



REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento

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Staff Report
October 31, 2006

Honorable Chair and Members of the Board:

Title: Docks Area Project Concept and Business Terms

Location/Council District: The Docks Area is located along the eastern bank of the Sacramento River, north of the Marina/Miller Park, west of Interstate 5 and south of Capitol Mall. (Council District 4).

Recommendation: Adopt a Redevelopment Agency **Resolution:** 1) Approving the project concept for the Docks Area redevelopment project including all of the property north of the Pioneer Bridge and west of Front Street as a high-density, mixed-use neighborhood that includes housing and retail as well as a riverfront parkway/promenade with parks and open space; and 2) Authorizing approval of the Term Sheet for Phase I of the project.

Contact: Laura Sainz, Senior Economic Development Project Manager, 808-2677; Leslie Fritzsche, Downtown Development Manager, 808-5450

Presenters: Laura Sainz, Senior Project Manager

Department: Economic Development

Division: Downtown Development Group

Organization No: 4451

Description Analysis:

Issue: The Agency approved an Exclusive Right to Negotiate (ERN) with KSWM Docks Partners, LLC (Developer) on January 5, 2006. The Developer has continued to work with the Agency to further define the project and identify a phased approach to developing the Docks Area. Staff is presenting the project concept for the Docks Area redevelopment project and recommending approval of the related business terms for Phase I of the project. Phase I generally includes all of the properties north of the Pacific Gas and Electric (PG&E) parcel (APN: 009-0012-003) to Q Street, and is approximately eight acres. A map identifying the Docks project area and Phase I is included as Attachment 2. The project concept and business terms are described in the attached Term Sheet included as Attachment 3 which generally includes the following:

Project Concept: Redevelopment of the Docks Area, including all of the property north of the Pioneer Bridge and west of Front Street. The vision for this area has been based on the 2003 Sacramento Riverfront Master Plan and 2005 Docks Area community planning process and includes a riverfront parkway/promenade, open and park space and a mixed-use, high-density neighborhood.

Business Terms – Developer Responsibilities:

- a. Continue to work with the Agency to ensure the entitlements for the project area reflect a feasible and marketable development;
- b. Participate in efforts to identify remediation options for the project with the Agency’s Environmental Oversight Agreement (EOA) with DTSC; and
- c. Develop 300-500 units in Phase I of the project, once remediation and infrastructure issues have been completed.

Business Terms – Agency Responsibilities:

- a. Complete the acquisition of all properties located north of Pioneer Bridge and west of Front Street;
- b. Complete the entitlements for the properties north of Pioneer Bridge and west of Front Street;
- c. Complete the remediation process through the EOA with DTSC for all properties north of Pioneer Bridge and west of Front Street;
- d. Complete all infrastructure improvements for Phase I of the project, subject to funding availability;
- e. Work with the City to determine plan for the repair/replacement of Pioneer Reservoir; and
- f. Work with the City to continue developing the riverfront promenade.

The specific terms of the Agency’s participation in the vertical development will be detailed in a future Disposition and Development Agreement (DDA). The DDA will be presented to the Agency for final approval after the entitlements, acquisition and remediation are completed.

Policy Considerations: The Docks Area project concept and business terms will result in a proposed project consistent with the City of Sacramento’s 2003 Sacramento Riverfront Master Plan, the 2005 Docks Area Community Planning Process and the Amended Merged Downtown Redevelopment Plan and Five-Year Strategy.

Environmental Considerations: Approval of the project concept and related business terms, which authorizes staff to negotiate with the Developer to further define the scope of the proposed development project and to complete the environmental review process for the Docks Specific Plan is authorized under CEQA Guidelines Section 15262, planning for possible future action.

Rationale for Recommendations: The Developer has continued to work with the Agency to further define the project and identify a phased approach to developing the Docks Area. The project concept and related business terms allow the Agency and Developer to begin the

redevelopment of the project area. Phase I of the Docks Area project will yield the following benefits:

- Eliminates the following blighting conditions: 1) vacant parcels; 2) irregular lot sizes; 3) lack of infrastructure; and 4) lack of public amenities.
- Provides a combination of open and park space, housing and retail uses and responds to the community's expressed interest in having an animated riverfront;
- Provides a pedestrian and destination-oriented project that will draw nearby residents as well as the larger community to the riverfront;
- Provides linkages to adjacent neighborhoods;
- Reconnects the riverfront to Downtown Sacramento; and
- Serves as a catalyst redevelopment project, assisting in attracting additional development to the area and the continued implementation of the City of Sacramento's 2003 Sacramento Riverfront Master Plan.

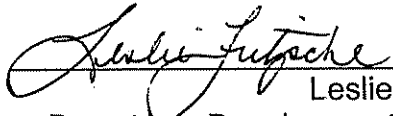
Financial Considerations: The existing ERN includes a \$100,000 Developer deposit that will be used for completion of the entitlements, including, but not limited to, the required environmental impact report, the Docks Area Specific Plan and the related infrastructure/facilities plan. If the Agency approves the project concept and business terms, staff recommends returning to the Agency with a further refinement of costs, including final acquisition, remediation and infrastructure. Costs associated with the remediation will be part of the negotiated settlements for the acquisitions. It is currently estimated that the infrastructure costs are approximately \$3.5 million.

Based on a sales model pro forma analysis developed by the Developer, the anticipated subsidy for the vertical development varies depending on product type. Based on the existing analysis the subsidy required includes the following:

- Townhome development enabled the Developer to pay the Agency approximately \$26,000 per unit for the land.
- Flats over podium parking required a subsidy of approximately \$14,000 per unit.
- High-rise construction required a subsidy of \$96,000 per unit.

The amount and type of public assistance required for the development of Phase I will depend on the mix of product type identified in the Docks Area Specific Plan. This plan and negotiations for the DDA will reflect market conditions as well as the availability of funds at the time of negotiations. Future phases of development will be based on final decisions related to the location of the Pioneer Reservoir.

M/WBE Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully submitted by: 
Leslie Fritzsche
Downtown Development Manager
on behalf of the Redevelopment Agency
Of the City of Sacramento

Recommendation Approved:


RAY KERRIDGE
City Manager

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Attachment 1**Background
Docks Area Redevelopment Project**

In July 2003, the City of Sacramento accepted the Sacramento Riverfront Master Plan (Master Plan) following a community process supported by both the cities of Sacramento and West Sacramento. The Master Plan identified two opportunity sites targeted for redevelopment on the City of Sacramento riverfront. One of those opportunity sites is the Docks Area, located north of the Marina/Miller Park, west of Interstate 5, south of Capitol Mall and east of the Sacramento River. The Master Plan includes a design for a continuous riverfront promenade/parkway along the urbanized areas of the Sacramento River.

In 2005, the community engaged in an extensive planning process to further define the redevelopment concepts for the Docks Area. The Docks Area community planning process resulted in a number of concept plans, all of which included a riverfront parkway/promenade. In addition, a number of guiding principles were established for the redevelopment of the Docks Area, including:

1. Access to the riverfront;
2. Linkages to adjacent neighborhoods;
3. Pedestrian orientation; and
4. An animated riverfront.

In October 2005, the Agency issued a Request for Qualifications (RFQ) to determine developer interest in the Docks Area. Following an extensive review of received submittals and a community workshop and interviews, a development team was selected by the evaluation committee. On January 5, 2006, an Exclusive Right to Negotiate was approved between the Agency and KSWM Docks Partners, LLC for the development of properties north of the Pioneer Bridge in the northern section of the Docks Area.

In April 2006, SACOG awarded the City of Sacramento (City) a \$1.239 million grant for the design and construction of the Docks Area Riverfront Promenade. The City has entered into a Memorandum of Understanding for the grant and provided the required local matching funds from Merged Downtown Redevelopment Project Area funds.

On May 23, 2006, staff received direction from City Council to issue a Request for Proposals for the design of the levee improvements and riverfront promenade/parkway. Following Council direction, a Request for Proposals was issued for the Docks Area levee improvements and riverfront promenade design. An evaluation committee made up of the City's Docks Area technical team, including seven staff members from the City's Economic Development, Parks, Transportation, and Planning departments reviewed the initial proposals. One proposal was received for the civil design work. Four proposals were received for the landscape architecture, permitting and community outreach portion of the project. The civil design team met all the necessary qualifications. The evaluation team recommended selecting Walker Macy as the landscape architect firm.

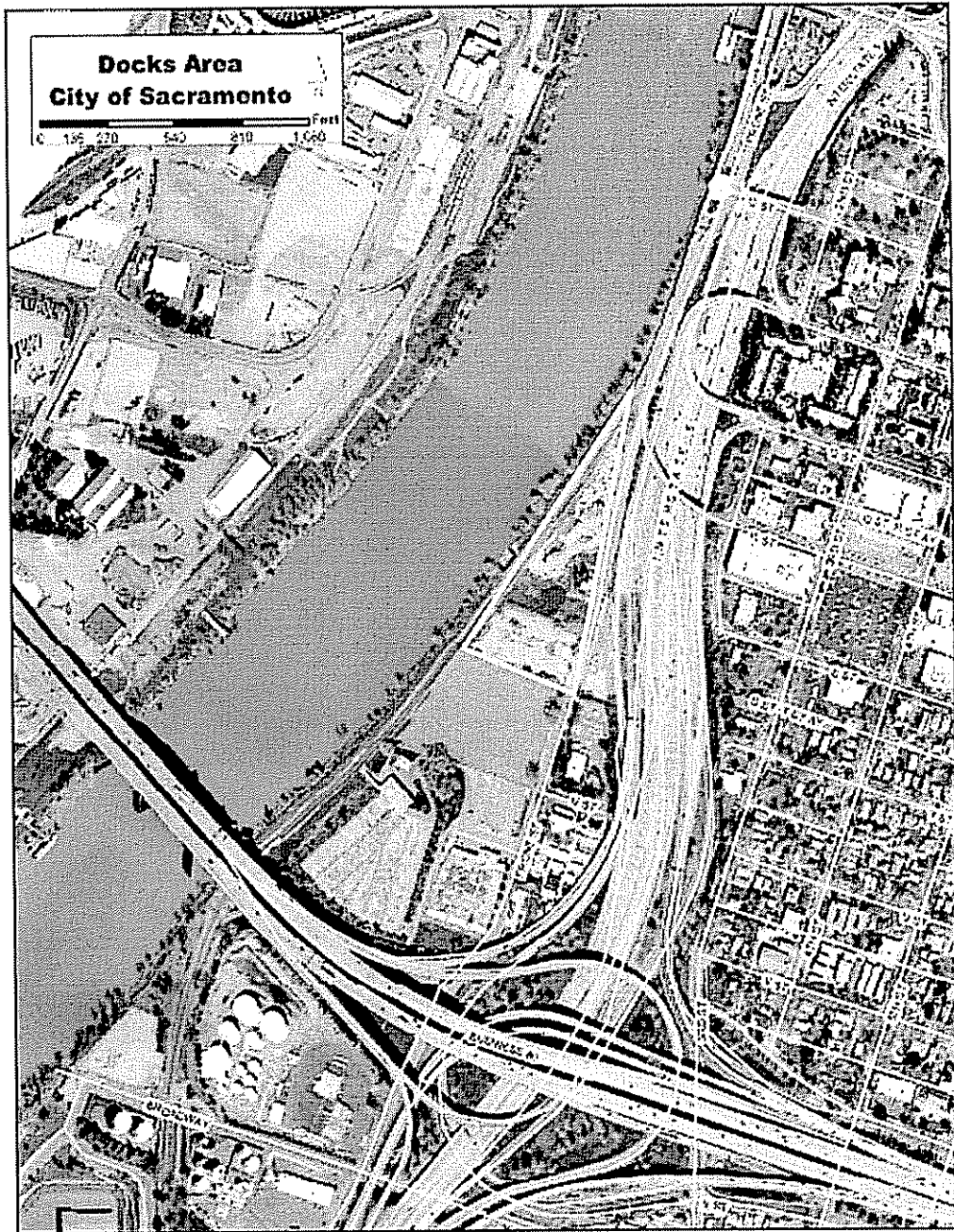
On May 26, 2006, the City was awarded a \$183,620 grant from the California Department of

Transportation for the community outreach process related to the promenade/parkway design. On August 22, 2006, \$45,905 in local matching funds was approved. These funds came from the Merged Downtown Redevelopment Project Area funds.

On May 30, 2006, the Agency approved an Environmental Oversight Agreement between the Agency and the State of California Department of Toxic Substances Control for oversight and guidance on proposed remediation strategies for redeveloping the Docks Area.

In August 2006, a number of community meetings were held to solicit public input on the final draft land-use plans. In addition, on August 22, the Agency allocated \$7.26 million for land acquisition and related costs within the Docks area.

Attachment 2
Map of the Docks Area and Phase I



TERM SHEET

**BETWEEN
THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ("Agency")
AND**

KSWM DOCKS PARTNERS, LLC ("DEVELOPER")

THIS NON-BINDING TERM SHEET FOR THE REDEVELOPMENT OF THE SACRAMENTO DOCKS AREA PROJECT ("Term Sheet") dated as of _____, 2006, is between the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ("Agency") and KSWM DOCKS PARTNERS, LLC, a limited liability company ("Developer").

RECITALS

A. The Agency is currently in the process of planning an area known as the "Docks Area Project" consisting of approximately 23 acres in the City of Sacramento that are located north of the freeway/Pioneer Bridge. The Docks Area Project is within the Merged Downtown Sacramento Redevelopment Project Area ("Project Area").

B. The Agency owns some of the parcels comprising the Docks Area Project; however, other parcels are owned by the City of Sacramento ("City"), the State Department of Parks and Recreation, or Pacific Gas & Electric Company ("PG&E"). The Agency is currently negotiating with these property owners and is continuing to pursue site control of all of the parcels comprising the Docks Area Project.

C. Agency and Developer are parties to that certain Agreement for Exclusive Right to Negotiate, dated as of January 7, 2006, as amended by the Extension of the Agreement for Exclusive Right to Negotiate dated as of August 22, 2006 (as amended, the "ERN"). Under the ERN, the Agency has granted to Developer the exclusive right to negotiate a Disposition and Development Agreement ("DDA") which would set forth the respective parties' rights and obligations with regard to development of the Docks Area Project.

D. The ERN requires the Developer to prepare and submit to the Agency a proposal that meets the objectives of the parties for consideration by the Agency and requires the Agency to proceed with the planning process for the Docks Area Project. In furtherance thereof, this Term Sheet sets forth the key policy goals, basic development guidelines, financial framework and other key terms and conditions that will inform the basis of the continuing planning process and the negotiation and completion of a final DDA between the parties.

TERM SHEET**I. Project Description.****A. The Project Site/Ownership**

The Project Site includes the following properties located north of the freeway/Pioneer Bridge and west of Front Street:

Docks Area Project Site Parcels		
	<u>Assessor's Parcel Number</u>	<u>Owner</u>
1.	006-0181-004	City of Sacramento
2.	006-0241-011	Agency
3.	006-0241-007	Agency
4.	009-0012-051	Agency
5.	009-0012-050	Agency
6.	009-0012-067	Agency
7.	009-0012-066	City of Sacramento
8.	009-0012-048	State Department of Parks and Recreation
9.	009-0012-058	State Department of Parks and Recreation
10.	009-0012-059	State Department of Parks and Recreation
11.	009-0012-022	Agency
12.	009-0012-021	Agency
13.	009-0012-020	Agency
14.	009-0012-019	Agency
15.	009-0012-002	Agency
16.	009-0012-018	Pacific Gas & Electric Company
17.	009-0012-017	State Department of Parks and Recreation
18.	009-0012-003	Pacific Gas & Electric Company
19.	009-0012-073	State Department of Parks and Recreation
20.	009-0012-045	PG&E
21.	009-0012-075	City of Sacramento
22.	009-0012-005	City of Sacramento
23.	009-0012-068	Agency
24.	006-0243-010	State Department of Parks and Recreation

B. Development Description.

The Project Site presents the Agency and the City with a unique opportunity to create a vibrant and active riverfront development that will reclaim Sacramento's waterfront as a local and regional asset. However, the Project Site also presents unique challenges due to disparate ownership, inadequate public infrastructure and environmental issues.

In order to achieve the full potential of the Project Site, the Agency is currently planning The Docks Area Project through the proposed Docks Area Specific Plan (the "Specific Plan" or the "Plan").

The Plan will reflect the community vision for a mixed-use neighborhood and is consistent with the 2003 Sacramento Riverfront Master Plan. The Docks Area Project will include significant open space, vehicular, bicycle and pedestrian circulation improvements, existing, new and replacement infrastructure facilities, and a mixed-use urban infill development that takes advantage of the waterfront location. Agency anticipates that the City will construct a new riverfront promenade along the entire westerly boundary of the Project Site, funded in part by an existing grant from the Sacramento Area Council of Governments (SACOG).

The Project Site also includes the existing Pioneer Reservoir that is currently located on approximately 6 acres located immediately north of the freeway. As part of the continuing planning process, the Agency will work with the City to determine whether or not the Pioneer Reservoir should stay in its existing location, taking into account any potential adverse impacts on adjoining new residential development proposed under the Specific Plan, and if it remains in its existing location, whether or not it is feasible to incorporate park and open space on the facility's roof.

In addition to the public benefits described above, the mixed-use, urban infill development anticipated for the Project Site will consist primarily of residential uses, which may include a mix of town homes, flats and high rise condominiums, as well as restaurants and neighborhood-serving retail. The mix of housing product type will be refined during the continuing planning process for the Project Site. The entire Project Site may accommodate up to 1,850 units; however, preliminary studies indicate that the total number of units is expected to be between 500-1000 units.

The Agency anticipates that full development of the Project Site will occur in phases over a period of years. Phase 1 includes all of the horizontal and vertical development within an approximately 8 acres area located immediately north of the PG&E facility (Parcel NO. 009-0012-003) and west of Front Street, and consists of the following parcels (collectively, the "Phase 1 Site"):

Docks Area Project - Phase I Parcels		
	<u>Assessor's Parcel Number</u>	<u>Owner</u>
1.	006-0181-004	City of Sacramento
2.	006-0241-011	Agency
3.	006-0241-007	Agency
4.	009-0012-051	Agency
5.	009-0012-050	Agency
6.	009-0012-067	Agency
7.	009-0012-066	City of Sacramento
8.	009-0012-048	State Department of Parks and Recreation
9.	009-0012-058	State Department of Parks and Recreation
10.	009-0012-059	State Department of Parks and Recreation
11.	009-0012-022	Agency
12.	009-0012-021	Agency
13.	009-0012-020	Agency
14.	009-0012-019	Agency
15.	009-0012-002	Agency

Future phases will include development of the PG&E parcels, the Pioneer Reservoir site and adjacent parcels, as well as the extension of the Riverfront Promenade.

C. Transaction Overview.

1. Overview. The redevelopment of the Property requires both "horizontal" land development necessary to transform the Property into parcels that are improved with streets, sidewalks, parks and infrastructure suitable for the "vertical" development of the proposed residential and mixed-use buildings.

As is more particularly described in this Term Sheet, the Agency is committed to undertake the following with respect to the "horizontal" development: (1) acquire all parcels within the Project Site; (2) prepare a Specific Plan for the Project Site to assure a well-planned community with public benefits, high site-design standards and environmental quality, and complete the necessary environmental review and entitlements to allow adoption of the Plan and related planning documents and infrastructure development; (3) take such actions as necessary to lift or modify existing environmental deed restrictions and remediate the site to allow for residential development on the Project Site in accordance with the Plan; (4) work with the City to develop a plan and funding mechanism for the repair or relocation of the Pioneer Reservoir; (5) fund and undertake such necessary horizontal infrastructure as necessary to create economically viable vertical residential development sites within the Project Site; and (6) enter into a Disposition and Development Agreement ("DDA") and related documents with private developers for the development of the Project Site in accordance with the Specific Plan. Agency will consider the option to shield private developers from liability to future homeowners as a result of pre-existing conditions on the Property, including environmental conditions. Subject to the Agency's performance of its obligations, the DDA will give Developer the right to acquire the parcels and undertake the "vertical" development within Phase 1, and will give Developer a right of first offer to develop remaining phases. Developer will also cooperate closely with Agency during the Project planning phase.

2. Term Sheet. The purpose of this Term Sheet is to set forth the process and provide timelines for achieving certain benchmarks related to the planning and site acquisition process and to determine whether or not Developer and Agency are able to reach agreement on achieving an economically feasible project that meets the parties' goals and objectives. The Agency will consider final Transactional Documents for the development of the Project Site upon completion of environmental review and the planning process. Nothing in this Term Sheet is intended to commit the Agency or Developer to a particular development plan or create a binding obligation on either party to proceed with the development of the Project. Except as otherwise provided in Article VII hereof, no binding obligations shall exist unless and until the parties have negotiated, executed and delivered mutually acceptable agreements based upon information produced from the CEQA process and other public review and hearing processes and subject to all applicable governmental approvals.

II. Site Control

A. Agency Obligation to Obtain Site Control. A prerequisite to development of the Project Site is the Project Site acquisition in fee by the Agency. The Agency agrees that on or before June 30, 2007, Agency shall provide written evidence to Developer demonstrating Agency has secured

site control (i.e. ownership or binding commitment to obtain ownership or required easements) for parcels comprising the Project Site, subject only to compliance with CEQA. Such evidence shall include but not be limited to (i) a negotiated purchase agreement with Pacific Gas & Electric Company, together with evidence indicating PG&E's willingness to enter into such agreement, for the transfer of fee title and/or related easements, (ii) an agreement with the State of California Department of Parks and Recreation demonstrating commitment to transfer fee title and/or related easements, (iii) the filing of State legislation authorizing the necessary transfer of fee title and/or related easements from the State Department of Parks and Recreation related to the Project Site, and (iv) agreement with all other individuals or entities with an ownership or other property interest in the Project Site.

Agency will consider that any purchase or other property acquisition contract evidencing site control must provide that Developer and its successors and assigns would have no on-going liability to the applicable transferor for environmental contamination or related issues, and the DDA will shield Developer and its successors and assigns from liability to future homeowners as a result of pre-existing conditions on the Property, including environmental conditions.

B. Agency to Provide Evidence of Financing. On or before January 31, 2007, Agency must demonstrate to Developer's reasonable satisfaction that Agency will have sufficient financing to complete the acquisition of the identified properties, including identifying the proposed purchase price and sources and availability of funding for the identified properties, subject only to compliance with CEQA.

III. Project Entitlements

A. Agency's Obligations. As stated in the ERN, Agency will use Developer's deposit and complete the Environmental Impact Report (EIR) and the Docks Area Specific Plan. Agency shall be responsible for completing all entitlements and approvals necessary for the Project, even if costs exceed Developer's deposit. This includes, but is not limited to, the EIR, the cost to prepare, process and approve the Specific Plan, and the costs related to negotiations of a DDA. Agency agrees to use best efforts to cause the EIR to be certified and the Plan and related entitlements approved on or before June 30, 2007. Related entitlements include:

- General Plan Amendment
- Community Plan Amendment
- Adoption of Docks Area Specific Plan
- Rezone of all Docks Area Project properties
- Vesting Tentative Subdivision Maps and/or Parcel Maps for the Project

B. Developer's Obligations. Developer shall work cooperatively with Agency to facilitate the entitlement process, including participating in planning meetings and community outreach process. Developer's costs for participation in the entitlement process shall not be recoverable by Developer unless Developer develops Phase I pursuant to the terms of a DDA. If the Plans result in a development that Developer determines is economically infeasible, Developer shall have the right to terminate the ERN and receive a refund of its deposit as more particularly described in Section VII below.

IV. Pioneer Reservoir

A. Agency shall work with the City and provide Developer with a plan on or before January 31, 2007 for the repair and/or replacement of the City's Pioneer Reservoir ("Reservoir"), including a determination of its proposed location within the ultimate development and the suitability of the proposed location with respect to any adverse impacts on new residential development on adjacent parcels.

B. Agency shall work with the City and develop a schedule showing the estimated costs associated with the necessary repairs and/or relocation of the Reservoir on or before January 31, 2007.

C. Agency shall work with the City and provide reasonable evidence of the sources and availability of funds for the repair and/or relocation of the Reservoir on or before June 30, 2007.

V. Environmental Issues

A. **DTSC Deed Restrictions**. On May 30, 2006 Agency approved an Environmental Oversight Agreement ("EOA") with the California Department of Toxic Substances Control ("DTSC") for the review and approval of remediation options in the Docks Area. Agency commits to completing the Scope of Work identified in the EOA on or before June 30, 2007, at Agency expense, in an effort to secure DTSC approved remediation options for the project development. This includes DTSC approval to allow residential development on one of the PG&E sites that currently has a recorded deed restriction, preventing residential development.

B. **Liability for Environmental Conditions**. Agency will consider that Agency shall be responsible for any liability to a transferor, and that Developer shall only be liable for environmental conditions caused, or contributed to by Developer, and then only to the extent of Developer's contribution. The DDA will require Agency to pay the cost of environmental insurance to cover both Agency's and Developer's liabilities for the environmental condition of the Project Site subject; provided, however, that the availability of such insurance at commercially reasonable cost to the Agency shall be a condition precedent to Agency's obligations to proceed with Phase 1.

VI. Phase I Development of the Project Site

A. **Phase I Assumptions**. The parties agree that they will negotiate in good faith to complete a DDA for the development of Phase 1 based in part on the following assumptions: (1) Agency will be responsible to undertake and pay for all horizontal development necessary to create the developable pads within Phase 1; (2) Phase 1 will include approximately 300-500 market-rate residential units within Townhomes, Podium Flats and/or High Rise Buildings; the final product mix will depend upon completion of the planning process, construction costs, market conditions and fiscal feasibility; (3) Developer will be entitled to a fair market-rate return on project costs; and (4) project costs will include payment by Developer of prevailing wages for project construction.

The parties have reviewed a current pro forma analysis of possible vertical development scenarios but recognize that such analysis is subject to significant change based on the outcome of the planning process, product mix, construction and labor costs, market conditions, financing costs and other factors. The parties acknowledge that depending on such factors, the DDA may allow for

payment of a residual land value to the Agency and/or require the Agency to contribute land and additional subsidy to Developer - the terms of which will be negotiated as part of the DDA.

B. Phase I Developer Responsibilities

1. Pre-Development. Developer shall work cooperatively with Agency to facilitate the entitlement process, including participating in planning meetings and community outreach process in accordance with Section III.B above. Developer shall also cooperate with Agency and coordinate its design of the Phase 1 vertical development with the environmental remediation obligations and solutions of the Project Site undertaken by Agency.

2. Construction of Phase 1. The DDA will require Developer to construct Phase 1 upon satisfaction or waiver of certain conditions precedent, including satisfactory completion of the Agency's Phase I responsibilities described in Section C below. Upon satisfaction of all conditions and conveyance of the Phase 1 parcels to Developer, Developer's construction obligations will be subject to a reasonable schedule of performance, subject to extension for force majeure delay.

C. Phase I Agency Responsibilities

1. Infrastructure Improvements and Remediation. As a condition to Developer's development obligations under the DDA, Agency shall complete, at Agency expense, all of the relevant horizontal infrastructure improvements necessary for Developer to complete construction of housing units. This includes but is not limited to the costs of remediating the site to enable it to be usable for the contemplated residential development. Infrastructure improvements include off site improvements, the circulation system, utility improvements and the delivery of developable parcels, including the remediation necessary for DTSC approval to proceed with proposed development. Both parties recognize that among the remediation options, one component of such options may include the built project; provided, however, that Developer shall not be required to design vertical development to accommodate remediation solutions in a manner that would result in an economically infeasible project or would have an adverse impact on marketability of the residential unit. Repair or relocation of the Pioneer Reservoir, or assurances satisfactory to Developer that such repairs or relocation will be completed within an appropriate timeframe shall be a condition precedent to Developer's obligation to proceed with development.

2. Riverfront Promenade. Agency shall use good faith efforts to work with the City to pursue the construction of the Riverfront Promenade adjacent to the Docks Area Project as part of the Phase I infrastructure improvements. On or before June 30, 2007, Agency shall provide Developer with a determination as to whether or not the City will proceed with the Riverfront Promenade in connection with development of Phase 1.

3. Availability of Funds. On or before June 30, 2007, Agency shall provide written evidence of the financing or other available resources for the Agency to perform infrastructure and remediation obligations for Phase 1, subject only to compliance with CEQA. Agency shall also use good faith efforts to identify sources of funding for subsequent phases of the Project Site horizontal development.

4. Relocation.

- a. Agency shall be responsible for the relocation of all impacted tenants within Phase 1.
- b. To the extent applicable, on or before January 31, 2007, Agency and Developer shall reach a mutual agreement on a relocation plan for Phase 1, including the estimated costs. Agency shall provide written evidence to the Developer of the sources and availability of funds for the relocation plan to the extent applicable to Phase 1.

D. Financial Structure.

1. Developer Constructed Units. Based on the assumptions described in Section VI.A above, the final DDA will set forth the terms under which Agency will convey fee title to the Phase I property to Developer, including the residual land value payable to the Agency, if any, and the amount and funding mechanism for Agency subsidies as required.
2. Disposition of Undeveloped Parcels. If the DDA terminates due to a Developer default, or if Developer fails to develop the Phase I parcels in accordance with the DDA (subject to force majeure extensions), the Agency reserves the right to enter into separate and distinct DDAs for such parcels not developed by Developer.

E. Future Phases of Development

During the planning process, the Agency in consultation with Developer will identify the scope and timing of future phases of development after Phase 1. Developer will have no obligation to complete future phases of development on the Project Site. However, so long as Developer is not in default under the DDA, the DDA will allow Developer to exercise a right of first offer as to future phases. Under the right of first offer, Agency will provide Developer the first opportunity to negotiate with Agency for the vertical development of such future phases and the parties will negotiate in good faith based on the assumptions described in Section VI.A above. If Agency and Developer are unable to reach agreement with a specified period of time, Agency will have the ability to bid or negotiate with other parties for the future phases of development on the Project Site.

VII. Good Faith Efforts/Remedies

Agency shall use its best efforts to satisfy its conditions described in Articles II.A and B, Article III.A, Article IV, Article V, and Article VI.C.3 and VI.C.4 hereof, within the times provided. If Agency is unable to satisfy any of the foregoing conditions within the times required, or if at any time, Developer reasonably determines that Agency is not pursuing the completion of such conditions with reasonable diligence and in good faith, it shall be deemed an event of default under Section 12 of the January 7, 2006 ERN. In such event, Developer, in its sole discretion, may terminate the ERN in writing to Agency and Agency shall refund the Deposit remaining at the date of termination in accordance with Section 3.c of the January 7, 2006 ERN.

In addition, if the Agency adopts a Plan, proposes the relocation or refurbishment of the Pioneer Reservoir, or adopts any other plans or policies that Developer determines will have an adverse impact on Developer's ability to achieve its required financial return or would adversely affect the suitability or

marketability of Phase 1 as a residential development, then Developer, in its sole discretion, may terminate the ERN in writing to Agency and Agency shall refund the Deposit remaining at the date of termination in accordance with Section 3.c of the January 7, 2006 ERN.

In Witness Whereof, Agency and Developer enter into this Term Sheet as of the ____ day of _____, 2006.

AGENCY

DEVELOPER

Redevelopment Agency of the City of Sacramento

KSWM Docks Partners, LLC

By: _____
Ray Kerridge, City Manager as Designated Signatory

By: _____
Jay Wallace, Managing Member

Approved as to Form

Agency Counsel

RESOLUTION NO. 2006-063

Adopted by the Redevelopment Agency
of the City of Sacramento

October 31, 2006

PROJECT CONCEPT AND BUSINESS TERMS APPROVAL FOR THE DOCKS AREA REDEVELOPMENT PROJECT

BACKGROUND

- A. In July 2003, the City Council accepted the Sacramento Riverfront Master Plan (Master Plan). Included in the Master Plan was the identification of the Docks Area as an opportunity site. The original concept for the Docks Area included a mixed-use neighborhood with a riverfront parkway/promenade.
- B. In 2005, the City engaged in an extensive community planning process to further define the Docks Area. The 2005 Docks Area Community Planning Process resulted in a more detailed concept design which included a high-density, mixed-use neighborhood with a riverfront parkway/promenade.
- C. On January 5, 2006 the Redevelopment Agency of the City of Sacramento (Agency) approved an Exclusive Right to Negotiate (ERN) with KSWM Docks Partners, LLC (Developer) as the Master Developer for the Docks Area.
- D. The development team selected for the Docks Area, KSWM Docks Partners, LLC has submitted a \$100,000 deposit to the Agency.
- E. The ERN with the KSWM Docks Partners, LLC was extended on August 22, 2006 until June 30, 2007.
- F. The vision for the redevelopment of the Docks Area is based on the 2003 Sacramento Riverfront Master Plan and 2005 Docks Area Community Planning Process.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. All of the evidence presented having been duly considered, the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this Resolution, are approved.
- Section 2. The following project concept is approved for the redevelopment of the Docks Area, including all of the property north of the Pioneer Bridge and west of Front Street: A high-density, mixed-use neighborhood that includes housing and retail as well as a riverfront parkway/promenade and parks and open space.

Section 3. The Term Sheet is approved for the Docks Area redevelopment project.

Developer Responsibilities

- a. Continue to work with the Agency to ensure the entitlements for the project area reflect a feasible and marketable development;
- b. Coordinate the remediation of the project area with the Agency's Environmental Oversight Agreement (EOA) with the Department of Toxic Substances Control (DTSC); and
- c. Develop 300-500 units in Phase I of the project, once remediation and infrastructure issues have been completed.

Agency Responsibilities

- a. Complete the acquisition of all properties located north of Pioneer Bridge and west of Front Street;
- b. Complete the entitlements for the properties north of Pioneer Bridge and west of Front Street;
- c. Complete the remediation process through the EOA with DTSC for all properties north of Pioneer Bridge and west of Front Street;
- d. Complete all infrastructure improvements for Phase I of the project, subject to funding availability;
- e. Work with the City to determine plan for the repair/replacement of Pioneer Reservoir; and
- f. Work with the City to continue developing the riverfront promenade.

Section 4. Staff is directed to return to the Agency with a Disposition and Development Agreement for Phase I of the Docks Area redevelopment project. Phase I generally includes all of the properties north of the Pacific Gas and Electric (PG&E) parcel (APN: 009-0012-003) to Q Street.

Adopted by the City of Sacramento Redevelopment Agency on October 31, 2006 by the following vote:

Ayes: Members Cohn, Hammond, McCarty, Pannell, Sheedy, Tretheway, Waters, and Vice Mayor Fong.

Noes: None.

Abstain: None.

Absent: Chair Fargo

Attest:


Robert King Fong, Vice Mayor


Shirley Concolino, Secretary