Sacramento Housing & Redevelopment Agency

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

Consent
January 23, 2007

Honorable Chair and Members of the Redevelopment Agency

Title: Allocation of Funds to Complete Acquisition of 3739 Marysville Boulevard

Location/Council District: 3739 Marysville Boulevard (APN 251-0122-002); Del Paso Heights Redevelopment Project Area, Council District 2

Recommendation: Adopt a Redevelopment Agency **Resolution** authorizing the Executive Director or her designee to amend the 2007 Sacramento Housing and Redevelopment budget to allocate $550,000 of Del Paso Heights tax exempt bond funds for the acquisition of 3739 Marysville Boulevard, more commonly known as the Indus Gas site.

Contact: Chris Pahule, Assistant Community Development Director, 440-1350
Raul Carrillo, Redevelopment Planner, 440-1399 x 1277

Presenter: None

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: In 2001, the Redevelopment Agency (Agency) adopted a resolution to acquire 3739 Marysville Boulevard and established a budget of $310,000 for the purchase of the property, demolition of the existing building, and legal costs. With negotiations at an impasse in 2004, the Agency adopted a Resolution of Necessity, and received an order of immediate possession. Since then, the Agency has demolished the building and is currently involved in the hazardous materials remediation of the site. The matter of financial compensation to the property owner was not resolved prior to the court date, and thus was decided by jury trial of the Sacramento Superior Court in September 2006.

The outcome of the trial resulted in a higher than budgeted compensation for the property owners and additional legal fees due to the property owner's refusal to settle. The property owner is requesting payment of his attorneys' fees, court costs and expert witness fees ("owner's fees"), and a hearing is set for January 3, 2007. The difference between the original budget authority for the

project and the amount needed to complete the acquisition, assuming that the Agency is required to pay the owner's legal fees, is $550,000. Should the additional funds needed to pay for the property not be made available, the Agency would be required to transfer the property back to the original owners, pay the owner's fees, and pay for damages for the owner's lost use of the property over the past two years. If the additional funds are made available and the Agency is not required to pay the owner's fees, the unexpended funds would be transferred back into the Del Paso Heights Developer Assistance fund.

Policy Considerations: The actions contained in this report are consistent with the adopted 2003-2007 Redevelopment Implementation Plan for the Del Paso Heights Redevelopment Project Area.

Environmental Considerations: The proposed action to authorize funding for the acquisition of 3739 Marysville Boulevard is exempt from environmental review as an activity in furtherance of the redevelopment plan to eliminate blight pursuant to CEQA Guidelines Section 15180. NEPA does not apply.

Committee/Commission Action: Del Paso Heights Redevelopment Advisory Committee (RAC): At its December 14, 2006 meeting, the RAC adopted a motion recommending approval of the attached resolution. The votes are as follows:

AYES: Painter; Thao; Sample; Ward

NOES: Perry

ABSENT: Anderson; Roberts; Scoggins; Tates

Sacramento Housing and Redevelopment Commission Action: At its meeting on January 3, 2007, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

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

NOES: None

ABSENT: None

Rationale for Recommendation: This property is located at the southwest corner of Marysville Boulevard and Grand Avenue in the heart of the Del Paso Heights Town Center, as identified in the Marysville Boulevard Urban Design Plan (Plan). The site has the potential to substantially impact the overall redevelopment of the Town Center as it currently presents an impediment to the realization of the Plan vision.

January 23, 2007

Allocation of Funds to Complete Acquisition of 3739 Marysville Boulevard

This report recommends allocation of the final piece of funding to complete the acquisition of this strategic property to enable the Agency to remediate the site and reposition it for development.

Financial Considerations:
This report recommends that the Executive Director amend the 2007 Sacramento Housing and Redevelopment budget to allocate $550,000 of Del Paso Heights tax exempt bond funds for the acquisition of 3739 Marysville Boulevard, more commonly known as the Indus Gas site. If the Agency is not required to pay the owner's fees, the unexpended funds would be transferred back into the Del Paso Heights Developer Assistance fund.

MBE/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. Jennings
for RAY KERRIDGE
City Manager

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Background

In 1998 the Marysville Boulevard Urban Design Plan (Plan) was adopted. The Plan established the concept of a "Town Center," recommending that actions be undertaken to promote commercial redevelopment at the intersection of Marysville Boulevard and Grand Avenue.

In keeping with the Plan, the Agency has acquired or gained possession of a number of properties for redevelopment at or near Marysville Boulevard and Grand Avenue, including the former Indus Gas property at 3739 Marysville Boulevard.

The former Indus Gas property presents an impediment to the revitalization of Del Paso Heights and the redevelopment of the "Town Center." In recent years, previous to the possession by the Agency, the property had been the subject of enforcement actions by the County of Sacramento's Environmental Management Department in regard to its contamination, and by the City of Sacramento in regard to social nuisance issues.

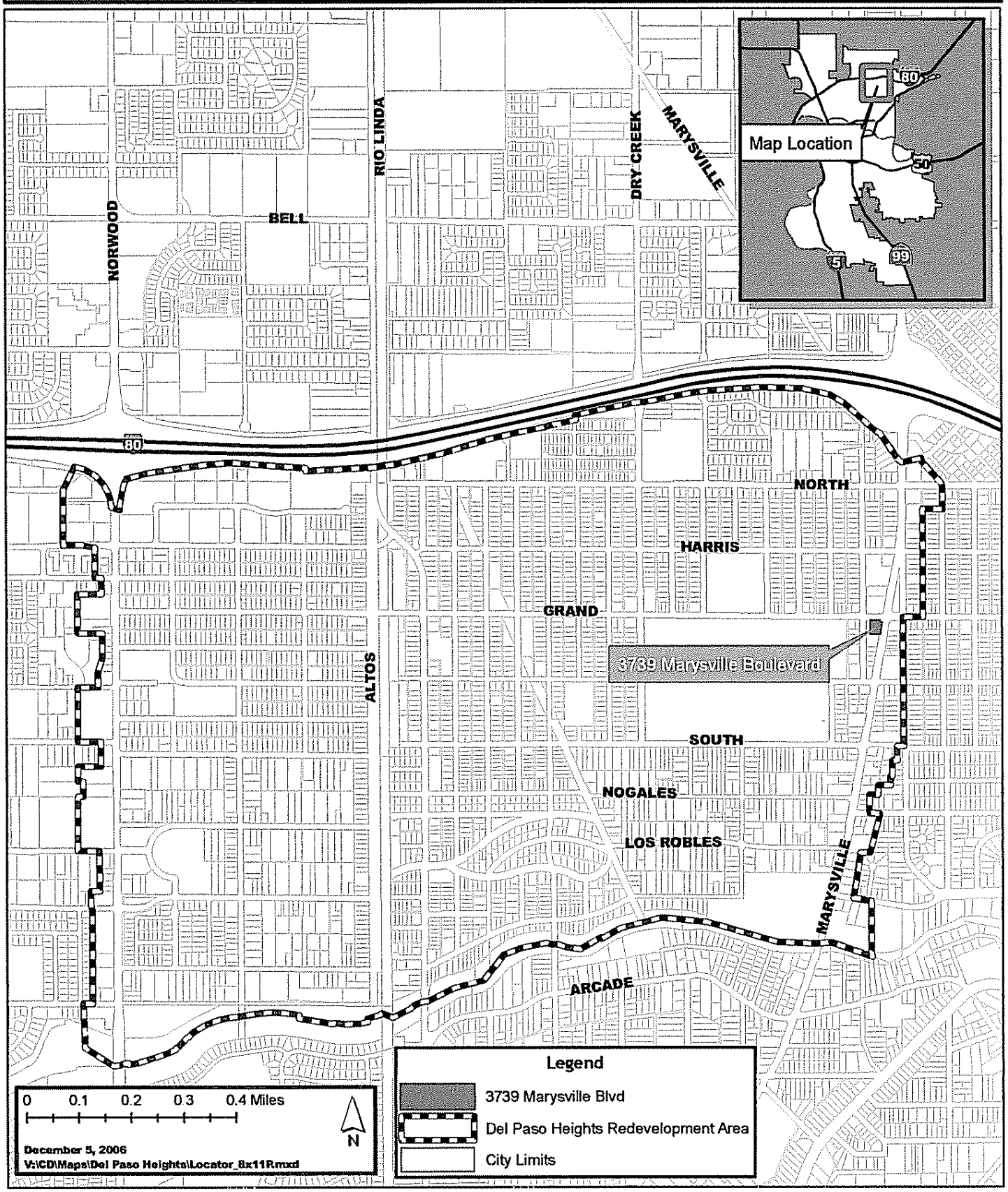
In January 2001, the Agency adopted a resolution, approving the appraised value of the property and authorizing $310,000 for the purchase, demolition of the existing building, and legal costs of the property. It was known at that time that the site was contaminated as a result of its former use as a gas station. Underground fuel and waste oil storage tanks, pipelines, and fuel dispensers were removed in 1999. Disagreements over the sale price of the property ensued subsequent to the 2001 resolution.

After more than three years of negotiations, the Agency reached an impasse in negotiating the purchase of this property. The issues that led to the impasse included disagreement on the property value, the property owner's reluctance to meet or discuss the Agency's purchase of the property, and the owner's failure to pursue environmental cleanup. In 2004, the Agency adopted a Resolution of Necessity and took possession of the site. At the time, the courts did not establish fair compensation for the site due to ongoing litigation.

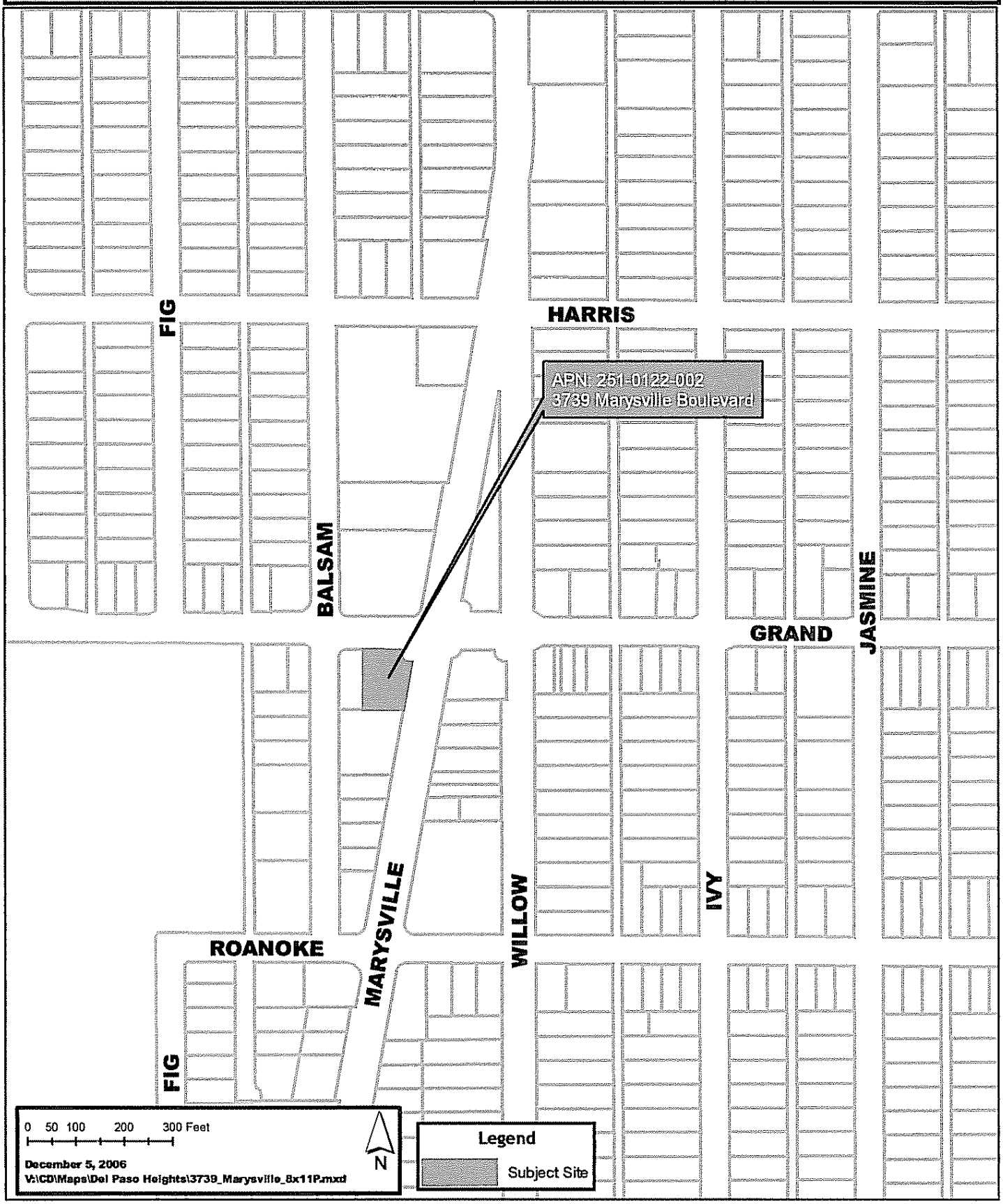
The matter of financial compensation to the property owners was resolved by the Sacramento Superior Court in September 2006.

Sacramento Housing & Redevelopment Agency

3739 Marysville Boulevard Location



3739 Marysville Boulevard (Indus Gas)



RESOLUTION NO. _____

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

ALLOCATION OF FUNDS TO COMPLETE THE ACQUISITION OF 3739 MARYSVILLE BOULEVARD

BACKGROUND

A. The Redevelopment Agency of the City of Sacramento ("Agency") has adopted the Del Paso Heights Redevelopment Plan ("Redevelopment Plan") and the 2003 – 2007 Implementation Plan for the Del Paso Heights Project Area ("Project Area").

B. In 2001, the Agency adopted a resolution authorizing acquisition of 3739 Marysville Boulevard ("Property") and established a budget for the purchase of the property, demolition of the existing building, and legal costs.

C. In 2004, the Agency adopted a Resolution of Necessity, and received an order of immediate possession.

D. A jury trial of the Sacramento Superior Court in September 2006 resulted in a higher than budgeted compensation for the property owners and additional legal fees, creating a budget shortfall.

E. The property owner has petitioned the court for an order for the Agency's payment of his attorneys' fees, court costs, and expert witness fees; and the Agency is contesting that request and the court hearing is pending on this matter.

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 authorized to amend the Agency's budget to transfer $550,000 from Del Paso Heights Developer Assistance Tax Exempt Bond funds to the 3739 Marysville Boulevard acquisition project. Any unexpended funds shall be transferred back into the Developer Assistance fund upon completion of this project.