

Meeting Date: 8/4/2016

Report Type: Consent

Report ID: 2016-00750

Title: Property Holding Costs for Redevelopment Agency Successor Agency-Owned Parcels

Location: Citywide

Recommendation: Pass a Resolution allocating \$125,000 from the Innovation and Growth Fund for property holding costs associated with the Redevelopment Agency Successor Agency-owned properties to be transferred to the City for future development opportunities.

Contact: Leslie Fritzsche, Senior Project Manager, (916) 808-5450, Economic Development Department

Presenter: None

Department: Economic Development Dept

Division:

Dept ID:

Attachments:

1-Description/Analysis

2-Resolution

City Attorney Review

Approved as to Form
Sheryl Patterson
7/27/2016 12:14:23 PM

Approvals/Acknowledgements

Department Director or Designee: Leslie Fritzsche - 7/25/2016 4:21:02 PM

Description/Analysis

Issue Detail: On January 31, 2012, the City Council elected to serve as the Redevelopment Agency Successor Agency (RASA) and take on the responsibilities for winding down the activities of the former Agency. The City, in their capacity as RASA, received title to all of the Agency's real property assets, other than properties purchased by the Agency with its low and moderate income housing set-aside funds. In compliance with the dissolution legislation (AB x1 26 and AB x 484), RASA is responsible for the disposition of these assets. Health and Safety Code (HSC) Sections 34181(a) and 34191.5(c)(2), allows the City to retain properties for future redevelopment activities if compensation for the value of the properties at the time the dissolution legislation was enacted in June of 2011.

A Long Range Property Management Plan (Plan) was prepared describing the disposition strategy for all of the properties. This Plan, approved by the Oversight Board and the State Department of Finance (DOF) as required, included seven sites that could be retained by the City for future development (Future Development Properties). Holding costs for maintenance and taxes on these properties have been included on each of the approved Recognized Obligation Payment Schedule. However, in DOF's review of the recent Recognized Obligation Payment Schedule governing the period from July 1, 2016-June 30, 2017, they disallowed these costs indicating that since these properties were approved to be transferred to the City, the costs associated with them were no longer enforceable obligations eligible for payment from the redevelopment property tax trust fund (former tax increment).

Since these costs are associated with redevelopment properties, this report recommends the establishment of a budget of up to \$125,000 annually for these costs with the funding source being the resources received by the City resulting from the dissolution of redevelopment which are deposited into the Innovation and Growth Fund. Until these properties are developed or sold, the holding costs (maintenance, property management, and property associated tax assessments) for these properties will be included in the annual budget.

Policy Considerations: Health and Safety Code (HSC) Sections 34181(a) and 34191.5(c)(2), allow the City to retain properties for future redevelopment activities. It is envisioned that these properties will be utilized for private development, supporting the City's goal of encouraging infill development.

Economic Impacts: The actions outlined in this report do not have a direct economic impact.

Environmental Considerations:

California Environmental Quality Act (CEQA): This report concerns administrative activities and government fiscal activities that do not constitute a "project" as defined by the CEQA Guidelines Sections 15378(b)(2) and 15378(b)(4) and are not subject to the provisions of CEQA (CEQA Guidelines 15060(c)(3)).

Sustainability: The acquisition and development of these parcels is in keeping with the City's sustainability goal of increasing infill development.

Commission/Committee Action: On December 15, 2015, by Resolution 2015-0017, the Oversight Board approved the Plan for the disposition of RASA parcels. This Plan included the

seven sites to be held by the City for future development opportunities. This Plan was approved by DOF on December 31, 2015.

On January 25, 2016, the Oversight Board approved the Recognized Obligation Payment Schedule for July 1, 2016-June 30, 2017, which included holding costs for the Future Development Properties. On May 17, 2016, DOF denied these expenditures.

Rationale for Recommendation: As part of the unwinding process, RASA is responsible for disposing of all of the non-housing property assets owned by the former Redevelopment Agency. The portfolio includes seven properties (25 parcels) that are included in strategic locations for development and/or retention. These sites include service courts in Old Sacramento, 800 block of K/L Streets, Docks area parcels, Del Paso Heights “Town Center” at Grand Avenue/Marysville Boulevard, 731 K Street, 408 J Street, and Stockton Boulevard at 9th and 10th Avenues.

There are costs associated with holding these properties which include maintenance, property management, and property associated tax assessments, such as property-based improvement district assessments and flood control assessments. Recently, DOF informed RASA and City staff that these costs were no longer enforceable obligations eligible to be paid directly from the revenues generated from the property tax from the former redevelopment project areas (known as the Redevelopment Property Tax Trust Fund).

Staff is recommending that these costs, which currently approximate \$125,000 a year, be paid from the residual funds distributed to the City as a result of the redevelopment dissolution after the Redevelopment Property Tax Trust Fund payment obligations have been made. These funds, along with proceeds from RASA or City property sales, are currently deposited into the Innovation and Growth Fund (Fund 2031).

It is anticipated that these costs will decline over time as these properties are disposed of for development. Two of the sites, 408 J Street and the 800 block of K/L Streets, are envisioned to be sold by the end of this year.

Financial Considerations: This report recommends the allocation of \$125,000 annually for the property holding costs for the Future Development Property sites to be budgeted in the Economic Development Department (18001031). This amount is based on the annual expenditures to date with approximately \$26,000 being paid for various property tax assessments and \$99,000 for maintenance, utilities, and property management. The largest cost, \$60,000, is for the 800 block of K/L Streets for property management, maintenance, and utilities. It is envisioned that this property will be sold during FY2016/17, thus significantly reducing the overall expenditure amount for holding costs in future years.

This allocation will be reviewed and updated as part of the annual budget development process until all property is disposed or assumed within a City department budget. Allocations will be dependent upon available funding in the applicable fiscal year.

Local Business Enterprise (LBE): Not applicable.

RESOLUTION NO.

Adopted by the Sacramento City Council

ALLOCATION OF \$125,000 FOR PROPERTY HOLDING COSTS FOR REDEVELOPMENT AGENCY SUCCESSOR AGENCY-OWNED PROPERTIES

BACKGROUND

- A. On January 31, 2012, the City Council elected to serve as the Redevelopment Agency Successor Agency (RASA) and take on the responsibilities for winding down the activities of the former Agency including the disposition of the Agency's non-housing property assets.
- B. On December 15, 2015, the Oversight Board for RASA approved a Long Range Management Plan (Plan) describing the disposition strategy for these parcels.
- C. This Plan included seven sites to be retained by the City for future development or retention. These sites include service courts in Old Sacramento, 800 block of K/L Streets, Docks area parcels, Del Paso Heights "Town Center" at Grand Avenue/ Marysville Boulevard, 731 K Street, 408 J Street, and Stockton Boulevard at 9th and 10th Avenues.
- D. On May 17, 2016, as part of their required review of the Recognized Obligation Payment Schedule for July 1, 2016-June 30, 2017, the California Department of Finance denied the use of redevelopment funds for property holding costs for these City retained sites.
- E. Use of the Innovation and Growth Fund for the purpose of property holding costs associated with the properties identified for City to retain in the Long Range Property Management Plan is aligned with the Innovation and Growth Fund Policy (as adopted on June 21, 2016) as it will lead to increasing revenue opportunities for the City.

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

- Section 1. The Citywide and Community Support expenditure budget shall be increased by \$125,000, transferred from the Innovation and Growth Fund (Fund 2031) fund balance, to pay property holding costs associated with the properties identified in Section C above and in the Plan.
- Section 2. The property holding costs for these properties shall be included in the annual budget in Fund 2031 until the properties are developed or sold.