



ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO

September 25, 2001

Redevelopment Agency of the City of Sacramento  
Sacramento, California

Honorable Members in Session:

**SUBJECT: AUTHORIZATION TO NEGOTIATE AN OWNER PARTICIPATION AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY AND CALIFORNIA STATE ASSOCIATION OF COUNTIES FOR RENOVATION OF PROPERTY LOCATED AT 1029 K STREET (RANSOHOFF'S BUILDING)**

**LOCATION AND COUNCIL DISTRICT:** Northwest corner of 11<sup>th</sup> and K Streets, City Council District 1

**RECOMMENDATION:** Staff recommends adoption of the attached resolution which

- Authorizes the Deputy City Manager to negotiate, on behalf of the Agency, the terms of a proposed Owner Participation Agreement (OPA) between the Redevelopment Agency (Agency) and California State Association of Counties (Developer), for the renovation of the building located at 1029 K Street, contingent upon their acquisition of the property; and
- Directs staff to return with the proposed OPA for consideration of approval.

Terms of the OPA would be consistent with previously approved policy for the site.

**CONTACT PERSON:** Traci R. Michel, Sr. Management Analyst, 264-8645  
Wendy Saunders, Downtown Development Group Manager, 264-8196

**FOR COUNCIL MEETING OF:** September 25, 2001

**SUMMARY:**

This report requests actions to allow renovation of the historic Ransohoff's building for development of a flagship restaurant and improved upper floor office space that meets all current

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1029 K Street

seismic safety requirements at the northwest corner of 11th and K streets. Staff recommends adoption of the attached Agency resolution authorizing the Deputy City Manager to negotiate, on behalf of the Agency, the terms of a proposed OPA between the Agency and Developer, with terms consistent to previously approved policy for the site by the Agency. Such terms include a loan in the amount of \$325,000 and a grant of equal amount for the renovation.

The negotiations are contingent upon the Developer's acquisition of the property.

**BACKGROUND:**

The Ransohoff's Building is located on the northwest corner of 11<sup>th</sup> and K Streets. This corner location and proposed use for it is considered a key catalyst project for downtown and specifically K Street redevelopment efforts for several reasons:

- 1) This corner is located in an area lacking in retail uses and is important in the linkage of established retail venues on the east and west portions of K Street, as well as establishing the area as a viable location for restaurant uses;
- 2) A flagship restaurant or catalyst retail project in this location will attract additional similar uses, creating a cluster of activity;
- 3) Recent Agency public improvements were made to 11<sup>th</sup> Street to make the area more pedestrian-friendly;
- 4) The site is located in proximity to the State Capitol, and enjoys significant pedestrian traffic; and
- 5) It is the center of the 5-block area of K Street (between 7<sup>th</sup> and 12<sup>th</sup>) most in need of redevelopment attention.

**Ransahoff Associates, Ltd.**

On November 21, 2000, the City Council approved an Owner Participation Agreement (OPA) between the Redevelopment Agency (Agency) and Ransahoff Associates, Ltd. (Property Owner), which provided a loan of \$325,000 and a grant of equal amount for the renovation of the building for a flagship restaurant operated by Pyramid Breweries.

At the time the OPA was approved, structural improvements to the building were anticipated, but the extent of the improvements was unknown. The Property Owner hired a structural engineer to conduct a thorough analysis of the building and generate improvement plans. The cost of improvements for the building is estimated to be in excess of \$600,000, which made the project financially infeasible for the Property Owner.

Staff worked with both the Property Owner and Pyramid Brewing Company to help make the project happen, including proposing revisions to our original financial contribution to the project. Pyramid Brewing Company also proposed revisions to their lease agreement to help offset the increased costs associated with the structural improvements. The parties, however, could not arrive at a satisfactory solution to the financial problem, and thus agreed to cease pursuit of the project.

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### **California State Association of Counties**

The California State Association of Counties (CSAC) currently owns property across the street from the Ransahoff Building (1100 K Street) as well as a parking facility at 1122-I Street. They need to expand their office space and have committed to bring a flagship, ground floor restaurant and/or catalyst retail use to the ground floor space, with assistance from the Agency.

CSAC represents county government before the California Legislature, U.S. Congress, state and federal agencies and other entities, while educating the public about the value and need for county programs and services. CSAC provides a broad range of services to all 58 counties in California through its Finance Corporation activities, public policy development, training, insurance service programs, research and a variety of communication tools, including internet services.

While the office space in the building would be fully leased, the historic nature of the building, seismic improvements, and rental income limit the profitability of the project, warranting assistance from the Agency. Because CSAC is a financially strong and capable organization, as well as a current property owner on K Street, staff supports CSAC's desire to acquire the property and implement the project. CSAC requires confirmation of the City's participation in the project to complete its negotiations for purchase of the property.

Parameters of the OPA negotiations include the following terms:

1. Providing financial assistance in the amount of \$650,000 (\$325,000 loan, \$325,000 grant) *which is consistent with previously approved contribution to the project;*
2. A period of 30-days for Developer to obtain control of the property; and
3. A period of 90-days for Developer to secure a ground floor tenant(s).

Pending successful completion of items 2 and 3 above, staff anticipates bringing a final OPA to the Agency for approval within 120-days.

### **FINANCIAL CONSIDERATIONS:**

Funding in the amount of \$650,000 was previously allocated to the Project, which included a \$325,000 loan and a \$325,000 grant. The funds were transferred from the Merged Downtown Sacramento Development Assistance Project to the Ransohoff Renovation Project. No additional funds are anticipated at this time.

### **POLICY CONSIDERATIONS:**

The actions proposed in this staff report are consistent with the economic development goals of the Merged Downtown Redevelopment Plan and Implementation Plan, as well as past Downtown revitalization strategies.

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**ENVIRONMENTAL CONSIDERATIONS:**

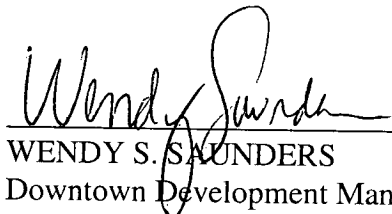
The proposed action is in furtherance of the Merged Downtown Sacramento Redevelopment Plan as amended per CEQA Guidelines Section 15180, 15162, and 15163. The rehabilitation of this project is exempt from CEQA per Guideline Section 15301.

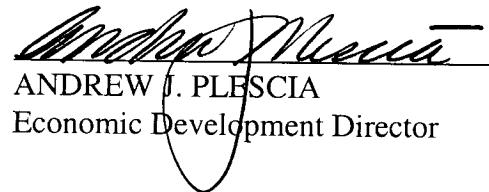
**ESBD CONSIDERATIONS:**

There are no ESBD considerations contemplated with the requested action.

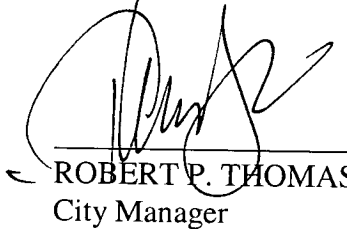
Respectfully submitted,

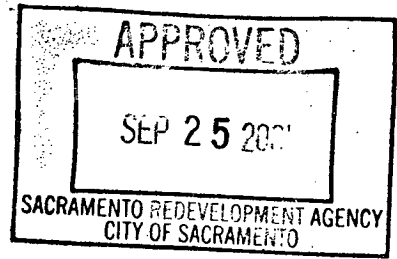
APPROVED:

  
WENDY S. SAUNDERS  
Downtown Development Manager

  
ANDREW J. PLESCIA  
Economic Development Director

RECOMMENDATION APPROVED:

  
ROBERT P. THOMAS  
City Manager



**RESOLUTION NO. 2001-051**

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

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

**MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT AREA:  
AUTHORIZATION TO NEGOTIATE AN OWNER PARTICIPATION AGREEMENT  
FOR 11<sup>TH</sup> AND K STREETS**

WHEREAS, the Amended Redevelopment Plan for the Merged Downtown Sacramento Redevelopment Project Area was prepared by the Redevelopment Agency of the City of Sacramento ("Agency") and approved and adopted on June 17, 1986, by Ordinance Nos. 86-063, -064, -065, -066, and -067 of the City Council of the City of Sacramento and subsequently amended;

WHEREAS, two of the goals of the Redevelopment Plan for the Project Area are:

- a) To eliminate blighted and blighting conditions; and
- b) To increase and develop economic activity in the area by attracting new business, assisting existing business and enhancing property values.

WHEREAS, the Agency adopted the Merged Downtown Five Year Strategic Plan and Implementation Plan for the Project Area on February 29, 2000;

WHEREAS, the Downtown Five Year Strategy and Implementation Plan identifies corner properties on K Street as key development catalyst sites, and as having the greatest potential for retail development;

WHEREAS, the Agency will engage in serious negotiations with the Developer of the Parcel for the purpose of purchasing the Parcel;

WHEREAS, the Parcel is properly zoned and situated for commercial redevelopment, and there are no other sites in the Project Area which would be as compatible with the greatest public good and the least private injury as the subject site for the following reasons, among others:

- a) The Parcel is located at the corner of 11<sup>TH</sup> and K Streets, an intersection on K Street that the Agency has already invested significant public improvement funds for;
- b) The site offers a scale and location necessary for the development of catalyst commercial;

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- c) The site is located in proximity to the State Capitol, and enjoys significant pedestrian traffic;
- d) It is towards the center of the 5-block area of K Street (between 7<sup>th</sup> and 12<sup>th</sup>) most in need of redevelopment attention; and
- e) Unlike most buildings on K Street, the building is large enough (approx. 12,000 square feet) to house a significant retail venue on the ground floor; and

WHEREAS, the Agency approved an Owner Participation Agreement on November 21, 2000, between the Agency and Ransahoff Associates (current Property Owner) which provided a loan of \$325,000 and a grant of equal amount for the renovation of the building located at 1029 K Street for a flagship restaurant operated by Pyramid Breweries; and

WHEREAS, increased project costs due to seismic safety improvements prevented the project from moving forward at that time.

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

Section 1: The above statements are true and correct.

Section 2: The public purpose for use of Agency funds is a commercial development of a mixed use building with a ground floor flagship restaurant and office space on the upper stories within the Merged Downtown Sacramento Redevelopment Project Area so that such area can experience a revitalized economic life.

Section 3: For the foregoing reasons, the Redevelopment Agency finds and determines that:

- a) The public interest and necessity requires renewed commercial development and occupancy in the project area;
- b) Such commercial development is planned and located in the manner that will be most compatible with the greatest public good and the least private injury; and
- c) The properties to be acquired are necessary for the proposed use.

Section 4: The Deputy City Manager is authorized to negotiate an Owner Participation Agreement with the California State Association of Counties (CSAC), substantially consistent with the following terms:

- a) Agency provision of a loan in the amount of \$325,000 and a grant in the amount of \$325,000 for assistance with tenant improvements;

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- b) Within 30 days of commencement of negotiations, CSAC shall obtain control of the Parcel; and
- c) Within 90 days of commencement of negotiations, CSAC shall secure a ground floor tenant or tenants that include catalyst restaurant and/or retail businesses that are consistent with the Merged Downtown Five Year Strategic Plan and Implementation Plan.

\_\_\_\_\_  
CHAIR

\_\_\_\_\_  
SECRETARY

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