Sacramento Housing & Redevelopment Agency

REPORT TO CITY COUNCIL AND REDEVELOPMENT AGENCY
City of Sacramento

915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

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CONSENT
January 31, 2006

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

Subject: SACRAMENTO ARMY DEPOT REDEVELOPMENT AREA; APPROVAL OF SETTLEMENT AGREEMENT AND MASTER PROJECT AGREEMENT WITH U.S. NATIONAL LEASING, LLC; RELATED BUDGET AMENDMENT

Location/Council District: Fruitridge Road and Elder Creek Road/District 6

Recommendation: Staff recommends adoption of the attached resolutions on pages 5 and 7 which authorize execution of the Settlement Agreement in the matter of *U.S. National Leasing, LLC v. Redevelopment Agency of the City of Sacramento, et al.* (Sacramento County Superior Court Case No. 04CS01123), approve the Master Project Agreement with U.S. National Leasing, LLC to establish the process for funding of Depot Park redevelopment projects, and amend the Agency Budget to appropriate $1,000,000 in Sacramento Army Depot Project Area Tax Increment Development Assistance funds to establish the Depot Park Project Fund.

Contact: Lisa Bates, Community Redevelopment Director, 440-1316
Dana Phillips, General Counsel, 440-1330

Presenters: Lisa Bates, Community Redevelopment Director, 440-1316
Sheryl Patterson, Agency Counsel, 440-1330

Department: Sacramento Housing and Redevelopment Agency

Summary: This report recommends approval by the City of Sacramento ("City") of the Settlement Agreement and approval by the Redevelopment Agency of the City of Sacramento ("Agency") of the Master Project Agreement and Budget amendment which allocates an initial $1,000,000 in Sacramento Army Depot tax increment funds and all future net tax increment revenues generated from Depot Park to fund redevelopment projects within the former Army base, which is generally located between Fruitridge Road, Elder Creek Road, Power Inn Road and Florin Perkins Road, for the periods and upon the terms stated in the Master Project Agreement.

RAC Action: This action implements the terms of a litigation settlement agreement previously approved by the City Council acting as the governing body of the Agency, so RAC review is inapplicable.

Committee/Commission Action: This action implements the terms of a litigation settlement agreement previously approved by the City Council acting as the governing body of the Agency, so Commission review is inapplicable.

Background Information: On June 29, 2004, the Sacramento Army Depot Project Area boundaries were expanded as part of the Third Amendment to the Army Depot Redevelopment Plan to include residential neighborhoods and commercial areas to the west of Power Inn Road and south of Elder Creek Road, which was referred to as the "Added Area" as shown in Attachment 1.

Thereafter, U.S. National Leasing, LLC, ("Developer"), which is the lessee of the prior Sacramento Army Depot base property that is now known as Depot Park, filed suit challenging the Agency's determination that the Added Area was blighted, as well as raising other allegations. The Developer and Agency staff negotiated the terms of a settlement agreement, which provides that the Agency will set-aside an initial $1,000,000 in Sacramento Army Depot Project Area tax increment revenues and all future net tax increment revenues generated by Depot Park to fund improvements to Depot Park. The Agency approved the settlement agreement on January 10, 2006. This action would provide for the approval of the settlement agreement by the City of Sacramento.

Staff is recommending that the Agency approve the Master Project Agreement, which sets aside funds for redevelopment projects at Depot Park defines the process for funding and which amends the Budget in accordance with the Master Project Agreement. The Developer is required to submit the scope, plans and budget for each project to be funded by the Agency. Agency funding can only be used for capital improvement projects that are in compliance with the Sacramento Army Depot Redevelopment Plan and the Community Redevelopment Law, the amount of funding would be limited to what is necessary for the economic feasibility of the project, and subsequent Agency approval would be required for each project.

If the initial and each annual allocation are not encumbered for one or more projects within three years from the date of such allocation, then those funds would become available for reprogramming to fund other improvements within the Sacramento Army Depot Project Area. The Developer is not limited to the funding set aside for the Master Project Agreement but would also be eligible for receipt of additional Project Area funding for Depot Park projects in the same manner as any other developer's project, which means that the project would compete with all other projects.

Financial Considerations: Staff recommends budgeting $1,000,000 from the Sacramento Army Depot Redevelopment Area Tax Increment Development Assistance fund to the Depot Park Project Fund. Annually, the Agency Budget would allocate to the Depot Park Project Fund the net tax increment revenues generated from Depot Park in accordance with the terms of the Settlement Agreement and the Master Project Agreement.

Environmental Considerations: The proposed action does not constitute a project subject to environmental review under the California Environmental Quality Act (CEQA) per CEQA Guidelines Section 15378(b)(4), which exempts government financing mechanisms that do not involve a commitment to any specific project. NEPA does not apply.

Policy Considerations: The proposed action is consistent with the community development goals in the Sacramento Army Depot Redevelopment Plan and the Implementation Plan, and the City's Strategic Plan goal to promote and support economic vitality. The proposed action supports the Guiding Principle of that goal which states that City programs should support the development and success of new and existing targeted businesses of all sizes within the City.

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
Interim City Manager

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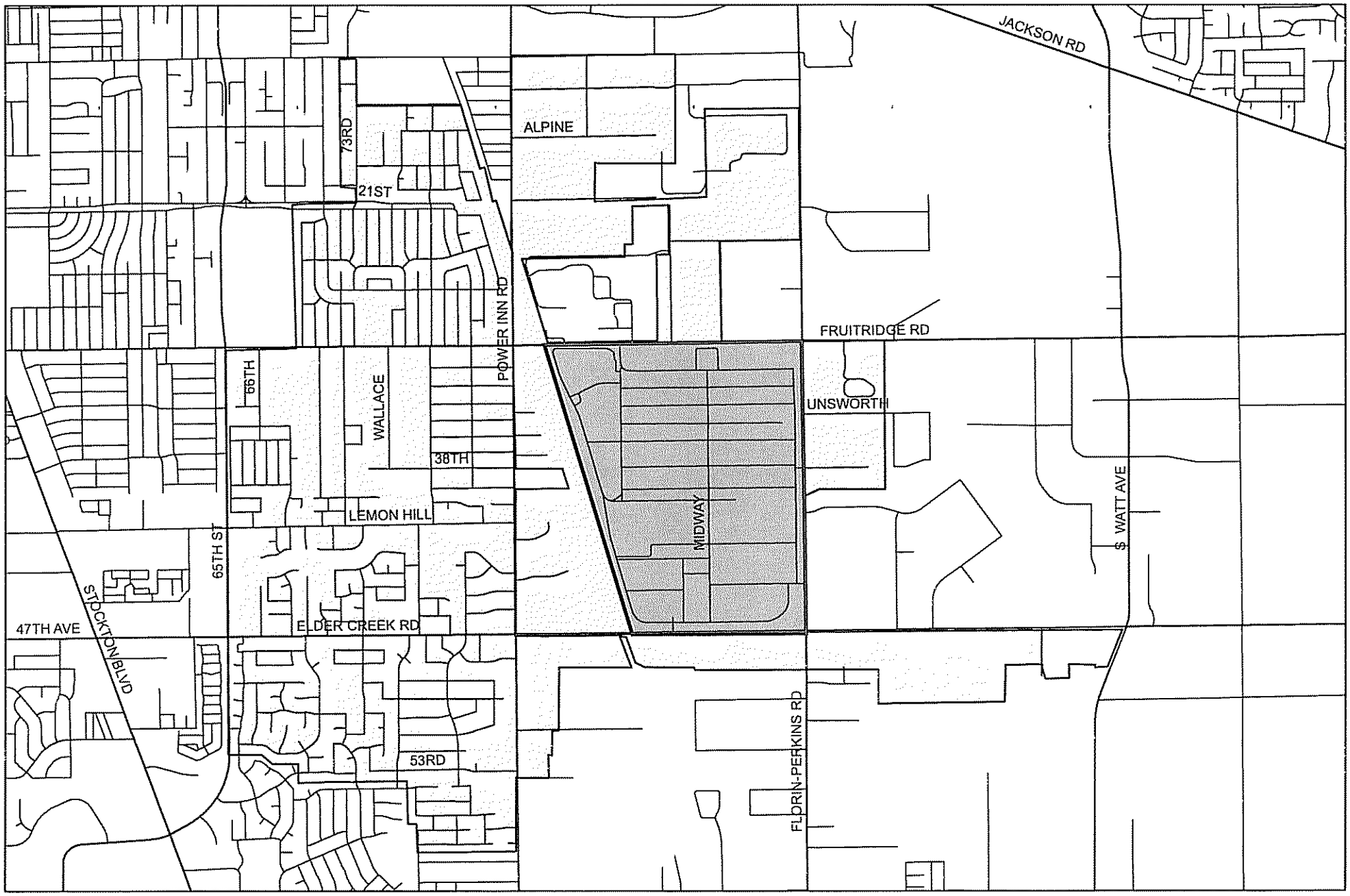
ATTACHMENT 1



Army Depot RDA

GA

1/12/06

Legend

- Old Army Depot
- Army Depot RDA

0 0.25 0.5 0.75 1 Miles

N W E S

Sacramento Housing & Redevelopment Agency

RESOLUTION NO. 2006 - ___

Adopted by the City of Sacramento

ON DATE OF

APPROVAL OF SETTLEMENT AGREEMENT WITH U.S. NATIONAL LEASING, LLC; THIRD AMENDMENT TO THE SACRAMENTO ARMY DEPOT REDEVELOPMENT PLAN

BACKGROUND

A. The Sacramento Army Depot Redevelopment Plan was adopted in 1995 to insure the long term viability of the Sacramento Army Depot by supporting the conversion of an existing military facility to effective public and private uses.

B. U.S. National Leasing, LLC is the assignee of the Industrial Development Lease and Option to Purchase between the City of Sacramento and Packard Bell Electronics, Inc., and pursuant to such assignment holds a leasehold interest in the site formerly known as the Sacramento Army Depot, and presently known as Depot Park. Depot Park is located within the Sacramento Army Depot Redevelopment Project Area.

C. The Redevelopment Agency of the City of Sacramento ("Agency") prepared the Third Amendment to the Sacramento Army Depot Redevelopment Plan to expand the Army Depot Project Area boundaries to include adjacent blighted territory referred to as the "Added Area".

D. On June 29, 2004, over the objections of U.S. National Leasing, LLC, the City Council acting on behalf of the City of Sacramento ("City") and as the governing body of the Redevelopment Agency of the City of Sacramento, approved the Third Amendment to the Sacramento Army Depot Redevelopment Plan ("Third Amendment").

E. Thereafter, U.S. National Leasing, LLC filed that certain action entitled *U.S. National Leasing, LLC v. Redevelopment Agency of the City of Sacramento, the City of Sacramento, the City Council of the City of Sacramento, et al.* (Sacramento County Superior Court Case No. 04CS01123) seeking to invalidate the Agency's and City's approval of the Third Amendment by challenging the Agency's and City's determination that the Added Area was blighted, as well as raising other allegations.

F. U.S. National Leasing, LLC, Agency and City desire to settle the litigation by allocating Sacramento Army Depot Project Area the net tax increment revenues generated from Depot Park to fund redevelopment of Depot Park. The Agency approved the Settlement Agreement for said litigation on January 10, 2006. A copy of the Settlement Agreement is on file with the City Clerk.

G. Allocating tax increment funding for redevelopment of Depot Park is consistent with the community development goals in the Sacramento Army Depot Redevelopment Plan and Implementation Plan, and the City's Strategic Plan goal to promote and support economic vitality.

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

Section 1. After due consideration of the facts presented, the findings, including the environmental findings regarding this action, as stated in the staff report, are approved.

Section 2. The Interim City Manager or his designee is authorized to execute the Settlement Agreement on behalf of the City Council and the City of Sacramento.

RESOLUTION NO. 2006 -

Adopted by the Redevelopment Agency of the City of Sacramento

ON DATE OF

SACRAMENTO ARMY DEPOT REDEVELOPMENT AREA; APPROVAL OF MASTER PROJECT AGREEMENT WITH U.S. NATIONAL LEASING, LLC; RELATED BUDGET AMENDMENT

BACKGROUND

A. The Sacramento Army Depot Redevelopment Plan was adopted in 1995 to insure the long-term viability of the Sacramento Army Depot by supporting the conversion of an existing military facility to effective public and private uses.

B. U.S. National Leasing, LLC ("Developer") is the current lessee of the Sacramento Army Depot property, which is now known as Depot Park.

C. Agency and Developer desire to enter into a Master Project Agreement, a copy of which is on file with the Agency Clerk, to establish an allocation of funding and the process for use of such funding of improvements to the Depot Park including the development, redevelopment, installation, repair, demolition, replacement or rehabilitation of buildings, infrastructure, landscaping, lighting and signage.

D. Allocating tax increment funding for redevelopment of Depot Park is consistent with the community development goals in the Sacramento Army Depot Redevelopment Plan and Implementation Plan to promote new private sector investment and strengthening the economic base by redevelopment and rehabilitation of structures and installation of needed site improvements.

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

Section 1. After due consideration of the facts presented, the findings, including the environmental findings regarding this action, as stated in the staff report, are approved.

Section 2. The Executive Director or her designee is authorized to execute the Depot Park Master Project Agreement.

Section 3. The Executive Director or her designee is authorized to amend the Agency Budget to transfer $1,000,000 from the Sacramento Army Depot Redevelopment Area Tax Increment Development Assistance fund to the Depot Park Project Fund.