



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO REDEVELOPMENT AGENCY
City of Sacramento
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Staff Report
May 20, 2008

Honorable Chair and Members of the Redevelopment Agency

Title: Cancellation of 2001/2005 Del Paso Boulevard and Acquisition of Various Del Paso Boulevard Properties

Location/Council District: 2001/2005, 2116/2120, 2300/2308 Del Paso Boulevard and 775 Darina Avenue, North Sacramento Redevelopment Area, District 2

Recommendation: Adopt a **Redevelopment Agency Resolution** 1) canceling the \$3,000,000 2001/2005 Del Paso Boulevard Project; 2) allocating the \$3,000,000 originally allocated to the 2001/2005 Del Paso Boulevard project into the North Sacramento Developers Assistance fund; 3) authorizing the purchase of 2001/2005, 2116/2120 and 2300/2308 Del Paso Boulevard and 775 Darina Avenue through voluntary sale for a price that is not substantially more than fair market value, and 4) allocating \$1,400,000 of either Developers Assistance funds or the Bank of America Credit Line for the acquisition of the Del Paso Boulevard properties, which is scheduled to be issued at the end of May 2008.

Contact: Lisa Bates, Deputy Executive Director, 440-1316, Chris Pahule, Assistant Director, Community Development, 440-1350

Presenters: Marti Brown, Senior Redevelopment Planner

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: With the downturn in the residential market, many developers are re-assessing their portfolio of properties and re-focusing their operations. As a result of these market changes, New Faze Development has made a business decision to sell some of its properties on Del Paso Boulevard including key sites that are critical to the area's overall redevelopment strategy.

Cancellation of 2001/2005 Del Paso Boulevard and Acquisition of Various Del Paso Boulevard Properties

Because of our past involvement and joint vision for Del Paso Boulevard, New Faze Development is offering eight parcels to the Agency for voluntary sale located at 2001/2005, 2116/2120 and 2300/2308 Del Paso Boulevard and 775 Darina Avenue.

In order to fund these acquisitions, staff recommends canceling the 2001/2005 Del Paso Boulevard project and transferring \$3 million originally allocated to this project to the Developers Assistance fund. Staff recommends \$1.4 million to be allocated for the purchase of the New Faze properties which is the total cost of acquiring all eight parcels. Two options are available for this purchase: a) the line of credit expected to be approved for North Sacramento by the end of May, 2008. If the line of credit is not approved, staff recommends b) to allocate \$1.4 million of tax exempt bond funds from the Developers Assistance fund.

Policy Considerations: The acquisition of these properties is consistent with the goals and strategies of the Five-Year Implementation Plan to eliminate blight, "Eliminate Barriers to Redevelopment" and "Reinvigorating the Boulevard." Securing control of the properties ensures the Agency's ability to assist in promoting and expanding convenient, neighborhood-serving commercial uses along the Boulevard, as well as increasing the area's housing stock and providing a diverse mix of housing types for a range of income levels.

Environmental Considerations: Acquisition of the properties as described herein is in furtherance of the North Sacramento Redevelopment Plan. Acquisition of these properties does not commit the Agency to proceed with a development project. California Environmental Quality Act (CEQA) Guidelines Section 15004(b)(2)(A) allows for land acquisition where the Agency will conduct CEQA review once the proposed project has been defined when the acquisition does not limit the choice of alternatives or mitigation measures, and future development of the land is subject to CEQA compliance. Environmental review of the proposed project will be conducted once the scope of development of the property has been defined. Therefore, this action is exempt from environmental review. National Environmental Policy Act (NEPA) does not apply. The Agency is in the process of completing an Environmental Site Assessment (ESA) of the properties, the results of which could impact the negotiations and final sale price.

Committee/Commission Action: At its meeting of March 20, 2008, the *North Sacramento Redevelopment Advisory Committee (RAC)* recommended approval of the attached resolution to acquire these properties. The votes were as follows:

AYES: Adams, Clark, Hubbs, Mulligan, Armstrong, Curry, Scott, Charland, Harlan, Mack and Veden

NOES: None

ABSENT: Lukehart

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Sacramento Housing and Redevelopment Commission Action: At its meeting on May 7, 2008, the Sacramento Housing and Redevelopment Commission reviewed the staff recommendation for this item. The votes were as follows:

AYES: Burruss, Chan, Dean, Fowler, Gore, Morgan, Stivers

NOES: None

ABSENT: Coriano, Shah

ABSTAIN: Otto

Rationale for Recommendation: All eight of these parcels are situated in high profile locations at the epicenter of the Agency's revitalization efforts--along Del Paso Boulevard's "Main Street" shopping district and directly adjacent to its recently completed \$6 million streetscape improvement project. These acquisitions offer the Agency an excellent opportunity to gain control of the sites and ensure that future redevelopment of these parcels reflect their highest and best use.

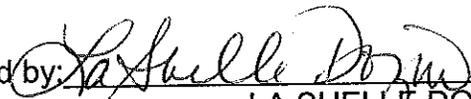
As part of its larger strategy to redevelop Del Paso Boulevard into a vibrant arts and entertainment district with neighborhood-serving businesses, the Agency has been acquiring several properties along Del Paso Boulevard to clear and assemble obsolete sites in preparation for commercial and mixed-use development. In addition, the Agency has leveraged more than \$2.5 million in Agency funds via its Exterior Rebate Program assisting commercial businesses on the Boulevard to improve their building's façade. These proposed acquisitions are consistent with and part of this broader approach to revitalize the Boulevard's main commercial corridor into a lively and energetic destination where residents and visitors spend their time and money.

The proposed acquisitions will assist in the elimination of blight and achieve redevelopment objectives including the construction of high-density, mixed-use commercial and/or residential development along the Boulevard's commercial corridor. These properties are clustered along the northern "Main Street" of Del Paso Boulevard within a three block radius. They are conveniently located a few blocks north of the Transit-Oriented Development (TOD) quarter-mile radius of the Arden/Del Paso Light Rail Station and a few minutes south of El Camino Avenue—the gateway to Del Paso Boulevard's principal shopping district and its recently completed streetscape improvement project including the installation of angled parking, public art work and new landscaping. The Boulevard is the heart of the North Sacramento community and its renaissance will be instrumental in the overall revitalization of the Redevelopment Area.

Cancellation of 2001/2005 Del Paso Boulevard and Acquisition of Various Del Paso Boulevard Properties

Financial Considerations: This staff memo recommends a budget amendment to: 1) cancel the \$3,000,000 2001 Del Paso Blvd OPA Project; 2) allocate the de-funded \$3,000,000 into the North Sacramento tax exempt Developers Assistance fund; and 3) allocate \$1,400,000 from tax exempt Developers Assistance funds for the acquisition of the Del Paso Boulevard properties unless the Agency receives a line of credit from Bank of America which is scheduled to be issued at the end of May 2008.

M/WBE Considerations: The items in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

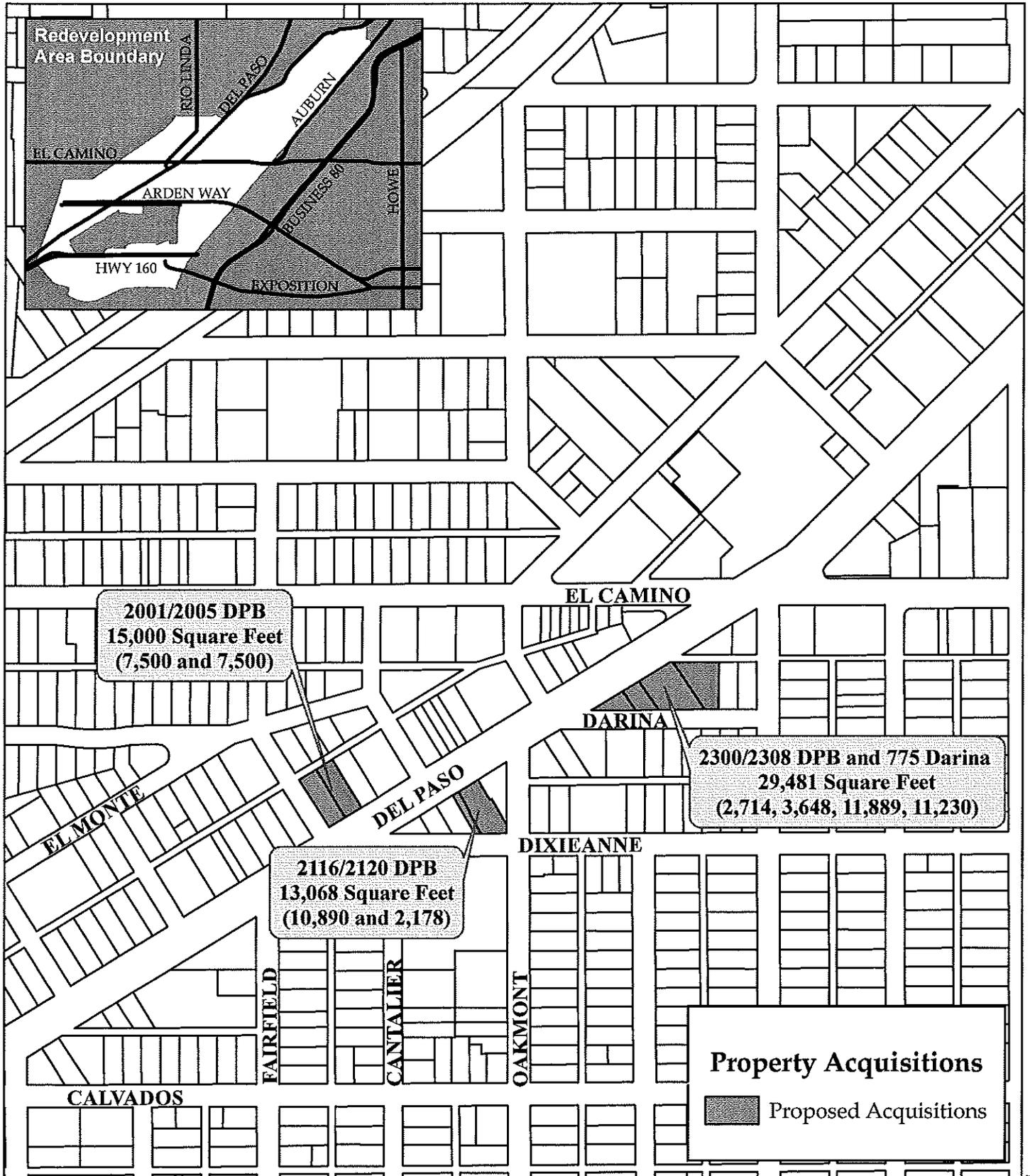
Respectfully Submitted by: 
LA SHELLE DOZIER
Interim Executive Director

Recommendation Approved:


RAY KERRIDGE
City Manager

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Proposed Del Paso Boulevard Acquisitions North Sacramento Redevelopment Area



BACKGROUND

2001/2005 Del Paso Boulevard Project and Acquisition of Various Del Paso Boulevard Properties

2001/2005 Del Paso Boulevard (APN: 275-004-2007-0000, 275-004-2008-0000)

This site includes two parcels totaling 15,000 square feet and zoned C-2, General Commercial. In April 2007, the Agency allocated \$3,000,000 in Tax Increment and Low- and Moderate-Income Housing Funds to New Faze Development's 2001/2005 Del Paso Boulevard Project. The Sacramento Housing and Redevelopment Agency (Agency) entered into an Owner Participation Agreement (OPA) with New Faze Development to construct a mixed use development project that included retail, office and residential space. While this is currently an entitled project, New Faze Development has determined the need to downsize its operation, abandon this Project and sell the property.

2116/2120 Del Paso Boulevard (APN: 275-005-1002-0000, 275-005-1003-0000))

This property includes two parcels totaling 13,068 and zoned C-2, General Commercial. Historically, there was a theater on the site that burned down several years ago and it has been vacant ever since.

2300/2308 Del Paso Boulevard (APN: 275-005-2005-0000, 275-005-006-0000, 275-005-007-0000, and 275-005-008-0000)

This property includes four parcels totaling 29,481 square feet and zoned C-2, General Commercial. The original proposal by New Faze Development for this site was a mixed-use development that included lofts, retail and a "Worker's Museum."

Upon acquisition of these parcels, the Agency will utilize the down real estate market to make the sites shovel ready for future development.

RESOLUTION NO. 2008 - _____

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

DEFUNDING 2001/2005 DEL PASO BOULEVARD PROJECT BY \$3,000,000 AND ALLOCATING THE FUNDS TO DEVELOPERS ASSISTANCE; AND AUTHORIZING ACQUISITION OF PROPERTIES LOCATED AT 2001/2005, 2116/2120, AND 2300/2308 DEL PASO BOULEVARD AND 775 DARINA AVENUE

BACKGROUND

- A. In April 2007, the Agency allocated \$3,000,000 in Tax Increment and Low- and Moderate-Income Housing Funds to New Faze Development's 2001/2005 Del Paso Boulevard Project to construct a mixed-use development project that included retail, office and residential space.
- B. Since then, New Faze Development has re-focused its housing and mixed-use development operation and withdrawn its proposed 2001/2005 Del Paso Boulevard Project allowing the Agency to re-allocate its previously budgeted \$3,000,000 to the Developers Assistance Fund.
- C. New Faze Development is also divesting in some of its real estate and has offered eight parcels at 2001/2005, 2116/2120 and 2300/2308 Del Paso Boulevard and 775 Darina Avenue to the Agency for voluntary sale.
- D. These parcels are strategically located on Del Paso Boulevard between El Camino and Fairfield Avenue clustered along the northern "Main Street" section of Del Paso Boulevard within three blocks of each other.
- E. Acquisition of these properties does not commit the Agency to proceed with a development project. California Environmental Quality Act ("CEQA") Guidelines Section 15004(b)(2)(A) allows for land acquisition where the Agency will conduct CEQA review once the proposed project has been defined when the acquisition does not limit the choice of alternatives or mitigation measures, and future development of the land is subject to CEQA compliance. Once the scope of development of the property has been defined, environmental review of the proposed project will be conducted. Therefore, this action is exempt from environmental review. The National Environmental Policy Act does not apply.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. All of the evidence presented having been duly considered, the findings, as stated above, are approved.
- Section 2. Acquisition of these vacant and underutilized parcels in the North Sacramento Project Area would eliminate blighting conditions by ensuring future development on the site, helping to subdue crime in the immediate area and fostering development within the surrounding Project Area.
- Section 3. The Interim Executive Director, or designee, is authorized to de-fund the 2001/2005 Del Paso Boulevard Project fund and re-allocate \$3,000,000 to North Sacramento's Developers Assistance funds, amend the budget accordingly, and to purchase the Properties using either Developers Assistance or a Bank of America Line of Credit, if available, and carry out related activities.
- Section 4. The Interim Executive Director, or designee, is authorized to take all actions as may be reasonably necessary to purchase, for not substantially more than just compensation, the following parcels ("Property"):

2001/2005, 2116/2120 AND 2300/2308 DEL PASO BOULEVARD, AND 775 DARINA (APNs 275-004-2008-0000, 275-004-2007-0000, 275-005-1003-0000, 275-005-2008-0000, 275-005-2007-0000, 275-005-2006-0000, and 275-005-2005-0000)