



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO REDEVELOPMENT AGENCY
City of Sacramento
 915 I Street, Sacramento, CA 95814-2671
 www.CityofSacramento.org

CONSENT
October 3, 2006

Honorable Chair and Members of the Redevelopment Agency

Title: Acquisition of properties at 1124 and 1132 Del Paso Boulevard

Location/Council District: 1124 and 1132 Del Paso Boulevard (APN 275 0165 002, 275 0165 003, 275 0165 016, 275 0165 017 and 275 0165 018.) Properties are located in Council District 2, Sacramento, California.

Recommendation: Adopt the attached **Redevelopment Agency Resolution** which authorizes the Executive Director or designee to 1) set just compensation for the properties located at 1124 and 1132 Del Paso Boulevard at \$2,500,000 and purchase the property from J.J.E.C. Ramirez LLC for not substantially more than just compensation; and 2) transfer \$2,000,000 of North Sacramento 2006 Taxable Bond Issue funds to the 1124 and 1132 Del Paso Boulevard Acquisition Project.

Contact:

Lisa Bates, Community Development Director, 440-1319
 Chris Pahule, Assistant Director of Community Development, 440-1350

Description/Analysis:

Issue: The property located at 1124 and 1132 Del Paso Boulevard in the North Sacramento Redevelopment Area contains one commercial building which is approximately 18,500 square feet and was the former site of the IMG furniture store. The building was proposed to be a funeral home two years ago which never came to fruition and has since been vacant with constant issues related to vandalism, graffiti and occupancy by transients.

This report recommends that the Redevelopment Agency (Agency) acquire the properties for a future redevelopment project. The site is located near the Globe Light Rail Station and is strategically positioned for transit-friendly development.

Committee/Commission Action: *North Sacramento RAC Action:* At its meeting on August 17, 2006, the North Sacramento Redevelopment Advisory Committee adopted a motion recommending approval of the attached resolution.

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at 1124 and 1132 Del Paso Boulevard

The votes were as follows:

AYES: Armstrong, Bergstrom, Curry, Harlan, Mack, E. McCleary
J. McCleary, C. Mulligan, M. Mulligan, Roberts

NOES: None

ABSENT: None

RECUSED: None

Sacramento Housing and Redevelopment Commission Action: At its meeting on September 6, 2006, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Burns, Burruss, Coriano, Fowler, Hoag, Piatkowski, Shah, Simon,
Stivers.

NOES: None.

ABSENT: Gore.

Policy Considerations: The action recommended in this report is consistent with community development goals listed in the North Sacramento Redevelopment Area 2005-2009 Implementation Plan.

Environmental Considerations: As part of the Agency's due diligence, Phase I and Phase II Environmental Site Assessments were performed, which indicated hazardous substances in the soil and groundwater, but not at a level that would require remediation. The proposed action is exempt from environmental review pursuant to California Environmental Quality Act ("CEQA") Guidelines Sections 15180 and 15302 to implement the adopted redevelopment plan to eliminate blight and to either retain the existing building for commercial use or to replace it with a building of substantially the same size and use. Any change in use for a future project would require subsequent environmental review. NEPA does not apply.

Rationale for Recommendation: Staff believes that at this critical juncture in the revitalization of Del Paso Boulevard, an Agency purchase of the property is the best option to ensure a high quality, transit-friendly project on the site.

Acquisition of the properties at 1124 and 1132 Del Paso Boulevard will further the Agency's redevelopment area goals to eliminate blighted vacant buildings and to promote positive commercial uses and transit oriented development within a quarter mile of the Globe Light Rail Station. Acquisition of the property will allow the Agency to proceed with the search for a desirable user that will promote the economic development and revitalization of Del Paso Boulevard. The Globe

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Light Rail Station is located in a catalytic area on Del Paso Boulevard where the Agency recently acquired two properties less than a block from the site and less than a quarter mile from the Globe Light Rail Station in which a mixed use project is anticipated.

Financial Considerations:

This report recommends that the Executive Director amend the Agency budget to appropriate \$2,000,000 from North Sacramento 2006 Taxable Issue Bond funds to cover all costs of the acquisition of properties at 1124 and 1132 Del Paso Boulevard, including environmental and investigative studies, closing costs, carrying costs and maintenance.

The purchase price as negotiated by the property owner and the prior purchaser is \$2,500,000. The property was purchased by another party in March 2005 for \$2,000,000, but the property was subsequently transferred back to the owner under a Deed in Lieu of Foreclosure. In early 2006, the owner accepted a purchase offer from Sacramento News and Review for part of the property at \$2,250,000, and this purchase contract was later amended to include the entire site at the price of \$2,500,000. The Agency, with agreement from Sacramento News and Review and the owner, was permitted to take over the purchase contract with the same terms, which was \$1,800,000 in cash with the seller obtaining a \$700,000 charitable donation for the difference. The cash purchase price of 1124 and 1132 Del Paso Boulevard acquisition is \$37 per square foot which falls beneath the average square footage cost regarding recent Agency property acquisitions on Del Paso Boulevard which range from \$45 to \$73 per square foot.

M/WBE Considerations:

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

Respectfully Submitted by: 
ANNE M. MOORE
Executive Director

Recommendation Approved:

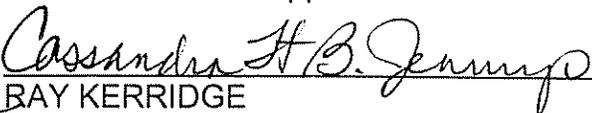

CASSANDRA H.B. KERRIDGE
City Manager

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SUMMARY OF ACQUISITION OF PROPERTY AT 1124 AND 1132 DEL PASO BOULEVARD

BACKGROUND

This report recommends that the Redevelopment Agency of the City of Sacramento ("Agency") acquire parcels located at 1124 and 1132 Del Paso Boulevard (APN 275 0165 002, 275 0165 003, 275 0165 016, 275 0165 017 and 275 0165 0018, otherwise known as "Property"). The Property is owned by J.J.E.C. Ramirez LLC and contains one vacant commercial building which is approximately 18,500 square feet that was the former site of the IMG furniture store. The total acreage of the parcels is 1.1 acres and current zoning is C-2 Commercial. Adjacent to the property, Sacramento Regional Transit (RT) owns a parking lot at 1100 Del Paso Boulevard which the Agency is analyzing for development feasibility in anticipation of requesting purchase authority from the Redevelopment Agency Board for transit oriented development. Across the street from the RT parking lot are two properties the Agency has recently purchased located at 1030 and 1022 Del Paso Boulevard to accomplish higher densities and mixed-use development less than ¼ mile from the Globe Light Rail Station.

The Property has been vacant for over two years and is vulnerable to graffiti, vandalism and occupancy by transients. The Property was purchased in March 2005 for \$2,000,000 for use as a funeral parlor; however, the funeral parlor never came to fruition. The property was subsequently transferred back to the owner under a Deed in Lieu of Foreclosure in December 2005. The Property went back on the market in early 2006 and the Sacramento News and Review (News & Review) entered into a purchase contract in February 2006 to purchase the Property for \$2,250,000. The proposed use of the Property was for the News & Review corporate headquarters. The initial purchase contract between the Seller and the News & Review did not contain the adjacent improved parking lot to the west (APN 275 0165 018) which was necessary to meet parking ratios for commercial use; therefore, the purchase contract was renegotiated at \$2,500,000 to include the adjacent improved parking lot.

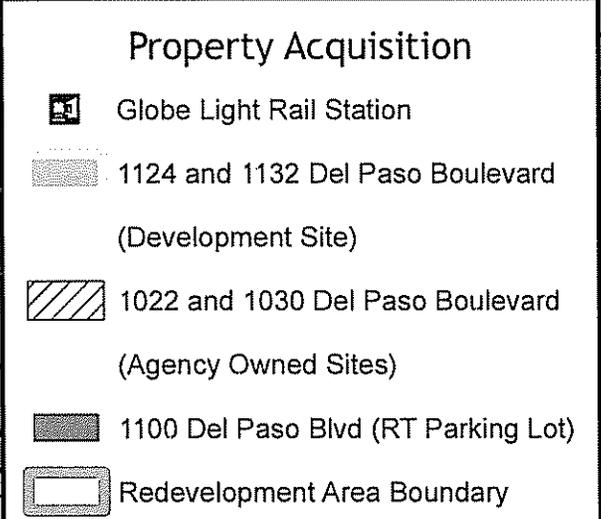
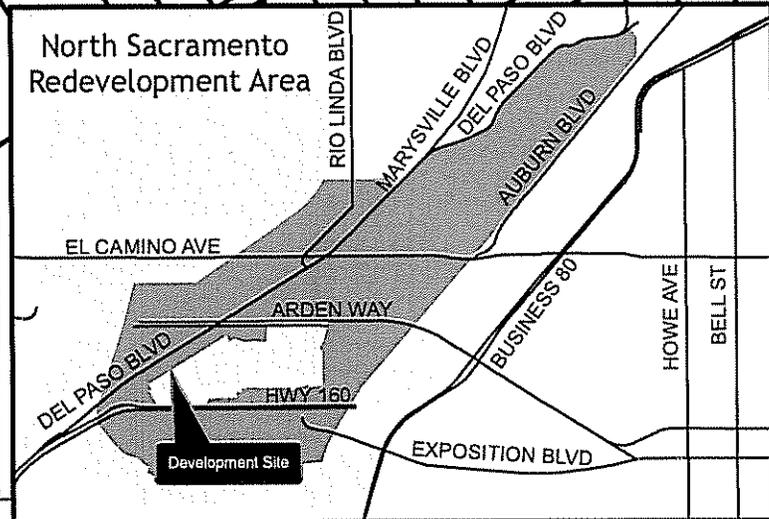
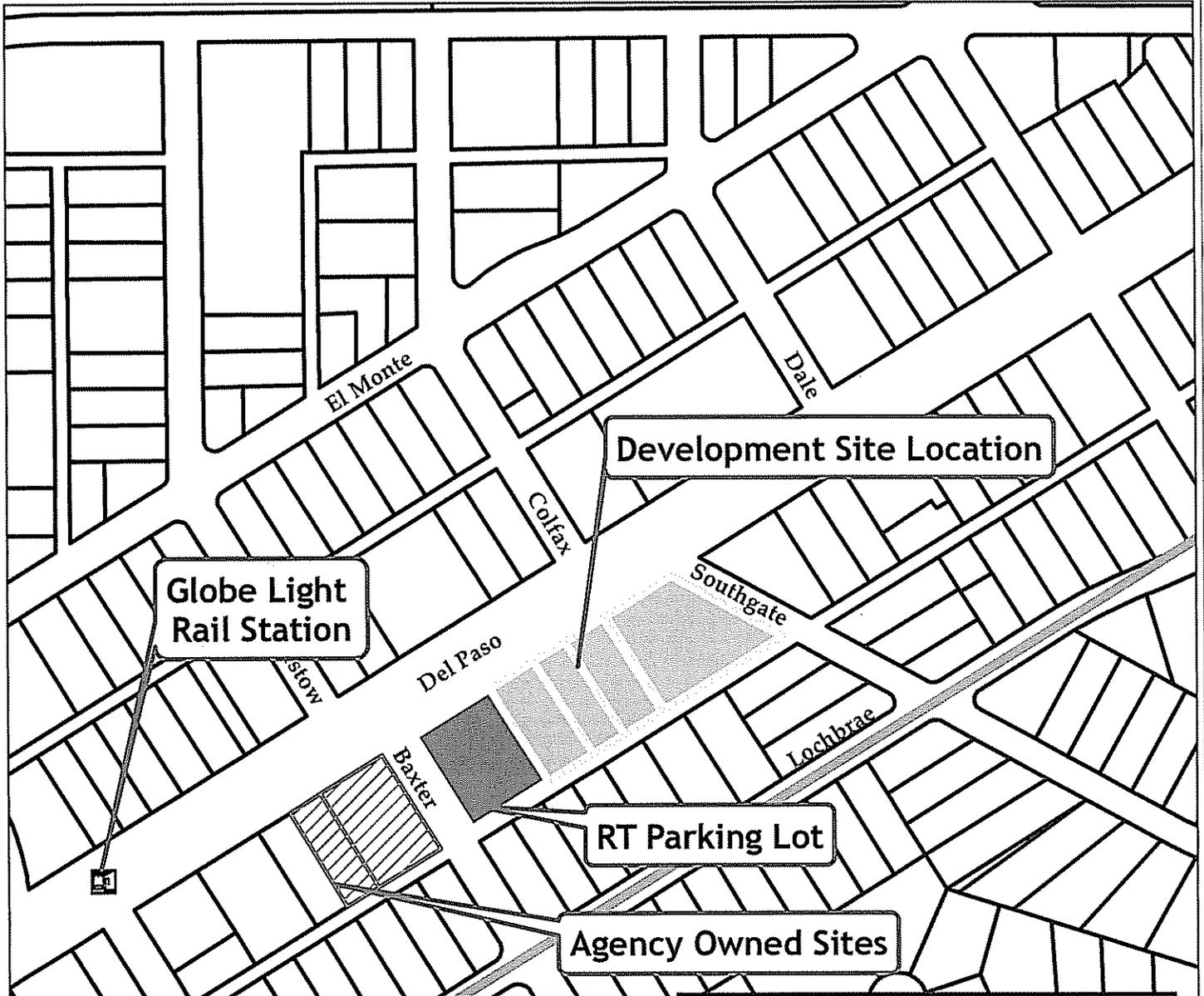
In spring 2006, the News & Review was working with the Agency to obtain acquisition and rehabilitation financing through the Agency-administered Grow Sacramento Fund and Commercial Revitalization loan programs. As part of the Agency's due diligence, a Phase I Environmental Site Assessment (ESA) was performed. The results of the Phase I ESA indicated that there were potential toxic issues and recommended further testing under a Phase II ESA. The News & Review's purchase contract was about to expire and the news of potential toxic issues on the Property made the decision for the News & Review to move forward with the purchase difficult. The Agency was made aware that the News & Review purchase contract was going to expire and in March 2006, agreed to pursue the recommended Phase II testing and begin conversations with the seller to enter into a purchase contract to retain site control for this key site near the Globe Light Rail Station. Based on the history of sales and inquiries about the Property, the Agency viewed this site as extremely vulnerable to potential buyers who may choose to propose an undesirable use that was not consistent with goals of transit

oriented development under the North Sacramento Redevelopment Area Implementation Plan. Therefore, the Agency entered into a purchase contract in April 2006 with the seller for a just compensation purchase price of \$2,500,000 consisting of \$1,800,000 cash payment and \$700,000 as a charitable donation to the Redevelopment Agency of the City of Sacramento.

The Agency proceeded with the necessary Phase II environmental testing from April to July 2006. The results of the Phase II environmental testing revealed the presence of petroleum hydrocarbons in soil gas and groundwater on the site. Additionally, volatile organic compounds (VOC) were also detected. A follow-up subsurface investigation was performed on an adjacent site which revealed that the contaminants in the groundwater were likely the result of migration to the subject site from an off site source, which indicated that the 1124 and 1132 Del Paso Boulevard Property was not the source of contamination. Additionally, contaminant levels from testing in both soil and groundwater underneath the site were found to be below the regulatory thresholds. Based on these positive results, moving forward with the Property acquisition did not present a major risk to the Agency.

The intent of the Agency's acquisition of 1124 and 1132 Del Paso Boulevard is to transfer the Property to the News & Review in the spring of 2007. The News & Review has performed preliminary rehabilitation analysis on the Property and has reviewed the environmental reports and continues to express interest in the possibility of pursuing the acquisition of this Property from the Agency. The presence of the News & Review in North Sacramento would be a major accomplishment for the redevelopment area. It would bring approximately 70 jobs to Del Paso Boulevard, increase tax increment revenue back to the North Sacramento Redevelopment Area, and the proposed substantial rehabilitation would further beautify the revitalizing area around Globe Station. If for some reason the News & Review is not able to purchase this Property from the Agency, the Agency would pursue development of the site for a transit oriented mixed use project which might include News & Review as a long term commercial tenant. Agency staff would continue to work with the North Sacramento RAC and other community stakeholders to determine the highest and best use for the Property that is consistent with the North Sacramento Redevelopment Area Implementation Plan.

1124 and 1132 Del Paso Boulevard North Sacramento Redevelopment Area



RESOLUTION NO. 2006 -

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

AUTHORIZING ACQUISITION OF PROPERTY AT 1124 AND 1132 DEL PASO BOULEVARD FOR JUST COMPENSATION; RELATED BUDGET AMENDMENT

BACKGROUND

- A. The Property is located at 1124 and 1132 Del Paso Boulevard within the North Sacramento Redevelopment Plan Project Area. The Property is owned by J.J.E.C. Ramirez LLC and was the former site of the IMG furniture store. The Property has been vacant for almost two years.
- B. It is desirable to purchase the Property to eliminate blight, foster economic development and facilitate positive commercial uses and transit-oriented development within a quarter mile of the Globe Light Rail Station in the North Sacramento Redevelopment Area.

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

Section 1. The Executive Director or designee is authorized to take all actions as may be reasonably necessary to purchase, for not substantially more than just compensation, the following parcels ("Property"):

1124 and 1132 DEL PASO BOULEVARD (APN 275-0165-002, 275-0165- 003, 275-0165- 016, 275- 0165- 017, and 275-0165- 0018)

Section 2. Just compensation for the Property will be the purchase price of \$2,500,000. Purchase price consists of \$1,800,000 cash payment and \$700,000 charitable donation from the seller to the Redevelopment Agency of the City of Sacramento.

Section 3. The Agency Budget is amended to transfer \$2,000,000 in North Sacramento Tax Increment funds to the 1124 and 1132 Del Paso Boulevard Acquisition Project.

Section 4. The Executive Director or designee is authorized to purchase the Property on a voluntary basis and to carry out all related activities.