REPORT TO COUNCIL
City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www. CityofSacramento.org

CONSENT
March 20, 2007

Honorable Mayor and
Members of the City Council

Title: Park Easements in Natomas Capital Improvement Program

Location/Council District: Park sites and bike trail in North and South Natomas/ Council District 1

Recommendation: Adopt a **Resolution**: 1) authorizing the City Manager to enter into an agreement with the Sacramento County Regional Sanitation District for purchase of real property from the City; 2) accepting $500,000 from the Sacramento County Regional Sanitation District into the CIP Reimbursable Fund, Fund 248, for easements on Tanzanite Park, an undeveloped park site and a trail north of I-80 and east of I-5; 3) establishing a new Capital Improvement Program (CIP) for Park Easements in Natomas, CIP LK79; and 4) appropriating $500,000 from the CIP Reimbursable Fund, Fund 248, into CIP LK79 for reimbursement of City Real Estate Services staff time on this project (not to exceed $12,000) and for improvements to, or near, the undeveloped park site at 2126 Garden Highway.

Contact: J.P. Tindell, Interim Planning and Development Manager, 808-1955

Presenters: Not applicable

Department: Parks and Recreation

Division: Park Planning, Design & Development

Organization No: 4727

Description/Analysis

Issue: The construction of the Lower Northwest Interceptor Line (LNWIL) requires the Sacramento County Regional Sanitation District (the District) to encumber portions of two park sites and a trail with six permanent sewer easements and four temporary construction easements.

Staff from both the Department of Parks and Recreation and the District participated in non-binding mediation to reach an agreement on the compensation amount of $500,000. The compensation will be used to reimburse City Real Estate Services for their staff time spent on this project (not to exceed $12,000) and the remainder will be applied towards improvements to, or near, the undeveloped park site at 2126 Garden Highway which was the most impacted of the parks and trail sites. Background information on this project is included as Attachment 1 (page 4).

Policy Considerations: As stated in City Council Resolution No. 2006-444 Section 10.3, City Council approval is required to establish CIP projects. Using the compensation funding from the impacted parks to reimburse the City for staff time and for improvements to, or near, the undeveloped park site at 2126 Garden Highway is consistent with the City's strategic plan to enhance livability in Sacramento's neighborhoods by expanding park, recreation, and trail facilities throughout the City.

Committee/Commission Action: Not applicable.

Environmental Considerations: This report concerns administrative activities that will not have a significant effect on the environment, and does not constitute a "project" as defined by the California Environmental Quality Act (CEQA) [CEQA Guidelines Sections 15061(b)(3); 15378(b)(2)].

Rationale for Recommendation: The easements encumbered the park sites and, as a result, diminished the value of the property. The compensation is necessary to recuperate the lost value.

Financial Considerations: The appraiser hired by the District provided an estimated value of the easements at $208,589; a third party appraisal valued the easements at $1,054,274 (Attachment 2, page 5). The District and City staff agreed, through non-binding mediation, on compensation of $500,000 for the easements. In order to properly account for the funds, staff recommends that the City Council establish the CIP LK79 project for park easements in Natomas. This funding will be used to reimburse City Real Estate staff for their time spent on this project and improvements to, or near, the undeveloped park site at 2126 Garden Highway which was the most impacted of the parks and trail sites. Once a project is identified, staff will come back to City Council for approval to use the funds for the new project.

Emerging Small Business Development (ESBD): No goods or services are being purchased as a result of this report.

Respectfully Submitted by:

for CASSANDRA H.B. JENNINGS
Assistant City Manager

Recommendation Approved:

for RAY KERRIDGE
City Manager

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Attachment 1

Background Information

The Lower Northwest Interceptor Line is a regional project that will convey wastewater from the Natomas and West Sacramento areas to the Sacramento regional wastewater treatment plant in Elk Grove. The construction of the interceptor line required six permanent and four temporary easements on City park property.

The Sacramento County Regional Sanitation District, through the County of Sacramento's real estate staff, subcontracted the appraisal component of the project to Bender Rosenthal, Inc. Upon reviewing the appraisal, City of Sacramento Real Estate Services staff raised several concerns over the estimated values of the easements provided by Bender Rosenthal, Inc.

In order to avoid delaying the project, the City entered into a right-of-entry (ROE) agreement with the Sacramento County Regional Sanitation District to provide its staff and contractors legal access to the city parcels in exchange for a new third party appraisal by a mutually agreed upon appraiser; should an agreement on the property value not be reached, both parties would participate in non-binding mediation and, if necessary, binding arbitration. Jeff Ridolfi, MAI, of Clark-Wolcott Company was contracted to conduct the appraisal. Subsequently, the City of Sacramento's Real Estate Services deemed the appraisal value provided by Jeff Ridlofi, MAI, to be acceptable. However, the County of Sacramento's Real Estate staff could not, and ultimately took the position that their original report represented the best estimate of value.

Per the ROE agreement, both parties went into non-binding mediation on December 20, 2005. The resulting settlement was for $500,000 to be paid to the City by the Sacramento County Regional Sanitation District with the understanding that the parties would enter into a written memorandum of understanding (MOU) with respect to cooperation on future projects, primarily on the acquisition of property owned by the Sacramento County Regional Sanitation District for a park site that would serve the future Delta Shores development. The Sacramento County Regional Sanitation District and Department of Parks and Recreation staffs have since met repeatedly and cooperatively on the park acquisition project.

Attachment 2

COMPARISON OF APPRAISALS

Summary Table

Property	Assessor's Parcel Number	Bender Rosenthal	Clark-Wolcott
2126 Garden Highway (East of I-80)	274-0220-047	$162,189	$578,799
Garden Highway (West of I-80)	274-0220-053 and 058	$37,800	$85,368
Tanzanite Park	225-0180-042	$8,600	$387,357
Trail	225-0220-099, 100	0	$2,750
TOTAL		$208,589	$1,054,274

A. Appraisal Property 1 (APN 274-0220-047)

This property is an unimproved park site located at 2126 Garden Highway (South Natomas). According to Ridolfi, the property has a gross area of 3.510 acres; according to Bender/Rosenthal, the gross area is 3.34 (based on County Assessor). On the north and west, the site is bounded by an elevated portion of the Interstate 80 freeway that is located on a bridge spanning the Sacramento River. On the south is the levee, Garden Highway and several improved and unimproved properties on the water side of the levee that front the river. On the east is a newly developing, single family residential subdivision. Located on the subject property are a 1,680 square foot home and a 2,400 square foot barn.

The property is zoned R-1-PUD (single family land use (R-1) with a planned use development overlay associated with the South Natomas Community Plan.

(i) Appraisal by Bender - Rosenthal (Cydney Bender) (Valuation Date – 12/23/03)

Bender opined that the highest and best use of the property was rural residential or agricultural. Bender states that the property is subject to "development restrictions imposed by the Army Corps of Engineers. Development to uses similar to the planned single family subdivisions to the north and east of the property are not financially feasible while this moratorium is effective."

Using a sales comparison approach with comparables ranging from $78,000 to $279,000 per acre, Bender reached a land value of $90,000 for a land value of $301,165 (improved land value of $410,000).

Bender then calculated the value of the property (easements) taken as follows:

FMV of Land		$301, 165
Permanent Easement	$87,143	
Permanent Access Easement	$19,657	
Deep Tunnel Easements	$16,239	
Temporary Construction Easement	$39,150	
Value of Property Taken		**$162,189**

(ii) Appraisal by Ridolfi (Valuation Date - 7/23/04)

Ridolfi opined that the highest and best use of the property was interim investment in anticipation of a conversion from the current use to low density, single family residential subdivision and development consistent with the property's extant zoning and the South Natomas Community Plan. Based on discussions with the Sacramento Area Flood Control Agency (SAFCA) and the Army Corps of Engineers, Ridolfi states that the interim investment period is concluded to be 3 and ½ years from the date of valuation, consistent with the currently anticipated time frame associated with lifting the buffer requirement from the tentative subdivision map approval process.

Ridolfi used the Sales Comparison Approach to value the property. This methodology compares the property being sold to similar properties, including one adjacent to the subject parcel, that have sold, developing and applying the appropriate units of comparison. Utilizing seven (7) comparable properties, Ridolfi reached a valuation of $310,000 per acre. With a net acreage of 3.058, the value reached is $947,980.

Utilizing the $310,000 per acre value, Ridolfi then valued the value of the property to be acquired. The amount of acreage to be acquired is as follows:

FMV of Land		$950,000
Permanent Easement	$299,646	
Permanent Access Easement	$ 12,400	
Deep Tunnel Easement	$164,889	
Temporary Construction Easement	$101,864	
Value of Property Taken		**$578,799**

(iii) Issues

The more than $200,000 difference with respect to the permanent easement is a result of disparate land use caused by insufficient investigation by Bender Rosenthal, Inc.. Bender Rosenthal, Inc. assumes permanent existence of the SAFCA moratorium buffer zone. According to officials at SAFCA and the Army Corps of Engineers, this buffer is temporary and will be lifted within 3 to 3 and ½ years.

B. Appraisal properties 2 and 3 (APN's 274-0220-053 and 058)

These properties are located on the northeast side of Interstate 80 (elevated) and approximately two-tenths of a mile north of the Garden Highway in an unincorporated portion of the County of Sacramento (West Natomas). The properties are contiguous parcels devoted to agricultural use and contain approximately 3.594 acres. The property is within the County of Sacramento and is in an agricultural/residential (AR-2) zone.

(i) Appraisal by Bender/Rosenthal (Valuation date 3/1/04)

Utilizing comparables with unadjusted per acre values of $14,293 to $37,537, Bender reached value of the property of $15,000 per acre for a value of the property of $54,799.

The property acquired was then valued as follows:

Permanent Sanitary Sewer Easements	$28,750
Temporary Construction Easements	$ 1,926
Total	$30,676
Severance damages	$ 6,691
Total Compensation	**$37,800**

(ii) Appraisal by Ridolfi (Valuation date 7/23/04)

Ridolfi identified the highest and best use is consistent with the legally permissible uses as zoned. However, this includes an investment component associated with the property's long-term potential for a substantially increased intensity of land use, including urbanization. Ridolfi utilized the Sales Comparison Approach methodology of valuation. Based upon the comparables used, Ridolfi reached a valuation of $25,000 per acre and $89,850 for the property.

The property acquired was then valued as follows:

Permanent Sanitary Sewer Easement	$37,931
Permanent Sanitary Sewer Easement	$ 2,146
Temporary Construction Easement	$ 8,317
Temporary Construction Easement	$ 529
Total	$48,923
Severance Damages	$36,445
Total Compensation	**$85,368**

C. Appraisal Property 4 (APN 225-0180-042)

The property is located on the south side of Tanzanite Avenue at its intersection with Innovator Drive in North Natomas. The property is a partially improved public park site. A portion of the property is adjacent to a developed, single family residential subdivision, older farmsteads to the north and vacant agricultural property to the west. The older farmstead to the north has been purchased by a home builder as well as the vacant agricultural parcel to the west. On the south and east, the property is bounded by land owned by SMUD and SRCSD. The entire park site is 32.30 acres.

(i) Appraisal by Bender/Rosenthal (Valuation Date 4/10/04)

Despite the nearby and adjacent development properties and the improvements, Bender/Rosenthal opined that the highest and best use was agricultural and using only agriculturally zoned comparables, arrived at a value of $40,000 per acre.

Utilizing this figure; an annual rate of return of five percent (5%) and an eleven (11) month period for the temporary construction easement, SCRSD arrived at a just compensation figure of **$8,600.**

(ii) Appraisal by Ridolfi (Valuation Date 7/23/04)

For appraisal purposes, Ridolfi utilized the approximate 16.823 acres outside of the drainage basin and beyond the limits of a 100 year flood event. Though zoned "Agricultural," the zoning classification is considered to be a holding zone applicable to lands that are in transition to urban development and capable of reclassification in a manner consistent with the City's General Plan. Given the regional and location area land use trends, Ridolfi opined that the highest and best use is interim investment in anticipation of a near-term conversion in use leading to subdivision and single family residential development. The comparables utilized by Ridolfi range from $125,475 to $360,248 per acre. Noting that the proposed developments of the comparables are consistent with low and medium density land use categories and

the sales prices do not include costs associated with securing project-related entitlements, Ridolfi valued the parcel at $400,000 per acre.

Ridolfi then calculated the value of the proposed acquisitions as follows:

Parcel 1 - Permanent Drainage Pipeline Easement

.048 acres x $400,000/acre x .50 =	$ 9,600

Parcel 2 - temporary construction easement - parcel 2

4.153 acres x $400,000/acre x .10[1] x 2.74[2] years =	$377,757
Value of the Property Taken	**$387,357**

D. Trail

The District did not have the trails appraised. Ridolfi appraised them at $2,750.

[1] 10% rate of return
[2] Entire length of the Right-of-Entry agreement.

RESOLUTION NO. 2007-

Adopted by the Sacramento City Council

March 20, 2007

ESTABLISHING PARK EASEMENTS IN NATOMAS CAPITAL IMPROVEMENT PROGRAM

BACKGROUND

A. The Lower Northwest Interceptor Line is a regional project that will convey wastewater from the Natomas and West Sacramento areas to the Sacramento regional wastewater treatment plant in Elk Grove. The construction of the interceptor line required six permanent and four temporary easements on City park property.

B. Staff from both the Department of Parks and Recreation and the Sacramento County Regional Sanitation District participated in non-binding mediation to reach an agreement on the compensation amount of $500,000. The easements encumbered the park sites and, as a result, diminished the value of the property; the compensation is to recuperate the lost value.

C. As stated in City Council Resolution No. 2006-444 Section 10.3, City Council approval is required to establish Capital Improvement Program projects.

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

Section 1. The City Manager is authorized to enter into an agreement with the Sacramento County Regional Sanitation District for purchase of real property from the City.

Section 2. That $500,000 is accepted from the Sacramento County Regional Sanitation District into the CIP Reimbursable Fund, Fund 248 for easements on Tanzanite Park and a park site and a trail north of I-80 and east of I-5.

Section 3. A new Capital Improvement Program (CIP) for Park Easements in Natomas, CIP LK79, is established.

Section 4. That $500,000 from the CIP Reimbursable Fund, Fund 248, is appropriated into CIP LK79, for reimbursement of City Real Estate Services staff time on this project (not to exceed $12,000) and for improvements to, or near, the undeveloped park site at 2126 Garden

Highway.

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Exhibit A Map of Impacted Parks
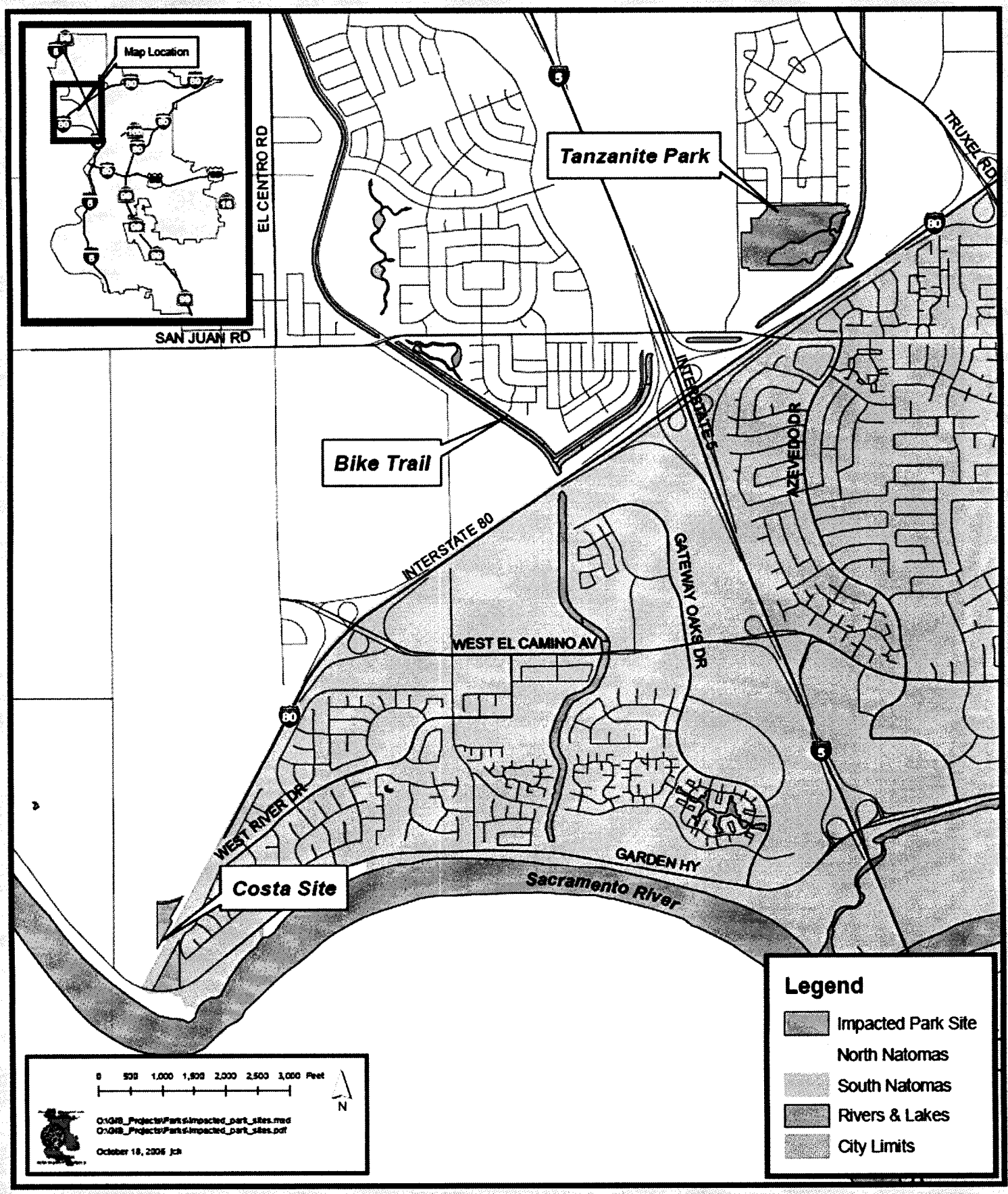
Exhibit "A" Map of Impacted Park Sites