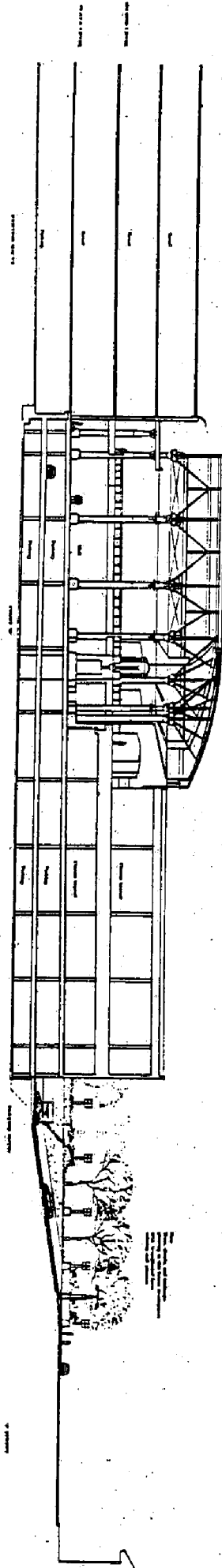


TRANSVERSE SECTION C-C D-D

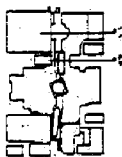
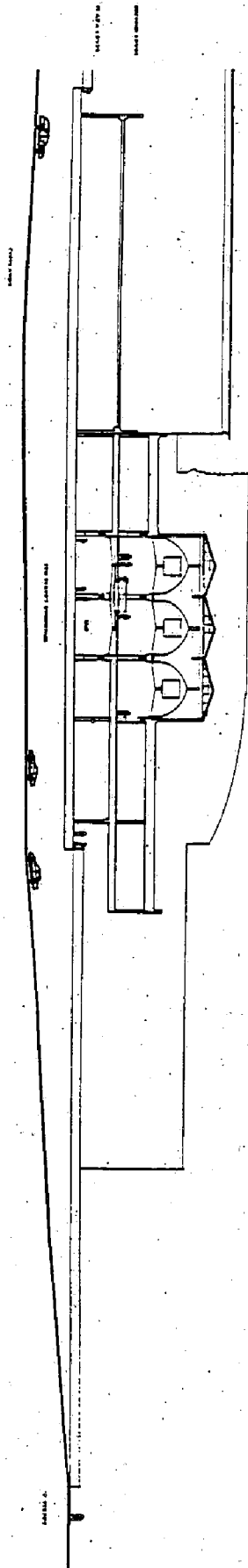
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# Exhibit "H"

SECTION A-A



SECTION B-B



Architect  
 Planning Section  
 A.A.B.B.

Architect

Architect

Architect

Business Terms and Conditions  
Downtown Plaza Expansion Project

I. Project Description

Parcel D-1 shall be divided into three (3) legal parcels for the purposes of developing the proposed project. Parcel D-1(a) known as the Property shall consist of the land and property above, except for the space to be occupied by the subterranean parking garage, and shall be developed with a two-level retail development above the subject garage. The subterranean parking garage shall consist of the airspace occupied by the Parking Garage space as an exception to Parcel D-1(a). Parcel D-1(b) shall be subject to an agreement between the Developer and Agency as set forth in Section II-B of this document. The portion of the "K" Street Mall owned by the Agency from 4th to 7th Streets shall be occupied by two level retail development. This area along with Parcel D-1(a) shall constitute the Project Site.

II. Land/Disposition

A. Parcel D-1(a) and "K" Street Mall. Agency shall convey fee title to Parcel D-1(a), which extends from the edge of the proposed parking structure on the north to the "K" Street Mall on the south, and which is bounded by 4th and 5th Streets on the east and west, to the developer for \$4.80 per square foot. The total parcel which consists of 59,279 square feet shall be conveyed for a total of \$284,539. The actual square footage will be subject to confirmation by the project civil engineer subject to instructions agreed to by Agency and Developer.

Agency shall convey all property within the "K" Street Mall area between 4th and 7th Streets to which it holds fee title, excepting the subterranean garage subject to: 1) the recordation of the Declarations of Conditions, Covenants and Restrictions which restricts the use of the "K" Mall area (not encumbered by a public easement) conveyed to Developer for low rise retail use in accordance with the provisions and definitions of the DDA or other use approved by the Agency; (2) Developer deeding to Agency an easement for public pedestrian access in a form acceptable to Developer and Agency at no cost to the Agency; and (3) Agency bearing no responsibility regarding maintenance, operation or liability within the conveyed "K" Mall Area other than that relating to the Garages below.



B. Parcel D-1(b): The DDA shall include provisions for a phased land takedown of Parcel D-1(b) by the Developer. The term of the land takedown shall be two (2) years beginning on the date of approval of the Disposition/Development Agreement (DDA), subject to reasonable extension to complete environmental clearances for development. The purchase price shall be \$4.80 per square foot for the total square footage of the subject parcel based on the allowable uses as: 1) low rise retail; 2) low rise retail/commercial; or 3) hotel. For the purposes of this paragraph, low-rise is defined as a maximum of three (3) stories in height. The deposit shall be \$40,000 which shall be applied in total toward the purchase price at the time Parcel D-1(b) is purchased by the Developer. The existing \$40,000 good faith deposit shall be substituted as the deposit for Parcel D-1(b).

As to Parcel D-1(b), the City and/or Agency is under no obligation to construct or provide additional parking for the intended development on Parcel D-1(b) except as follows: The City and/or Agency shall, at the time the development on Parcel D-1(b) is completed as evidenced by a Certificate of Completion issued by the Agency, have completed a process that results in the reduction of the total number of monthly parking permits in existence at the date of approval of this DDA within Garages "K", "G" and/or "U" by a total of the number of spaces that could otherwise be constructed as a two level below grade parking garage below Parcel D-1(b). The number of spaces will be determined by the project architect and as reasonably agreed to by the Agency and Developer. Such reduction shall also be continued for the period specified in the Parking Management and Operations Plan, but in any event, not less than the term of the Merged Downtown Sacramento Redevelopment Project Area. It is the intent of the parties to have the actual number resulting from this process to be included in the DDA.

In addition, the Agency will provide assistance in securing proper environment review certification for the intended development on Parcel D-1(b) in accordance with the California Environmental Quality Act (CEQA).

### III. Public Improvements

#### A. Parking

1. Garage "U" - Developer shall be responsible for construction of Garage "U" (also known as "Block D Garage"), which is a two level below grade public parking structure consisting of approximately 460 spaces, in accordance with a scope of development and public improvement financing plan, consistent with the terms hereof which shall be attached to the DDA as the "Scope of Development" and "Public Financing Improvement Plan" and approved by Agency and Developer.

2. Garage "K" and "G" Remodels - Developer shall be responsible for improvements to existing Garages "K" and "G" including painting, lighting and graphics, in accordance with the Scope of Development and Public Improvement Financing Plan.

B. Public Improvements. Developer shall construct on-site and off-site improvements in accordance with the Scope of Development and Public Improvement Financing Plan.

#### IV. Public Financing Participation

Except as otherwise provided herein, Developer shall construct the Project without any financial participation from the Agency and in conformance with the Scope of Development.

The Agency shall provide direct financial participation for the following items in the respective amounts indicated in accordance with the Developer Proforma dated December 9, 1989; as more specifically set forth in the DDA approved by Agency and Developer; Sixth Conceptual Budget dated November 15, 1989; and Exhibit I - Summary of Agency Financial Participation, attached hereto.

-	Garage "U" (New Construction)	\$10,830,047
-	On-Site Improvements.	
	"L" Street sidewalk improvements [Item 42]	233,338
	"J" Street sidewalk improvements [Item 43]	
	"K" Street improvements [Item 44]	
-	Off-Site Improvements	921,051
	"L" Street improvements [Item 47]	
	"J" Street improvements [Item 48]	
	4th Street improvements [Item 49]	
	5th Street improvements [Item 50]	
	7th Street improvements [Item 52]	
-	Art in Public Places	211,500
-	Garage "K" Remodel	1,688,864
	Painting	
	Lighting	
	Graphics improvements	
-	Garage "G" Remodel	480,200
	Painting	
	Lighting	
	Graphics improvements contingency	
	(Total "Maximum Agency Participation")	<u>\$14,365,000</u>

Should any item listed above be constructed for less than is anticipated herein, the savings derived may be applied to any other item in the above list at the discretion of the Developer. A final certified accounting by an independent party of the application of Agency funds shall be required of the Developer upon project completion. The audit will be for purposes of determining that the total sum paid to developer pursuant to the Public Financing Participation was expended for the Project in the aggregate of areas listed in the Public Financing Participation section above.

If necessary, the Developer shall provide the Agency a loan ("Agency Loan") to cover the projected cash flow shortfall related to the proposed method of financing approximately \$4.3 million of the Agency financial participation. The Agency shall indicate the amount of the financing required to meet the shortfall to the reasonable satisfaction of the Developer. The principal amount of the loan shall not exceed \$700,000 which shall be disbursed to the Agency in accordance with a payment schedule over the period between commencement of construction of the project and project completion. Interest shall accrue from the date of disbursement at the same rate (including any "floating" interest rate factor) as the construction loan secured by the Developer. The Agency repayment shall commence one year after the completion of the Project as evidenced by the issuance of a Certificate of Occupancy by the City. The repayment shall fully amortize the principal amount plus accrued interest over a period of seven (7) years. Payments shall be made monthly. The loan shall be secured in a manner acceptable to both the Agency and Developer.

#### V. Other Terms and Conditions

A. Parking Management and Operations Plan. Agency, City and Developer shall enter into a parking management and operations plan simultaneously with the DDA which stipulates availability of short term public parking, maximum amount and limitations on monthly permits, standards of maintenance, operations, security and insurance, as well as other conditions to which the parties may agree relative to the management and operations of Garages "U", "K", "P" and "G".

B. Pedestrian Linkages. Agency shall enter into a contract with an architect acceptable to the Agency and Developer to study and design pedestrian linkages between the subject Downtown Plaza Project and 1) Old Sacramento; 2) Chinatown/Southern Pacific Property; 3) "K" Street Mall east of 7th Street; and 4) Capitol Mall/"L" Street area. Developer shall contribute up to one third of the total contract cost not to exceed a total of \$33,000 which is payable after the costs have been incurred by the Agency. This section shall not be construed as an agreement, commitment, or obligation of the Developer to agree with the proposed improvements or to contribute to the costs of such improvements.

C. Child Care. Prior to, or at the time of transfer of Parcel D-1(a) from the Agency to the Developer, the Developer shall either 1) pay to the City of Sacramento the amount of \$76,000; or 2) provide evidence that \$76,000 has been or will be expended prior to issuance of a certificate of completion by Agency toward development of an on- or off-site child care facility for the purpose of assisting in the provision of child care services related to demand for such services generated by the subject project. This payment or expenditure shall constitute full and complete satisfaction of Developer's obligations for child care related to the Project as contemplated in the DDA with the exception of Parcel D-1(b).

D. Art in Public Places. The developer shall comply with provisions of the Redevelopment Agency Art in Public Places Program (APP) as related to construction of improvements within the project, and shall reasonably maintain the artwork through the life of the project, or until artwork is removed and replaced. Nothing herein shall derogate from Developer's rights under State statutes.

E. "K" Street Tram. The developer shall prepare and submit to the Agency a plan for accommodating the ongoing operation of the "K" Street Tram connecting 7th/"K" Streets with Old Sacramento which plan shall be approved by the Redevelopment Agency (with input and consultation with Regional Transit) at the time of approval of the DDA for the Project.

F. Good Faith Deposit. Prior to or upon approval of the Disposition and Development Agreement by the Redevelopment Agency, the Developer shall deposit with the Agency a good faith deposit of \$250,000 which shall be the maximum amount for the good faith deposit, liquidated damages and/or the cost of performance bonds (if purchased at the sole discretion of the Developer) for the Project. Excluded from this limitation are the performance and payment bonds required by the DDA for general contractor, to the extent applicable, and subcontractors constructing Garage "U". The form of the good faith deposit shall be cash, letters of credit or certificates of deposit, at the sole discretion of the Developer in a form acceptable to the Agency.

G. Hazardous Waste. The Agency will provide to Developer information and studies in its possession as to the past and existing uses of the Property. Prior to disposition of Parcel D-1(a), Developer may undertake such studies of the Property to determine whether or not there are present, in the soil or groundwater on the Property, any materials deemed to be toxic or hazardous under any applicable local, state or federal laws, ordinances or regulations. All such studies shall be done at Developer's sole cost and expense. Developer shall remediate and pay cost of remediation of toxic or hazardous materials up to \$250,000. If such studies provide Developer a reasonable basis for concluding that such hazardous materials are present and that the cost of their remediation is likely to exceed \$250,000, the Agency may, at its sole discretion, pay the portion of costs exceeding \$250,000. If the Agency elects not to pay the amount above

\$250,000; Developer may terminate any agreement between the Agency and Developer by written notice to City and Agency prior to transfer of Parcel D-1(a), and shall have no further obligation to acquire the Property, and all sums deposited or paid to Agency shall be returned to Developer. In the event Developer receives fee title to the Property, Developer shall eliminate, and pay the cost to eliminate, any hazardous materials which are subsequently discovered on the Property. Notwithstanding the foregoing, the Developer's obligation to remediate hazardous waste shall in no event be deemed a waiver of its rights to pursue the Agency for contribution for the costs of remediation.

H. Default Provisions. The default provisions of the proposed Disposition and Development Agreement shall be included with the following modifications: 1) Payment and performance bonds shall be required for construction of Garage "U." The DDA shall be written to provide that the cost of purchasing the bonds is an eligible cost of Garage "U" to be paid for by the Agency, as long as such cost is within the maximum amount of Agency financial participation per Section IV above; and 2) the extension fees shall be eliminated.

DTPTerms

SUMMARY OF REDEVELOPMENT AGENCY MAXIMUM  
FINANCIAL PARTICIPATION  
Downtown Plaza Expansion Project

	Maximum Agency Financial <u>Participation</u>
1. Garage "U"	
Construction Contracts	9,447,887
Building Owner	830,810
Consultants	<u>551,350</u>
	10,830,047 <sup>1</sup>
2. On-Site Improvements	
Construction Contracts	160,000 <sup>2</sup>
Building Owner	29,813
Consultants	<u>43,525</u>
	233,338
3. Off-Site Improvements	
Construction Contracts	712,085 <sup>3</sup>
Building Owner	38,862
Consultants	<u>170,104</u>
	921,051
4. Art in Public Places	211,500 <sup>4</sup>
5. Lot "K" Remodel	
Construction Contracts	1,563,564 <sup>5</sup>
Building Owner	46,800
Consultants	<u>78,500</u>
	1,688,864
6. Lot "G" Remodel	
Construction Contracts	440,000
Building Owner	13,200
Consultants	<u>27,000</u>
	480,200
	=====
SUB TOTAL	2,165,500
 TOTAL	 14,365,000 <sup>6</sup>

## NOTES AND COMMENTS

1. The total amount for Garage "U" includes the costs for demolition and excavation of the "K" Mall between 4th and 5th Streets to the point of connection with the tunnel to Garage "G," the Agency's construction oversight activities (limited to a maximum of \$250,000); and any foundation and/or structural enhancement necessary for construction of the two story retail above the parking garage; and a \$75,000 allowance for access and revenue control systems.
2. The cost for on-site improvements includes the following items per the Developer Proforma dated December 9, 1989, and Sixth Conceptual Budget dated November 15, 1989 and as further defined in the Scope of Development.
  - Item 42 - "L" Street improvements
  - Item 43 - "J" Street improvements
  - Item 44 - West "K" Street improvements
3. The cost for off-site improvements includes the following items per the Developer Proforma dated December 9, 1989 and Sixth Conceptual Budget dated November 15, 1989, and as further defined in the Scope of Development:
  - Item 47 - "L" Street improvements
  - Item 48 - "J" Street improvements
  - Item 49 - 4th Street improvements
  - Item 50 - 5th Street improvements
  - Item 52 - 7th Street improvements
4. The Art-in Public Places figure represents application of the 2% requirement to the eligible Garage "U", on-site and off-site improvement costs noted in Item 1, 2 and 3 above.
5. The construction contract amount includes painting lighting and graphics improvements for garages K and G, in accordance with the Developer Proforma dated December 9, 1989 and Sixth Conceptual Budget dated November 15, 1989, and as further defined in the Scope of Development.
6. Notwithstanding anything to the contrary contained herein, the Public Improvement Development Agreement and the DDA shall provide for the increase in the Maximum Agency Participation as a result of the Agency initiated/approved change orders, from the approved plans.



# **SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**



March 12, 1990

Pilka Robinson  
Transportation Manager  
Sacramento Regional Transit  
P.O. Box 2110  
Sacramento, CA 95812-2110

Dear Pilka:

Since the last meeting with the Regional Transit (RT) Board regarding the Downtown Plaza renovation project, Agency staff has come to agreement with the Hahn Company and Downtown Plaza Associates (Developer) regarding the major business terms to be incorporated in the Agency's disposition and development agreement (DDA) with the Developer. The business terms provide that the developer will prepare a plan for accomodating the operation of the tram connecting 7th and K Streets with Old Sacramento, which will be subject to approval by the Agency.

As a part of the decision making process regarding the route of the tram, Agency staff would like to explore the possibility of a more comprehensive shuttle program. As you know, a number of office building developers have proposed to maintain shuttle programs to provide their tenants easy access to major destination points. We believe that a single shuttle system, paid for by a number of building owners or occupants, might prove a more efficient means of meeting those needs. The shuttle program could also be used to ferry employees from peripheral parking garages and RT stops to their places of employment. And, of significance here, the shuttle could be used to deliver people to Old Sacramento and Downtown Plaza during the mid day period currently served by the tram.

If it is determined by the study that the existing shuttle should not be replaced, the Developer has agreed to allow continued operation of the trolly (or substitute vehicle) through Downtown Plaza. Continued use would, however, be stipulated upon certain guarantees to the Developer by RT. These guarantees are as follows:

1. RT would limit the use of carbon monoxide producing vehicles adjacent to food service areas;
2. RT would indemnify Developer against claims resulting from pedestrian/vehicular conflict within the mall;



3. RT would pay for the repair of any floor materials damaged by the vehicle; and

4. RT would clean grease and oil spills and tire track marks in the mall area.

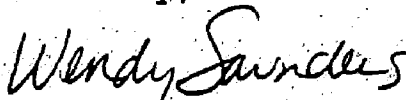
The Agency would also require indemnification for any damage to the Agency's subterranean garage as a result of structural failure due to the trolley's operation.

Agency staff will recommend that the Developer be required to fund the shuttle study up to a reasonable amount (say \$15,000) with possible reimbursement for a portion of the cost by other developers who would benefit from the system. The Developer would be required to pay for its fair share of implementation and operation of an alternative shuttle system under the mitigation measures stipulated in the Negative Declaration. Agency staff will also recommend that, prior to execution of the DDA, the Developer, RT and the Agency enter into an agreement regarding the conditions under which the trolley's operation could be continued within the mall, should this be determined as the optimum solution.

Our Commission will review this matter along with the proposed project business terms at its regular meeting of March 19. The project will go to the Council on March 27 for conceptual project approval and approval of the business terms.

Please convey the above information to your board. Agency staff will be happy to meet with the Board for further discussion. We look forward to working with you on the shuttle program study.

Sincerely,



Wendy Saunders  
Program Manager

cc: Thomas V. Lee

RTTram

March 12, 1990

## Downtown Plaza Project

Revenues to Redevelopment Agency and City of Sacramento

Source	Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Increment (1)		373,000	380,460	388,069	395,831	403,747	411,822	420,059	428,460	437,029	0
Sales Tax (2)		800,000	832,000	865,280	899,891	935,887	973,322	1,012,253	1,052,745	1,094,855	1,138,647
Parking Revenue (3)		232,000	241,280	250,931	260,968	271,407	282,263	293,554	305,296	317,508	330,208
Total Revenues		1,405,000	1,453,740	1,504,280	1,556,690	1,611,041	1,667,408	1,725,866	1,786,501	1,849,392	1,468,856
Revenues to Agency		605,000	621,740	639,000	656,799	675,154	694,086	713,613	733,756	754,537	630,208

(1) Katz Hollis projection, 2% inflation

(2) Projected annual growth = 4%.

(3) Projected annual growth = 7%.

# Katz Hollis

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 Katz Hollis, Coren  
& Associates, Inc.
 

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 Financial  
Consultants
 

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 550 S. Hill Street  
Suite 980
 

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 Los Angeles, CA  
90013-2410
 

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 (213) 629-3065
 

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 San Jose  
(408) 298-2984
 

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March 12, 1990

Mr. Thomas V. Lee  
Director of Community Development  
Sacramento Housing & Redevelopment Agency  
630 "I" Street  
Sacramento, California 95814

Re: Downtown Plaza Tax Increment Revenue

Dear Mr. Lee:

Pursuant to your request, we have updated our projections of future tax increment revenues to be generated from the expansion and remodeling of the Downtown Plaza Shopping Center (the "Site") in the Merged Downtown Redevelopment Project Area (the "Project Area"). Enclosed are Table 1, which provides the projection of tax increment revenue, and Table 2, which estimates projected new development. Based on our analysis, net additional tax increment revenue from the Site is projected to increase by \$373,000 by the 1993-94 Fiscal Year.

## Tax Increment Assumptions

The projections shown on Table 1 estimate net new tax increment above the 1989-90 level of property taxes currently generated from the Site. The total 1989-90 locally-assessed taxable value of the Site is \$84.4 Million. This value has been utilized in the projections as the starting value to determine net new tax increment. Based on the actual tax rates levied in the Project Area, the total property taxes currently generated from the Site total approximately \$889,000. For purposes of this analysis, the Site includes all parcels in the shopping center assessed to Downtown Plaza Associates ("DPA") as well the Macy's and Weinstock's Department Stores. Although not a part of the expansion and remodel of Downtown Plaza, the 550 and 650 "J" Street Office components are included in the total 1989-90 Site taxable value described above as the taxable values of the Site reported by the Assessor are not separated by its office and retail components.

California redevelopment law provides that auditor-controllers shall calculate tax increment on the basis of the total ad valorem tax rate applied to properties in a project area. The 1989-90 secured tax rate for the Project Area is 1.0532 per \$100 of assessed value. Future tax rates are based on the historical decline in Project Area tax rates from 1983-84 to 1989-90.

Real property values utilized in the projections are comprised of locally-assessed secured and unsecured land and improvements. Except for projected new development, real property values have been trended at an annual rate of two percent; the limit provided in Article XIII A of the California constitution.

Other property includes the value of secured and unsecured personal property. Except for projected changes in other property values due to the expansion and remodeling of the Site, no increases due to trended valuation growth have been applied to personal property.

# KatzHollis

Mr. Thomas V. Lee  
Sacramento Housing & Redevelopment Agency  
March 12, 1990  
Page 2

The Project Area also receives tax increment revenue from property taxes generated from state-assessed utility property and revenue from state special subventions. Generally, these revenue sources are not affected by the valuation growth from a particular site and have therefore been excluded from the projections. The Agency may receive tax increment generated from supplemental property taxes which would result from the completion of the expansion and remodeling of the Site. The supplemental property taxes generated from the site will be a "one-time" occurrence and will offset, in like amount, the Agency's receipt of state special subventions. Therefore, the projections do not include estimates of supplemental property taxes.

Net tax revenues reflect the application of a full 20 percent set-aside for low and moderate income housing. Our analysis has not included any adjustments to the housing set-aside requirement for any prior contributions by the Agency towards its fulfillment of the housing set-aside requirement.

## New Development Assumptions

The estimates of taxable value added as a result of the expansion and remodeling of the Site are based on information regarding scope and timing provided by the Agency. The valuation estimates are shown on Table 2.

It is our understanding that DPA, the current owner of the common mall and retail shops (as well as other mall space utilized for office and service users), has entered into a partnership agreement with the Hahn Company. We have reviewed the partnership reorganization documents to determine if the Site would be subject to reassessment due to a possible change of ownership in addition to the reassessment to occur as a result of the renovation activity.

Under California law, annual increases to the taxable value of real property are limited to two percent unless new construction or a change of ownership has occurred. Typically, the taxable value of an existing mall such as Downtown Plaza is significantly below the actual market value due to the inflation limitations described above. If the Sacramento County Assessor were to determine that the reorganization of the DPA partnership with Hahn caused a change of ownership as defined in the Revenue and Taxation Code then those parcels currently assessed to DPA would be subject to an increase of taxable value up to their market value as determined by County Assessor staff. The increase in taxable value due to the changes of ownership would not be dependent upon the actual expansion and remodeling of the Site; although the taxable value could increase twice: initially due to the change of ownership and subsequently due to new construction which would increase the market value of the DPA parcels.

Based on our review of the partnership documents and appropriate statutes, and discussions with County staff, it appears that the reorganization of the DPA partnership will not cause a reassessable change of ownership for the existing DPA parcels. As a result, increases in taxable value included in the estimates are based only on reassessment due to remodeling and on new assessments to result from the purchase of one parcel from the Agency and expansion of the Site.

# KatzHollis

Mr. Thomas V. Lee  
Sacramento Housing & Redevelopment Agency  
March 12, 1990  
Page 3

The scope of development included in the projections is as follows:

## Remodel

Retail	154,681 Square Feet
Office	46,650 Square Feet
Common Mall Area	33,800 Square Feet

## New Construction

Land Purchase	61,739 Square Feet
Retail	79,274 Square Feet
Office	19,900 Square Feet
Common Mall Area	174,000 Square Feet
Food Court	25,900 Square Feet
Theatre	35,300 Square Feet

## Summary of Findings

The current taxable value of the Site is \$84.4 Million. We have projected that the taxable value of the Site will increase to \$121.2 Million by 1993-94 which is \$36.8 Million over the existing value. Based on projected tax rates the estimated new tax increment will be \$373,000 by 1993-94. Net new tax increment after deposit of 20 percent of gross tax increment into the low and moderate income housing fund is estimated to be \$299,000.

The value estimates and tax revenue projections are based upon information believed to be reasonable and accurate as of the date of this letter. To the extent the scope or timing of development is modified or delayed, the resulting tax increment may be other than that projected on Table 1.

Please call our office if you have any questions.

Sincerely,

KATZ, HOLLIS, COREN & ASSOCIATES, INC.



Mark Stockwell

Enclosures

Table 1  
Sacramento Redevelopment Agency  
Merged Downtown Redevelopment Project Area

d/plaza  
031290  
aa150

**PROJECTION OF INCREMENTAL TAX REVENUE--  
DOWNTOWN PLAZA REMODEL AND EXPANSION**  
(000's Omitted)

Fiscal Year	Real (1) Property	New (2) Development	Total Real Property	Other (3) Property	Total Value	Value(4) Over Existing Value Of \$84,385	New Tax Increment	20%(5) Housing Set-Aside	Net New Tax Increment
1989-90	N/A	N/A	\$74,681	\$9,704	\$84,385	\$0	\$0	\$0	\$0
1990-91	76,175	0	76,175	9,704	85,879	1,494	16	3	12
1991-92	77,699	7,062	84,761	9,704	94,465	10,079	104	21	83
1992-93	86,456	20,298	106,754	12,330	119,083	34,698	355	71	284
1993-94	108,889	0	108,889	12,330	121,218	36,833	373	75	299
1994-95	111,067	0	111,067	12,330	123,396	39,011	391	78	313
1995-96	113,288	0	113,288	12,330	125,617	41,232	412	82	330
1996-97	115,554	0	115,554	12,330	127,883	43,498	435	87	348
1997-98	117,865	0	117,865	12,330	130,194	45,809	458	92	366
1998-99	120,222	0	120,222	12,330	132,552	48,166	482	96	385

(1) Prior Year Real Property increased by 2 percent per year as allowed by Article XIII A of the California Constitution.

(2) See Table 2, Schedule of New Development.

(3) Includes the value of secured and unsecured personal property.

(4) Values shown are estimated increase in taxable value over the current 1989-90 locally-assessed taxable value of \$84.4 Million. 1989-90 property taxes generated at the Site are estimated to be \$889,000.

(5) Reflects 20 percent of additional gross tax increment revenues estimated to be generated by development of the Site.

Table 2  
Sacramento Redevelopment Agency  
Merged Downtown Redevelopment Project Area

dplaza  
031290  
a10

**SCHEDULE OF NEW DEVELOPMENT--  
DOWNTOWN PLAZA REMODEL AND EXPANSION**  
(000's Omitted)

Development Description	Total Value Added	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
Common Mall Area							
New Mall	\$9,570	\$0	\$2,393	\$7,178	\$0	\$0	\$0
Mall Rehab	372	0	93	279	0	0	0
Mall Shops							
New Retail	3,099	0	775	2,324	0	0	0
Rehab Retail	2,166	0	541	1,624	0	0	0
New Office	2,189	0	547	1,642	0	0	0
Rehab Office	933	0	233	700	0	0	0
Block D							
Land Transfer	296	0	296	0	0	0	0
Theatre	3,177	0	794	2,383	0	0	0
Food Court	3,108	0	777	2,331	0	0	0
Retail Shops	2,450	0	613	1,838	0	0	0
<b>TOTAL ADDED VALUE</b>	<b>\$27,360</b>	<b>\$0</b>	<b>\$7,062</b>	<b>\$20,298</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>