

# City of Sacramento

## Legislation Text

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File #: 2019-00061, Version: 1

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**Title:**

**(City Council/Redevelopment Agency Successor Agency) Acquisition of 3739 and 3801 Marysville Boulevard and Predevelopment Loan to Sacramento Economic and Employment Development Corporation**

File ID: 2019-00061

**Location:** District 2

**Recommendation:**

Pass: 1) a Redevelopment Agency Successor Agency (RASA) Resolution: a) authorizing the sale of the 3739 and 3801 Marysville Boulevard parcels ("Properties") to the City of Sacramento for the appraised value of \$291,400, b) authorizing the City Manager or City Manager's designee to execute the Grant Deed on behalf of RASA, and c) authorizing the City Manager or City Manager's designee to transfer of the sales proceeds in the amount of \$291,400 to the County Auditor-Controller for distribution to the taxing entities; and 2) a City Council Resolution: a) authorizing the purchase of the Properties for \$291,400, b) transfer \$75,000 from the 2006 TARB DP Heights TA Fund (Fund 3809) available fund balance to the Marysville Boulevard Investment Initiative Project (I02180700; Fund 3809) and allocate \$291,400 for the purchase of the properties, c) authorizing the City Manager or his designee to execute the Certificate of Acceptance for the Properties, d) authorizing the City Manager or City Manager's designee to execute a \$300,000 forgivable loan agreement and related documents with the Sacramento Economic and Employment Development (SEED) Corporation for predevelopment activities related to the development of the Properties into the Marysville Boulevard and Grand Affordable Housing and Retail Development Project to be funded from the Marysville Boulevard Investment Initiative Project (I02180700, Fund 3805,3806, and 3807); and e) authorizing the City Manager or City Manager's designee to execute any amendment to the forgivable loan agreement if the amendment does not change the total loan amount, term of the loan, loan repayment terms, or conditions for loan forgiveness, and if the amendment is approved as to form by the City Attorney.

**Contact:** Veronica Smith, Economic Development Senior Project Manager, (916) 808-1046; Leslie Fritzsche, Economic Investment Manager, (916) 808-5450, Office of Innovation and Economic Development

**Presenter:** None

### Attachments:

- 1-Description Analysis
- 2-Property Descriptions
- 3-Site Location
- 4-Parcel Map
- 5-City Resolution
- 6-RASA Resolution
- 7-Exhibit A - Loan Agreement
- 8-Exhibit B - Promissory Note
- 9-Exhibit C - Project Schedule

### Description/Analysis

#### Issue Detail:

**Property Acquisition:** Starting in the mid-1970s, the Redevelopment Agency of the City of Sacramento (Agency) acquired several properties in Del Paso Heights, retaining 3739 and 3801 Marysville Boulevard for the benefit of a “Town Center” concept.

There were 18 parcels previously owned by the Agency located throughout the Del Paso Heights Redevelopment Project Area. As part of the dissolution process, these properties became assets of the Redevelopment Agency Successor Agency (RASA). In September 2013, RASA sought the State of California’s Department of Finance (DOF) approval to consider the 3801 Marysville parcel as a property to be “Retained for Future Development”, allowing the City to retain the property for future use. In order to do so the City is required to purchase the property at its fair market value as of June 2011 (the date of the dissolution legislation), as set out in the statute. Appraisals were ordered with 3801 Marysville Boulevard appraising at \$191,400. The second parcel, 3739 Marysville, was not in the same “Retain for Future Development” category so must be purchased at current market value, which is \$100,000. The total proposed purchase price for the Properties is \$291,400.

Brief descriptions of each of these parcels are included as Attachment 2 and location maps for the parcels are included as Attachments 3 and 4.

The action proposed would support predevelopment activities, as described below, that could assist in meeting affordable housing needs in the community. The eventual project is intended to address the dire need for affordable housing for seniors and families in the City of Sacramento, with the goal of helping some of the most vulnerable in the community. At the same time, the eventual project would support neighborhood revitalization, helping to facilitate increased investment into the community by constructing new facilities on blighted vacant lots.

**Predevelopment Loan/Project Background:** On April 16, 2016, the City posted an RFP for

developer interest for 3801 Marysville Boulevard, but did not receive any proposal responses. The City reposted the RFP on January 19, 2017, and still did not receive any responses. In February of 2017, the Sacramento Economic and Employment Development (SEED) Corporation met with City staff to discuss the organization's vision and interest in spearheading a development project at 3801 Marysville Boulevard. With support from the City, the SEED Corporation worked with SM2 Design Inc. to develop architectural schematics that would meet the requirements of the California Tax Credit Program and conduct a site capacity study for the Properties for the purpose of determining whether further actions would be worthwhile.

Since the reactivation of SEED Corp, several milestones have been completed as it relates to focusing on Del Paso Heights, including partnering with a developer and architect to develop conceptual designs for a catalyst project, developing a proforma and preliminary budgets, conducting a community meeting and workshops in partnership with the California Air Resources Board to discuss the possibilities and vision for new development, and securing a brownfield grant to conduct phase 1 environmental assessment for the Properties

This report requests the approval of a Forgivable Loan with SEED for the furtherance of predevelopment activities for an affordable housing development on the Properties. Predevelopment activities will be limited to only those activities that support the advancement and development of the Properties including activities such as legal services, City planning, review under the California Environmental Quality Act (CEQA), environmental assessment and cleanup, appraisals, market studies, syndication or financial consultants, architects (including sub-consultants for landscaping and civil engineering), feasibility studies, construction pre-development, surveying and engineering. The proposed development project will consist of the construction of an affordable housing and retail development consistent with the "Town Center" concept since the site is located at the intersection of two of the Del Paso Heights' main corridors, Grand and Marysville. The eventual development is envisioned to include 63 permanently affordable apartments for families and supportive housing for seniors. Site A (3801 Marysville Boulevard) is located on the north side of Grand Avenue and is projected at 47 units of affordable housing, 3,000 square feet of open space, and 3,000 square feet of community serving retail. Site B (3739 Marysville Boulevard) is located on the south side of Grand Avenue and is currently projected at 16 units of senior housing, 3,000 square feet of open space, and 1,200 square feet of community space. A site map is included as Attachment 3.

**Policy Considerations:** The recommendations in this report are in accordance with the state laws dissolving redevelopment agencies and specifying the obligations of successor agencies (AB 1x 26, AB 1484 and SB 107). The uses contemplated for the 3739 and 3801 Marysville Boulevard is in keeping with the goals of Del Paso Heights Redevelopment Plan, and the Implementation Plan.

**Economic Impacts:** Not applicable

**Environmental Considerations:** The actions proposed constitute steps in the predevelopment process relating to preliminary determination of feasibility for a proposed affordable housing project. No commitment to the eventual project has been made, and no commitment would occur until predevelopment activities, including CEQA review, as described above, have been completed. The actions requested are not considered a project under CEQA. The actions would create a funding mechanism that does not involve a commitment to any specific project. CEQA guidelines section 15378(b)(4).

**Sustainability:** This action is consistent with the City's Sustainability goals as it will facilitate the development of the infill areas of Del Paso Heights and promotes the development of Marysville Boulevard into a walkable pedestrian corridor.

**Commission/Committee Action:** On December 15, 2015, the Oversight Board approved the Long-Range Property Management Plan which included designation of the 3801 Marysville Boulevard property for retention by the City for future development. This Plan was approved by DOF on December 31, 2015. On January 25, 2016, the Oversight Board authorized RASA to implement the Plan.

**Rationale for Recommendation:** Since the purchase of the Properties by the Agency almost twenty years ago, they have been idle waiting for the opportunity for a new infusion of investment. The purchase of the Properties by the City is envisioned to lead to a public-private partnership and ultimate purchase and sale of the sites for the development of an affordable housing development project as currently being proposed by the SEED Corporation.

**Financial Considerations:** Pursuant to the requirements of the dissolution law, the City may purchase RASA properties based on their fair market value as of June 2011, if it reaches a compensation agreement with the taxing entities. The compensation agreement provides that each entity would receive its share of the sales proceeds at the same rate as their share of the property tax distribution, as determined by the County Auditor-Controller. 3801 Marysville Boulevard was included in a previous Compensation Agreement on August 3, 2017. The second property, 3739 Marysville is proposed to be purchased at current market value of \$100,000.

\$291,400 will be allocated from the Marysville Boulevard Investment Initiative Project (I02180700; Fund 3808) for the purchase of the properties. There are sufficient resources in the project with a \$75,400 transfer from the 2006 TARB DP Heights TA Fund (Fund 3809) available fund balance to make the purchase.

The forgivable loan for \$300,000 will be funded by the Forgivable Loan Program (I02180400, Fund 2031).

**Local Business Enterprise (LBE):** Not applicable.