



# City of Sacramento City Council

915 I Street, Sacramento, CA, 95814  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

**Meeting Date:** 1/17/2012

**Report Type:** Consent

**Title:** Capitol Area Development Authority (CADA) – Proposed Asset Disposition

**Report ID:** 2012-00037

**Location:** District 4

**Recommendation:** Pass a Resolution supporting CADA's implementation plan for the sale of specific State-owned properties leased by CADA and subleased to third parties and recommending the development of a long term plan for any additional dispositions of State-owned properties leased by CADA with specific consideration in the development of that plan on the maintenance of the number and affordability of the residential units in the CADA area.

**Contact:** Leslie Fritzsche, Downtown Redevelopment Manager, (916) 808-5450, Economic Development Department

**Presenter:** None

**Department:** Economic Development Dept

**Division:** Downtown Development

**Dept ID:** 18001021

## **Attachments:**

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- 1-Description/Analysis
- 2-Attachment 1 Map of CADA Area
- 3-Attachment 2-"The CADA Story:
- 4-Attachment 3 Potential Sites for Disposition
- 5-Attachment 4 CADA Properties
- 6-Attachment 5 CADA Board Resolution
- 7-Resolution

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## **City Attorney Review**

Approved as to Form  
Jerry Hicks  
1/9/2012 3:59:21 PM

## **City Treasurer Review**

Reviewed for Impact on Cash and Debt  
Russell Fehr  
1/3/2012 10:40:24 AM

## **Approvals/Acknowledgements**

Department Director or Designee: Jim Rinehart - 1/4/2012 5:21:45 PM

Eileen Teichert, City Attorney

Shirley Concolino, City Clerk  
John F. Shirey, City Manager

Russell Fehr, City Treasurer



## DESCRIPTION/ANALYSIS

**Issue:** In May, the State Department of General Services (DGS) was directed by the Governor to review state-owned properties throughout California, including state-owned properties managed by CADA, with the intention of selling properties that no longer serve a state programmatic need. The Governor's Directive did not state that any sales were to be included in the current budget year (FY 2011-12), but directed General Services to review properties for the consideration of sales in future budget years. The City Manager was asked by Councilmember Robert Fong to review the status of the directive's implementation and report back to Council.

### Background of CADA

During the 1960's and 1970's, over 40 blocks of mostly residential property around the Capitol in downtown Sacramento were purchased by the State to implement the State's long-term office campus plan. As a result of the residential acquisitions, the State quickly became the City's largest residential property manager. However, the State was ill equipped to manage the demanding day to day needs of residents and manage residential operations. The result was high vacancy, poor tenant screening, boarded buildings, severe crime and social decline. The area was recognized as the most physically and socially blighted area of Sacramento (1975).

Today, the Capitol Area stands as one of the more stable and desirable residential communities in the Central City. This turnaround was largely accomplished through the formation of CADA (1978) as a joint powers agency of the City and the State. CADA's primary role is to manage and improve the State owned residential and retail properties in the Capitol Area. In addition, CADA is responsible for developing new residential mixed-use on State-owned vacant (surface parking) sites that are designated for residential under the State's Capitol Area Plan. (Attachment 1, Map of CADA area)

To date, CADA has produced 836 new downtown infill housing units and has an additional 424 units in project development on 16<sup>th</sup> Street and the R Street corridor. In addition to creating new housing units through successful public/private partnerships, CADA preserves, manages, and maintains apartments and neighborhood retail, which, in addition to providing critically needed affordable housing also provides the stability necessary to attract private investment in new development projects. CADA has also contributed funding to streetscape matching funds ( R St); new infrastructure (16<sup>th</sup> Street and R Street); the rehabilitation of the light rails stations in the area; added police protection; improvements to Parks (Fremont) and pioneered energy conservation and urban design in downtown Sacramento. (see Attachment 2 ,“The CADA Story” for a more complete history and list of CADA's accomplishments).

### Current Challenge

CADA was singled out along with the Los Angeles Coliseum and Ramirez Ranch in Southern California as opportunities for asset disposition to reduce the state's holdings and, potentially, gain revenue for the state. Though the budget language was not included in the final adopted state budget, the State Department of General Services, in response to the directive and upon the request of the Department of Finance, has asked CADA to prepare a disposition plan in FY 11-12 with

prospective land and property sales beginning in FY 12-13. The Department of General Services has advised CADA that they are taking a thoughtful and collaborative approach in their review of State-owned properties managed by CADA with the objective of minimizing negative impacts on the neighborhood and on CADA's ability to complete its implementation of the residential and neighborhood commercial components of the State Capitol Area Plan. Most of the dispositions would require state enabling legislation before implementation.

To assist DGS, CADA is conducting a study with four objectives:

1. Work with DGS, on the preparation of a comprehensive report of state-owned property leased to CADA from 1978 to 2011.
2. Assist DGS in addressing the current State budget crisis by identifying properties which may be considered for sale in FY 2012-13.
3. Quantify fiscal requirements to complete CADA's legislative mandate to implement the residential and neighborhood commercial components of the State Capitol Area Plan.
4. Consider long term strategies for state-owned properties leased by CADA.

CADA staff presented their work on Objectives 1 and 2 at their October 28<sup>th</sup> Board meeting including a list of properties that could potentially be disposed of within FY 2012-13. These properties include properties that were developed by private parties on land leased from the State and a property that is a future CADA development site: the Inn of Capitol Park Site (APNs 006-231-008 and -009); Admail Express Property (APN 006-224-026); 17<sup>th</sup> and O Streets site (APN 006-233-012,-013); 14<sup>th</sup> and Q Street (APN 006-284-011 through -016) and the parking lot adjacent to Admail Express Property (APN 006-224-025). A map illustrating these sites is included as Attachment 3. Detailed information about CADA's holdings and rationale for this list is included as Attachment 4. Staff agrees with this initial list and recommends that Council, in its capacity as a party to CADA's joint powers agreement, approve of the initiation of these dispositions.

The larger challenge is the strategy for the balance of CADA's 11.4 acres and the potential impact any additional sales would have on the future of CADA. The impact of any wholesale disposition of these assets could well create a destabilization and potential deterioration of the area around the Capitol. Many of the properties are, by their inherent design, "C" class residential properties. CADA is able to maintain them in prime condition and in many cases as affordable to individuals with lower incomes because of their unique lease agreement with the State. If these properties are sold to the highest bidders they will be saddled with mortgages. The resulting mortgage payments will reduce available revenues for reinvestment in the properties. It will also largely eliminate the CADA's contributions from rental revenue for the physical and social betterment of the community.

**Policy Considerations:** CADA was created by a joint exercise of powers agreement between the State and the City effective July 1, 1978 that remains in effect until July 1, 2042. Since its inception, 33 years ago, CADA has been an active partner of the City and the Redevelopment Agency through its construction and management of quality infill mixed-use development, including several hundred units of affordable housing, streetscape improvements, and active retail and commercial businesses. In 2002 the City endorsed a role for CADA in the creation of a second project area, the R St Project Area, where the City and CADA have been successful in securing millions of dollars in federal grants for new infrastructure. CADA currently has five major development agreements for over 424 units in

new downtown mixed use housing on five separate sites representing a total value of \$143 million dollars in downtown reinvestment (see [www.cadanet.org](http://www.cadanet.org)).

CADA is an integral part of the City's current Downtown Sacramento Redevelopment Strategy which notes the need to "Continue to act as a partner in the Renaissance of the Capitol Park Neighborhood" (Implementation Activity 5.1) and "Shape catalyst developments to support R Street revitalization objectives " ( Implementation Activity 6.1).

**Environmental Considerations:** The recommendation does not constitute a "project" and is therefore exempt from the California Environmental Quality Act (CEQA) according to Section 15061(b)(1) and 15378(b)(3) of the CEQA guidelines.

**Sustainability:** CADA has won awards from APA, AIA, SMUD, SACOG and others for achieving energy conservation and sustainability goals through the years. In 2004, CADA received the first SACOG Blueprint Excellence award for its exemplary use of smart growth principles while creating urban infill housing and transit oriented communities. In 2009, CADA received a Distinguished Leadership Award from APA.

The development of additional housing stock and maintenance of existing stock in the Downtown is critical to the sustainability and Smart Growth principles of the City and SACOG.

**Commission/Committee Action:** At its October 28, 2011 Board Meeting, the CADA Board responded to the State Department of General Services directive by adopting CADA Board Resolution No. 11-43 (Attachment 5), in which it identifies properties that may be considered as candidates for sale in FY 2012-13 and recommends that the sale of any additional properties be held in abeyance pending its upcoming workshop, the subject of which will be the development of long term strategies for State-owned properties leased to CADA to implement the residential and neighborhood commercial components of the State Capitol Area Plan.

Both the Sacramento Old City Association (SOCA) and the State's Capitol Area Advisory Committee have advised against the sale of CADA properties at this time.

Law and Legislative Committee Action: This report was reviewed by the Law and Legislative Committee on December 6, 2011. They recommended the proposed resolution with the addition of language emphasizing the importance of maintaining the amount and level of affordable housing provided by CADA as a major consideration in the evaluation of any proposed dispositions of CADA properties. The recommendation included in this report reflects that language.

**Rationale for Recommendation:** Currently CADA leases approximately 13.68 acres from the state. This acreage consists of:

- 3.62 acres Future Development Sites (State Office or CADA Development)
- 7.86 acres Properties managed by CADA to meet affordable housing mandates and Implement the State Capitol Area Plan
- 2.2 acres Development Ground Lease Properties

This report recommends support for the CADA's Board's approved plan for the sale of the Development Ground Lease properties. The initial property disposition list was derived because all of the properties have been developed in accordance with the State Capitol Area Plan. With one exception, the sites are on leased land and are currently improved with structures. The owners of the improvements and holders of the ground leases on these properties have previously expressed interest in purchasing the underlying land leased to them by the Authority and the State. The exception is the proposed sale of a CADA developed parking lot on 14<sup>th</sup> and O Streets which is adjacent to the property leased to Admail Express and proposed for sale as part of this disposition process. Admail Express currently uses this site for parking.

There are many reasons to take a longer view on any additional dispositions. These reasons include: the destabilizing effect bringing so many properties on the market at one time would have on the Capitol area and adjacent neighborhoods; the impact of losing CADA's historically strong consolidated property management approach ; the challenge in selling properties at this time when real estate values are so low; the impact these dispositions would have on CADA's financial state and survival; the number of properties in the portfolio with long-term affordability restrictions and the potential repercussions that sale of these properties would have on the quantity and quality of affordable housing stock in the Downtown. While CADA is not a redevelopment agency per se, it collects tax increment on its projects and uses the funds to subsidize affordable rents (346 units) and carry out its development goals-all within the city limits.

For all of these reasons, staff is recommending working with CADA and the State on a longer term plan that would not dramatically impact Downtown.

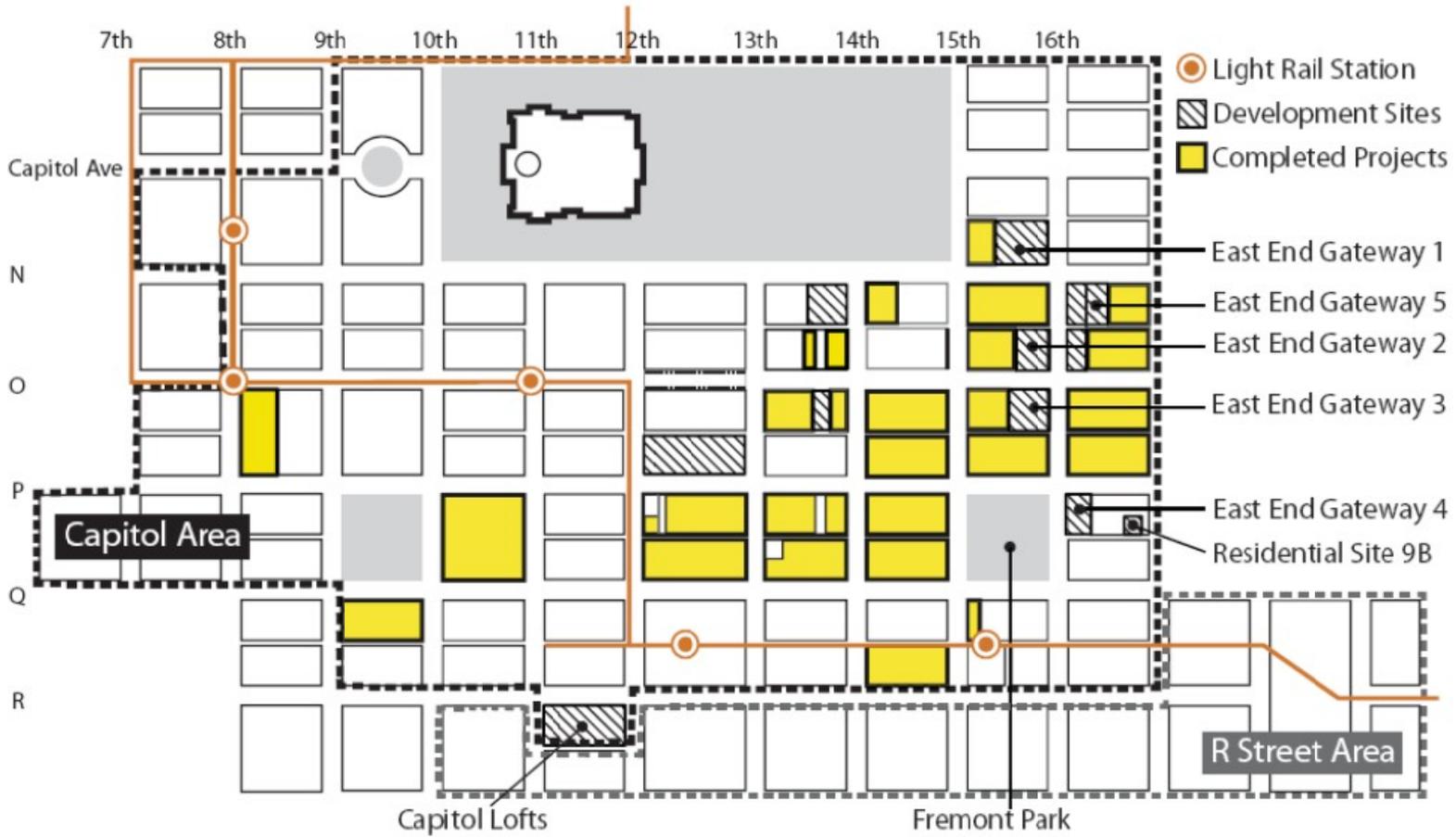
**Financial Considerations:** The current development and property disposition process has allowed CADA to sell approximately 16 of 33 acres entrusted to it by the state since 1995 when property sales became allowed. CADA has developed and sold properties including Fremont Mews (14<sup>th</sup> and P Sts.), Stanford Park (16<sup>th</sup> and P Sts); Fremont Apartments (16<sup>th</sup> and O Sts.); Saratoga and Somerset Parkside Condominiums (Roosevelt Park) and Capitol Park Homes (13<sup>th</sup> and P Sts.). Collectively, CADA has returned several million dollars in real estate sales to the State general fund while achieving the programmatic goals of the State's Capitol Area Plan.

CADA has been able to achieve its legislative mandate to maintain 25% of the units located on land leased or sold by DGS to CADA affordable to low income households. This has been accomplished without requiring any on-going support from the State General Fund primarily by CADA internally subsidizing the rents of qualified extremely low, very low and low income residents with revenue generated from the balance of the property that it manages.

CADA annually reinvests \$2.8 million in tax increment generated in its project areas into development projects, infrastructure improvements and the supply and maintenance of affordable housing.

The amount of property tax benefit that the City would directly receive from the sale of CADA properties would be limited because of the above mentioned tax increment district.

**Emerging Small Business Development (ESBD):** Not applicable



# First things first

When CADA was founded in 1978, it was charged with the implementation of the residential and neighborhood commercial objectives of the State Capitol Area Plan. This plan, adopted in 1977 and updated in 1997, was a forerunner of the smart growth movement. The plan calls for the area south of the State Capitol to be transformed into an urban village of state offices, housing, retail and parking; a place where residents can walk and bicycle, and where they have transit options to travel to work and entertainment destinations, thus reducing dependence on automobiles and improving regional air quality. Rather than setting a prescribed blueprint of what should be built on these state-owned properties, the plan established broad goals and an implementation structure that has allowed it to be realized through changing political and economic conditions. The State Department of General Services (DGS) is responsible for implementing the state office component, CADA is responsible for implementing the residential and neighborhood commercial components and the Capitol Area Advisory Committee advises the Legislature as to the progress of the plan's implementation.

In 1978, the land south of Capitol Park had been decimated — blighted with burned-out and boarded-up buildings and blocks of parking lots. Because it was clear that the blight needed to be removed if new development was to be attracted, through the auspices of the Office of the State Architect, CADA secured a \$4.9 million federal Economic Development Administration grant for housing rehabilitation. About half of the grant funds were designated for the rehabilitation of Park Mansion, the flagship of the neighborhood, which had been boarded up since 1969. It was believed a revival of this distinguished building on Capitol Park would send a clear message about CADA's housing program. Accordingly, CADA modernized all units and increased the unit count from 36 to 42 apartments, provided two townhouse units within the structure, installed solar panels on the roof and incorporated a disabled-access ramp into the re-design of the front entrance.

When its rehabilitation was completed, CADA reopened Park Mansions as a mixed-income building providing both assisted units affordable to very low income households and market rate apartments. This was in keeping with the direction of the Section 8 (now Housing Choice Voucher) program that was being started by the federal government at the time. CADA has continued to maintain a Scattered Site Rent Assistance program to this day, providing affordable apartments for low and very low income households throughout the rental housing stock that it manages.



Park Mansion



Don Carlos



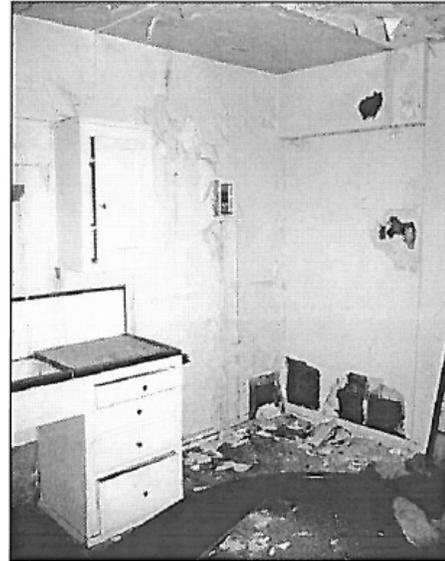
Johnston House Under Construction



Johnston House Completed

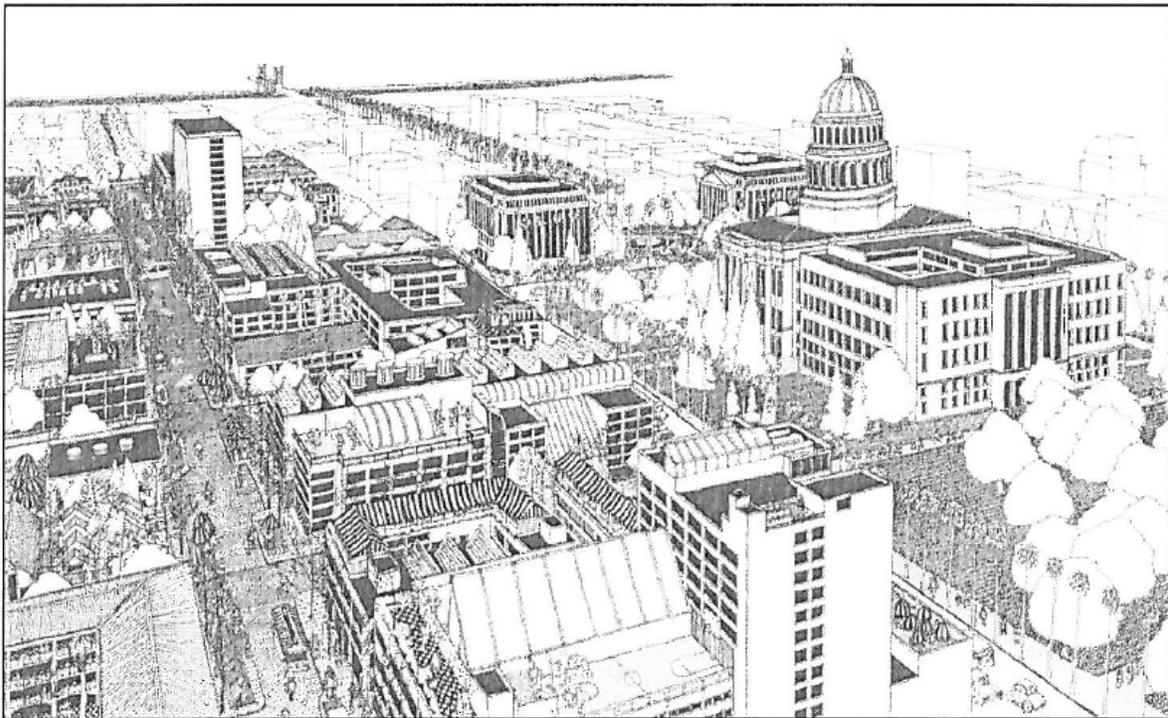


Palm Mansion



**Above:** Examples of building conditions in the Capitol Area in the late 70s prior to their transfer to CADA.

**Below:** Illustration taken from the 1977 Capitol Area Plan.



# Build it so they will come



Saratoga Townhomes

In 1978, when market conditions were not conducive to the quality development envisioned in the Capitol Area Plan, CADA's first Board of Directors made the painful decision not to proceed on developing its first site when the selected developer indicated market conditions required his downgrading the project from his original design submittal. Faced with this challenge, CADA focused on eradicating neighborhood blight until the 1980s when the market improved. CADA then went on to build hundreds of quality urban infill housing units through public-private partnerships with the objective of making the neighborhood, "A Neighborhood for All".

**Saratoga Townhomes:** Designed by David Baker of San Francisco and SolArc of Berkeley for the Hofmann Company in 1982, this project achieved remarkable construction economy through the use of pre-cast foundations and pre-cut roof supports. An active and passive solar system was also incorporated into the design. It received an Affordable Housing Award from the State Department of Housing and Community Development because its initial sales prices were set at just \$53,000 and because the active solar collectors and passive design would reduce energy costs to the homeowner by 50 percent.

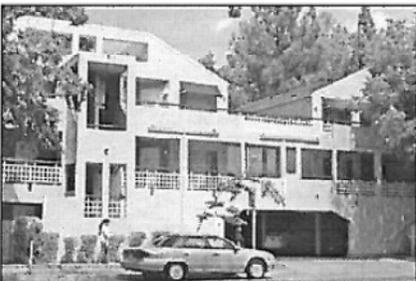


Biele Place

**Johnston House and the Don Carlos Apartments:** Designed by Bob McCabe of Sacramento. CADA financed the rehabilitation of these two structures in 1982 utilizing SB 99 funding provided by the State Department of Housing and Community Development.

**1619 Q Street:** Designed by John Harvey Carter of Sacramento, California in 1982, this project provides the community with single person residential units in a congregate setting.

**Biele Place:** This senior apartments project was funded through the Rental Housing Construction Program of the State Department of Housing and Community Development. It was designed by Peters Clayberg and Caulfield of San Francisco, a 1982 AIA National Award recipient for their design of St. Mary's Garden, a similar senior housing project in Oakland.



Somerset Parkside Apartments

**Somerset Parkside Apartments:** This complex which opened in 1983 houses low and very low income family apartments. Funded through the Rental Housing Construction Program of the State Department of Housing and Community Development, it was designed by Van der Ryn & Calthorpe of Sausalito.

**Somerset Parkside Condominiums:** This development, designed by Van der Ryn & Calthorpe for Barratt America, sited townhomes on an interior alley and 4 story flats above retail on the streets. An early example of Calthorpe's pedestrian pocket designs, it preceded his work as a founder of the Congress for New Urbanism and an international planning consultant.

**The Auslander:** 1500 15th Street: Rehabilitation designed by Paul Schmidt in 1994. The design is sensitive to the original 1920s character of the structure and Sacramento's charm in that era as an urbane destination halfway between Lake Tahoe and San Francisco.



17th Street Commons

**Admail Express Building:** 1514 14th Street: Designed by Nacht and Lewis of Sacramento for Phil Schott who wished to locate his Admail Express offices in the Capitol Area. Recipient of Building Industry Association Gold Nugget Awards as an infill project containing ground floor office and mixed-income apartments. Completed in 1984.

**Palm Mansion:** 1330 P Street: Designed by Bruce Whitlam of Sacramento, this rehabilitated structure was the recipient of a Sacramento Old City Association Award in 1984. Prior to its restoration, this Victorian was a detoxification center that had been vacated following a disastrous fire.

**17th Street Commons:** Designed by Mogavero and Unruh of Sacramento and completed in 1984 this development that consists of the rehabilitation of two structures and the construction of new townhomes was originally a limited cooperative project of the Sacramento Housing Development Corporation. It was the recipient of a first place award in the Affordable Housing Competition sponsored by the State of California and recognized for its passive solar design that assists in keeping costs to the occupants down over time. When the 17th Street Commons Cooperative ceased in 2001 CADA purchased and rehabilitated the project.

# Stay alive till '95

CADA faced some of its most challenging times when housing production dramatically slowed during a state and national recession. The real estate industry titled this period "Stay Alive Till '95". Keeping the dream alive during this period put CADA's values of creativity and commitment to the test.

**Delta Victorians:** In 1984, Nielsen Wiese Architects relocated four structures from other parts of downtown Sacramento to an infill site at 14th and Q Streets. In 1988, Nielsen Wiese also rehabilitated a historic single family residential structure at 17th and O Streets and constructed two additional residential units on the rear portion of the property.

**Capital Athletic Club:** To preserve a distinctive but deteriorated Spanish colonial revival structure dating from the 1930s, CADA solicited proposals for the rehabilitation and reuse of this structure and new construction on an adjacent cleared site. The winning proposal was submitted by the Hofmann Company of Concord, California who proposed the construction of a premiere athletic facility. Their proposal included a sensitive and accurate replication of the structure reutilizing original architectural elements and the construction of a "state of the art" athletic building. The Capital Athletic Club opened in 1985.

**Stanford Park Townhomes:** Designed by Backen Arrigoni and Ross of San Francisco originally to be built above the subterranean state office building on the block bound by 7th/8th N/O Streets. After CADA entered into a development agreement with Rubin Glickmann and Associates of San Francisco the decision was made by the State not to proceed on building it above the state office. With the assistance of the Capitol Area Advisory Committee CADA negotiated for its location to its current site. Received Building Industry Association Gold Nugget Award. Designed to be affordable with initial sales prices in 1986 of \$69,900.

**Brannan Court:** Designed originally by Michael Woldemarr Associates of San Pablo as a development project of Willard Trammel, CADA purchased the design, secured financing from the California Housing Finance Agency and constructed the project after Mr. Trammel withdrew for health reasons. Managed as mixed income apartments by CADA since 1988, the entry gate house includes public art – an abstract mural depicting events in the life of Sam Brannan – first promoter of the California Gold Rush.

**Greentree Commons:** Designed by Mark Mack and Peter Calthorpe. In 1988 it was a unique high density infill project that combined stacked flats on O Street, townhouses with addresses on the alley and the first restaurant in Sacramento to secure approved sidewalk seating. Originally developed as condominiums by a partnership of Penny Nyland and Bruce Gilliland, CADA purchased the project from the Bank when a change order dispute precluded the closing of sales and has managed it from that time as apartments.

**Victorian Townhomes:** Three new townhomes designed by Nielsen Wiese Architects to match the Victorian style of Palm Mansion which is immediately adjacent to these structures. Completed in 1993.

**Capital Terraces:** Designed by Herb Krumpke of Sacramento for Hank Fisher Properties. This complex provides efficiency studio apartments as an alternative to SRO facilities. Completed in 1994.

**Governors Terrace:** Designed by Herb Krumpke of Sacramento for Hank Fisher Properties. When this building was completed in 1994 it was the first new market rate apartment structure privately financed and completed in downtown Sacramento in ten years.

**State Office of Buildings and Grounds:** At the request of the State of California, CADA floated \$7 million in lease revenue bonds in 1994 to finance the construction of a quarter block midrise office structure. CADA selected Ravel Rasmussen to be the developer of the project. This sensitively scaled structure, designed by Niya Calpo Hom and Dong was the recipient of an award from the Sacramento Old City Association. In addition to its outstanding architectural merit, the structure also contributes to the neighborhood's public art by housing two murals in its ground floor entrance lobby.



Delta Victorians



Stanford Park Townhomes



Capital Terraces



Governors Terrace

# 1997 Capitol Area Plan update



Brannan Court

Responding to directives from Governor Wilson and the California State Senate, a Sacramento Regional Facilities Plan was published in 1993 that recommended the Capitol Area Plan be updated to accommodate more of the state's office needs. In 1995, the State and Consumer Services Agency sponsored a panel from the Urban Land Institute (ULI) to provide independent recommendations on the state's use of its real estate in the Capitol Area and its office procurement process. The ULI panel concluded that, while the quarter block module proposed in the 1977 Capitol Area Plan was unworkable for state office or parking use, the principle that a critical population mass be maintained during and after business hours provided by a rational mix of state office, residential and supporting commercial uses was sound.

In 1996, the Department of General Services and CADA conducted master planning studies to assess alternative development opportunities on key office, housing and commercial sites in the Capitol Area. The Legislature subsequently reaffirmed the 1977 Capitol Area Plan, endorsed the principal findings of the ULI study, and directed the preparation of an update to the Capitol Area Plan needed to respond to conditions that had changed in the twenty years since the Plan's adoption. The chief changes were the need to:

- Accommodate increased state offices downtown subsequently resulting in the construction of the State East End Project.
- Recognize the impact of the light rail system that had not been foreseen at the time the 1977 Plan was written.
- Include measures to encourage development of ownership housing.

The 1977 Capitol Area Plan had required all new housing to be developed on a long-term land lease basis to allow the State maximum flexibility by retaining ownership of the property. To facilitate efforts to attract a greater number of private sector investors, developers and homeowners in the difficult housing market of the 1990's, the Plan was changed in 1997 to provide the State the flexibility of either long-term leasing or selling the property to CADA for residential development.



Auslander

At this time CADA commissioned the preparation of the Capitol Park Neighborhood Design Plan with the objectives of emphasizing neighborhood building and enhancing the Capitol Area's identity as a desirable address. The Capitol Park Neighborhood Design Plan was awarded the prestigious Ahwahnee Award by the National Center for Liveable Communities in 1997.



State Office of Buildings & Grounds



Artist Rendering from the Capitol Park Neighborhood Design Plan

# The State East End Project

CADA introduced the name "East End" during the ULI review of the Capitol Area Plan. As the project developed, CADA relocated multiple residential apartment structures and coordinated with the Department of General Services to ready the site. One of the buildings relocated to 17th & N Streets received the Sacramento Art Deco Society Preservation Award of 2001. Construction of the State East End Project brought 4,000 employees to 16th and Capitol Avenue energizing the area in midtown now becoming popular as the "Panhandle".



State East End Office

## R Street

Responding to the wishes of the City of Sacramento and with the support of the State of California, CADA's project area was expanded in 2002 to include the key central section of the R Street Corridor. Development of this blighted area serves as an opportunity for transit-oriented development at the 13th and 16th Street Light Rail Stations and the forging of a connection between the Capitol Park Neighborhood and the neighborhoods to the south by carrying out the harmonious principles of the State's Capitol Area Plan and the City's 1996 R Street Corridor Master Plan.

CADA first brought together a broad constituency to develop the R Street Urban Design Plan. This plan provides a roadmap for future built and open space development supporting the common goal of creating a vital, mixed-use corridor with a strong underlying industrial character, recognizing its historical role as the first rail line connecting the Sacramento embarcadero to the Sierra Nevada gold fields. By action of the Sacramento City Council, this plan has been incorporated into City Ordinances.

CADA next prepared the R Street Implementation Plan to guide its development activities. The plan includes an analysis of existing conditions, specific legislative mandates that CADA must adhere to, goals for the area that build off past planning activities, affordable housing programs, strategies for attracting private investment and CADA's plan for structuring financing of public improvements.

CADA Projects completed since 2002 on R Street include:

- Water and Sewer Line Replacement
- Hilomis Restaurant Patio Improvements at 12th and R Streets
- 14th and R Street Mixed-Use Building Public Infrastructure
- 13th and 16th Street Light Rail Transit Station (LRTS) Improvements
- Phase I of R Street Streetscape Improvements Phase I (in construction)
- Phase II of R Street Streetscape Improvements Phase II (in design).



Groundbreaking Ceremony for Phase I



LRTS Improvements Groundbreaking



R St Streetscape Phase I Construction

# Time for city life

CADA first advocated city life with the slogan, "Living Downtown is Great!" in 1980 at a time when only planners and sweat equity rehabbers in midtown agreed. In the 90's the slogan was changed to "Make your best move, move downtown". By 2000, it had become "Time for City Life" as the high costs of commuting both on individuals and on regional air quality became more apparent. Developer interest in building in downtown Sacramento and the availability of financing resulted in healthy responses to Request for Proposals issued by CADA for large projects. While pursuing larger developments, CADA continued working on smaller infill projects as well – working around and saving older structures that give the area its authenticity.

**17th and N Streets:** Designed by Herb Krumpe of Sacramento for Hank Fisher Properties, this project encompassed relocating an apartment from the footprint of the State's East End Project to the corner of 17th and N Streets and then constructing a new annex building on the alley.



Building Relocation

**1500 Q Street:** Designed by Ron Vrilakas for Historic Properties, LLC., this project consisted of the rehabilitation of the historic Enos Grocery Store and the construction of new infill loft townhomes adjacent to the 16th Street Light Rail Station. The project has affordability requirements set by the Sacramento Housing and Redevelopment Agency that assisted in the financing of the project. Completed in 2001.



1500 Q Street

**Fremont Building:** Designed by EDI Architecture of San Francisco for Shasta Properties and Sotiris Kolokotronis of Sacramento. Completed in 2001, this is the first boulevard style high density housing in Sacramento. It incorporates three stories of apartments above ground floor retail. Eleven of the 69 apartments in this complex have affordability requirements as set by the Sacramento Housing and Redevelopment Agency that contributed financing to this project.

**Capitol Park Homes:** Designed by EDI Architecture of San Francisco for Shasta Development and Sotiris Kolokotronis of Sacramento. Completed in 2003, this project consisted of the construction of 64 single family homes with affordable requirements set by the Sacramento Housing and Redevelopment Agency that provided financing for the project. Half of the homes are sited facing the alley that has been designated a new city street named for Gregory Kondos, a nationally recognized artist and native Sacramentan. The two apartment structures relocated from the footprint of this project to sites on an adjacent block have been rehabilitated and continue to be in CADA's affordable rental housing inventory.



Capitol Park Homes

**Fremont Mews:** Designed by Ankrom Moison of Portland for Rembold Properties this 2005 project includes 119 loft apartments, 40% of which are affordable to low income households, and the first permanent community garden to be donated in perpetuity to the City Parks and Recreation Department. Designated by the Sacramento City Council as one of five major pivotal projects that together would attract 1000 residents to the urban core this project is at a highly visible location due west of Fremont Park at the intersection of major arterial streets and within one block of the 16th Street Light Rail Station. The structure was designed to integrate with the surrounding neighborhood. Its distinctive features include stoops – a welcoming short flight of stairs and landing leading to each ground floor unit.



Fremont – Wilshire

**Fremont – Wilshire Apartments:** In the difficult lending environment of 2009, CADA secured financing from Farmers and Merchants Bank, a local community bank, for the purchase and much-needed rehabilitation of the Fremont-Wilshire Apartments at 15th and P Streets. A program was established at this property whereby studio units are being made affordable to single persons earning between 50% and 80% of the area-wide median income whose needs have grown due to the combined effect of the recession and the increase in Central City living expenses.



### CADA Properties Currently Being Considered For Disposition



Attachment 3  
Proposed Initial Dispositions



Background on CADA Properties

CADA was created to implement the residential and neighborhood components of the 1977 Capitol Area Plan – a plan for property south of the State Capitol which had become blighted as a result of demolition activities undertaken in the 1960’s by the State for the construction of a State Capitol office campus. The implementation structure consists of the State Department of General Services (DGS) that bear overall responsibility for the plan and specific responsibility for the state office component; CADA that is responsible for implementing the residential and neighborhood components.

CADA developments were initially required to be built on leased land in order to preserve the State’s future options for state office development. This changed in 1997, when legislation was passed allowing state land to be sold on a fee simple basis to CADA. Since that time CADA has facilitated the sale of state-owned property designated for new residential and commercial development in the Capitol Area. In addressing each site, CADA has removed development impediments and, in the context of market conditions, has negotiated with private developers to assure that the public objectives set forth in the Capitol Area Plan are met.

From 1978 through today, the State has leased a total of 32.64 acres to CADA. As summarized below and depicted on **Map 1**, 18.96 of these acres have been either returned to the State for state office development or have been sold by the State for CADA development of new mixed-use residential development. The properties currently leased to CADA that are being reviewed by DGS consist of 13.68 acres depicted on **Map 2**. Additional information concerning these properties is provided in the Policy and Financial Sections of this report

<b>STATE OWNED PROPERTY LEASED TO CADA 1978-2011</b>		
<b>Formerly Managed by CADA</b>		
Returned to State for State Office Development	3.17	
Sold by State for CADA Development	15.79	
<b>Sub-total</b>	<b>18.96</b>	<b>18.96</b>
<b>Currently Managed by CADA</b>		
Future State Office Development Sites	1.36	
Future CADA Development Sites	2.26	
CADA Development on Leased Land	2.20	
CADA Property Management Sites	7.860	
<b>Sub-total</b>	<b>13.68</b>	<b>13.68</b>
<b>Total</b>		<b>32.64</b>

CADA is tasked with meeting challenging government mandates using a business model closely paralleling a private real estate management and development company. While CADA is a joint powers authority of the State and the City, it is required to be self-sustaining and does not receive operational funds from either entity. CADA’s primary revenue stream is the rental

revenue collected from the properties it manages. Accordingly, the sale of any specific property requires careful consideration and timing to ensure that CADA can continue to be able to maintain neighborhood property values and security, remediate toxic state-owned properties, meet affordable housing mandates<sup>1</sup> and implement the residential and neighborhood commercial components of the State Capitol Area Plan.

To address the current State budget crisis, DGS has requested that CADA identify properties that may be considered for sale in FY 2012 -13. As reported in **Table 1**, these properties are categorized as follows:

**1. State Office Development (Future Site)**

CADA is presently managing a surface parking lot which is within the footprint of the proposed State West End Project on Block 204 (block bound by 7<sup>th</sup>/8<sup>th</sup>, O/P Streets) and three apartment structures that are on the north half of Block 222 (block bound by 12<sup>th</sup>/13<sup>th</sup>, O/P Streets) that have been proposed to be the location of a state office. The removal of this surface parking and these apartment structures will significantly reduce CADA revenue. In addition, in order for CADA to meet its affordable housing mandates and assure qualified extremely low, very low and low income residents are not displaced, CADA would incur an additional fiscal impact if residents occupying subsidized units in these structures were transferred to units currently rented at market rates in other CADA apartment structures.

**Pending a determination by the State regarding their need for these sites and resolution of state parking issues, these properties are being excluded for consideration as candidates for sale.**

**2. CADA Development (Future Site)**

Five sites totaling 4.8 acres remain available or potentially available for residential or neighborhood commercial development by CADA: East End Gateway 5, East End Gateway 6, East End Gateway 7, Block 222, Site 21 and Site 16. **(See Map 3).**

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<sup>1</sup> In the Capitol Area, 25% of the units located on property leased by CADA from DGS or on property sold by DGS to CADA for development must be maintained as affordable to low income households on a continuing basis. CADA meets this requirement by directly subsidizing the rent for qualified extremely low, very low and low income residents occupying apartments it manages (by reducing the rent it receives) or by facilitating the inclusion of units affordable to low income residents on properties CADA has sub-leased or sold to other parties. To assure it meets this mandate, a compliance check is conducted and made available to the public on a monthly basis. In addition, CADA Board Resolution 00-49 requires that a compliance check be prepared whenever CADA takes an action that affects the housing inventory in the Capitol Area.

**East End Gateway 5:** CADA is working with DGS on the appraisals necessary to conclude the sale of EEG 5 in the current fiscal year (FY 2011-12).

**East End Gateway 6 and 7:** The development of these properties is impacted by potential toxic remediation issues. DGS is currently reviewing a Memorandum of Understanding prepared by CADA to address monitoring and possible remediation actions.

**Block 222:** The development of Block 222 properties is impacted by the need for ownership and parking issues to be resolved between the State Department of Veterans Affairs and DGS. To facilitate this, CADA has prepared a draft Memorandum of Understanding which would allow for an exchange of parcels between the two agencies to occur, thereby allowing DGS to release property on the south half of the block to CADA for new residential development while it develops the north half of the block for office space. A change to the Capitol Area Plan Land Use Synthesis Map would be required.

**Site 21:** This is a premium development site because it is the last vacant residential site on Capitol Park. DGS has previously stated that it will not sell this site to CADA until construction starts on other sites the State has previously sold to CADA.

**Site 16:** In order for this site to be sold for new residential development, the parking currently provided on this site to Admail Express, as a condition of their development ground lease for a parcel adjacent to this site, must be either incorporated into the plans for the site or provided elsewhere. Admail Express has expressed interest in purchasing their land and resolving this parking issue.

**With the exception of EEG Site 5 and Site 16, these sites are being excluded for consideration as candidates for sale.**

### **3. CADA Development (Development Ground Lease)**

The following properties were developed on land leased rather than purchased from the State because their development generally preceded 1996 when amendments to Government Code 8169 provided DGS the ability to sell land to CADA: The Capital Athletic Club; the Admail Express Building; the Inn Off Capital Park; 17<sup>th</sup> & O Apartments; the Terraces; 17<sup>th</sup> & N Apartments (Site 8E); 14<sup>th</sup> & Q Street Apartments.

The development ground lease for the 17<sup>th</sup> & N Street Apartments (Site 8E) which was executed in 2000 provides the developer a specific option to purchase the property. Currently CADA and the developer are working to reach an agreement with DGS on the appraised value with the hope of concluding the sale of this property in the current fiscal year.

**Since these properties have been developed in accordance with the parameters of the State Capitol Area Plan, and other CADA properties that have been so developed have been sold by the State, properties in this category should be considered as lead candidates for sale in FY 2012–13. Several of these ground lessees have expressed interest in purchasing their land in order to facilitate re-financing.**

**4. CADA Property Management (Regulatory Agreement)**

CADA has constructed three housing developments providing apartments affordable to extremely low, very low and low income households on vacant state land with funding provided by the State Department of Housing and Community Development and the California Housing Finance Agency (CalHFA): Somerset Parkside, Biele Place and Brannan Court.

Funding provided by CalHFA and the Sacramento Housing and Redevelopment Agency (SHRA) was also utilized for the purchase by CADA of the improvements at the 17<sup>th</sup> Street Commons that were initially developed by a cooperative homeowners' association on state-owned land as a CADA Development Project.

CalHFA and SHRA also provided funding for CADA's major rehabilitation of two pre-existing state-owned structures for affordable housing: The Johnston House and the Don Carlos apartments.

All of these affordable housing properties require the financial support of the other properties that CADA manages, particularly those properties listed below that are not slated for removal for new mixed-use residential development.

**The disposition of all of these structures is subject to the provisions of financing and regulatory agreements set forth by these other agencies. Accordingly, these properties are excluded from consideration as candidates for sale in FY 2012-13.**

**5. CADA Property Management (CADA Built Improvements)**

CADA funded the construction of or purchased improvements built on vacant state land as follows: Greentree Commons, 1619 Q Street, Somerset Parkside commercial space and Stanford Park commercial space.

CADA relocated two state-owned structures, which would have otherwise been demolished, from the footprint of the Capitol Park Homes development site to their current locations at 1326 P Street and 1321-23 Q Street (rear structure).

CADA financed the major rehabilitation of the following uninhabitable structures: 1330 P Street and 1500 15<sup>th</sup> Street.

**The revenue produced by these properties supports the affordable housing developed in accordance with regulatory agreements, the subsidies that CADA provides qualified low income residents and on-going capital improvements necessary to maintain these structures. Accordingly, these properties are excluded as candidates for sale in FY 2012-13.**

**6. CADA Property Management (Pre-Existing Improvements)**

Several of these properties were vacant, uninhabitable state-owned structures that underwent major rehabilitation with funding provided by a \$4.9 million federal Economic Development Administration Grant managed by CADA under the auspices of the Office of the State Architect from 1977 through 1980. A provision of this federal funding was that the properties were to remain in public ownership. Additionally the possibility that the past use of these federal funds would trigger the McKinney Homeless Housing Act requiring that these units first be sold/transferred to homeless housing and; the applicability of a federal (Section 104D) provision regarding the replacement of affordable housing must be researched.

**These properties are excluded as candidates for sale in FY 2012-13 because of the need to conduct this research and because the revenue produced by these properties supports the affordable housing developed in accordance with regulatory agreements, the subsidies that CADA provides qualified low income residents and the on-going capital improvements necessary to maintain these structures.**

# State-owned Properties Formerly Leased by CADA

## MAP1



October 17, 2011

# State-owned Properties Currently Leased by CADA

## MAP 2



October 17, 2011



October 17, 2011

CADA Board Resolution

**RESOLUTION NO. 11- 43**

October 28, 2011

**RESOLUTION DIRECTING THE EXECUTIVE DIRECTOR TO TAKE CERTAIN ACTIONS REGARDING THE SALE OF STATE-OWNED PROPERTIES LEASED BY THE AUTHORITY FROM THE DEPARTMENT OF GENERAL SERVICES FOR IMPLEMENTATION OF THE RESIDENTIAL AND NEIGHBORHOOD COMMERCIAL COMPONENTS OF THE STATE CAPITOL AREA PLAN**

**WHEREAS**, in the Governor's FY 11-12 May Budget Revision the Department of General Services was directed by the Governor to study the sale of state-owned properties throughout the State that "no longer serve a state programmatic purpose, including properties leased by the Authority from the Department of General Services in the Capitol Area;" and

**WHEREAS**, the Capitol Area Committee has advised the Director of General Services that the properties leased by the Authority should be removed from such consideration because they have been leased by the Authority for the purposes of implementing the residential and neighborhood commercial components of the State Capitol Area Plan including the programmatic requirements of the law relative to affordable housing; and

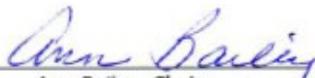
**WHEREAS**, the Department of General Services and the Secretary of the Consumer Services Agency have advised the Authority that their study of properties leased by the Authority from the State will be a thoughtful and collaborative process, undertaken with the intention of minimizing the negative impacts of any sales on the neighborhood south of Capitol Park and the Authority's ability to implement the residential and neighborhood commercial components of the State Capitol Area Plan; and

**WHEREAS**, the Department of General Services has been directed as part of this study to identify properties that may be considered candidates for sale in FY 2012-13.

**BE IT THEREFORE RESOLVED BY THE BOARD OF DIRECTORS** that having considered the information and issues presented in the staff report dated October 21, 2011 and discussed at this meeting of the Board of Directors, that the Executive Director is hereby directed to take action facilitating the sale of state owned land as follows beginning in FY 2012 -13: APN 006-231-008 and 009 (Inn Off Capitol Park-Site 6C); APN 006-224-026 (Admail Express Property-Site 16A); APN 006-233-012, 013 (17<sup>th</sup> and O Streets- Deloney-Site 8B); APN 006-284-011 through 16 (14<sup>th</sup> and Q Street Deloney-Sites 7B and 7D); and APN 006-224-025 (CADA Development Site 16AII) because the Board finds that:

1. These properties have been developed in accordance with the State Capitol Area Plan and similar properties that have been developed and no longer managed by the Authority have been sold by the State to private parties in accordance with authority provided the Director of General Services through the 1986 amendments to Government Code 8160 *et seq.*
2. The owners of the improvements and holders of the ground leases on these properties have previously expressed interest in purchasing the underlying land leased to them by the Authority and the State.
3. The sale of CADA Development Site 16AII would facilitate the resolution of parking issues associated with the purchase of the Admail Express property (Site 16A).

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS**, that it is the Board's recommendation to the State and the City that the sale of any additional state-owned properties leased by the Authority be held in abeyance pending the upcoming February 2012 workshop of the Authority, the subject of which will be the development of long term strategies for state-owned properties leased by the Authority to implement the residential and neighborhood commercial components of the State Capitol Area Plan.

  
Ann Bailey, Chair

**ATTEST:**

  
Sharon M Bennett  
Secretary to the Board of Directors



Resolution No.

Adopted by the Sacramento City Council

**SUPPORTING CADA’S IMPLEMENTATION PLAN FOR THE SALE OF SPECIFIC STATE-OWNED PROPERTIES LEASED BY CADA AND SUBLEASED TO THIRD PARTIES AND RECOMMENDING THE DEVELOPMENT OF A LONG TERM PLAN FOR ANY ADDITIONAL DISPOSITION OF STATE-OWNED PROPERTIES LEASED BY CADA**

**BACKGROUND**

- A. In the Governor’s FY 11-12 May Budget Revision the Department of General Services was directed by the Governor to study the sale of State-owned properties throughout the State that “no longer serve a state programmatic purpose, including properties leased by the Authority from the Department of General Services in the Capitol Area.”
- B. The Department of General Services and the Secretary of the Consumer Services Agency have advised the Authority that their study of properties leased by the Authority from the State will be a thoughtful and collaborative process, undertaken with the intention of minimizing the negative impacts of any sales on the neighborhood south of Capitol Park and the Authority’s ability to implement the residential and neighborhood commercial components of the State Capitol Area Plan.
- C. Since its formation in 1978, CADA has been a strong community partner and supplier of housing, retail, mixed-use projects and neighborhood amenities in the Capitol Area.

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

- Section 1: The City Council supports CADA’s implementation plan for the sale of specific State-owned properties leased by CADA and subleased to third parties.
- Section 2: The City Council recommends the development of a long term plan for any additional dispositions of State-owned properties leased by CADA with specific consideration in the development of that plan on the maintenance of the number and affordability of the residential units in the CADA area.

