

STAFF REPORT



MEETING DATE:	4/28/15
SUBJECT:	Award Infill & Redevelopment Incentives
AGENDA ITEM:	14
STAFF CONTACT:	Daniel Wayne, Senior Transportation Planner

SUMMARY:

In response to the agency's Infill & Redevelopment Incentive Program call for projects, one proposal was received from K2 Development Company (K2) for consultant services needed to ready 1551 Market Street (the former Dicker's Department Store) for a mixed use redevelopment project. A technical assessment of off-site improvements, not included in K2's scope of work, is needed to complete the project as envisioned. It is anticipated that both on-site and off-site project development needs can be accomplished within the overall program budget of \$122,085. A joint scope of work has been developed in consultation with K2 and the city of Redding to allow bids to be solicited. Deliverables are needed by K2 and the city of Redding to compete for capital grants and low-cost financing.

STAFF RECOMMENDATION:

It is recommended that the board of directors:

1. Receive a presentation from K2 regarding the proposed redevelopment project at 1551 Market Street in Redding; and
2. Direct staff to prepare consultant bids and a technical services agreement for consideration at the June meeting.

DISCUSSION:

In February, the board of directors authorized distribution of the Infill & Redevelopment Incentive Program Guidelines and Request for Proposals. Up to \$122,085 in grant funding is available for award. Program materials were posted on the agency's website; presented to the Shasta Builders' Exchange Board of Directors; and distributed to local media outlets and community organizations. A pre-application open house was held on March 10 and attended by two prospective applicants.

One proposal was received by K2 Development Company in the amount of \$100,000 to assist with the redevelopment of 1551 Market Street (site of the former Dicker's Department Store). The developer wishes to replace the existing structure with a five-story building featuring ground-floor office and retail space and fifty residential units on floors two through five. The project is complicated by two factors. First, the downtown parking garage, located under the building site, will need to be modified to accommodate the new structure. Second, portions of the parcel and existing building are needed to reopen Butte, Yuba, and Market Street to vehicle traffic and street parking. The scope of work submitted for funding includes three main tasks: 1) assess options for modifying current underground parking garage to meet the functional and engineering requirements of the proposed project; 2) assess parking and circulation needs; and 3) perform conceptual design renderings of the building and surroundings.

The proposed project is consistent with the Downtown Redding Transportation Plan; however, additional details and cost estimates for off-site improvements will be needed to compete for capital grants and low-cost financing available through state programs. It is anticipated that both on-site and off-site project work tasks can be accomplished if non-essential tasks are omitted from K2's scope of work (Task 2.10, Presentation Animations) and the entire Infill & Redevelopment Incentive Program budget (\$122,085) is utilized.

A consolidated scope of work for on-site and off-site tasks has been developed in consultation with K2 and the city of Redding in order to solicit bids from qualified consultants. To ensure compliance with the SRTA's policies and fiscal accounting requirements associated with the funding source, staff will assist with the consultant procurement process and project delivery. A technical services agreement with the selected consultant(s) will be presented for consideration by the board of directors at the June meeting.

ALTERNATIVES:

The board of directors may modify the award amount or direct staff to seek authorization from the grantor to use the grant funds for other activities that support implementation of the region's Sustainable Communities Strategy.

OTHER AGENCY INVOLVEMENT:

Applicants were directed to consult with the applicable local jurisdiction. A letter of support from the city of Redding is provided by attachment and city of Redding staff helped to refine the scope of work.

FINANCING:

Funding is provided by a Proposition 84 Sustainable Communities Planning grant received by the agency in 2012. Up to \$122,085 is available for the incentive program. Staff time required to administer the incentive program will also be reimbursed by other funds available through the grant. All funds must be spent by November 2015.



Daniel S. Little, AICP, Executive Director

Attachments: K2 Development Company Proposal for the Redevelopment of 1551 Market Street
City of Redding Letter of Support



APPLICATION

STRATEGIC GROWTH AREA

INFILL & REDEVELOPMENT INCENTIVE PILOT PROGRAM

All applications must include the following information in the provided format. Only complete applications will be reviewed. If requested information is not applicable or unknown, please indicate.

I. APPLICANT INFORMATION

Name of applicant: K2 Development Company, Inc.
Primary contact person: Allen A. Knott
Telephone number: 916-580-5755
Email address: aknott@k2dci.com
Project name: 1551 Market Street

II. PROJECT LOCATION

Strategic Growth Area: City of Redding SGA
Physical address: 1551 Market Street
Assessor's parcel #: 101-790-015

III. MINIMUM PROJECT ELIGIBILITY CHECKLIST (MUST CHECK ALL TO BE ELIGIBLE)

☒ **Location:**

The proposed project is located within a Strategic Growth Area (SGA) as demarcated by Attachment C: Map of Strategic Growth Areas.

☒ **Site Control:**

Applicant demonstrates site control as defined by owning the property by deed, contract with the property owner, or through an executed purchase agreement with the property owner.

☒ **Compliance with Adopted Plans/Regulations:**

The proposed project is consistent with land use policies of adopted General Plan and Specific Plan, and is consistent with existing zoning regulations as demonstrated by a letter of support from the applicable local agency planning department.

IV. PROJECT COST

Total Project Cost:	\$100,000
<i>*For the proposed scope of work only, not including capital construction costs to deliver the end product</i>	
Cash Match*:	NA
Source of Funds:	
<i>*Not required, but will be considered (see Attachment D: Proposal Evaluation Criteria)</i>	
In-Kind Match Value*:	NA
Source of Funds:	
<i>*Not required, see Attachment D: Proposal Evaluation Criteria)</i>	
Amount Requested*:	\$100,000
<i>*Total Project Cost minus Cash and In-Kind Match amounts</i>	

Method for determining cost estimates*:

Competitive bid from two providers.

**Consistent with SRTA procurement policies, applicants are required to document the method used to arrive at a reasonable and competitive cost estimate. It is recommended that this method include: at least two bids received from providers of technical services for the specific proposed scope of work and/or references to actual expenditures from other projects of similar type and scope of work that may be used for a general comparison.*

V. CAPACITY & INTENT

Statement of general qualifications and experience relevant to the proposed project:

K2 Development brings a combined 55 years of development experience in the Redding, CA area. Our firm is well versed in the planning, financing, constructing, rehabbing and managing of apartment and multi-use properties in the City of Redding. All three owners of our firm have a passion for downtown redevelopment. We have proven our follow-through in new construction mixed-use projects as demonstrated in our project at 1011 Parkview as well as rehabilitation projects like 1055-1064 Center Street.

As a local developer and contractor, we take pride in finding and hiring premier LOCAL talent. It is our intention to utilize local suppliers and subcontractors for the 1551 Market Street project. This project comes as a significant investment to our firm from both a monetary and resource standpoint. This is our firm's focus project and we will take every step necessary to ensure the funds put forward by this grant will result in design and analysis that will best position our project to secure greater grant funding and bank financing.

Proposed project team, including the name of consultant sub-contractor(s):

Kibler & Kibler

Architecture & Engineering

2556 Heather Lane Redding, Ca. 96002

Phone: (530) 226-0566

Fax: (530) 221-3985

E-Mail: info@k2ae.com

Trilogy Architecture + Urban Design + Research

2055 Pine St. Redding Ca 96001

p. 530-243-3000

<http://www.trilogyarch.com>

Statement of intent to follow through with the proposed development project*:

It is in our full intent to utilize the rendering and feasibility analysis these funds will afford us to better our application for state grant funds and bank financing.

**A guarantee of construction is not required; however, it is not the purpose of this incentive program to support property speculation (i.e. to develop materials for the purpose of inflating the market value of the unimproved property).*

VI. CURRENT SITE CONDITIONS

Which of the following best describes the current state of this parcel?

- ☐ Vacant parcel
- ☐ Underutilized parcel with existing structure in need of expansion or replacement
- ☒ Developed parcel in need of adaptive reuse of an existing structure(s)

Physical description and condition of current property:

Single story, 65,000 SF vacant commercial building located over a city parking garage. Building is in poor condition and requires structural and cosmetic improvements.

Number of current residential housing units:

0

Number of existing square feet commercial space:

65,000

Number of existing square feet office space:

NA

Vacancy rate of existing residential, commercial, and/or office space:

100%

VII. FUTURE PROPOSED PROJECT DESCRIPTION

Which of the following describes the proposed development (select all that apply)?

- ☒ Mixed-use development with multi-family residential and non-residential uses
- ☐ Multi-family development
- ☐ Single family attached units
- ☐ Public use facility

Anticipated number of residential housing units:

50 with 25% being affordable housing

Anticipated number of square feet commercial space:

28,000 commercial/retail

Anticipated number of square feet office space:

28,000 commercial/retail

Project design objectives, including form and features that support use of alternative mobility options (bicycle, pedestrian, and public transportation) and energy conservation.

Our proposed project will incorporate a combination of first floor commercial office/retail and with floors 2-5 incorporating 50 residential units. The project will be located over the existing but modified downtown parking garage. By increasing the number of downtown housing units, it will open up the possibility for downtown employees to live closer to work. Bicycling and walking to work will be a viable option for those looking for luxury living downtown, not currently available. In addition, the project is located two blocks from the hospital, one block from public transportation and three blocks from the downtown train station. Our onsite parking plan will incorporate bicycle racks and a path of travel to the newly added downtown bike lanes just a block to the east.

The new title 24 building standards will be utilized, creating a highly energy efficient building. Additional steps such as on demand hot water heaters, drought resistant landscaping, and alternative energy resources will be considered.

Consistency with other plans (applicable general plan, specific area plan, economic development plans, etc)

Our project is consistent with the downtown specific plan. It is also well aligned with the preliminary findings being analyzed by the downtown transportation plan study.

In what ways would the proposed project elevate the aesthetic appeal and value of the

surrounding neighborhood or district?

Blight would best describe the current 65,000 SF 1551 Market Street Building. This is the largest building in the Market Street Promenade. In its current form and isolated position, it has little to no appeal to end users. Given its size and location, it has the largest negative aesthetic impact of any building in the downtown core.

When you google Redding, CA, the dot that marks the center of the map lands on the 1551 Market Street Building. As it stands today, our building has three 40 foot wings that encroach on what could be a public right-away on the South, West and North sides of the buildings. By reducing the building footprint, our project would at minimum:

- Open up Butte, Yuba and Market streets.
- The recreated pedestrian friendly streets would be wide enough for two way traffic with angled parking on both sides of the streets.
- Increase downtown parking spaces on the north, south and west side of the building.
- Bring traffic circulation that will benefit all business in the area.
- 50 additional residential housing units will bring a measurable population of people that will live, shop, hang out, invite friends and family, work and be the eyes and ears that will deter crime and transient activity.

Our design will meld well with the downtown area but also add hints of a modern flare that will attract business, restaurants and tenants alike. New, fresh, luxurious and warm come to mind.

In what ways might the proposed project serve to catalyze additional future development?

Success breeds success. With the enhancements listed in the prior answers, our building will attract vibrant business, restaurants and a core population to support them. Reopening empty streets and parking spaces in the central core of downtown Redding will bring back the people. This will be good for all business around our building. Increased demand for space will increase the value of the downtown buildings and therefore encourage and/or open up additional investment/financing dollars for the landlords to invest back into their buildings.

The reopening of the downtown streets will increase traffic circulation into the corridors. Local businesses need this traffic to survive and they are not getting it in the volume of foot traffic today. Why is our building key to this? The 1551 Market Street building currently encroaches into three potential streets. By reducing the footprint, our project would single handedly reopen a number of interior options without the immediate need for cooperation of or destruction of other buildings.

What additional public investments and/or policies would make the project more successful (i.e. enhanced/expanded multi-modal transportation infrastructure, reduced parking requirement, etc.)?

The most significant public investment would be the infrastructure required to reopen the streets to the promenade and the ongoing maintenance to ensure a well-kept downtown. Infrastructure would at minimum entail the streets, sidewalks, curbs, gutters, relocation of utilities, lighting and downtown promotional and directional signage.

In addition, our project will require corporation and financial support associate with a land swap for the property we would deed over to the city to reopen the streets at sacrifice to the footprint of the 1551 market street building.

Finally, a combined funding and construction effort with the city is needed to modify the city owned, underground parking garage. The garage will need to support the new building and maintain public parking spaces.

VIII. TECHNICAL ASSISTANCE SCOPE OF WORK

Narrative overview of the pre-development work scope and why it is needed:

Garage Analysis and Feasibility Study: The building is currently located over a city owned and maintained parking garage. The garage will be essential to service the commercial and residential needs of the building. Analysis needs to be done to identify the most cost effective way to reconstruct or modify the existing garage. The garage will need to support the new building footprint and accommodate the proposed downtown circulation plan.

Downtown Site and Circulation Plan: The plan will include analysis and proposal of the downtown site plan around our building and the newly created circulation plan around the building. Plan will address the parking garage; reduced building footprint; onsite and offsite parking; alternative transportation connection and landscaping.

Building Rendering and design: This will include elevation rendering and meld with the neighborhood while having contemporary features that attract business and restaurants. The design will illustrate the layout the 50 residential units and circulation plan. Finally, the analysis will include a cost estimate for construction and a rental cash flow projection.

Scope and schedule worksheet, including project breakdown by work task, cost, deliverable, and responsible party:

See Attachment A: Scope & Schedule Form.

IX. APPLICATION ATTACHMENTS

Letters of support:

Please see attached letter from Viva Downtown

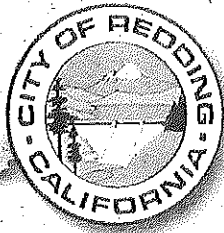
Site photographs/exhibits:

See attached.

PROJECT SCOPE & SCHEDULE

Applicant Name: K2 Development Co., Inc.																		
Project Location: 1551 Market Street, Redding CA																		
Task Number	Task Title	Responsible Party	Budget				2015											Deliverable(s)
			Total Estimated Cost	Cash Match	In-Kind Match	Grant Amount Requested	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov			
1.0	Task #1 Garage Analysis and Feasibility																	
	Evaluation of Parking Garage Structure 1. Precast floor members 2. Columns 3. Footings 4. Basement walls	STRUCTURAL						X							Structural Analysis Report.			
1.1			\$12,000	\$0	\$0	\$12,000									Proposed solution report and drawings.			
1.2	Provide preliminary analysis and a proposed design solutions - parallel to task 2.7 and 2.8	STRUCTURAL	\$10,000	\$0	\$0	\$10,000				X					Conceptual structural design for purposes of feasibility study and review.			
	Evaluation of superstructure 1. Roof Structure 2. Columns 3. CMU Walls	STRUCTURAL	\$3,000	\$0	\$0	\$3,000		X							Preliminary cost estimation of proposed structural solutions.			
1.3																		
1.4	Provide preliminary analysis and a proposed superstructure solution- parallel to task 2.7 and 2.8	STRUCTURAL	\$5,000	\$0	\$0	\$5,000			X									
	Conceptual Structural design for proposed architecture solution. Resumes after task 2.7 and 2.8 are complete	STRUCTURAL	\$10,000	\$0	\$0	\$10,000				X								
1.5			\$10,000	\$0	\$0	\$10,000				X								
	Subtotal		\$40,000	\$0	\$0	\$40,000												
2.0	Task #2 Mixed Use Building Conceptual Design and Configuration																	
	Local context analysis	ARCH	\$800	\$0	\$0	\$800		X							Mapping showing context, access, and location in relation to area services and project.			
2.1																		
	Project Location Analysis: -Adjoining roads -Access -Landscape	ARCH						X							Building program document describing Ideal solutions for building occupants and community needs.			
2.2			\$500	\$0	\$500	\$0									Zoning and Code analysis report.			
	Site Analysis: -Existing boundaries and limitations -Right of ways -(E) Landscape -(E) Parking -Accessibility -Surrounding buildings -Emergency services access	ARCH/ CIVIL						X							Floor plans of each concept. Sections and Elevations of each concept. Publicly accessible 3D model available to community to explore design concepts in 3D.			
2.3			\$400	\$0	\$400	\$0									Photo realistic 3D Imagery showing designs in relation to site.			
2.4	Zoning and Code Analysis	ARCH	\$800	\$0	\$0	\$800		X							Photo realistic renderings showing design solutions.			
2.5	Review of owner's project brief and Garage Analysis- Meetings w/ Owner as necessary	ARCH	\$3,000	\$0	\$0	\$3,000		X							Video animation with narrative describe project and design solutions.			
2.6	Conceptual Building Program - Min. of 3 options	ARCH	\$3,000	\$0	\$500	\$2,500		X										
2.7	Conceptual Floor Plans - Min. of 3 options	ARCH	\$12,000	\$0	\$1,200	\$10,800			X						24"x36" presentation boards showing design concepts.			

2.8	Conceptual Sections and Elevations - Min. of 3 options	ARCH	\$3,000	\$0	\$0	\$3,000		X									Architect's opinion of cost. Construction cost analysis.
2.9	Presentation renderings	ARCH	\$8,000	\$0	\$0	\$8,000		X									
2.10	Presentation animations	ARCH	\$6,000	\$0	\$0	\$6,000			X								
2.11	Presentation Boards	ARCH	\$3,000	\$0	\$0	\$3,000			X								
2.12	Architect's opinion of cost	ARCH	\$8,000	\$0	\$0	\$8,000					X						
	Construction Cost Analysis	CONTRACTOR		\$0	\$0						X						
2.13			\$4,000	\$0	\$0	\$4,000											
Subtotal			\$52,500	\$0	\$2,600	\$49,900											
3.0 Task #3 Site Plan and Circulation Plan																	
	Conceptual Site Layout - Min. of 3 options	ARCH	\$2,500	\$0	\$0	\$2,500			X								Site plan showing design solutions and results of site analysis. Mapping showing circulation and access. Mapping showing parking layouts.
3.1	Circulation Plan	ARCH	\$2,500	\$0	\$0	\$2,500					X						
3.2	Parking plan	ARCH	\$2,500	\$0	\$0	\$2,500					X						
3.3			\$2,500	\$0	\$0	\$2,500											
Subtotal			\$7,500	\$0	\$0	\$7,500											
4.0																	
4.1																	
4.2																	
4.3																	
Subtotal																	
TOTALS			\$100,000	\$0	\$2,600	\$97,400											



CITY OF REDDING

OFFICE OF THE CITY MANAGER

777 Cypress Avenue, Redding, CA 96001

P.O. Box 496071, Redding, CA 96049-6071

530.225.4060 FAX 530.225.4325

Kurt Starman, City Manager

Barry Tippin, Assistant City Manager

Greg Clark, Deputy City Manager

April 6, 2015

Daniel Wayne, Senior Planner
Shasta Regional Transportation Agency (SRTA)
1255 East Street, Suite 202
Redding, CA 96001

Subject: Infill & Redevelopment Incentive Pilot Program Application
K2 Development Company, Inc.
1551 Market Street

Dear Mr. Wayne:

The City of Redding (City) would like to encourage you to give K2 Development Company, Inc.'s (K2) application for the above-referenced project your highest consideration as you determine funding allocations for the Infill & Redevelopment Incentive Pilot Program (IRIPP).

K2 is the owner of a large vacant commercial building that is located in the center of Downtown Redding. K2's vision for the redevelopment of its property as a mixed-use building could serve as a key catalyst to taking the revitalization of Downtown Redding to the next level.

Downtown Redding is one of four "target neighborhoods" the City has focused its efforts and resources on over the last 15 years. The locally adopted plan that sets forth the direction for the City's revitalization efforts in Downtown is the Downtown Specific Plan (Plan). The Plan, which was adopted by ordinance in February 2001, serves as a blueprint for Downtown revitalization. It is a business plan for transforming Downtown into the specialty retail, social, and cultural heart of Redding. The Plan also contains a Housing Strategy that serves as a framework for determining future possibilities for the development of new housing in the Downtown area that will complement other proposed commercial development and redevelopment strategies aimed at rejuvenating the original core of the City.

Over the past seven years, K2 has partnered with the City for the development of affordable housing. The projects completed to date include acquisition and substantial rehabilitation of four multi-family properties containing 24 units; new construction of three duplexes and the construction of a mixed-use building that contains its office space and 12 residential units. To

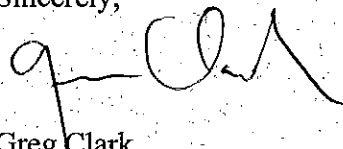
date it has obtained approximately \$3 million in affordable housing financing to provide decent, safe, and affordable housing opportunities within the City. K2 has demonstrated a significant level of professionalism, workmanship, and pride of ownership throughout the development, construction, and management phases of all its projects. For these reasons, K2 has developed an excellent track record with the City.

To date, significant revitalization successes have occurred due, in part, to the City's development partnerships with a variety of for-profit and nonprofit organizations and businesses. Some notable partnerships and the resulting projects include JPR Foundation Inc. and the restoration of the Cascade Theatre; Shasta College and the development of its Health and Sciences University Center; 17 Hill Development Group and the development of 24,500 square feet of new retail space at the corner of Placer and California Streets; Christian Church Homes of Northern California and the rehabilitation of the historic Hotel Redding and Lorenz Hotel; and Mercer Development and the construction of the Gateway Building and Pine Street Lofts. Partnerships like these have served as a catalyst for additional revitalization efforts by other businesses and in turn have protected the City's other investments in Downtown.

K2's proposal to redevelop the subject infill property demonstrates another opportunity for a development partnership to move forward and impact Downtown Redding. If K2 is awarded IRIPP funding, then predevelopment costs associated with infrastructure, civil and structural engineering, and building design could be accomplished to analyze and complete the due diligence necessary for the success of the project.

We appreciate the opportunity to participate with the application review process. If you have any further questions or need additional information, please contact me either by telephone at (530) 225-4064 or by email at gclark@ci.redding.ca.us.

Sincerely,



Greg Clark
Deputy City Manager