



**Sacramento
Housing &
Redevelopment
Agency**

**REPORT TO City Council and the Redevelopment Agency
of the City of Sacramento
City of Sacramento**
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

PUBLIC HEARING
October 10, 2006

Honorable Mayor and Members of the City Council
Honorable Chair and Members of the Board

Title: Disposition and Development Agreement for 3801 Marysville Boulevard and Related Loan Agreement and Budget Amendment

Location/Council District: Del Paso Heights Redevelopment Area (Council District 2)

Recommendation:

- 1.) Conduct public hearing pursuant to Health and Safety Code §33433.
- 2.) Adopt **City Resolution** to approve Agency's sale of the property.
- 3.) Adopt **Agency Resolution** to authorize the Executive Director or her designee to: Amend the Agency budget to appropriate \$1,500,000 from Del Paso Heights tax-exempt bond proceeds to the Del Paso Heights Center project and provide this funding to the Developer in the form of a forgivable loan; Execute a Disposition and Development Agreement (DDA) and related documents to transfer the Agency's property at 3801 Marysville Blvd to Johnson-Warren Partners, LLC (Developer) for development of the Del Paso Center building.

Contact:

Christine Weichert, Assistant Director, Community Development, 440-1353
Greg Ptucha, Management Analyst, Community Development, 440-1399 x1249

Presenter:

Greg Ptucha, Management Analyst, Community Development, 440-1399 x1249

Department:

Sacramento Housing and Redevelopment Agency – Community Development

Description/Analysis:

Issue: Property located at 3800 Marysville Boulevard was acquired by the Redevelopment Agency of the City of Sacramento (Agency) for the purpose of seeking proposals for appropriate redevelopment to remove blight and achieve the vision of neighborhood-serving commercial development in a town center. The site is

Disposition & Development Agreement for 3801 Marysville Blvd.

approximately 31,800 square feet (0.73 acres) in size (see Attachment 1, Location Map and Attachment 2, Site Map). This report recommends disposition of the subject site, which is located at the northwest corner of Marysville Boulevard and Grand Avenue in the Del Paso Heights Redevelopment Area.

In response to a 2004 Request for Proposals, a locally-based private development partnership, Johnson-Warren Partners, LLC (Developer), proposes to construct a two-story retail/office building and on-site surface parking. The project is named "Del Paso Center" (Project). The Agency and the Developer have conducted due diligence on construction costs, leasing demand, revenue and expense projections, and, entitlement needs of the Project, leading to the negotiated DDA that is recommended for approval.

The Project will require approximately \$4.6 million to complete. Financing is proposed to include a minimum of \$500,000 in developer cash equity, approximately \$2.6 million in conventional debt and a recommended \$1.5 million forgivable loan (source: Del Paso Heights tax increment). Additional gap financing includes land value, which would be transferred to the Developer for one dollar. The Agency acquired the property for approximately \$75,000 in 1997.

The Project reflects a pioneering effort to create a contemporary retail environment and office space to serve a high-profile site in Del Paso Heights. It would provide up to six retail leasing units and offices in a two-story building with a total size of approximately 16,000 square feet (see Attachment 3) and on-site surface parking for 38 automobiles. Additional information is offered in Attachment 4, Background Information, and Attachment 5, Operating Proforma.

Committee/Commission Action: *Del Paso Heights Redevelopment Advisory Committee (RAC):* At its December 8, 2005 meeting, the RAC voted to support the project and approve Staff's financing recommendation. The votes were as follows:

AYES: Anderson, Harvey, Kawamoto, Painter, Perry, Thao

NOES: None

ABSENT: Domingo

At its July 13, 2006 meeting, the RAC voted to approve the staff recommendation regarding a revised design for the Project as proposed by the Developer.

AYES: Anderson, Morris, Painter, Perry, Sample, Tates, Ward

NOES: None

ABSENT: Domingo, Thao, Harvey, Jimenez, Roberts

Disposition & Development Agreement for 3801 Marysville Blvd.

Sacramento Housing and Redevelopment Commission Action: At its meeting on September 20, 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, Gore, Hoag, Piatkowski, Simon, Stivers

NOES: None

ABSENT: Shah

Policy Considerations: The recommended actions are consistent with community development goals listed in the Del Paso Heights Redevelopment Area 2003-2007 Implementation Plan. The plan emphasizes strategic developer assistance to support business development and create an economically viable community. Further, the plan identifies the site as high priority for this purpose. It is hoped that successful implementation of the Project will stimulate additional desired private investment in the redevelopment area to provide neighborhood-serving shopping opportunities and revitalize commercial activity.

Environmental Considerations: The project is exempt from environmental review per CEQA Guidelines Section 15332 as an infill project because: (1) the site is not more than five acres and is substantially surrounded by urban uses; (2) the Project is consistent with the General Plan, community plan and zoning; (3) the Project can be served by all required utilities and public services; (4) the site has no value as habitat for threatened or endangered species, and (5) the Project would not result in any significant impacts to traffic, noise, air quality, or water quality. NEPA does not apply.

Rationale for Recommendation: The Project would eliminate blight, achieve redevelopment objectives and increase tax increment revenues. The gap financing proposed is approximately the same amount anticipated when the site was included in the 2003 – 2007 Redevelopment Program for the Del Paso Heights project area. If successful, the Project would act as an economic stimulus in the area surrounding the site by demonstrating demand for this type and quality of retail/office space. Any development of this type and magnitude has a certain level of risk. The cash equity commitment of the managing members of the Developer is indicative of their commitment to the success of the Project.

Public Hearing: This project is subject to Health and Safety Code §33433 as a disposition of property acquired with tax increment funds. This report provides the support and justification for the Agency's disposition of the property. The property will be sold to the Developer at below-market value as established by underwriting analysis of the development budget, projected revenues, and expenses of operation. In compliance with §33433, a report has been prepared and is attached as Exhibit A to the City Council resolution accompanying this report.

Disposition & Development Agreement for 3801 Marysville Blvd.

Financial Considerations: Approval of the proposed DDA will obligate the Agency to transfer title to the real estate at a greatly discounted price. In addition, the DDA obligates the Agency to issue a \$1.5 million loan to fund construction of the building and loan is forgivable over the 15-year term as long as the building remains as a commercial retail/office use and the Property is maintained in accordance with the Regulatory Agreement. Loan funds will be appropriated from Del Paso Heights tax-exempt bond proceeds. Land transfer and closing on the forgivable loan will require evidence of Developer cash equity and of a conventional private construction and permanent financing commitments sufficient to complete construction and begin operations.

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:

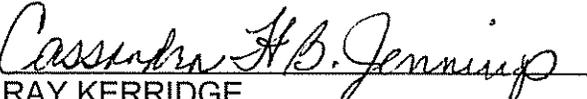

RAY KERRIDGE
City Manager

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3801 Marysville Boulevard Location

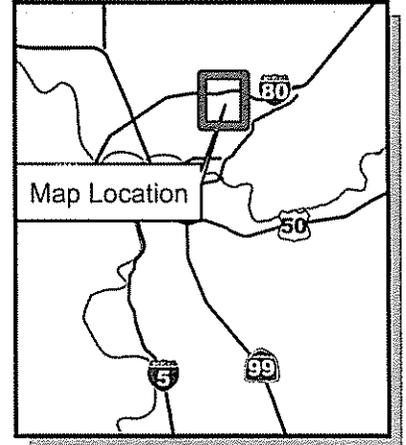
NORWOOD

BELL

RIO LINDA

DRY CREEK

MARYSVILLE



Map Location

50

NORTH

HARRIS

GRAND

3801 Marysville Blvd

ALTOS

SOUTH

NOGALES

LOS ROBLES

MARYSVILLE

ARCADE

0 0.1 0.2 0.3 0.4 0.5 Miles

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J. Baldwin August 29, 2008

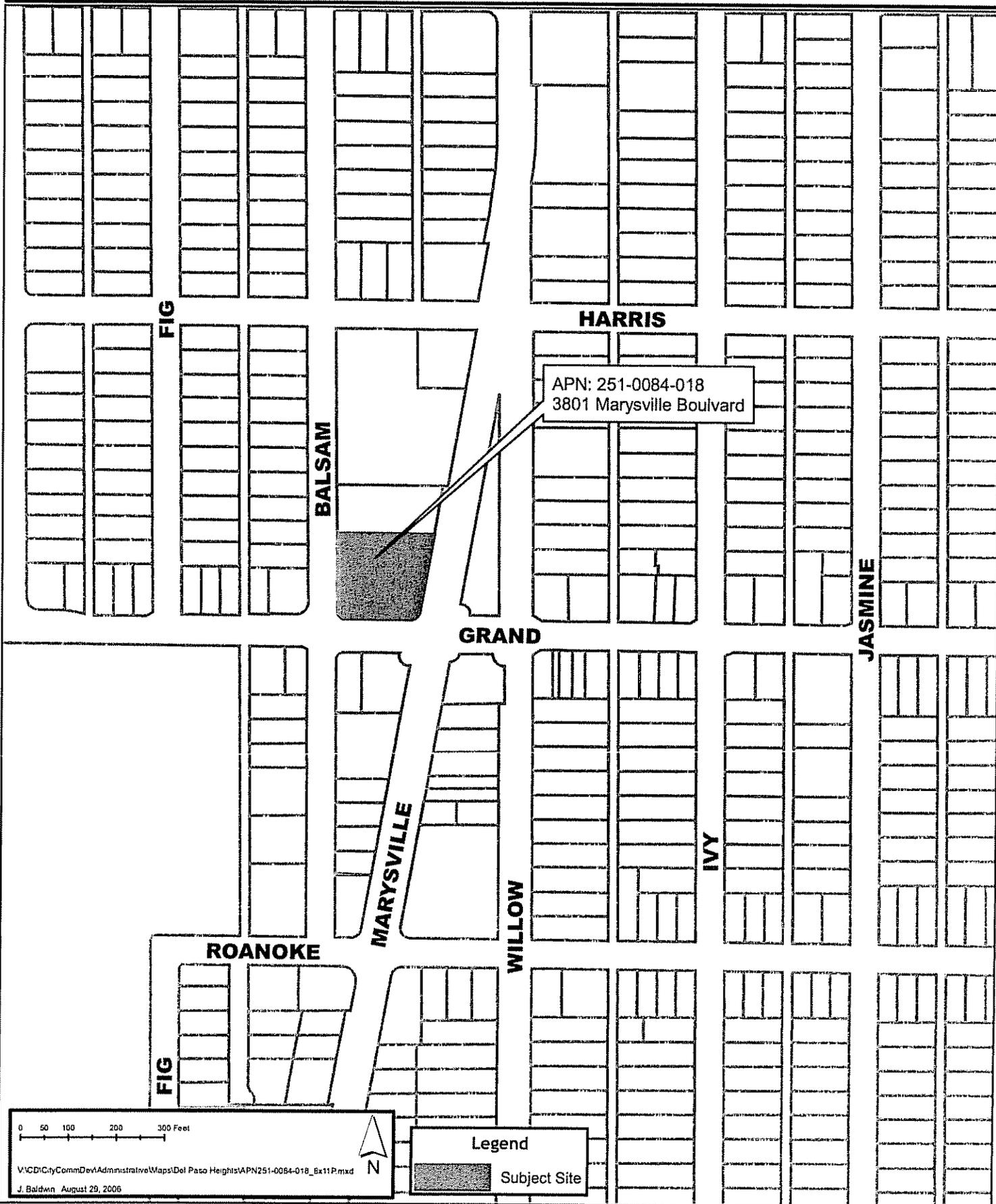


Legend

-  Del Paso Heights RDA
-  3801 Marysville Blvd
-  City Limits

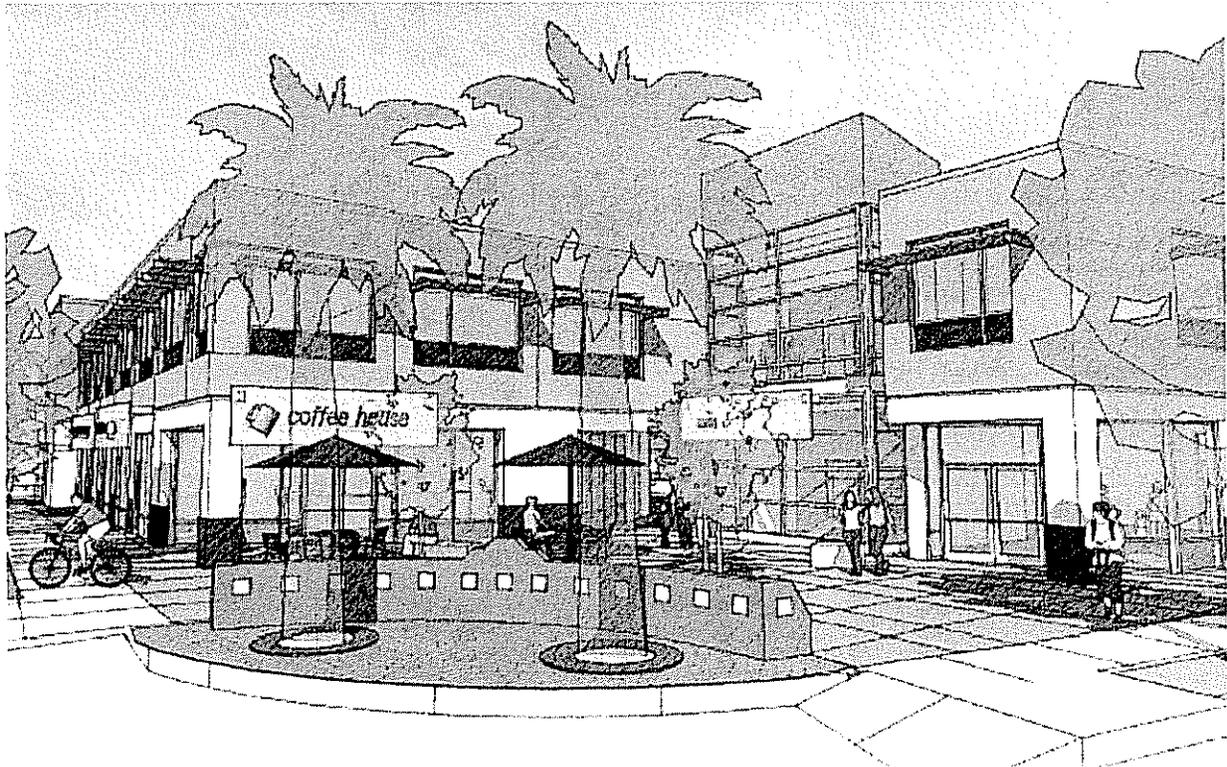
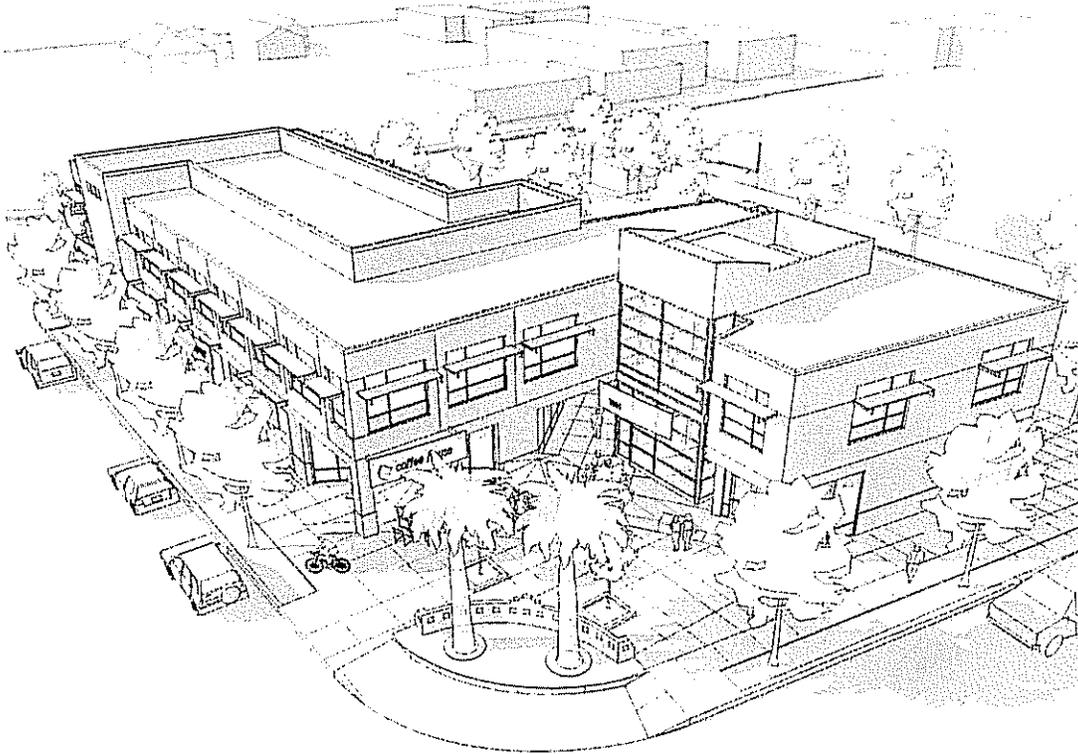


3801 Marysville Boulevard Site



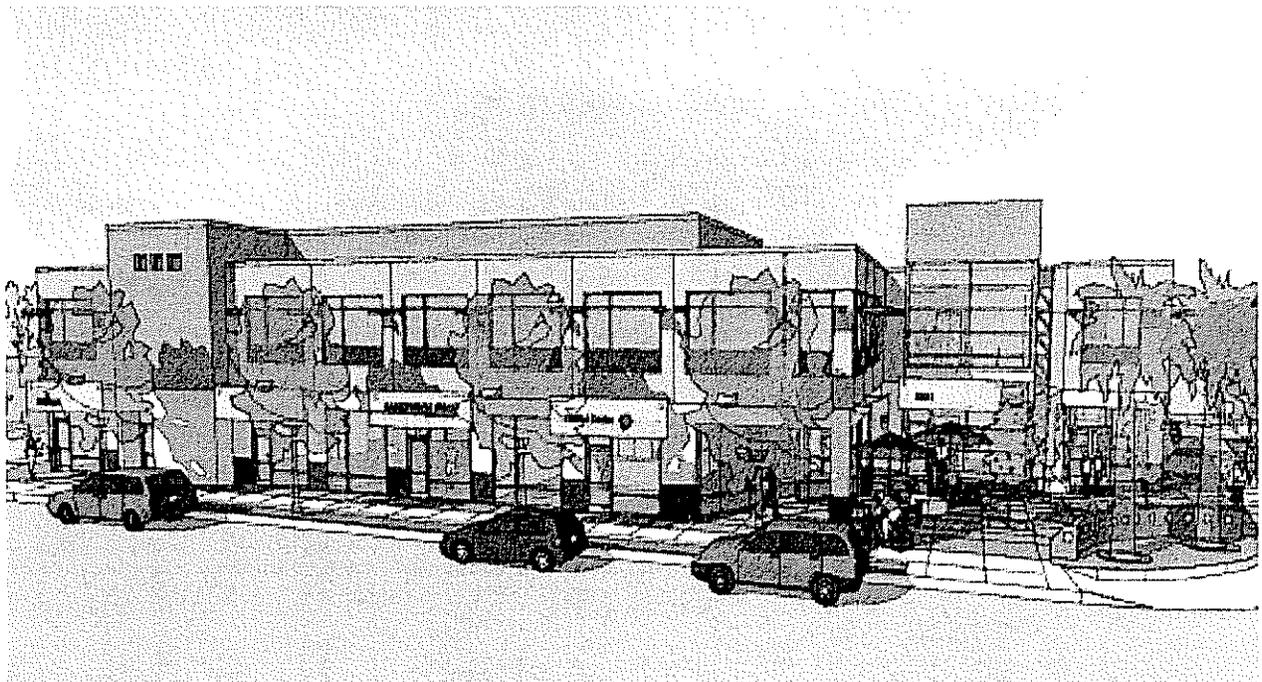
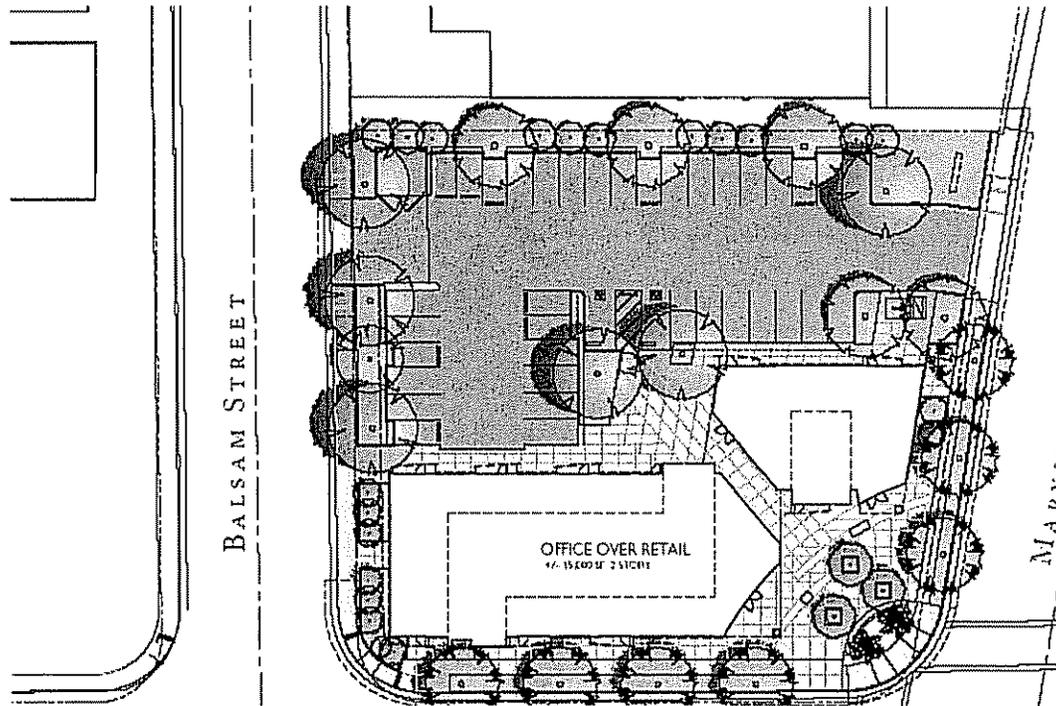
Del Paso Center, 3810 Marysville Boulevard

Bird's Eye Perspective

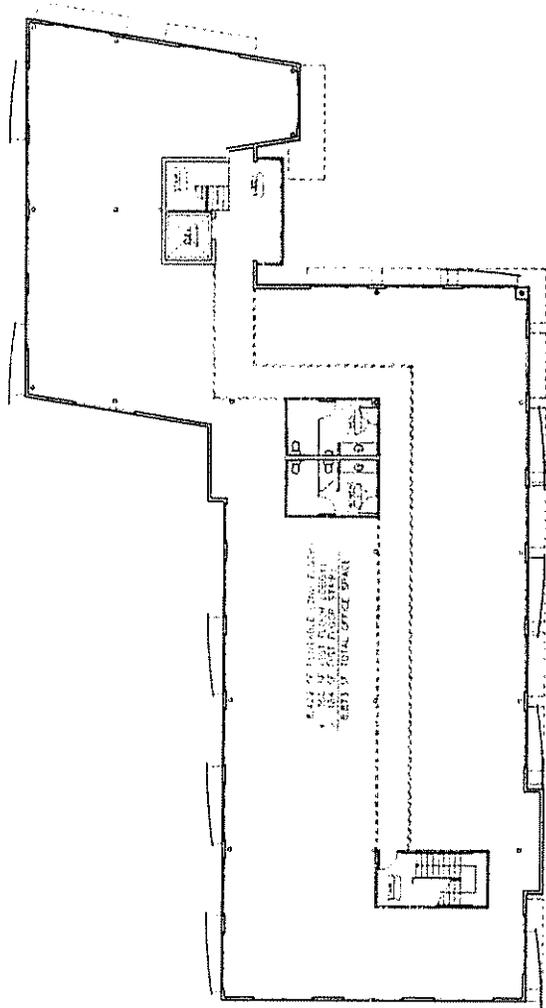


Perspective looking to northwest from intersection of Marysville and Grand

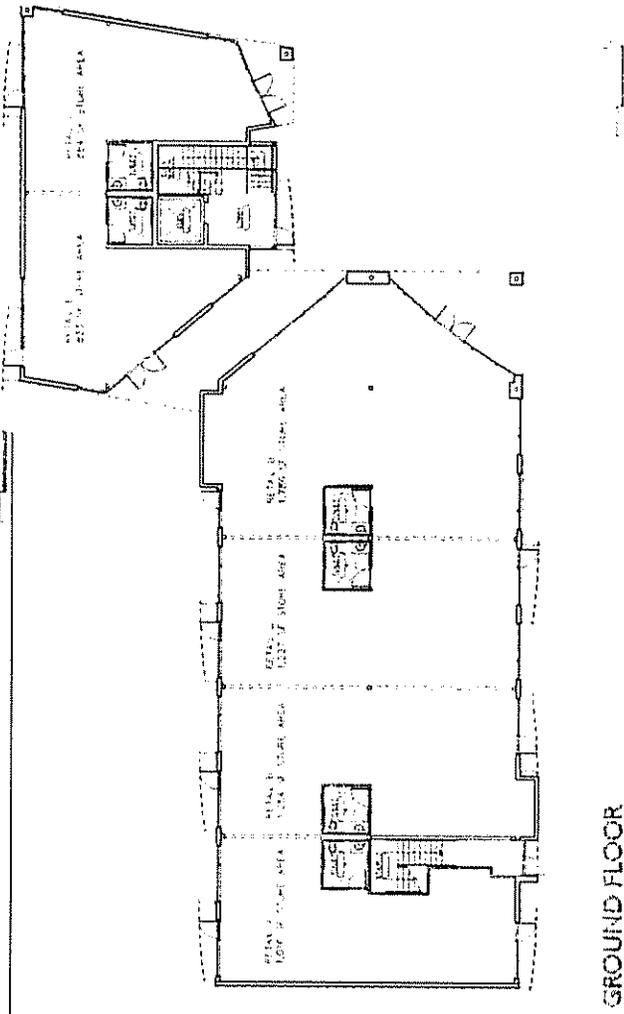
Rendering of Proposed Site Plan



Perspective View from South (*Grand Avenue*)



SECOND FLOOR



GROUND FLOOR

Floorplans (Second Floor directly above; First floor at upper right)

Del Paso Center, 3801 Marysville Boulevard Project Background and Underwriting Analysis

Site: The subject site (APN 251-0084-018) is a commercially-zoned (C-2, General Commercial) parcel at the northwest corner of Marysville Boulevard and Grand Avenue that is approximately 31,800 square feet (0.73 acres) in size (refer to Attachment 1, Location Map, and Attachment 2, Site Map). The former gas station site was acquired by the Redevelopment Agency of the City of Sacramento in 1997 for the purpose of seeking proposals for appropriate redevelopment. Sacramento County's Environmental Management Department issued a "No further action required letter" to former operator Shell Oil Company in November 1991. The now-vacant site is located at an important intersection along the Marysville Boulevard commercial corridor, and has been targeted for redevelopment for neighborhood-serving commercial, retail and/or service uses.

Project History: The first proposed development, sponsored by the nonprofit Mutual Assistance Network (MAN), was similar in size, layout and use mix to the current proposal. However, MAN subsequently withdrew its proposal after making a strategic decision to emphasize program operations rather than capital investment. The Sacramento Housing and Redevelopment Agency (SHRA) subsequently issued a Request for Proposals (RFP) in May 2004 to seek a new, qualified developer.

A proposal was received from the Developer for construction of a two-story retail/office building and 38 accessory surface parking spaces. SHRA and the Developer, Johnson-Warren Partners, LLC, have conducted due diligence on construction costs, leasing demand, revenue and expense projections, and entitlement needs for the project, to be named "Del Paso Center" (Project).

Project Description: The project scope includes new construction of a two-story commercial building on the south half of the parcel. The "L" shaped footprint of the new structure would occupy 7,817 square feet of the 31,821 square foot parcel, or 24.6% lot coverage. An open-air plaza with mature palm trees, seating, monument sign and public art would occupy the southeast corner of the parcel at the intersection of Marysville Boulevard and Grand Avenue. The north half of the parcel would provide surface parking for 38 automobiles. A ground level breezeway would provide a visual and pedestrian connection between the parking area, the open air plaza and the lobby leading to the second floor of the building. Landscaping and trees would be planted in building setback areas and in planting strips that would separate the parking area from adjacent streets and buildings. (See Attachment 3, Proposed Site Plan, Perspective Renderings, Floorplans)

The façade of the structure would be comprised primarily of smooth-finished cement plaster, with pre-finished metal panels as a secondary material. Exterior colors will be specified to complement the color palette of the nearby Urban League building. To increase visual interest, the façade is articulated with a slight offset for the second floor. For the same purpose, the façade design includes metal sunscreens, inset areas, reveals and cement plaster score lines. Rooftop mechanical equipment will be hidden behind a parapet wall.

The ground floor would offer approximately 7,000 square feet of commercial/retail space that, depending on leasing demand, could be demised into as many as six leasing units ranging in size from about 900 to 1,800 square feet. A lobby with stairs and elevator would lead to a second floor offering approximately 8,400 square feet of Class B office space that would be demised to satisfy the requirements of one or more tenants.

Entitlements: The site is appropriately zoned C-2, General Commercial, which allows for a broad range of retail, commercial, service and office uses. On August 16, 2006, the City of Sacramento's Design Review and Preservation Board considered the proposed design, materials, finishes and landscape features (Project DR06-170). The Project was approved with one modification to the staff's recommended Conditions of Approval.

The Developer is applying to the Sacramento Planning Commission for a Special Permit that would reduce the on-site parking requirement from 51 to 38 spaces. This application (P06-106) is scheduled to be heard by the Planning Commission on September 28, 2006. City Planning staff is recommending approval of the application with minor conditions.

Development Team: The Developer is Johnson-Warren Partners, LLC, (JWP) a California limited liability company formed in early 2006 to implement the Project. Members of JWP and their respective interest in JWP are as follows:

1. New Faze Development, Inc., a CA corp. – 55% interest
2. Grantland Johnson, an individual – 15% interest
3. Theodore Scott-Femenella, an individual – 15% interest
4. Pineapple Real Estate Investors, LLC – 15% interest.

Managing members of JWP are New Faze Development, Inc. (New Faze) and Mr. Grantland Johnson. Of the members, New Faze, with offices at 1825 Del Paso Boulevard, has 15 years of real estate development, contracting and construction management experience. New Faze has developed new residential units and, to a lesser degree, developed commercial buildings and has rehabilitated existing structures. New Faze currently has almost 500 residential units under development in seven projects located in and near Sacramento. The range of units being developed include rental apartments and the following types

of for-sale housing: entry-level, "move-up" single family, condominium, executive homes and "active adult" housing.

Mr. Grantland Johnson has an extensive resume of public service at the local, state and federal levels. His civic involvement has emphasized housing policy, flood control, family services, health care policy and transit-oriented development policy. Mr. Johnson is a former City of Sacramento councilman and former Sacramento County supervisor.

The brokerage firm of Cornish and Carey is representing JWP in marketing the retail and office space to prospective tenants.

Sources and Uses of Funds: A summary of the development budget for the Project includes the following Uses of Funds for "hard" construction costs and related "soft" costs. Note that the cost of the 0.73 acre site to the Developer is one dollar. Higher land costs cannot be supported by the projected revenues to be achieved from retail and office rents. The hard costs shown below were prepared in July 2006 by general contractor John F. Otto, Inc., based on "design development" plans prepared by Dreyfuss & Blackford, Architects.

HARD COSTS	Sq. Ft.	Cost/Unit	Cost		
Building Shell	15,973	\$ 173.06	\$2,764,348		
Contingency			138,217	5.0%	Of hard costs
Art in Public Places			55,287	2.0%	Of hard costs
Contractor Fee			145,128	5.2%	Of hard costs
Builder's Risk Policy			8,534	0.31%	Of hard costs
T.I. Allowance -- Retail	7,130	\$ 25.00	178,250		
T.I. Allowance -- Office	8,324	\$ 25.00	208,100		
		Hard Costs Subtotal:	\$ 3,497,864	\$ 218.99	PSF

SOFT COSTS	Sq. Ft.	Cost/Unit	Cost		
Pre-construction costs	15,973	\$ 6.00	\$ 95,838		
Due diligence & Legal	15,973	\$ 1.30	20,765		
Permits & Fees	15,973	\$ 5.00	79,865		
Real estate taxes	15,973	\$ 1.00	15,973		
Insurance	15,973	\$ 2.00	31,946		
Architect & Engineer			152,800	5.5%	Of hard costs
Financing fee			25,000		
Financing interest			160,000		
Soft Cost Contingency			29,109	5.0%	Of soft costs
Leasing Commissions			181,714	6.0%	Rents
Operating Deficit Reserve	YR 1		135,221		
Developer Fee			<u>\$ 132,783</u>	3.0%	Of total costs
		Subtotal:	\$ 1,061,014		
		Hard/Soft Total:	\$ 4,558,878	\$ 285.41	PSF

The DDA reflects the following Sources of Funds for the Project:

Developer Equity	\$ 500,000	11%
Conventional Debt	\$ 2,558,878	56%
SHRA Contribution	<u>\$ 1,500,000^(a)</u>	33%
subtotal:	\$ 4,558,878	100%

^(a) Amount does not include land value contribution by SHRA to the Project

Developer cash equity of at least \$500,000 will be used for pre-construction expenses, such as developer due diligence, planning, and design work, in advance of land transfer and closing of the conventional loan and the Agency's loan. Within the Johnson-Warren, LLC, operating agreement, New Faze is responsible for providing equity funding for the Project.

The conventional debt amount shown above can be justified by underwriting analysis of the project's projected ability to service conventionally-priced debt capital while still providing a reasonable return on the developer's equity investment. The Agency's \$1,500,000 loan is structured to be forgiven over time as the Developer builds and operates the Project in compliance with terms of the DDA and related loan and regulatory agreements.

Land Value: Projected net operating revenues from the Project are not sufficient to support a transfer of the 0.73-acre site at a price that reflects value of similarly-zoned vacant land in the vicinity of the site, which is estimated by Agency staff at \$15 per square foot based on review of comparable sales in the area. An appraisal of the site was not commissioned. The California Health and Safety Code § 33433 report regarding Agency acquisition and rationale for disposition of the land at the price specified in the DDA is on file with the City Clerk and is attached as Exhibit A to the City resolution.

Operating Pro Forma: Projections of revenue and expense for the construction period through the tenth year of operations are summarized in Appendix 5 (attached). Key assumptions include:

- Rental income for both the ground floor retail and second floor office space is projected at \$1.50 per square foot per month (or, \$18.00 annually). This assumption is at the upper limit of what has been achieved with similar quality space in a neighborhood location in the northern section of the city.
- Net operating income assumes a 10 percent vacancy rate. Given the pioneering nature of the Project, this assumption in the early years might be optimistic. However, a minimum, "blended" rental income

stream and sufficient lease-up will have to be achieved in order to justify and service the conventional debt commitment.

- All leases are expected to be “triple-net,” meaning that operating expenses of the property will be paid initially by the Developer/owner and reimbursed by tenants. Typically, these expenses (property taxes, insurance, security, janitorial, trash removal, etc.) are estimated and charged to the tenants in advance on a monthly, ratable basis, with reconciliation at year-end based on actual expenses of the property. Expenses are expected to escalate at 2 percent per year until Year 3, at which time they increase at a 3 percent per annum rate.

Schedule of Performances: The DDA includes the following schedule leading to transfer of the land, construction and operation of the Project.

3801 Marysville Boulevard

1.	Design Review Approval (completed)	Aug 16, 2006
2.	Del Paso Heights RAC recommendation on DDA	Sept 14, 2006
3.	City Planning Commission - Entitlements	Sept 28, 2006
4.	City Council Approval of DDA	Oct 10, 2006
5.	Open Escrow – Grant Deed deposited in escrow	Oct 17, 2006
6.	Completion of Construction Documents	Nov 21, 2006
7.	Construction Financing Secured	Dec 15, 2006
8.	City Approval of Plans & Issue Building Permit	Jan 21, 2007
9.	SHRA Conveyance of Property to Developer	Jan 28, 2007
10.	Construction Start	Spring 2007
11.	Complete Construction	8 months from Start

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue										
Office / FLR 2	148,248	151,213	154,237	157,322	160,468	163,678	166,951	170,290	173,696	177,170
Rent PSF/month	\$1.50	\$1.53	\$1.56	\$1.59	\$1.62	\$1.66	\$1.69	\$1.72	\$1.76	\$1.79
Increase over previous		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Retail / FLR 1	128,340	130,907	133,525	136,195	138,919	141,698	144,532	147,422	150,371	153,378
Rent PSF/month	\$1.50	\$1.53	\$1.56	\$1.59	\$1.62	\$1.66	\$1.69	\$1.72	\$1.76	\$1.79
Increase over previous		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Gross Rent Potential @ 100%	276,588	282,120	287,762	293,517	299,387	305,376	311,483	317,712	324,067	330,548
Expense Reimbursement										
Office @ 100%	57,652	58,805	60,569	62,386	64,258	66,186	68,171	70,216	72,323	74,492
PSF Expense/year	\$ 7.00	\$7.14	\$7.35	\$7.57	\$7.80	\$8.04	\$ 8.28	\$ 8.53	\$ 8.78	\$ 9.04
Increase over previous		2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Retail @ 100%	49,910	50,908	52,435	54,009	55,629	57,298	59,017	60,787	62,611	64,489
PSF Expense/year	\$ 7.00	\$ 7.14	\$7.35	\$7.57	\$ 7.80	\$8.04	\$ 8.28	\$ 8.53	\$ 8.78	\$ 9.04
Increase over previous		2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross income @ 100%	384,150	391,833	400,766	409,912	419,274	428,860	438,671	448,715	459,001	469,529

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Expense										
Vacancy @										
Office	14,825	15,121	15,424	15,732	16,047	16,368	16,695	17,029	17,370	17,717
Retail	12,834	13,091	13,353	13,620	13,892	14,170	14,453	14,742	15,037	15,338
Vacancy subtotal	27,659	28,212	28,776	29,352	29,939	30,538	31,148	31,771	32,407	33,055
Operating Expense:										
Office	57,652	58,805	60,569	62,386	64,258	66,186	68,171	70,216	72,323	74,492
Retail	49,910	50,908	52,435	54,009	55,629	57,298	59,017	60,787	62,611	64,489
Expense subtotal:	135,221	137,925	141,780	145,747	149,826	154,022	158,336	162,774	167,341	172,036
Net Operating income:	248,929	253,908	258,986	264,165	269,448	274,838	280,335	285,941	291,660	297,493
Debt Service										
Conventional Loan Debt Service	250,284	250,284	250,284	250,284	250,284	250,284	250,284	250,284	250,284	250,284
SHRA Loan	-	-	-	-	-	-	-	-	-	-
Debt Service Subtotal:	250,284									
Cash flow:	(1,354)	3,624	8,702	13,882	19,165	24,555	30,051	35,657	41,377	47,210

RESOLUTION NO. 2006 -

Adopted by the Sacramento City Council

on date of

APPROVING AGENCY'S SALE OF PROPERTY AT 3801 MARYSVILLE BOULEVARD, WITH JOHNSON-WARREN PARTNERS LLC FOR DEVELOPMENT OF RETAIL/COMMERCIAL STRUCTURE

BACKGROUND

- A. The City of Sacramento approved by Ordinance the Del Paso Heights Redevelopment Plan ("Redevelopment Plan") for the Del Paso Heights Redevelopment Project Area ("Project Area").
- B. The Redevelopment Agency of the City of Sacramento ("Agency") owns certain real property generally described as located at 3801 Marysville Boulevard (APN 251-0084-018) in the Project Area ("Property").
- C. Agency and the Johnson-Warren Partners, LLC ("Developer") desire to enter into Disposition and Development Agreement ("DDA") to convey the Property to Developer for construction of a two-story retail/commercial building offering approximately 16,000 square feet of space and on-site accessory parking, as more specifically described in the DDA.
- B. In accordance with the California Environmental Quality Act ("CEQA") and its implementing regulations, the Project is exempt under CEQA Guidelines for the reasons set out in the Agency staff report that accompanies this resolution, and the Agency Executive Director has been directed to prepare a Notice of Exemption for the sale of the Property for the Project in accordance with CEQA Guidelines Section 15332 ("Agency CEQA Action").
- E. A report under Health and Safety Code Section 33433 ("Section 33343 Report") has been prepared and is attached hereto as Exhibit A filed with the Agency Clerk, and made available for public review pursuant to Section 33433.
- F. Proper notice of this action has been given and a public hearing has been held in accordance with Health and Safety Code Sections 33431 and 33433.

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

- Section 1. The foregoing recitals, including the statements regarding the CEQA findings, are true and correct. The Agency CEQA Findings are approved and adopted.

Section 2. The Agency's sale of the Property for construction of the Project is consistent with the goals and objectives of the Redevelopment Plan to remove blight, promote neighborhood-serving businesses and an economically viable community and is consistent with the Implementation Plan adopted for the Redevelopment Plan. The sale of the Property will assist in the elimination of blight as stated in the 33433 Report.

Section 3. The consideration for the Agency's conveyance of the Property to Developer is the Developer obligations under the DDA, and the fair reuse value of the Property with the covenants, conditions, restrictions required by the DDA and Grant Deed, which fair reuses value is One Dollar, as established in the 33433 Report.

Section 4. The City Council approves the Agency's sale of the Property to the Developer for the Project pursuant to the terms of the DDA.

Exhibit A

Report Regarding the Disposition of Property Acquired Directly or Indirectly with Tax Increment Funds (Health & Safety Code Section 33433)

I. Agreement

A copy of the Purchase and Sale or Lease Agreement ("Agreement") disposing of an interest in Agency real property is attached to this Report.

II. Summary of Terms of Disposition

AGENCY'S COST OF ACQUIRING THE LAND	
Purchase Price (or Lease Payments Payable During Agreement)	\$ 75,476
Commissions	
Closing Costs	
Relocation Costs	
Land Clearance Costs	
Financing Costs	
Improvement Costs (e.g. utilities or foundations added)	
Other Costs	
TOTAL	\$ 75,476

ESTIMATED VALUE OF INTEREST CONVEYED	
Value of the property determined at its highest and best use under the redevelopment plan	\$ 480,000

ESTIMATED REUSE VALUE OF INTEREST CONVEYED	
Value of property determined with consideration of the restrictions and development costs imposed by the Agreement	\$ 0
VALUE RECEIVED ON DISPOSITION	
The purchase price or the total of the lease payments due to the Agency under the Agreement	\$ 1

33433 Report

III. Explanation of Disposition for Less than Full Value

Value of the property determined at its highest and best use under the redevelopment plan is based on current Agency assessment of the sales price per square foot (\$15) of similarly zoned (C-2 General Commercial) vacant land in the vicinity of the site. At approximately 32,000 square feet, the value would be \$480,000. The justification for disposition at less than full value is based upon underwriting analysis of the project's budget and economic feasibility. The rents generated by the completed project will not support the completed project cost, the absorption factor (representing rental demand) is unpredictable for the area and the risk is reflected in the determination. The size, use mix and design quality of the proposal exceeds the typical low-density commercial uses that might otherwise be attracted to the size and location of the site.

IV. Elimination of Blight

The subject site was formerly occupied by a gasoline station, which has been impacted by the significant presence of hazardous substances. Remediation has been undertaken, but the resulting environmental clean-up requirements limit redevelopment options. The site, as a vacant gasoline station, as a hazardous clean-up site, and as a vacant parcel, has had a serious blighting impact on the surrounding community. The Agency acquired the site in 1997 for the purpose of soliciting proposals to redevelop the property in a manner that is consistent with the 2003 - 2007 Implementation Plan for the Del Paso Heights Redevelopment Area. The development is intended as a key feature in the larger Marysville Boulevard Town Center concept for the Del Paso Heights Redevelopment Area. In addition to helping eliminate the blight of a vacant parcel at a key commercial intersection, the proposal will facilitate the revitalization of the Marysville Boulevard commercial corridor with a well-designed two-story commercial/retail building that will attract quality retail and office tenants to provide goods and services that satisfy basic needs of the surrounding residential community.

RESOLUTION NO. 2006 -

Adopted by the Redevelopment Agency of the City Of Sacramento

ON DATE OF

APPROVAL OF DISPOSITION AND DEVELOPMENT AGREEMENT, REGULATORY AGREEMENT AND \$1,500,000 LOAN WITH JOHNSON-WARREN PARTNERS, LLC FOR DEVELOPMENT OF RETAIL/COMMERCIAL STRUCTURE AT 3801 MARYSVILLE BOULEVARD; RELATED BUDGET AMENDMENT

BACKGROUND

- A. The Redevelopment Agency of the City of Sacramento ("Agency") has adopted the Del Paso Heights Redevelopment Plan ("Redevelopment Plan") and a 2003–2007 Implementation Plan for the Del Paso Heights Project Area ("Project Area").
- B. Agency owns certain real property generally described as being located at 3801 Marysville Boulevard (APN 251-0084-018) in the Project Area ("Property").
- C. Johnson-Warren Partners, LLC ("Developer") desires to enter into a Disposition and Development Agreement ("DDA") and a Loan Agreement in the amount of \$1,500,000 with the Agency to provide for the conveyance to and development of the Property by Developer for construction of a two-story retail/commercial building offering approximately 16,000 square feet of space and on-site accessory parking; as more specifically described in the DDA and Loan Agreement (collectively, "Project"), copies of which are on file with the Agency Clerk.
- D. In accordance with the California Environmental Quality Act ("CEQA") and its implementing regulations, the sale of the Property and the development of the Project are exempt under CEQA Guidelines Section 15332 as an infill project as described in the accompanying staff report.
- E. A report under Health and Safety Code Section 33433 ("Section 33433 Report") has been prepared, filed with the Agency Clerk, and made available for public review pursuant to Section 33433.
- F. Proper notice of this action has been given and a public hearing has been held in accordance with Health and Safety Code Sections 33431 and 33433.

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 her designee, is directed to prepare a Notice of Exemption based on the findings in the accompanying staff report in accordance with CEQA Guidelines Section 15332.
- Section 2. The sale of the Property and construction of the Project pursuant to the DDA and the Loan Agreement is consistent with the goals and objectives of the Redevelopment Plan to remove blight, promote neighborhood-serving businesses and an economically viable community. The sale of the Property and construction of the Project pursuant to the DDA and the Loan Agreement is consistent with the Implementation Plan. The Project will assist in the elimination of blight as stated in the 33433 Report. The DDA shall be deemed an implementing document approved in furtherance of the Redevelopment Plan and Implementation Plan for the Project Area, and all applicable land use plan, studies, and strategies.
- Section 3. The Report as required under Health and Safety Code Section 33433 is hereby approved.
- Section 4. The consideration for the Agency's conveyance of the Property to Developer is the Developer obligations under the DDA, and the fair reuse value of the Property with the covenants, conditions, restrictions required by the DDA and Grant Deed, is One Dollar.
- Section 5. The Agency Budget is hereby amended to appropriate \$1,500,000 from Del Paso Heights tax exempt bond proceeds to the Project.
- Section 6. The Loan Agreement with the Developer providing \$1,500,000 to fund construction of the Project, whereby the loan is forgivable over the 15 year term as long as the Property is used as a commercial retail/office building, and the Property is maintained pursuant to the terms of the Regulatory Agreement, are hereby approved.
- Section 7. The Disposition and Development Agreement, Loan Agreement and Regulatory Agreement are approved and the Executive Director is authorized to execute the DDA, Loan Agreement and related conveyance documents including without limitation the Grant Deed and Escrow Instructions as described in the DDA, substantially in the form on file with the Agency Clerk, and to perform other actions as necessary to implement the terms of the DDA and Loan Agreement.