

RESOLUTION NO. 2011-216

Adopted by the Sacramento City Council

April 12, 2011

1220 NORTH A STREET PROJECT: FINDINGS REGARDING SALE OF REDEVELOPMENT AGENCY PROPERTY

BACKGROUND

- A. The Redevelopment Agency of the City of Sacramento ("Agency") has adopted the River District Redevelopment Plan ("Redevelopment Plan") and an "Implementation Plan" for the River District Project Area ("Project Area");
- B. The Agency owns certain real property ("Property"), in the Project area acquired with Project Area low and moderate income housing set-aside tax increment funds, which Property is generally described as 1220 North A Street, and more particularly described in the legal description, attached as Exhibit A;
- C. The Agency and C&J Warehouse, LLC ("Developer") desire to enter into a Disposition and Development Agreement ("DDA"), which DDA would convey fee interest in the Property, as more specifically described in the DDA, and which would require the improvements within the Property, as further described in the DDA (collectively, "Project");
- D. In accordance with the California Environmental Quality Act and its implementing regulations, the Project has been determined to be exempt pursuant to sections 15301, 15311, and 15303 of the CEQA Guidelines (Cal. Code of Regulations, tit. 14, 15000 – 15387) as it consists of minor improvements to an existing structure, the addition of minor accessory structures, and the construction of a new commercial structure under 10,000 square feet; and,
- E. A report under Health and Safety Code 33433 has been prepared, filed with the Agency Clerk and duly made available for public review, and, proper notice having been given, a hearing has been held in accordance with Health and Safety Code Sections 33431 and 33433.
- F. The Agency's sale of the Property will assist in the elimination of blight as provided in the 33433 Report.
- G. The Agency's sale of the Property and the construction of the Project are consistent with the goals and objectives of the River District Redevelopment Plan and the Implementation Plan, as stated in the DDA.
- H. The consideration for the Agency's conveyance of the Property to Developer is not less than the fair reuse value of the Property at the use and with the covenants,

conditions, restrictions required by the DDA and the related Regulatory Agreement and Grant Deed.

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

- Section 1. The environmental findings pursuant to the California Environmental Quality Act stated above are hereby approved.
- Section 2. The statements and findings of the Redevelopment Agency's 33433 Report are true and correct and are hereby adopted. The 33433 Report is attached as Exhibit B.
- Section 3. The Agency's sale of 1220 North A Street to C&J Warehouse, LLC pursuant to the DDA is approved. The DDA is attached as Exhibit C.
- Section 4. Exhibits A, B and C are attached and made a part of this Resolution.

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Exhibit A: Legal description

Exhibit B: 33433 Report

Exhibit C: Disposition and Development Agreement

Adopted by the City of Sacramento City Council on April 12, 2011 by the following vote:

Ayes: Councilmembers Ashby, Cohn, D Fong, R Fong, McCarty, Pannell, Schenirer, Sheedy, and Mayor Johnson.

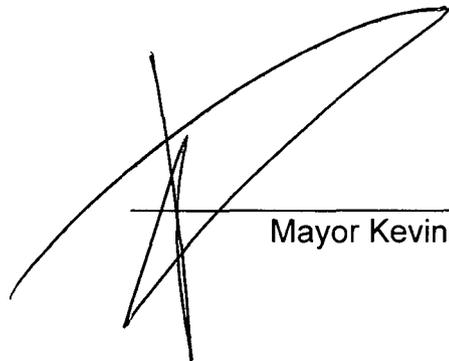
Noes: None.

Abstain: None.

Absent: None.

Attest:


Shirley Concolino, City Clerk



Mayor Kevin Johnson

EXHIBIT A

June 9, 2009
98-0054

AGENCY-OWNED PROPERTY

DESCRIPTION

AREA A

All that certain real property situate in the City of Sacramento, County of Sacramento, State of California, described as follows:

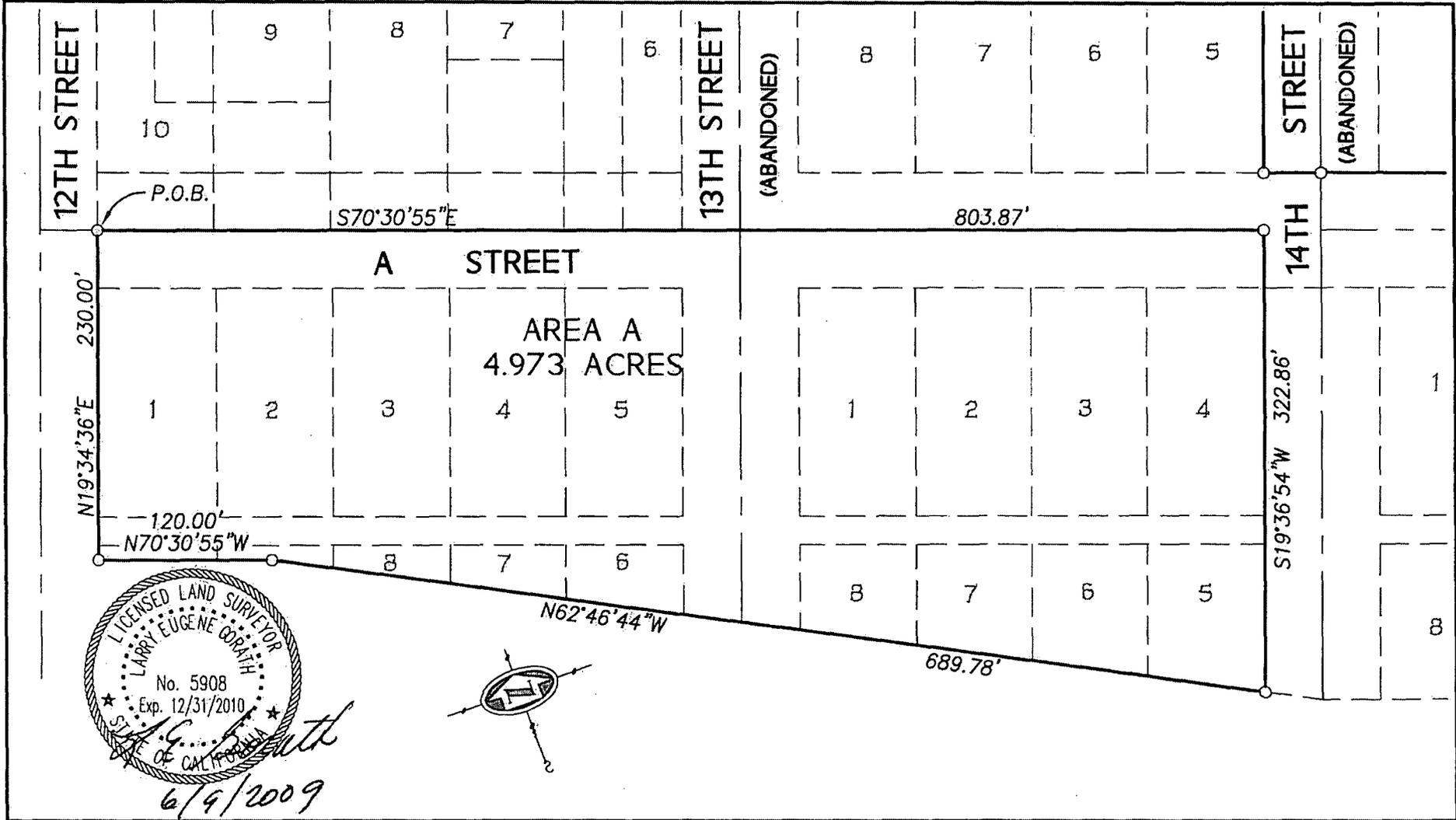
A portion of the blocks bounded on the North by A Street, the South by B Street, the West by 12th Street and the East by 14th Street in the City of Sacramento, according to the official map thereof, more particularly described as follows:

BEGINNING at the intersection of the East side of 12th Street with the centerline of A Street; thence from said point of beginning and along said centerline of A Street South 70°30'55" East 803.87 feet to the Northerly prolongation of the West line of 14th Street; thence along said prolongation and said West line South 19°36'54" West 322.86 feet; thence North 62°46'44" West 689.78 feet; thence North 70°30'55" West 120.00 feet to a point on the East line of said 12th Street; thence along said East line North 19°34'36" East 230.00 feet to the point of beginning.

Containing 4.973 acres, more or less.

The meridian of this survey is identical to that of that certain Record of Survey filed in Book 47 of Surveys, Page 5, Official Records of said County.





mmp **MORTON & PITALO, INC.**
 CIVIL ENGINEERING • PLANNING • SURVEYING
 1788 TRIBUTE ROAD • SUITE 200 • SACRAMENTO, CA 95815
 PHONE, 916/927-2400 • FAX, 916/567-0120

DRAWN:	ESR	JOB NO:	980054
CHECKED:	MDJ	DATE:	JUNE 2009
SCALE:	1"=100'	SHEET:	1 of 2

EXHIBIT MAP
SACRAMENTO SOCIAL SERVICES CAMPUS
 CITY OF SACRAMENTO CALIFORNIA

**SUMMARY REPORT PURSUANT TO SECTION 33433 OF
THE CALIFORNIA COMMUNITY REDEVELOPMENT LAW**

IN CONNECTION WITH A DISPOSITION AND DEVELOPMENT AGREEMENT

BY AND BETWEEN

**THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
AND
GENERAL PRODUCE**

FOR 1220 NORTH A STREET

MARCH 29, 2011

**SUMMARY REPORT PURSUANT TO SECTION 33433 OF THE CALIFORNIA
COMMUNITY REDEVELOPMENT LAW IN CONNECTION WITH A DISPOSITION
AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE REDEVELOPMENT
AGENCY OF THE CITY OF SACRAMENTO AND GENERAL PRODUCE**

I. INTRODUCTION

The California Health and Safety Code, Section 33433, requires that if a redevelopment agency wishes to sell or lease property to which it holds title and if that property was acquired in whole or in part with property tax increment funds, the agency must first secure approval of the proposed sale or lease agreement and a summary report that describes and contains specific financing elements of the proposed transaction shall be available for public inspection prior to the public hearing. As contained in the Code, the following information shall be included in the summary report:

1. The cost of the agreement to the redevelopment agency, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, plus the expected interest on any loans or bonds to finance the agreement;
2. The estimated value of the interest to be conveyed, determined by the highest and best use permitted under the redevelopment plan;
3. The estimated value of the interest to be conveyed in accordance with the uses, covenants, and development costs required under the proposed agreement with the Agency, i.e. the reuse value of the site;
4. An explanation of why the sale of the site will assist in the elimination of blight, as required by Section 33433; and
5. If the sale price is less than the fair market value of the interest to be conveyed, determined at the highest and best use consistent with the redevelopment plan, then the agency will provide as part of the summary an explanation of the reasons for the difference.

This report outlines the significant parts of the proposed Disposition and Development Agreement (“Agreement”) by and between the Redevelopment Agency of the City of Sacramento (“Agency”) and C&J Warehouse (“Buyer”), whose principals control and operate the business known as General Produce, in connection with the disposition of the Agency’s property located at 1220 A Street in the City of Sacramento (“Site”) to the Buyer. Pursuant to the Agreement, the Buyer will purchase the Site in exchange for a nearby vacant parcel suitable for residential development and complete an improvement project that includes grading, clearing and fencing a portion of the Site as well as expanding its warehouse operations with an addition, located directly to the north of this Site, with a warehouse addition. The purpose of this analysis is to determine the cost of the Agreement to the Agency.

This report is based upon information in the proposed Agreement and is organized into the following six sections:

1. **Summary of the Proposed Agreement** – This section includes a description of the site, the proposed development and the major responsibilities of the Agency and the Buyer.
2. **Cost of the Agreement to the Agency** – This section outlines the cost of the Agreement to the Agency for costs associated with the Agreement between the Buyer and the Agency.
3. **Estimated Value of the Interest to be Conveyed** – This section summarizes the value of the interests to be conveyed to the Buyer.
4. **Consideration Received and Reasons Therefore** – This section describes the consideration to be paid by the Buyer to the Agency. It also contains an analysis of the consideration and the fair market value at the highest and best use consistent with the redevelopment plan for the interests conveyed.
5. **Elimination of Blight** – This section includes an explanation of why the sale of the site will assist in the elimination of blight and the supporting facts and materials.
6. **Conformance with the Five-Year Implementation Plan** – This section describes how the Agreement is in conformance with the Agency's Five-Year Implementation Plan.

II. SUMMARY OF THE PROPOSED AGREEMENT

A. *Description of the Site and Project*

Site/Location

The subject property is located at 1220 A Street in the City of Sacramento and the County of Sacramento. It is located in the River District Redevelopment Project Area. It is a vacant 4.973± acre site currently zoned C-4 SPD, Heavy Commercial Zone Special Planning District – River District. This a commercial zone designed primarily for warehousing, distribution types of activity, and those commercial uses having a minimum of undesirable impacts upon nearby residential areas.

In the 2030 General Plan, the parcel is designated ECLR – Employment Center Low Rise (ECLR). The ECLR classification supports businesses and employment generating uses and is consistent with the surrounding uses. This designation provides for employment generating uses that do not produce loud noises or noxious odors.

The site is more or less level and generally slopes gently to the north. About 0.42 acres at the western edge are severely sloped upward to match the North 12th Street grade causing this area to be unbuildable.

There is also a smaller area of slope at the southeast corner that could be leveled. The railroad right of way property, adjacent on the south, slopes sharply upward to the track bed, which is elevated 12 to 16 feet above the subject property.

The parcel is located between North 12th and North 14th streets, the A Street midline and the Union Pacific Railroad right of way. The only street access to the property is from the 14th Street/A Street intersection. The width of this access is 40 feet. Frontage is poor with little to no street exposure.

Background

The property was purchased by the Redevelopment Agency on July 31, 1995 from Southern Pacific Transportation Company (SP), predecessor to Union Pacific Railroad. The subject parcel was part of a larger 10.283 acre parcel purchased with the original intent to construct a social services campus including transitional housing, county offices, and an affordable housing project. A Disposition and Development Agreement was executed in December 1999 for a portion of the property, 5.31 acres, which was subsequently developed as Quinn Cottages, a 60 bed transitional housing shelter, and a 64,000 square foot office for the County of Sacramento.

The Site's limited access makes it unsuitable for additional residential development due to City Code Chapter 15.36 requirements, which state that a property must have two exits to be residential. In November 1998, the City Council approved the disposition of the subject property as part of a business retention and expansion project for the fresh produce distribution facilities of General Produce, which has been located in the River District since 1984 and has maintained a stable employment and business presence in an area of the city impacted with numerous social service providers and a large homeless population. Also in November 1998, the Agency Board approved the purchase of a nearby 1.32 acre property owned by C&J Warehouse which has superior access in exchange for the Agency-owned parcel. The Buyer-owned parcel contains street frontage on all four sides which is more appropriate for residential development.

Prior to the Agency's purchase of the Site, it was disclosed by SP that both the soil and groundwater were contaminated due to historical activities on site. SP, and then UP, agreed to work to remediate the property within a three-year time frame, however, contamination was more extensive than it was originally believed. It wasn't until November 2008 that the California Department of Toxic Substance Control issued a No Further Action letter to the Agency for the soils and a Covenant to Restrict Use of Property was recorded requiring ongoing monitoring of groundwater.

Buyer

The buyer is C&J Warehouse, which has operated a produce distribution facility known as General Produce for 77 years. It has been in its current location immediately to the north of the subject property, since 1984. The Site will be incorporated into General Produce's existing business operations to allow it to expand and improve efficiency in its operations.

Use of the site by General Produce as a fresh produce distribution facility is consistent with the zoning for the site. The Buyer is qualified to do business in California and its principal office is 1330 North B Street, Sacramento, CA 95811-0605, which is immediately north of the subject property.

Project

The Buyer proposes to grade, clear, and fence portions of the subject property and expand its warehouse operations with an addition. The project will preserve jobs at this site by increasing the capacity of the distribution center and allowing space for additional future expansion of the business. Furthermore, as part of this transaction, the Agency will be acquiring property suitable for the development of affordable housing.

B. Agency Responsibilities

Subject to the specific terms and conditions stated in the Agreement, the Agency's responsibilities under the proposed Agreement are as follows:

1. Delivery of Site. Deliver the subject property in "as is" condition on an agreed upon date with no warranty, express or implied, by the Agency as to physical condition of the Site, including the presence of hazardous materials or hazardous waste. In order to facilitate the remediation of past environmental contamination and to protect human health, a Covenant Restricting Use of the Property has been recorded by the State DTSC.
2. Approval of plans. Agency must approve the proposed improvement project submitted by Buyer.
3. Closing costs. Agency will pay the cost of drawing the grant deed, escrow fees and recording fees, its respective notary fees and any state, county, or city documentary transfer tax.
4. Certificate of Completion. At the completion of the Project and upon written request of the Buyer, the Agency shall furnish the Buyer with a Certificate of Completion for the Project.

C. Buyer Responsibilities

Subject to the specific terms and conditions stated in the Agreement, the Buyer's responsibilities under the proposed Agreement are as follows:

1. Deliver to the Agency the property at 1400 North B Street, the "Egg Warehouse" property, a 1.32 acre vacant parcel.
2. Submit plans for the improvement project to the Agency for approval.
3. Record an Access Agreement for City of Sacramento (City) access to Sump Pump 149, located to the west of the Site.
4. Record a Regulatory Agreement with Nondiscrimination and Property Maintenance requirements.
5. Within two years of the land transfer, the Buyer must complete all required improvements including site clearing, grading and fencing portions of the subject property and completing the addition to the existing warehouse.
6. Obtain required land use and zoning approvals, and comply with the requirements of the California Environmental Quality Act (CEQA).

7. Pay all development and construction costs and fees in a timely manner, including prevailing wages for construction of the Project.
8. Continue operations of General Produce fresh produce distribution facilities within the River District for a minimum of ten years.

III. COST OF THE AGREEMENT TO THE AGENCY

This section presents the total cost of the Agreement to the Agency, as well as the “net cost” of the project after consideration of the project revenues. The net cost can be either an actual cost, when expenditures exceed receipts, or a net gain, when revenues created by implementation of the Agreement exceed expenditures.

A. Estimated Costs to the Agency

The Original Site was purchased by the Agency on July 31, 1995 from Southern Pacific. The subject parcel was part of a larger 10.283 acre parcel purchased with the original intent to construct an affordable housing project. The Agency acquisition cost for the 10.283 acre parcel was \$1,464,378.00, making the subject parcel’s cost \$708,193. The site was purchased with Low- Moderate Income Housing Set-Aside Funds.

For the Agreement, the cost to the Agency is estimated to be:

Original Acquisition Price	\$ 708,193
Commissions	\$ -
Closing Costs	\$ -
Remediation Costs*	\$ 10,378
Financing Costs	\$ -
Improvement Costs (e.g. utilities or foundations added)	\$ -
Other Costs	\$ -
Total	\$ 718,571

*Unreimbursed legal costs related to clean up documentation

B. Estimated Revenues to the Agency

Property

Per the terms of the Agreement, the Agency will receive the 1.32 acre vacant Egg Warehouse property located at 1400 North B Street, valued at \$666,072.

Improvement Project

Within two years of the land transfer, Buyer will undertake and complete an improvement project on the existing warehouse property and the subject property valued at \$535,000. That project includes an addition to the existing warehouse, \$505,000 and grading, clearing and fencing on the subject property, \$30,000.

The estimated total value to the Agency is as follows:

Value of Egg Warehouse Property	\$ 666,072
Improvement Project	\$ 535,000
Total	\$ 1,201,072

IV. ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED

The Agency has estimated the value of the interest being conveyed to the Buyer if sold by the Agency at its highest and best use allowed under the Redevelopment Plan. The Site is a landlocked parcel and not suitable for residential development. This Site does not meet City Code Chapter 15.36 requirements, which state that a property must have two exits to be residential. Further it has limited street frontage making it unsuitable for commercial or retail uses. This leaves industrial uses such as that proposed by the Buyer.

The fair reuse value is also a function of the use of the property given the property’s covenants, conditions, and easements as well as the restrictions placed on the property in the Agreement. The Agency is requiring the Buyer to: (1) improve their existing property, (2) improve the subject property and (3) remain in the current location for at least ten years. The Project must occur within two years after conveyance of the site.

To arrive at the fair market value of the properties to be exchanged, the Agency and Buyer commissioned appraisals of the two properties, which appraisals were completed on November 12, 2009 by Bender Rosenthal, Inc. In these appraisals, the subject property was valued at \$1,200,000 and the Egg Warehouse was valued at \$666,072, a difference of \$533,928.

Agency and Buyer have contemplated an exchange of the two properties without monetary compensation. In the Agreement, Buyer has agreed to an improvement program as well as other restrictions which provide the Agency with considerable consideration which compensates for this difference. Below is a list of additional considerations and restrictions placed on the subject property.

Groundwater Monitoring

The State DTSC has recorded a Covenant to Restrict Use of Property against the Site, which requires ongoing groundwater monitoring. The Buyer will assume this responsibility.

Access Agreement

Buyer shall record an Access Agreement for City of Sacramento (City) access to Sump Pump 149, located to the west of the Site. Additionally, an Access Agreement has already been recorded on the subject property for additional access to Sump Pump 149.

Property and other Taxes

The Buyer will be responsible for payment of property and other taxes and fees once the property transfers, which will benefit the various taxing entities.

Regulatory Agreement

Buyer shall record a Regulatory Agreement with Nondiscrimination and Property Maintenance requirements against the subject property.

Ten (10) Year Business Retention

Buyer shall continue its operations of General Produce fresh produce distribution facilities within the River District for at least ten years.

Development of Vacant Property

Buyer shall improve a vacant parcel which is currently an attractive nuisance and undeveloped, landlocked property.

CEQA and Zoning and Land Use Compliance

Buyer shall obtain required land use and zoning approvals, and have complied with the requirements of the California Environmental Quality Act (CEQA).

Prevailing Wages

Buyer shall pay all development and construction costs in a timely manner, including prevailing wages for construction of the Project.

Job Creation

Buyer will be able to expand its current business operations resulting in job growth.

V. CONSIDERATION RECEIVED AND REASONS THEREFORE

The Agency has determined that the highest and best use of the subject property is as an industrial use, such as that proposed by the Buyer. The consideration being given to the Agency is not less than the reuse value. Although the value of the property the Agency will receive in this exchange is less than the appraised value of the subject property, it does not take into account the other considerations, described above, that the Agency receives in this transaction.

The consideration being paid to the Agency is also not less than the consideration that the Agency could receive under the highest and best use with the conditions that an investment be made to reuse the Site, and a business must remain in place for at least ten years.

Furthermore, the property the Agency will obtain in the exchange is superior for the intended use, creating affordable housing. It is not landlocked with only limited street access but has ready access with streets on all four sides.

The Agency has determined that this Project as provided in the Agreement offers the best use for the Site.

VI. ELIMINATION OF BLIGHT

The proposed project as detailed in the Agreement will eliminate blight within the River District Redevelopment Area by providing a viable use for a vacant parcel with limited reuse potential. The proposed project furthers the goals of the River District Redevelopment Area and its Five-Year Implementation Plan, as adopted, by assisting in the elimination of the blighting influences caused by a vacant parcel with limited reuse potential by redeveloping it with a job-generating business, providing fencing to reduce illegal camping and crime, and improving and expanding an existing warehouse operation. Additionally, the Agency will be acquiring a blighted property appropriate for residential development with the intent to redevelop it with an affordable housing project in the future.

The Project will help to eliminate both physical and economic blight and help to meet two of the Agency's original Redevelopment Plan goals: (1) stimulate economic growth; and (2) enhance community facilities within the redevelopment project area. The Project will increase employment, expand a business' operations, create construction jobs and retain full time employment thereafter.

VII. CONFORMANCE WITH FIVE-YEAR IMPLEMENTATION PLAN

The primary Five-Year Implementation Plan program objective for the River District Redevelopment Project area is to eliminate conditions that negatively impact economic development of the community. To that end, the Agency is selling the Site for reuse as additional space for General Produce and General Produce will improve its facility to become more efficient and improve the aesthetics in the area. This will assist in retaining General Produce and the jobs associated with it within the River District area of Sacramento.

Furthermore, the Implementation Plan also establishes a priority objective of stimulating economic growth by encouraging investment in the redevelopment project area. In particular, the Project will enable the retention and expansion of an old established business within the City of Sacramento and transfer a suitable parcel to the Agency for future residential development. The Project conforms to the Implementation Plan and will achieve the goals specifically defined in the implementation plan.

Lastly, the project will further the Implementation Plan goal of creating affordable housing by providing the Agency with a site suitable for future development of residential housing.