REPORT TO COUNCIL
City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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CONSENT
April 10, 2008

Honorable Mayor and
Members of the City Council

Title: Agreements: Payment for Park Easements in North & South Natomas (L19006000)

Location/Council District: An undeveloped neighborhood park site on the Garden Highway in South Natomas; and Tanzanite Park and the West Canal Bike Trail in North Natomas / Council District 1

Recommendation: Adopt a **Resolution**: 1) authorizing the City Manager to execute all agreements and other documents necessary to grant to the Sacramento Regional County Sanitation District permanent sanitary sewer line easements affecting six parcels owned by the City's Department of Parks and Recreation: Assessor's Parcel Numbers [APN] 274-0220-047, 274-0220-053, 274-0220-058, 225-0180-042, 225-0220-099, and 225-0220-100; 2) accepting $500,000 from the Sacramento Regional County Sanitation District into the CIP Reimbursable Fund, Fund 248 (3702), for easements on APNs 274-0220-047, 274-0220-053, 274-0220-058, 225-0180-042, 225-0220-099, and 225-0220-100; 3) establishing a new Capital Improvement Program (CIP) for Park Easements in North & South Natomas (L19006000); and 4) appropriating $500,000 from the CIP Reimbursable Fund, Fund 248 (3702), into L19006000 for reimbursement of City Real Estate Services staff time on this project (not to exceed $12,000) and for improvements to the undeveloped neighborhood park site.

Contact: J.P. Tindell, Park Planning & Development Manager, 808-1955

Presenters: Not applicable

Department: Parks and Recreation

Division: Park Planning & Development Services

Organization No: 4727

Description/Analysis

Issue: The construction of the Lower Northwest Interceptor Line (LNWIL) requires the Sacramento Regional County Sanitation District (SRCSD) to encumber portions of two park sites and a multi-use trail with six permanent

sanitary sewer line easements.

SRCSD will compensate the City for the loss of value to the public parkland. To determine the amount that SRCSD will compensate the City, both agencies hired appraisers to assign a value to the easements. Different assumptions by the independent appraisers led to significantly different land values. In order to come to agreement on the compensation due to the City, both agencies participated in non-binding mediation, reaching a compensation amount of $500,000. SRCSD and City Real Estate and Parks and Recreation staff agree with this figure.

The compensation will be used to reimburse City Real Estate Services for its staff time on this project (not to exceed $12,000), with the remainder to be applied to future park capital improvements to the undeveloped neighborhood park site on the Garden Highway because it was the most impacted by the LNWIL project. Background information on this project is included as Attachment 1 (page 4).

Policy Considerations: As stated in City Council Resolution No. 2006-444 Section 10.3, City Council approval is required to establish CIP projects. Using the SRCSD compensation to reimburse staff time and for park improvements is consistent with the City's strategic plan to enhance livability in Sacramento's neighborhoods by expanding park, recreation, and trail facilities throughout the City.

Committee/Commission Action: Not applicable.

Environmental Considerations: This report concerns administrative activities that will not have a significant effect on the environment, and does not constitute a "project" as defined by the California Environmental Quality Act (CEQA) [CEQA Guidelines Sections 15061(b)(3); 15378(b)(2)].

Rationale for Recommendation: The permanent sanitary sewer easements encumbered the park sites and diminished the value of the property. The compensation is necessary to recuperate the lost value.

Financial Considerations: The appraiser hired by SRCSD, Bender Rosenthal, estimated the total value of all easements at $208,589. The City's appraiser, Clark-Wolcott, valued the same easements at $1,054,274 (Attachment 2, page 6). SRCSD and City staff agreed, through non-binding mediation, on compensation of $500,000 for the easements.

In order to properly account for the funds, staff recommends that the City Council establish a new CIP (L19006000) project for park easements in South Natomas. This funding will be used to reimburse City Real Estate Services staff for their time on this project, in addition to future park improvements to the undeveloped neighborhood park site, located at 2126 Garden Highway. This undeveloped neighborhood park site was the most impacted by the LNWIL project. Once a parks capital project is identified, staff will return to City Council for its approval prior to use of the funds.

Emerging Small Business Development (ESBD): No goods or services are being purchased as a result of this report.

Respectfully Submitted by:

JAMES L. COMBS
Director, Parks and Recreation

Recommendation Approved:

for RAY KERRIDGE
City Manager

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Attachment 1

Background Information

The Lower Northwest Interceptor Line (LNWIL) is a regional project that will convey wastewater from the Natomas and West Sacramento areas to the Sacramento Regional Wastewater Treatment Plant in Elk Grove. The construction of the interceptor line required six permanent and four temporary easements on City park property. The work is now complete.

The Sacramento Regional County Sanitation District (SRCSD), through the County of Sacramento's real estate staff, contracted for completion of an appraisal of the project with Bender-Rosenthal, Inc. Upon reviewing the appraisal, City Real Estate Services staff raised several concerns over the estimated values of the easements provided by Bender-Rosenthal, Inc.

In order to avoid delay of the project, the City entered into a right-of-entry (ROE) agreement with SRCSD to provide its staff and contractors access to the city parcels in exchange for a third party appraisal to be completed by a mutually agreed upon appraiser, Clark-Wolcott Company. The two parties also agreed that in the event an agreement on the property value could not be reached, both parties would participate in non-binding mediation and, if necessary, binding arbitration. Subsequently, the City Real Estate Services staff deemed the Clark-Wolcott appraisal value to be acceptable. However, the County of Sacramento's staff disagreed, ultimately taking the position that the values identified in the original appraisal best represented the value of the easements.

Per the ROE agreement, both parties entered into non-binding mediation in December 2005. The resulting settlement was for $500,000 to be paid to the City by the SRCSD with the understanding that the parties would enter into a written memorandum of understanding (MOU) with respect to cooperation on future projects, primarily on the acquisition of property owned by SRCSD for a regional park site in the South Sacramento area.

While the non-binding mediation occurred over two years ago, there are several reasons why this issue has not come before Council before this date. SRCSD and City staff, including staff from the City Manager's Office, have continued to meet concerning the regional park concept for the South Sacramento area. Staff is hopeful that these discussions are drawing to a close and resolution of this issue will come before Council in the near future.

In addition, following construction of the interceptor line, City staff found that the residential structure at 2126 Garden Highway had been damaged during the line's construction. The structure has since been demolished. Additional studies, at SRCSD's cost, are underway to evaluate the impact of the construction on the

residence and the overall damage to the site. While it was originally determined by the City Attorney's Office that an assessment of the damage could impact the mediation amount, the City Attorney's Office has since determined that the construction damage can be handed as a separate issue and the compensation for the permanent easements could proceed independently.

Attachment 2

COMPARISON OF APPRAISALS

Summary Table

Property	Assessor's Parcel Number	Bender Rosenthal (hired by SRCSD)	Clark-Wolcott (hired by the City)
A1. Undeveloped neighborhood park site, east of I-80; 2126 Garden Highway	274-0220-047	$162,189	$578,799
A2. Undeveloped neighborhood park site, west of I-80; also Garden Hwy	274-0220-053 and 058	$37,800	$85,368
B. Tanzanite Park	225-0180-042	$8,600	$387,357
C. West Canal Bike Trail	225-0220-099, 100	0	$2,750
TOTAL		$208,589	$1,054,274

A. Undeveloped Neighborhood Park Site on Garden Highway

This park site is comprised of three separate parcels; two of which are located north of Interstate 80 and outside the City limits in West Natomas. The third parcel is located at 2126 Garden Highway, south of Interstate 80. The portion of Interstate 80 that separates the two portions of this park site is an elevated approach to a bridge that spans the Sacramento River. The appraisals of the parcels to the north and south of I-80 were separated as indicated in A1 and A2 below:

A1. Appraisal of Assessor's Parcel Number (APN) 274-0220-047

This portion of the undeveloped neighborhood park site is located at 2126 Garden Highway (South Natomas). According to Clark-Wolcott (the City's appraiser), the property has a gross area of 3.51 acres; according to Bender/Rosenthal (SRCSD's appraiser), the gross area is 3.34 (based on County Assessor). On the north and west, the site is bounded by an elevated portion of the Interstate 80 freeway containing an approach to a bridge spanning the Sacramento River. On the south is the levee, Garden Highway and several improved and unimproved properties on the water side of the levee that front the river. On the east is a newly developing, single family residential subdivision. Located on the subject property is a 2,400 square foot barn. A 1,680 square foot residence was recently removed.

The property is zoned R-1-PUD (Single family residential (R-1) with a planned use development overlay associated with the South Natomas Community Plan.

(i) Appraisal by Bender-Rosenthal (Valuation Date – 12/23/03)

Bender-Rosenthal opined that the highest and best use of the property was rural residential or agricultural. Bender stated that the property is subject to "development restrictions imposed by the Army Corps of Engineers. Development to uses similar to the planned single family subdivisions to the north and east of the property are not financially feasible while this moratorium is effective."

Using a sales comparison approach with comparables ranging from $78,000 to $279,000 per acre, Bender determined that land value to be $90,000 per acre for a total land value of $301,165 (improved land value of $410,000). Bender then calculated the value of the easements at $162,189 by taking into account the fair market value of the land, and the type and size of easements needed.

(ii) Appraisal by Clark-Wolcott (Valuation Date - 7/23/04)

Clark-Wolcott opined that the highest and best use of the property was as an interim investment in anticipation of converting the land from its current use to the low density, single-family residential development, which is consistent with the property's zoning and the land uses identified for the site in the South Natomas Community Plan. Based on discussions with the Sacramento Area Flood Control Agency (SAFCA) and the Army Corps of Engineers, Clark-Wolcott stated that the interim investment period would be 3.5 years from the date of valuation. This methodology would be consistent with the currently anticipated time frame associated with lifting the buffer requirement from the tentative subdivision map approval process.

Clark-Wolcott used the Sales Comparison Approach to value the property. This methodology compares the subject property with other similar properties in the area that are in the process of being sold and/or developed; one of the comparables was a parcel immediately adjacent to the subject parcel. Utilizing seven (7) comparable properties, Clark-Wolcott reached an overall land value of $310,000 per acre. Assigning a net acreage of 3.058 acres, the overall land value was determined to be $947,980. The value of the easements was then determined to be $578,799.

(iii) Issues

The two appraisals reflect a $200,000 difference in land value with respect to the permanent easement. This difference results from the land use assumptions made by the two appraisers. Bender-Rosenthal, Inc. assumed permanent existence of the SAFCA moratorium buffer zone. City staff disagreed with that approach, because according to officials at SAFCA and the Army Corps of Engineers, the moratorium is temporary and will be lifted within 3 to 3.5 years.

A2. Appraisal of APN's 274-0220-053 and -058

These parcels also comprise a portion of the undeveloped neighborhood park site; they are located on the north side of Interstate 80 (elevated) and approximately two-tenths of a mile north of the Garden Highway in an unincorporated portion of the County of Sacramento (West Natomas). The properties are contiguous parcels devoted to agricultural use and contain approximately 3.594 acres. The property is within the County of Sacramento and is in an agricultural/residential (AR-2) zone.

(i) Appraisal by Bender-Rosenthal (Valuation date 3/1/04)

Utilizing comparables with unadjusted per acre values of $14,293 to $37,537, Bender-Rosenthal assigned the value of $15,000 per acre for a total land value of $54,799. This value was then applied to the needed permanent sanitary sewer easements and temporary construction easements, for a total compensation figure of $37,800.

(ii) Appraisal by Clark-Wolcott (Valuation date 7/23/04)

Clark-Wolcott identified the highest and best use for the property based on the permissible uses allowed under the zoning district. However, this included an investment component associated with the property's long-term potential for a substantially increased intensity of land use, including urbanization. Clark-Wolcott utilized the Sales Comparison Approach methodology of valuation. Based upon the comparables used, Clark-Wolcott determined a valuation of $25,000 per acre and $89,850 for the property. The compensation figure of $85,368 was then derived based upon the need for two permanent sanitary sewer easements and temporary construction easements.

B. Appraisal of APN 225-0180-042

The property is located on the south side of Tanzanite Avenue at its intersection with Innovator Drive in North Natomas. The property includes a partially improved public park site and a detention basin. A portion of the property is adjacent to a developed, single-family residential subdivision, older farmsteads to the north and vacant agricultural property to the west. The older farmstead to the north and the vacant agricultural parcel to the west have been purchased by home builders. To the south and east, the property is bounded by land owned by the Sacramento Municipal Utilities District (SMUD) and SRCSD. The entire park site is 32.30 acres.

(i) Appraisal by Bender-Rosenthal (Valuation Date 4/10/04)

Despite the nearby and adjacent development properties and the improvements, Bender-Rosenthal opined that the highest and best use remained agricultural and used only agriculturally zoned comparables to arrive at a land value of $40,000 per

acre. Utilizing this figure; an annual rate of return of five percent (5%) and an eleven (11) month period for the temporary construction easement, SCRSD arrived at an easement value of $8,600 for this site.

(ii) Appraisal by Clark-Wolcott (Valuation Date 7/23/04)

For the purposes of assigning value, Clark-Wolcott appraised only the 16.82 acre park area that is located outside the drainage basin (including the 100-year floodplain). Although it is zoned "Agricultural," this zoning district is considered to be applicable to lands that are transitioning to urban development and capable of reclassification in a manner consistent with the City's General Plan. Given the regional and local land use trends, Clark-Wolcott opined that the highest and best use for this site is interim investment, in anticipation of a near-term conversion in use leading to a land division and development of single-family residences.

The comparables utilized by Clark-Wolcott range from $125,475 to $360,248 per acre. Noting that the appraisal comparables are consistent with low and medium density land uses and the sales prices for these land uses do not include the costs associated with securing project-related entitlements, Clark-Wolcott valued the park area at $400,000 per acre. Clark-Wolcott valued the permanent drainage pipeline easement and temporary construction easements at $387,357.

C. Trail

SRCSD did not have the trails appraised. Clark-Wolcott appraised them at $2,750.

RESOLUTION NO. 2008-

Adopted by the Sacramento City Council

April 10, 2008

APPROVING PAYMENT FOR PARK EASEMENTS IN NORTH & SOUTH NATOMAS (L19006000)

BACKGROUND

A. The Lower Northwest Interceptor Line is a regional construction project conducted by the Sacramento Regional County Sanitation District to convey wastewater from the Natomas and West Sacramento areas to the Sacramento Regional Wastewater Treatment Plant in Elk Grove. The interceptor line construction required four temporary easements and six permanent easements on City park property.

B. The City's Real Estate Services staff and SRCSD staff each hired an appraiser to determine the value of the easements for the purpose of compensating the City's Department of Parks and Recreation. When an agreement could not be reached on the value, each agency participated in non-binding mediation to arrive at the compensation amount of $500,000. Both parties are agreeable to this amount.

C. As stated in City Council Resolution No. 2006-444 Section 10.3, City Council approval is required to establish Capital Improvement Program projects.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The City Manager is hereby authorized to execute all agreements and other documents necessary to grant to the Sacramento Regional County Sanitation District permanent sanitary sewer line easements affecting the following parcels owned by the City's Department of Parks and Recreation: an undeveloped neighborhood park located at 2126 Garden Highway in South Natomas (Assessor's Parcel Numbers [APN] 274-0220-047, -053 and -058); Tanzanite Park (APN 225-0180-042) in North Natomas; and a portion of the West Canal Bike Trail (APNs 225-0220-099 and -100), also in North Natomas, at a total value of $500,000 to be placed into the Capital Improvement Program (CIP) Reimbursable Fund, Fund 248.

Section 2. That $500,000 is accepted from the Sacramento Regional County

Sanitation District into the CIP Reimbursable Fund, Fund 248 (3702), for easements on APN 274-0220-047, 274-0220-053, 274-0220-058, 225-0180-042, 225-0220-099, and 225-0220-100.

Section 3. A new CIP for Park Easements in North & South Natomas (L19006000) is established.

Section 4. That $500,000 from the CIP Reimbursable Fund, Fund 248 (3702), is appropriated into L19006000 for reimbursement of City Real Estate Services staff time on this project (not to exceed $12,000) and for improvements to, or near, the undeveloped park site (2126 Garden Highway [APNs 274-0220-047, -053 and -058]).

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Exhibit A Map of Park Sites Impacted
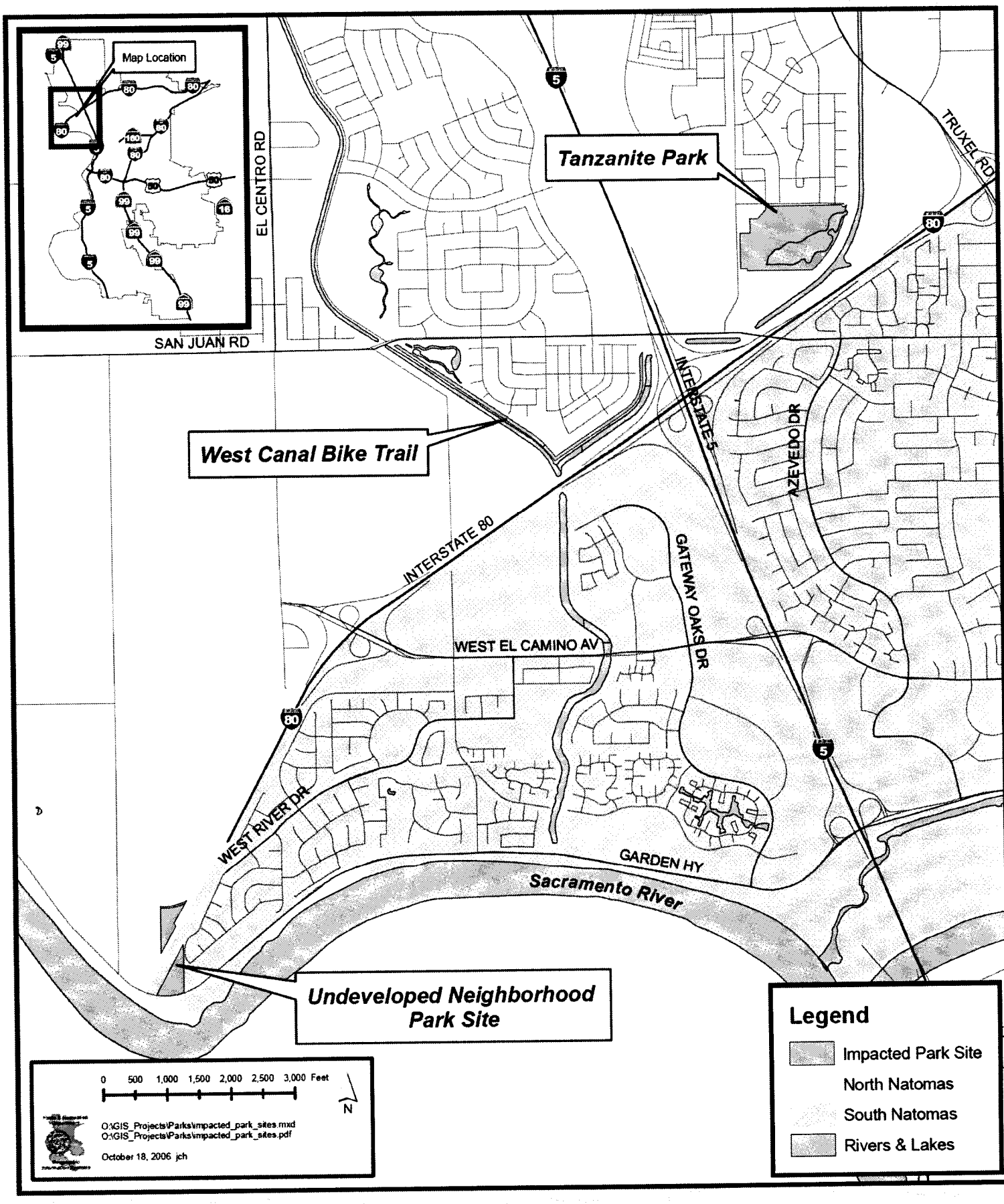
Exhibit "A" Map of Park Sites Impacted by SRCSD Lower Northwest Interceptor Line Project