



**Sacramento
Housing &
Redevelopment
Agency**

**REPORT TO CITY COUNCIL AND HOUSING
AUTHORITY**

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

**Staff Report
May 20, 2008**

**Honorable Mayor and Members of the City Council
Honorable Chair and Members of the Housing Authority Board**

Title: Authorization and Funding to Acquire Portions of Greenfair Common Area Property

Location/Council District: Fairgrounds Drive at Broadway / District 5

Recommendation: 1) Adopt a **City Resolution** a) approving \$3,000,000 from the City Housing Trust Fund for use by the Housing Authority of the City of Sacramento ("Housing Authority") for real estate acquisition and related activities, and b) authorizing the Interim Executive Director or her designee to offer fair market value to the Greenfair Homeowners Association for purchase of approximately 8.8 acres of common area land that surrounds or abuts 158 vacant parcels owned by the Housing Authority, and 2) adopt a **Housing Authority Resolution** accepting the funds to acquire the real estate and undertake related activities.

Contact: Lisa Bates, Deputy Executive Director, 440-1316, Christine Weichert, Assistant Director, Housing and Community Development, 440-1353

Presenters: Gregory I. Ptucha, Management Analyst, Christine Weichert, Assistant Director

Department: Sacramento Housing and Redevelopment Agency ("Agency")

Description/Analysis

Issue: The Housing Authority of the City of Sacramento ("Housing Authority") owns 158 parcels outright (assembled since 2004) as well as a non-exclusive, undivided interest in the 16-acre common area owned by the Greenfair Homeowners Association ("HOA"), of which the Housing Authority is a member

Greenfair Property Acquisition Purchase Authority

(see Site Plan, Attachment 2). In response to a 2005 Request for Qualifications ("RFQ"), Greenfair Village Partners, LLC ("GVP") was selected to plan and develop the site with at least 200 new for-sale housing units. GVP engaged in about 16 months of pre-development planning before ceasing its work due to lack of a predictable development site configuration that would include portions of HOA common area land. The Housing Authority parcels are irregular, with most being landlocked by HOA common area property. A regular site is needed to achieve Housing Authority obligations under the original 2004 Housing and Urban Development (HUD) agreement for acquisition of 152 of the 158 Housing Authority parcels.

The Housing Authority now requests purchase authority and approval of up to \$3,000,000 from the City Housing Trust Fund to acquire approximately 8.8 acres of HOA common area property (see Proposed Acquisition and Remainder Area Map, Attachment 3) and pay for related expenses that would include legal services, civil engineering and other consulting services, transaction costs, escrow fees and post-acquisition management, and predevelopment activities. If approved, a formal offer would be submitted to the HOA board of directors. The HOA directors would then be expected to convene a meeting of its three classes of members to consider and vote on the offer. The offer to purchase would be contingent upon release of the acquired HOA property and current Agency parcels from the HOA, its Covenants, Conditions and Restrictions ("CC&Rs"), and termination of HOA fees. Since the 2004 acquisition, the Agency has paid approximately \$14,500 in HOA fees per month. The HOA fees are set as though occupied housing units still exist on the now-cleared parcels.

If the offer is accepted, a predictable configuration of the development site would be established. This would allow the now-stalled development process to be reinitiated. Site planning and community outreach would begin again.

Policy Considerations: The recommended actions are consistent with City and Agency goals and objectives for redevelopment at Greenfair which have been in place since the original acquisition of 152 HUD properties. Approval of the recommendations will facilitate and expedite achievement of those goals and objectives.

Environmental Considerations: Acquisition of the property 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

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exempt from environmental review under CEQA. The National Environmental Policy Act (NEPA) does not apply.

Committee/Commission Action: At its meeting of April 16, 2008, the Sacramento Housing and Redevelopment Commission reviewed the staff recommendation for this item. The vote was as follows:

AYES: Chan, Dean, Gore, Morgan, Shah, Stivers

NOES: Coriano

ABSTAIN: Otto

ABSENT: Burruss, Fowler

Rationale for Recommendation: Development options for the Housing Authority's 158 properties are extremely limited unless adjacent HOA land can be added to create a suitable site. The HOA property under consideration appears to no longer be needed by the HOA, since it provided access (private cul de sac streets), outdoor parking or green space around the Housing Authority-owned parcels. The original Greenfair site layout is not adaptable for urban infill developments, and the HOA property effectively landlocks most of the Housing Authority parcels. The HOA CC&Rs were developed for the original site layout, unit count, and HOA ownership and maintenance of all common areas. For purposes of design and construction of an ownership infill project, the existing CC&Rs are an unnecessary constraint and expense burden. Rebuilding on the irregular parcels laid out in 1972 to accommodate experimental housing construction would impose an undue constraint toward achieving the objectives of the project.

Financial Considerations: This report recommends an allocation of \$3,000,000 in City Housing Trust Funds to the City Housing Authority for the purchase of 8.8 acres of HOA common area at Greenfair.

Since the 2004 acquisition of HUD-owned properties, the Agency and Authority have allocated \$3.3 million in City Housing Trust Fund and HOME funds for Greenfair expenses that include real estate acquisitions, relocation benefits, environmental assessment and abatement, demolitions, legal services, civil engineering services, consulting fees, maintenance/repair costs, and HOA fees. Although the HOA has diligently attempted to control monthly HOA fees, the Authority's 158 properties incur approximately \$14,500 in monthly HOA fees.

May 13, 2008

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Since the Housing Authority's parcels are now all cleared and consist of grassy areas, HOA fees paid by the Housing Authority are out of proportion to benefits derived. It is in the Agency's interest to expedite the assemblage of necessary land so pre-development planning can be completed and a Disposition and Development Agreement ("DDA") negotiated. It has always been the intent that fair market value of the transfer to the selected developer would be in an amount sufficient to repay the funds expended by the Housing Authority at Greenfair. The more time elapses before such a transfer means total Agency funds spent will continue to grow.

M/WBE Considerations: The items discussed 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:



for RAY KERRIDGE
City Manager

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Background

In 1969, the U.S. Department of Housing and Urban Development (“HUD”) implemented “Operation Breakthrough” nationally to stimulate volume production of quality housing for all income levels. Operation Breakthrough tested new, experimental materials and methods to manufacture housing. To facilitate Operation Breakthrough, thirty acres of former State Fairgrounds property on Broadway were zoned “XH” in 1972 to permit construction of “Experimental Residential Housing.”

The experimental subdivision was known as Greenfair Unit No. 1 (“Greenfair”—see Site Plan, Attachment 1). Six housing manufacturers constructed a total of 407 ownership and rental housing units of various kinds, including single-family, attached town-homes, low-rise, and mid-rise buildings. Some of the experimental housing deteriorated prematurely and became structurally deficient. HUD reacquired 152 of the parcels, demolished almost all of the improvements and, in September 2004, sold its holdings to the Housing Authority of the City of Sacramento (“Housing Authority”) for one dollar. The transaction included a number of conditions for redevelopment of the property.

The Housing Authority subsequently purchased six additional Greenfair properties. Its holdings total 158 parcels previously improved with 170 housing units. The Housing Authority also has a non-exclusive, undivided interest in the common area owned by the Greenfair Home Owner Association (“HOA”), in which the Housing Authority is a member.

On behalf of the Housing Authority, the Sacramento Housing and Redevelopment Agency (“Agency”) initiated a pre-development planning process intended to lead to site disposition to a private developer that would construct at least 200 new housing units. In late 2004, a Community Visioning process considered housing types, density, and site layout options for the Housing Authority properties and adjacent HOA property. Community Visioning was followed by the June 2005 issuance of a Request for Qualifications (“RFQ”) and selection of a team of residential developers to enter into an Exclusive Right to Negotiate (“ERN”) agreement in January 2006. The local team was comprised of Fulcrum Heller, New Faze Development, and USA Properties Fund. The joint venture was organized as Greenfair Village Partners, LLC (“GVP”).

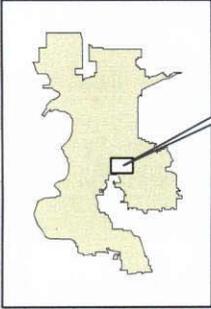
From early 2006 to mid-2007, the GVP development team initiated preliminary site planning and design, community outreach, civil engineering, and entitlements research. By early 2007, it became clear that some Greenfair common area was required before development could occur. GVP explored purchasing certain HOA common area and conducted discussions with key HOA members. There was no appraised valuation of the HOA property at that time and the parties abandoned discussions when no mutual agreement seemed likely.

By summer 2007, GVP informed the Agency that pre-development planning could not proceed unless and until GVP was confident of the size, configuration, control, and cost of the site on which they could plan their project. Under these circumstances, the Agency decided to actively assume a lead role in key pre-development activities. In addition to demolition of the remaining Agency-owned units, a civil engineering firm was retained to define the acquisition boundaries of HOA common area necessary to create a developable site. The Greenfair subdivision map from 1972 resulted in the Agency's 158 parcels being irregular, with most being landlocked by HOA common area property. A regular site is needed to achieve Housing Authority's obligations under the original HUD purchase agreement, as well as objectives of the Community Visioning process.

Acquisition boundaries were defined to minimize any negative impact on operation or function of existing, occupied properties in the HOA. These include a mid-rise senior apartment building, a number of walk-up senior apartments, and the 45-unit Christiana Western ownership attached town-house development. Legal descriptions were created by a professional surveyor. A licensed, certified general real estate appraiser was engaged to complete a fair market appraisal of approximately 8.8 acres of HOA property, comprised of grassy areas and asphalt surface parking areas that are generally unused, as they served now-vacant parcels owned by the Housing Authority (see Proposed Acquisition and Remainder Area Map, Attachment 2).

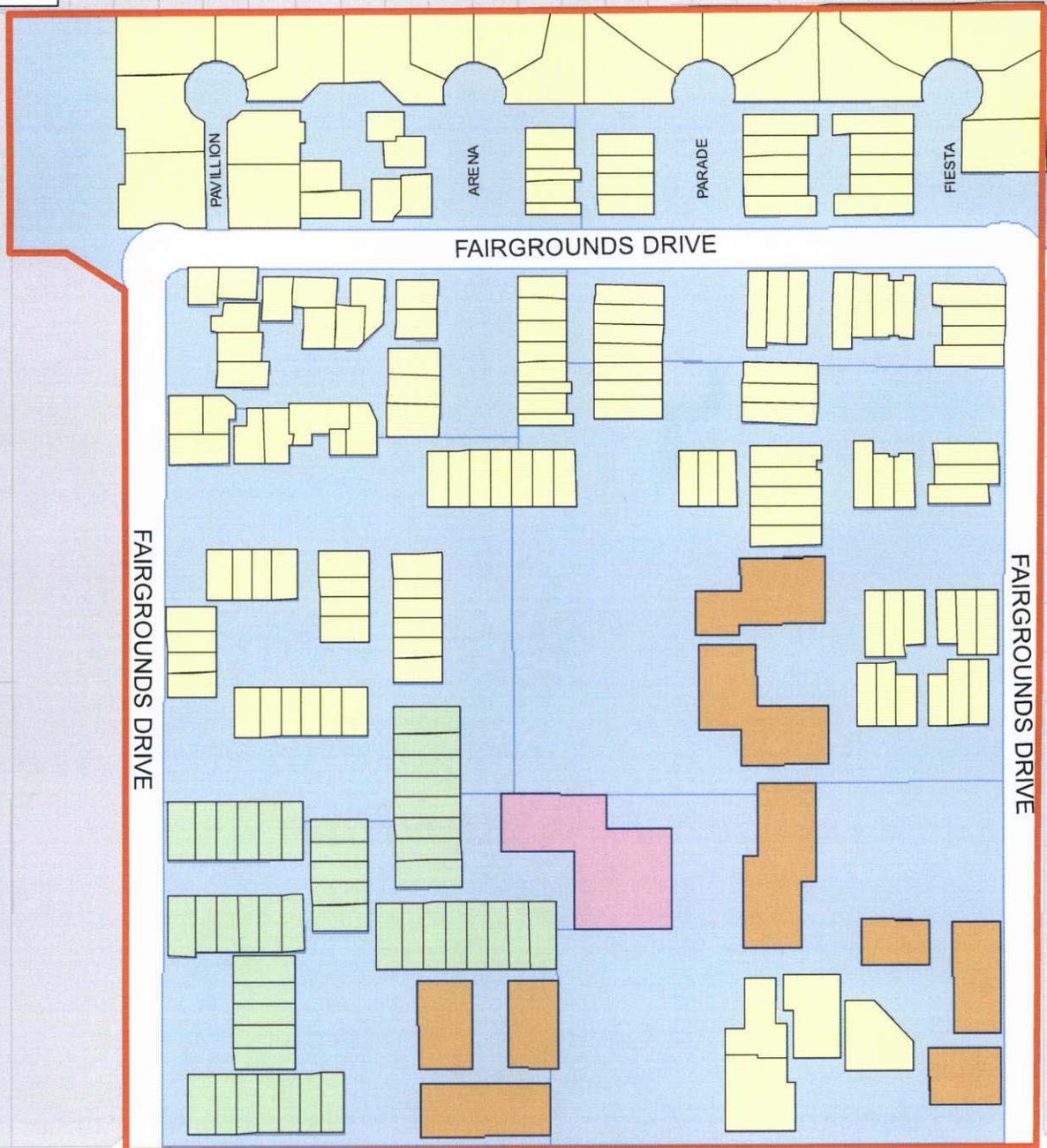
The appraisal was completed over several months. It established fair market value of the approximately 8.8 acre HOA common area property. The Housing Authority now requests purchase authority and approval of up to \$3,000,000 from the City Housing Trust Fund to acquire the property and pay for related expenses that would include legal services, civil engineering and other consulting services, transaction costs, escrow fees and post-acquisition management and predevelopment activities. If approved, a formal offer would be submitted to the HOA board of directors. The HOA directors would then be expected to convene a meeting of its three classes of members to consider and vote on the offer. The offer to purchase would be contingent upon release of the acquired HOA property and current Agency parcels from the HOA, its Covenants, Conditions and Restrictions ("CC&Rs"), and termination of HOA fees. The Agency has paid approximately \$14,500 in HOA fees per month since its late 2004 purchase of the HUD properties. The fees are set as though occupied housing units still exist on the now-cleared parcels.

If the offer is accepted, the configuration of the development site would be established, allowing the development process to be reinitiated. Site planning and community outreach would begin again.



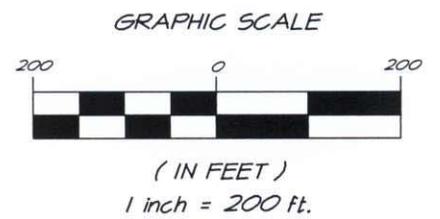
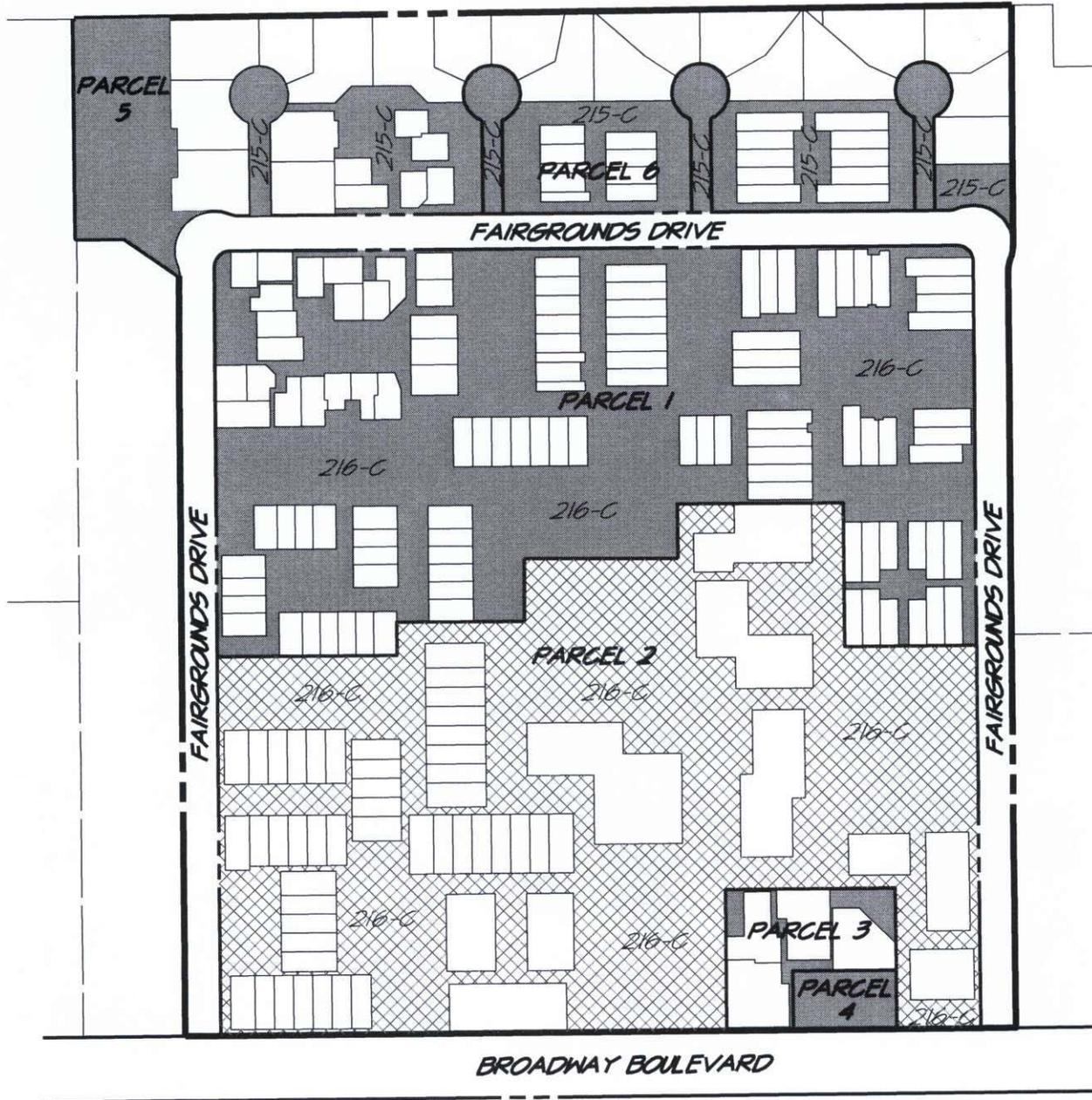
Site Location

2nd Avenue



 SHRA Parcels	 Christiana Western Townhomes	 Senior Apartments
 HOA Owned Land	 Clubhouse and Pool (HOA)	

Greenfair Project: Acquisition and Remainder Area



RESOLUTION NO. 2008 - _____

Adopted by the Sacramento City Council

on date of

GREENFAIR PROJECT: AUTHORIZE PURCHASE OF 8.8 ACRES OF HOME OWNER ASSOCIATION COMMON AREA PROPERTY FOR AN AMOUNT NOT SUBSTANTIALLY ABOVE APPRAISED FAIR MARKET VALUE; ALLOCATE \$3,000,000 FROM THE CITY HOUSING TRUST FUND TO HOUSING AUTHORITY OF CITY OF SACRAMENTO FOR ACQUISITION AND RELATED EXPENSES; RELATED BUDGET AMENDMENT

BACKGROUND

- A. In the early 1970's, the US Department of Housing and Urban Development ("HUD") sponsored construction of single and multi-family housing units at the Greenfair Project ("Greenfair"), generally located at Fairgrounds Drive and Broadway and designated the Greenfair Unit No. 1 subdivision, using experimental methods and materials of residential construction.
- B. Serious structural deficiencies led HUD in 1997 to begin voluntary acquisition of 152 of 158 substandard properties at Greenfair.
- C. HUD offered its Greenfair holdings to the Housing Authority of the City of Sacramento ("Housing Authority") for nominal consideration with requirement for satisfaction of specific development objectives.
- D. In September 2004, with due authorization, the Housing Authority acquired title to 152 parcels entitled for 164 dwelling units from HUD, using Housing Trust Funds, for intended future transfer to a qualified development team as a part of a larger development strategy.
- E. In March, May and August 2005, the Housing Authority purchased the six remainder units, using the proceeds of a loan of Home Investment Partnership Program ("HOME") funds, and obtained a further loan of HOME funds for holding expenses and demolition costs.
- F. In June 2005, the Housing Authority issued a Request for Qualifications ("RFQ") to seek a development team to purchase, design and develop a new home ownership project at Greenfair and a joint venture of three local residential developers, Greenfair Village Partners, LLC ("GVP") was selected.

- G. In January 2006, the Sacramento Housing and Redevelopment Agency (“Agency”) entered into an Exclusive Right to Negotiate Agreement (“ERN”) with GVP on behalf of the Housing Authority for the Greenfair Project, and in undertaking further studies and investigations GVP determined that it could not go forward with the project without assurances that it could acquire title to certain HOA common area.
- H. Agency identified approximately 8.8 acres of undeveloped HOA common area property (“Acquisition Property”) which property surrounds, isolates or directly abuts Housing Authority properties and is needed for development of the Housing Authority properties, and Agency has obtained an independent appraisal of the value of the Acquisition Property.
- I. After such study, Agency and the Housing Authority desire to acquire the Acquisition Property for development with the Housing Authority properties.
- J. Acquisition of the Acquisition Property 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 must be conducted once the scope of development of the property has been defined. Therefore, this action is exempt from environmental review under CEQA. The National Environmental Policy Act (“NEPA”) does not apply.

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

- Section 1. After due consideration of the facts presented, the findings, including the findings above, are approved.
- Section 2. The amount of \$3,000,000 is allocated from the Housing Trust Fund to the Agency or Housing Authority, as appropriate, for purchase of HOA Common Area property and for related expenses, including without limitation, legal, design, engineering and consultant services; transaction costs and escrow fees; and post-acquisition management and predevelopment activities, and the Agency budget is amended accordingly.
- Section 3. The Agency is authorized to act on behalf of the Housing Authority, whether in the name of the Agency or the Housing Authority, to offer to purchase and to purchase the Acquisition Property for an amount which does not substantially exceed its appraised fair market value.

RESOLUTION NO. ____

Adopted by the Housing Authority of the City of Sacramento

on date of

GREENFAIR PROJECT: AUTHORIZE PURCHASE OF 8.8 ACRES OF HOME OWNER ASSOCIATION COMMON AREA PROPERTY FOR AN AMOUNT NOT SUBSTANTIALLY ABOVE APPRAISED FAIR MARKET VALUE; RELATED BUDGET AMENDMENT TO ALLOCATE \$3,000,000 FROM CITY HOUSING TRUST FUND FOR ACQUISITION AND RELATED EXPENSES

BACKGROUND

- A. In the early 1970's, the US Department of Housing and Urban Development ("HUD") sponsored construction of single and multi-family housing units at the Greenfair Project ("Greenfair"), generally located at Fairgrounds Drive and Broadway and designated the Greenfair Unit No. 1 subdivision, using experimental methods and materials of residential construction.
- B. Serious structural deficiencies led HUD in 1997 to begin voluntary acquisition of 152 of 158 substandard properties at Greenfair.
- C. HUD offered its Greenfair holdings to the Housing Authority of the City of Sacramento ("Housing Authority") for nominal consideration with the requirement to satisfy specific development objectives.
- D. In September 2004, with due authorization, the Housing Authority acquired title to 152 parcels entitled for 164 dwelling units from HUD, using Housing Trust Funds, for intended future transfer to a qualified development team as a part of a larger development strategy.
- E. In March, May and August 2005, the Housing Authority purchased the six remainder units, using the proceeds of a loan of Home Investment Partnership Program ("HOME") funds, and obtained a further loan of HOME funds for holding expenses and demolition costs.
- F. In June 2005, the Housing Authority issued a Request for Qualifications ("RFQ") to seek a development team to purchase, design and develop a new home ownership project at Greenfair and a joint venture of three local residential developers, Greenfair Village Partners, LLC ("GVP") was selected.
- G. In January 2006, the Sacramento Housing and Redevelopment Agency ("Agency") entered into an Exclusive Right to Negotiate Agreement ("ERN") with GVP on behalf of the Housing Authority for the Greenfair Project, and in undertaking further studies and investigations GVP determined that it could not go forward with the project without assurances that it could acquire title to certain HOA common area.

- H. The Agency identified approximately 8.8 acres of undeveloped HOA common area property ("Acquisition Property"), which surrounds, isolates or directly abuts Housing Authority properties and is needed for development of the Housing Authority properties, and the Agency has obtained an independent appraisal of the value of the Acquisition Property.
- I. After such study, Agency and the Housing Authority desire to acquire the Acquisition Property for development with the Housing Authority properties.
- J. Acquisition of the Property 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 must be conducted once the scope of development of the property has been defined. Therefore, this action is exempt from environmental review under CEQA. The National Environmental Policy Act ("NEPA") does not apply.

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

- Section 1. After due consideration of the facts presented, the findings, including the findings stated above, are approved.
- Section 2. The Housing Authority accepts \$3,000,000 from the Housing Trust Fund for the purchase of HOA property and for related expenses, including without limitation, legal, design, engineering and consultant services; transaction costs and escrow fees; and post-acquisition management and predevelopment activities, and the Agency budget is amended accordingly.
- Section 3. The Agency is authorized to act on behalf of the Housing Authority, whether in the name of the Agency or the Housing Authority, to offer to purchase and to purchase the Acquisition Property for an amount which does not substantially exceed its appraised fair market value.