



## REDEVELOPMENT AGENCY AGENDA REPORT

### AGENCY MEETING:

**August 3, 2005**

July 12, 2005

TO: Chair and Members of the Agency  
 FROM: Brad Kilger, Assistant Executive Director  
 SUBJECT: Agreement to Exclusively Negotiate with Team Modesto for a proposed Mixed-use development (the "Project") located at the southwest corner of 10<sup>th</sup> & H Streets  
 CONTACT: Linda Boston, Program Mgr, [lboston@modestogov.com](mailto:lboston@modestogov.com), 571-5179.

### **RECOMMENDED AGENCY ACTION:**

Consider adopting one (1) resolution approving an Exclusive Negotiating Agreement (ENA) with Team Modesto to construct a Mixed-use development located at the southwest corner of 10<sup>th</sup> & H Streets in Modesto

### **I. BACKGROUND:**

A city's strength is anchored in its downtown. Modesto's downtown is renewed and the completion of Tenth Street Place has recreated the downtown that was the heart of Modesto from its inception more than 100 years ago. Downtown Modesto has once again become a place for pedestrian traffic, retail success, late-evening venues and numerous dining experiences. Patrons can enjoy a movie, shop for antiques and stroll a few steps to enjoy a late dinner and music.

A mixed-use development is an excellent addition to this urban environment and this redevelopment chain of success. The Redevelopment Agency ("Agency") owns four (4) parcels of land at the southwest corner of 10<sup>th</sup> & H Streets in Modesto. The Agency Board has directed staff to identify a public-private partnership for the development of a high-quality, Mixed-Use Project on this 31,500 square-foot Project Site.

In January 2005, the Agency Board approved a Request for Proposal (RFP) to select a qualified and experienced Developer who can deliver the Project in partnership with the Agency. As noted in the RFP, the Agency's desire is to partner with a developer team who has the proven experience, financial resources and professional expertise to deliver the highest quality, economically feasible mixed-use development.

*At the direction of the Agency, the RFP was written in a more general fashion and deliberately did not identify specific land uses.* Rather, the Agency wanted to offer significant latitude to allow those submitting a proposal to suggest a mix of land uses that would be the best fit for the site and would provide many benefits including:

1. Focus on job creation by attracting new retail companies, professionals and hotel firms who would relocate or expand into the downtown area bringing with them a full range of livable wage jobs with benefits, training and possibilities of further expansion into the Modesto area.
2. Construction of public parking spaces, incorporated into the mixed-use design, to replace existing parking spaces on the Project Site. In addition, the private portion of the development will provide added public parking spaces for nights and weekend events for the downtown entertainment destinations, including the Gallo Center for the Arts.
3. Incorporation of high quality designs and uses to enhance and expand the redevelopment of the Downtown. Some of these uses could include: retail, housing, hotel and parking.

The Agency received one proposal in response to the RFP. This proposal was received from "Team Modesto" as summarized below:

1. Team Modesto members: Paul Draper, *Centerra Capital*; Phil Mastagni, *Acme Construction*; Richard Rand, *PMZ Commercial*; Dennis Wilson, *Horizon Consulting*; Dave Johnson, *Johnson Lyman Architects*
2. Team Modesto experience: Finance; Project Management; Planning and Engineering; Construction; Real estate leasing/sales
3. Proposed land use mix:
  - a. Two levels of below ground parking (164 spaces)
  - b. Ground level: Retail (25,000 sf)
  - c. Floors 2-3: Parking (164 spaces)
  - d. Floors 4-6: Full Service Hotel (125-150 rooms)
  - e. Floors 7-8: One and two story townhomes (22 units @ 1200 sf (approx.) each) with 5,000 sf of two level open gardens
4. Approach:
  - a. Utilize creative design and construction approaches
  - b. Work closely with the Agency and other public and private stakeholders to build consensus
  - c. Add to the overall parking capacity of downtown Modesto
  - d. Utilize multiple public/private financing components to lower the costs of capital
  - e. Consider acquiring additional land to expand the project and parking options

## **II. REASONS FOR RECOMMENDATION:**

The members of the Selection Board are:

- |  |                                      |
|--|--------------------------------------|
| a. Agencymember Brad Hawn                    | e. Patrick Kelly, Principal Planner  |
| b. Agencymember Janice Keating               | f. Tim Ogden, Admin Analyst          |
| c. Brad Kilger, Assistant Executive Director | g. William Wong, PW Capital Planning |
| d. Linda Boston, Program Manager             | h. Mike Navarro, Chair of Citizens   |
- Redevelopment Advisory Commission

The Selection Board carefully reviewed the Team Modesto proposal to determine if the Agency goals for the RFP were met. Using the requirements set forth in the RFP, the Board determined the following:

1. In response to the general design of the RFP, Team Modesto's proposal includes general guidelines for a mixed-use project, including architectural renderings and specific land uses (noted above) that they recommend as the best fit for the site.
2. Team Modesto agrees that a Feasibility Study will be needed to confirm the viability of these land uses and that they will pay for this Feasibility Study. If no final development agreement is reached, the Agency will reimburse the developer for the cost of the Study.
3. Based on the results of the Feasibility Study, Team members demonstrated a willingness to be flexible with land uses and are willing to work with the Agency to create a project that would be a high-quality mix of successful land uses.
4. Team Modesto offers several options for construction including adding adjacent land to expand the project
5. Team members have extensive individual experience in financing, construction and project management and demonstrate a long-term commitment to downtown Modesto.
6. Team members have the ability to raise the capital needed to complete the project within a reasonable timeframe incorporating a high-quality design. The Team members will be participating in the funding and will be adding venture capital to complete the project financing. The Agency may be asked to participate in funding which could include the property and/or other public infrastructure

After considered discussion, the Selection Board did not believe that this proposal provided the Agency with enough information on the land use mix, building design and project schedule to enter into an all-inclusive final Disposition and Development Agreement. However, the Board did agree that there was good potential for working with Team Modesto to reach a consensus on this Mixed-use Project and recommended that the Agency enter into an Exclusive Negotiating Agreement (ENA) with Team Modesto committing the Agency and Team Modesto to conduct good faith negotiations towards the execution of a comprehensive Disposition and Development Agreement (DDA).

Typically, the Agency enters into an ENA as the “first step” in the development process. Once the ENA negotiation period is complete and the Mixed-use Project description is agreed upon, a DDA is produced that sets forth the terms and conditions required to bring the Mixed-use Project to fruition. The all-inclusive DDA details the full obligations of the Agency and the developer (including funding), describes the detailed scope of the project and establishes a project schedule.

Exclusive Negotiating Agreement (ENA) Terms and Conditions: The ENA includes the following conditions:

- Establish the project description, land use mix and development specifications
- Provide for market feasibility studies, at Team Modesto expense, to determine the optimum land use mix to address the downtown market needs. Should the ENA not result in a DDA, the Agency would reimburse Team Modesto for the cost of the studies.
- Protect Team Modesto’s initial project development investment (e.g. time, funding, real estate commission obligations, architecture and engineering studies, cost analysis)
- Describe the manner in which the Agency will consider assisting with site work and funding
- Term of the ENA shall be nine (9) months, subject to two extensions of up to sixty (60) days each by the Executive Director.

**III. FISCAL IMPACTS:**

The final terms and conditions will be as approved by the Agency per a formal Disposition and Development Agreement to be negotiated and reviewed by the Agency in the future.

**IV. EXISTING POLICY / RELATIONSHIP TO STRATEGIC PLAN:**

This project promotes several objectives established by the Agency, including:

- Focus on market rate housing developments within the downtown area
- Develop partnerships to target, fund and implement redevelopment projects
- Incorporate Smart Growth principles as part of downtown planning

**V. POLICY ALTERNATIVES:**

The Agency may elect not to approve the ENA for this Project. Other options include:

1. Redistribute the RFP with the goal of attracting additional developers
2. Delay work on this site for a period of time to wait for changing market conditions

**VI. INTERDEPARTMENTAL COORDINATION:**

The Selection Board included members of Public Works, Planning and Community Development

**VII. PUBLIC PARTICIPATION:**

The Selection Board included the Chair of the Citizens Redevelopment Advisory Commission that is comprised of private citizens, several of whom own businesses within the downtown area.

**VIII. COMMITTEE RECOMMENDATION:**

Citizens Redevelopment Advisory Commission reviewed the Selection Board recommendation for entering into an ENA with Team Modesto on May 4, 2005. They recommended approval to the Agency.

Economic Development Committee reviewed the recommendation of the Selection Board and the Redevelopment Commission on July 11, 2005. They recommended approval to the Agency.

**IX. ENVIRONMENTAL REVIEW:**

The Exclusive Negotiating Agreement is not considered a "project" under Section 15378 (b)(2) of the California Environmental Quality Act (CEQA) Guidelines. An environmental assessment will be conducted in conjunction with the Agency's consideration of the Disposition and Development Agreement.

**X. STEPS FOLLOWING APPROVAL:**

Upon approval by the Agency, the staff will begin negotiations with Team Modesto with the goal of setting the terms and conditions for the Disposition and Development Agreement.

Prepared By: \_\_\_\_\_  
Linda Boston, Program Manager

Reviewed By: \_\_\_\_\_  
Brad Kilger, Assistant Executive Director

Submitted By: \_\_\_\_\_  
George W. Britton, Executive Director

- Attachments: (A) Team Modesto Proposal  
(B) Proposed Agreement to Negotiate Exclusively  
(C) Resolution approving ENA