April 25, 2006

TO: Chairperson and Members of the Stockton Redevelopment Agency

FROM: J. Gordon Palmer, Jr., Executive Director
Stockton Redevelopment Agency

SUBJECT: EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT FOR THE
RENOVATION OF THE HENERY APARTMENTS

RECOMMENDATION

It is recommended that the Redevelopment Agency ("Agency") adopt a resolution accepting a proposal received from Regent Development, Inc. ("Regent"), for the possible renovation of the Henery Apartments ("Henery"), Agency-owned property located at 119 South Sutter Street within the West End Urban Renewal Redevelopment Project Area; and authorizing the Executive Director of the Agency to execute a 365-day Exclusive Negotiating Rights Agreements (ERNA) with Regent for the possible renovation of the apartments. The ENRA includes commitments by Regent to retain an architect and structural engineer to perform certain studies. Based upon those studies, Regent will determine what, if any, alternative uses and proposed renovation work would be economically feasible.

SUMMARY

The Henery, a Stockton Historic Landmark, is in disrepair. Over the years many potential developers have examined the building, initially excited about the prospects of renovating it and then quickly discouraged by the extent of the repairs required and the uncertainty of the building's economic viability. On February 22, 2005, the Agency authorized the issuance of an RFP for the development of the building. There were four respondents. Only one was determined by Agency staff to be viable. Thus, it is recommended that Regent be selected as the Master Developer of the Henery. It is further recommended that Agency agree to an ERNA with Regent.

DISCUSSION

Background

The Henery, located at 119 South Sutter Street within the City of Stockton West End Redevelopment Project area consists of a six-story, 26,000+ square foot apartment building with significant architectural appeal.

The Henery was designed and built in 1913 with 29 apartments to serve tenants who represented the then elite of Stockton's business community. Those 29 apartments were eventually divided into approximately 50 apartments and housed low-income tenants. It was purchased by Agency on October 11, 1995, for $300,000. Its current state of decline is due to a lack of an on-going maintenance program during the time it
EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT FOR THE RENOVATION OF THE HENERY APARTMENTS

housed low-income residents. Nevertheless, the building is still recognized for its historical significance to downtown Stockton. The City Council designated the Henery as a Stockton Historic Landmark in 1986.

On February 22, 2005, by Resolution R05-005, Agency approved the issuance of a Request for Proposals ("RFP") for a qualified developer to develop the Henery. The project was open to development for residential, commercial and/or mixed-use facilities.

RFP's were mailed to approximately 20 developers. The initial deadline was March 24, 2005. As of that date three responses were received. Staff concluded that none of the three proposals held much promise and were rejected. Consequently, in accordance with the authorizing language of the RFP, the deadline was extended to May 31, 2005. As of May 31, 2005, one additional response was received. The last proposal, by Regent was the only viable proposal.

Due to the higher priority of other City and Regent business in the immediately subsequent period, this matter did not move forward.

Present Situation

In a letter dated February, 28, 2006, Regent reaffirmed its interest in developing the building and in that context has requested that Agency enter an ERNA with Regent.

FINANCIAL SUMMARY

Agreeing to an ENRA does not create any financial impact for Agency. It only provides time to negotiate a Disposition and Development Agreement ("DDA"). Any resultant DDA, if any, potentially could have a financial impact. However, any DDA would need to be approved by Agency.

Respectfully submitted,

J. GORDON PALMER, JR.
EXECUTIVE DIRECTOR

JGP:SJP:JS:jb
Attachment

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RESOLUTION AUTHORIZING THE AGENCY'S EXECUTIVE DIRECTOR TO EXECUTE A 365-DAY EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT WITH REGENT DEVELOPMENT, INC. ("DEVELOPER") FOR DEVELOPMENT OF AN URBAN MIXED USE PROJECT WITHIN THE WEST END REDEVELOPMENT AREA

WHEREAS, the Developer has expressed an interest in submitting a proposal for development of an urban mixed use project within the West End Redevelopment Area ("Project"); and

WHEREAS, since the property involved in the potential development is owned by the Redevelopment Agency, formation of a Master Development Area is not necessary for this Project; and

WHEREAS, the Redevelopment Commission has recommended that the Agency approve the submittal of a proposal by Developer for development of an urban mixed use project on Agency-owned property within the West End Redevelopment Area and to enter into a 365-day Exclusive Negotiating Rights Agreement ("ENRA") with Developer, during the term of which the Agency and Developer will negotiate the business terms of a Disposition and Development Agreement ("DDA") for the Project and Developer will also provide the Agency with refined site plans, project elevations, development timelines and information and conclusions concerning the viability of the Project; now, therefore,

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The Agency hereby finds and declares that Regent Development, Inc. has the expertise necessary to develop a proposal for the Project.

2. The Agency hereby designates Regent Development, Inc. as the Developer for development of an urban mixed use project on Agency-owned property within the West End Redevelopment Area.

3. That Regent Development, Inc. is hereby granted a period of three hundred sixty-five (365) days as an exclusive negotiating period in which to negotiate the terms and conditions of a DDA between Developer and the Agency in connection with the proposed Project.

4. The Executive Director, on behalf of the Agency, is hereby authorized and directed to execute an ENRA with Regent Development, Inc., attached hereto as
Exhibit "A," as well as any other required amendments, approvals, and related documents and to take and/or authorize such other actions as necessary to carry out the purpose and intent of this resolution.

PASSED, APPROVED, and ADOPTED

______________________________

EDWARD J. CHAVEZ, Chairperson
Redevelopment Agency of
the City of Stockton

ATTEST:

______________________________

KATHERINE GONG MEISSNER
Secretary, Redevelopment Agency of
the City of Stockton
EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT
PROPOSAL TO DEVELOP AN
URBAN MIXED USE PROJECT
WITHIN THE WEST END REDEVELOPMENT AREA

This Agreement is made on ______________ by and between the
REDEVELOPMENT AGENCY OF THE CITY OF STOCKTON, a public body corporate
and politic, and a redevelopment agency formed and existing under the California
Community Redevelopment Law (hereinafter the “Agency”) and REGENT
DEVELOPMENT, INC., a California corporation (hereinafter “Developer”), on the terms
set forth below:

1. During the term of this Agreement, Agency and Developer agree to
negotiate the terms and conditions of a Disposition and Development Agreement
(“DDA”) by and between Agency and Developer for the development of certain real
property (the “Site”) currently owned by the City of Stockton Redevelopment Agency
and located within the West End Redevelopment Project Area. The Site is described as
a portion of San Joaquin County Assessor’s Parcel Number 149-120-10, more
commonly referred to as 119 Sutter Street, bounded at the mid-block of Market, Sutter
and Washington streets and is shown on the diagram attached hereto as Exhibit “A” and
incorporated herein by reference.

2. Developer previously has submitted a proposal (the “Proposal”), which
describes a mixed use development project consisting of up to 30,000 gross sq.ft.,
including associated parking and approximately 36 “for-sale” residential units (the
“Project”) which will be modified to make it suitable for the Site. Developer will
undertake certain architectural and structural feasibility studies of the property as set
forth in Developer’s proposal dated February 28, 2006, a copy of which is attached
hereto as Exhibit “B” and incorporated herein by reference.

3. Agency agrees, during the term of this Agreement, to refrain from
consideration of proposals from other developers for the Site. Agency further agrees to
not solicit or entertain proposals from others during the term of this Agreement. Agency
may provide information regarding the Site to any person or entity requesting
information, but shall not provide any information or details concerning the Developer’s
evolving concept for the Site beyond what was originally contained in the Developer’s
Proposal.

4. During the term of this Agreement, Developer agrees to negotiate solely
with Agency for construction of the proposed Project and shall not make any offers to
purchase or negotiate to purchase any other property in the City of Stockton, other than
the Site, for construction of this Project. The Agency agrees to work with Developer to
identify additional property for the Project, following the processes and procedures
required of the Agency, including owner participation. Notwithstanding this provision,
Developer also may seek to expand the scope of the development through inclusion of
adjacent or nearby property in the surrounding area through the inclusion of such
property by negotiation with the owners of such property. Upon Developer’s written
request, which shall describe the scope of the additional negotiations, the Agency’s
Executive Director or a designee may, in their sole discretion, approve such negotiations. If approved, Developer shall not be considered to be in breach of this Agreement.

5. In addition to negotiating the terms of the DDA, Developer agrees to provide Agency, as requested by Agency, prior to the expiration of the term of this Agreement, preliminary architectural and structural feasibility plans, development timeline, statements of experience on each development team member, and information and conclusions concerning the viability of development and construction of the Project for use in determining whether to proceed with development of the Project on the Site, as well as all other information requested by the Agency required to value the Agency’s land parcels.

6. The term of this Agreement shall be for a period of three hundred sixty-five (365) days after the date of its approval by the Agency’s Board. Agency shall consider the request of Developer to extend the term of this Agreement and shall agree to an extension of the term if the parties are continuing to make acceptable progress in the negotiation of the terms of the DDA, as determined by the Agency. Such request shall be in writing and directed to Agency’s Executive Director no later than thirty (30) days prior to the expiration date of this Agreement.

7. The parties acknowledge that no real estate brokers and/or real estate agents have been or will be employed by either Agency or Developer in connection with this Agreement or the DDA. If Developer has retained or in any other way become responsible to any broker, Developer shall be solely responsible for payment of any commission due and agrees to indemnify, defend and hold Agency harmless from any claim of said broker, finder or similar person or entity claiming to have dealt with Developer.

8. This Agreement shall not obligate the Agency to convey property or either Agency or Developer to enter into any other agreement or an agreement containing any particular terms. Developer understands and agrees that the concurrence of Agency staff or the Redevelopment Commission to the terms and conditions of an agreement does not constitute the agreement of the Agency, and that the Agency cannot agree to enter into any agreement until a public hearing is held as required by law, a resolution approving the agreement has been adopted, and the Agency has fully executed the document. Developer acknowledges that the Agency does not control or influence any action within the jurisdiction of the City of Stockton.

9. Any notices to be given shall be in writing and shall be effective either (a) when delivered in person to the recipient to whom addressed, or (b) three (3) business days after deposit in the United States mail, postage prepaid, by certified mail, return receipt requested, addressed to the recipient at the address below, whichever is earlier:

To Agency: Redevelopment Agency of the City of Stockton
425 North El Dorado Street
Stockton, California 95202
Attn: Executive Director
To Developer: Regent Development, Inc.
900 University Avenue
Sacramento, California 95825
Attn: Darrell Petray

Such addresses may be changed from time to time by written notice given in accordance with this section. No person shall refuse or evade delivery of any notice.

10. The undersigned represent and warrant that they are each authorized to execute this Agreement by the party on whose behalf they have signed.

Approved as to form:
Office of the City Attorney

REDEVELOPMENT AGENCY
OF THE CITY OF STOCKTON

J. Gordon Palmer Jr., Executive Director

City Attorney

ATTEST:

Agency Secretary

REGENT DEVELOPMENT, INC.

Name:_________________________
Title:_________________________

Approved as to form:

Counsel for Developer
February 28, 2006

Steve Pinkerton
Redevelopment Agency of
The City of Stockton
425 N. El Dorado Street
Stockton, CA 95202

Re: Henery Apartments

Dear Steve:

This will confirm Regent’s intentions with respect to the proposal submitted for the Henery Apartments redevelopment project. To move this matter forward, we propose the following:

1. The Agency enters into an Exclusive Rights Negotiating Agreement ("ENRA") with Regent Development, Inc. for at least one year.
2. Regent retains an architect and structural engineer to conduct a feasibility study with emphasis on structural upgrades necessary to bring the entire structure to current structural and seismic codes.
3. Upon completion of the structural evaluation, Regent prepares and submits an estimate of the structural work necessary. The extent of the structural requirements will determine the feasibility of any use contemplated for the structure.
4. Regent will conduct an architectural review of the building’s façade to determine whether it is salvageable.
5. Assuming the project appears feasible, The City will commit adequate parking spaces to the building from the City parking garage across the street.
6. Regent will conduct the above activities with a goal of completing its investigation within six months of the date of the ENRA. Regent’s data and conclusions will be reviewed with City staff.

We look forward to moving ahead with this project without delay. Should you have any questions or concerns, please don’t hesitate to call.

Sincerely,

John Thomas

EXHIBIT B
900 University Avenue, Sacramento, California 95825, Telephone 916.418.1660, Fax 916.418.1670