

# REPORT

To the Honorable Mayor and City Council  
and the Redevelopment Agency Board  
From the City Manager and the Executive Director

September 22, 2003

## Subject

Second Implementation Agreement for Amended and Restated Disposition and Development Agreement for Downtown Retail-Cinema and Parking Project

## Recommendation

Approve a Second Implementation Agreement with the City of Redwood City, the Redevelopment Agency and BHV Innisfree Ventures I, LLC, developers of the project, for the Amended and Restated Disposition and Development Agreement for the Downtown Retail-Cinema and Parking Project and authorize the City Manager and the Redevelopment Manager to execute same.

## Background

On December 9, 2002, the City Council and Redevelopment Agency approved an Amended and Restated Disposition and Development Agreement (DDA) with BHV Innisfree Ventures I, LLC, for development of the Downtown Retail-Cinema and Parking Project (executed January 8, 2003).

On February 24, 2003, the First Implementation Agreement was approved which authorized the City to proceed with the eminent domain proceedings for acquisition of the properties located in the block of the proposed project. That process is underway.

This Second Implementation Agreement deals with two separate issues:

1. When the \$7.5M developer payment for the air rights parcel occurs, and
2. When the developer should repay to the City the cost of abatement and demolition of buildings on the site.

Each of these issues will be discussed separately.

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When the \$7.5M developer payment for the air rights occurs

The Amended and Restated DDA (Section 305) provides for payment of the \$7.5M by the developer when the construction of the garage is 80% completed, and if the City requested payment prior to that date there would be a substantial interest charge. It was assumed, at that time, that the escrow transferring the air rights to the developer was not likely to occur until after the 80% completion date. It now appears likely that the escrow will close prior to the 80% completion date and this Implementation Agreement clarifies that the City can receive the \$7.5M at close of escrow without incurring the substantial interest charge.

When the developer repays the cost of abatement and demolition of the buildings on site

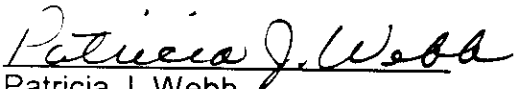
This agreement also provides clarity regarding the developer's responsibility for the cost of abatement and demolition of the existing buildings on the site and the terms of payment for that work. It proposes to amend Section 402A of the DDA regarding the Construction and Reimbursement Agreement to require the developer's payment of \$425,500 prior to close of escrow for the air rights parcel.

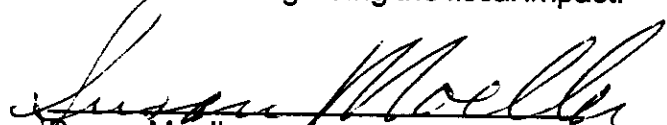
**Alternatives**

1. Do not authorize the City, Agency and the developer to enter into the Implementation Agreement. In this case, the Agency would be required to wait until 80% completion of the garage to receive significant funding or pay substantial carrying costs if it is drawn earlier.
2. Direct staff to seek alternative solutions.

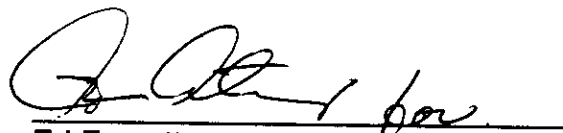
**Fiscal Impact**

There will be no change from the Amended and Restated DDA regarding the fiscal impact.

  
Patricia J. Webb  
Economic Development Coordinator

  
Susan Moeller  
Redevelopment Manager

  
Bruce Liedstrand  
Community Development Director

  
Ed Everett  
City Manager

Attachments:  
Implementation Agreement

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**SECOND IMPLEMENTATION AGREEMENT TO  
AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT  
FOR DOWNTOWN RETAIL-CINEMA AND PARKING PROJECT**

This Second Implementation Agreement to Amended and Restated Disposition and Development Agreement (this "Implementation Agreement") is entered into as of this \_\_\_ day of \_\_\_\_\_, 2003, by and between the REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY, a public body, corporate and politic (the "Agency"), the CITY OF REDWOOD CITY, a municipal corporation (the "City") and BHV INNISFREE VENTURES I, LLC, a California limited liability company, which Cinema Square, LLC, a California limited liability company, and Blake Hunt Ventures I, LLC, a California limited liability company, are the sole members (the "Developer").

**Recitals**

A. The Agency, City and Developer previously entered into an Amended and Restated Disposition and Development Agreement for Downtown Retail-Cinema and Parking Project on January 8, 2003, and a First Implementation Agreement on February 24, 2003 (collectively referred to herein as the "DDA"), pursuant to which the City and the Agency agreed to provide certain assistance by assembling parcels and paying for the construction of a public underground parking garage, in exchange for which the Developer would develop a two-level retail-cinema project (collectively referred to herein as the "Project").

B. In furtherance of the DDA, the City, Agency and Developer have entered into the following: (1) Construction and Reimbursement Agreement for Relocation of Reinforced Concrete Box Culvert, dated April 8, 2003; (2) Preconstruction, Design and Reimbursement Agreement for Downtown Underground Public Parking Facility, dated June 6, 2003; and (3) Demolition, Utility Relocation and Reimbursement Agreement for Underground Public Parking Facility, dated August 21, 2003 (the "Site Clearing Agreement").

C. In light of current conditions and circumstances and the further planning and decisions of the parties, the Agency, City and Developer now desire to make certain additional and clarifying modifications to the DDA.

**Agreements**

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Agency and Developer hereby agree as follows:

**Section 1. Purpose of this Implementation Agreement**

The purpose of this Implementation Agreement is to effectuate and implement the DDA by making certain modifications necessary to reflect certain changes, in light of

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current conditions and circumstances and the further planning and decisions of the parties following execution of the DDA.

Section 2. Developer's Advance

The last paragraph of Section 305 of the DDA is hereby amended in full to read as follows:

"Notwithstanding anything to the contrary contained in this Agreement, in the event the Agency draws on the Developer's Share of the Acquisition Budget prior to the Close of Escrow for conveyance of the first Agency or Acquisition Parcel to Developer, then the Agency shall pay interest on such funds, from the date on which they are drawn down by the Agency to the date of such Close of Escrow, at a rate equal to the rate of interest or other carrying cost that Developer is required to pay on such funds."

Section 3. Site Clearing Agreement

Pursuant to the DDA, the parties have entered into the Site Clearing Agreement pursuant to which Developer shall be responsible for, among other things, the abatement of asbestos and other hazardous materials on the Project Site (the "Abatement") and for the demolition of the existing structures and facilities on the Site (the "Demolition"). The City and/or Agency have agreed to loan to Developer approximately Four Hundred Twenty-Five Thousand Five Hundred Dollars (\$425,500) (the "Abatement/Demolition Loan") for the actual costs of Abatement and Demolition on the Site. Developer is required to repay the Abatement/Demolition Loan prior to the close of escrow for the conveyance of any property or air rights parcel to Developer under the DDA.

The parties hereto hereby agree that Section 402A. of the DDA is amended to add as conditions to the close of escrow, the following condition:

"8. Developer shall have repaid City or Agency, whichever is applicable, in full, the amount of the Abatement/Demolition Costs, as defined in the Site Clearing Agreement, loaned to Developer.

9. Developer shall have provided to City and Agency evidence that it has obtained firm commitments for financing or other evidence of sufficient funding to construct the Project and all infrastructure improvements therefor."

Section 4. Agency's Right to Terminate

Section 808A. is hereby amended to add as an event of Developer Default, the following:

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"11. Prior to the close of escrow, Developer fails to repay in full, to City or Agency, whichever is applicable, the Abatement/Demolition Costs, as defined in the Site Clearing Agreement."

Section 5. Force and Effect

The effective date of this Second Implementation Agreement shall be the date set forth hereinabove. Except as modified and amended by this Second Implementation Agreement, all other provisions of the DDA shall remain unchanged and in full force and effect.

The parties hereto have entered into this Second Implementation Agreement as of the date first above written.

CITY: CITY OF REDWOOD CITY  
By \_\_\_\_\_  
Ed Everett, City Manager

Attest:  
\_\_\_\_\_  
Patricia Howe, City Clerk

AGENCY: REDWOOD CITY REDEVELOPMENT AGENCY  
By: \_\_\_\_\_  
Susan F. Moeller, Redevelopment Manager

Attest:  
\_\_\_\_\_  
Patricia Howe, Agency Secretary

DEVELOPER: BHV INNISFREE VENTURES I, LLC  
a California limited liability corporation  
BY: CINEMA SQUARE, LLC,  
a California limited liability company,  
its Managing Member

By: \_\_\_\_\_

By: Blake Hunt Ventures I, LLC  
a California limited liability company,  
its Managing Member

By: \_\_\_\_\_