

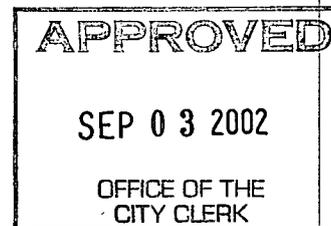


**Sacramento  
Housing &  
Redevelopment  
Agency**

August 21, 2002

5.1

Redevelopment Agency &  
City Council of the City of Sacramento  
Sacramento, California



Honorable Members in Session:

**SUBJECT: AUTHORIZATION TO PROCEED WITH ADOPTION OF PROPOSED 65<sup>th</sup> STREET REDEVELOPMENT PROJECT AREA AND AMENDMENT TO 2002 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.**

**LOCATION & COUNCIL DISTRICT** – District 3 & 6

**RECOMMENDATION**

Staff recommends adoption of the attached resolution, which authorizes the Executive Director or her designee to:

- initiate the plan adoption process for 65<sup>th</sup> Street and surrounding areas as a redevelopment project area;
- enter into contracts to hire consultants to assist with the plan adoption process for 65<sup>th</sup> Street and for the preparation of an Environmental Impact Report (EIR) for the proposed project area;
- appropriate \$250,000 from Community Development Block Grant (CDBG) capital reserve funds for the 65<sup>th</sup> Street plan adoption process; and
- amend the 2002 Agency budget accordingly to include the new CDBG appropriation referenced above.

**CONTACT PERSONS**

Lisa Bates, City Director of Community Development, 440-1316  
Sarah Hansen, Redevelopment Program Manager, 440-1399 x1415

**FOR COUNCIL MEETING OF** - September 3, 2002

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency &  
City Council  
August 21, 2002  
Page 2

### SUMMARY

In November 2001, City Council adopted a policy to guide the adoption and amendment of redevelopment areas within the City of Sacramento. As a follow up to Council direction, staff reviewed two areas for potential redevelopment adoption or amendment, the 65<sup>th</sup> Street / Folsom Blvd. (65<sup>th</sup> Street) area and the existing Army Depot Redevelopment Area. Based on this review, the Agency recommends initiating a redevelopment plan adoption process for the 65<sup>th</sup> Street corridor. Amendment of the existing Army Depot area is not recommended at this time.

This report recommends authorization to enter into contracts with consultants to assist with the adoption of a redevelopment area, and to prepare necessary environmental documentation. The consultant contracts and miscellaneous expenses including various fees have an estimated cost of \$250,000.

### COMMISSION ACTION

At its meeting of August 21, 2002, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Amundson, Burns, Burruss, Castello, Cespedes, Faust, Harland, Hoag,  
McCarty, Simon

NOES: None

ABSENT: None

### BACKGROUND

In November 2001, City Council adopted principles to guide the strategic use of redevelopment area designation as a tool for community revitalization. The principles are stated below:

- 1) The area's revitalization furthers the City's Strategic Plan, Economic Development Strategy, Smart Growth Policy and Infill Strategy;
- 2) Public sector intervention is necessary to address disinvestment in the area. It is not reasonable to anticipate that significant reinvestment in the area will occur as a result of the private sector acting alone;
- 3) Redevelopment is the necessary tool to spur reinvestment. This requires an understanding of the root causes of disinvestment and a determination that other tools alone cannot successfully turn the area around;
- 4) The area's primary needs are physical in nature (i.e. deterioration of buildings and infrastructure, irregular parcelization and structural obsolescence);

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency &

City Council

August 21, 2002

Page 3

- 5) The area's characteristics and proposed projects must meet all of the requirements in California Redevelopment Law;
- 6) There is a clearly articulated revitalization objective for the area and the area boundaries are limited to include only those areas critical to the realization of that defined objective;
- 7) Other financial resources can be committed to the area to stimulate activity in the early years following designation;
- 8) The area preferably meets blight tests established under Community Development Block Grant Program guidelines;
- 9) Projected tax increment generation from the area will support a successful redevelopment program;
- 10) Projections for tax increment are sufficient to cover redevelopment project expenses and administrative costs within five years of formation of the redevelopment area; and
- 11) A review of how an area's designation will impact the City's General Fund will be considered during the initial study phase for a new area.

At the time of the adoption of these principles, City Council asked Agency staff to return with an analysis of the potential adoption of the 65<sup>th</sup> Street area as well as the possible amendment of the Army Depot Redevelopment Area. Additionally, Council requested to review the potential addition of sections of R Street to the Downtown Redevelopment Area or CADA Plan Area. Currently CADA is working on legislation to add this section of R Street to the CADA Plan Area.

### 65<sup>TH</sup> & FOLSOM AREA

Agency staff has completed a preliminary evaluation of the potential to establish the area around 65<sup>th</sup> Street and Folsom Boulevard as a redevelopment area. Our preliminary analysis focused on identification of blight sufficient to justify further study of redevelopment designation and a very general estimation of the potential tax increment generation from the area. The area of study is bounded by Union Pacific Rail Line to the north and east, and 14<sup>th</sup> Avenue to the south. The western boundary follows 65<sup>th</sup> Street, capturing the proposed Transit Village Area north of Highway 50 (See Attachment I).

The preliminary study found that blight sufficient to qualify for redevelopment designation existed in four categories defined in California Redevelopment Law: unsafe and unhealthy buildings, reduced economic viability of buildings and lots, impaired investments and stagnant property values, and high vacancy rates and abandoned buildings. Attachment II provides a synopsis of these findings.

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency &

City Council

August 21, 2002

Page 4

### FISCAL ANALYSIS

A preliminary analysis was completed to determine whether sufficient tax increment revenues could be anticipated to support the redevelopment activities necessary for successful revitalization of the area. The preliminary analysis indicates that the proposed 65<sup>th</sup> Street area could generate a minimum of \$98 million in gross tax increment revenue over the 45-year duration of the Plan.

A portion of the tax increment, approximately \$33 million, will be distributed to the affected taxing agencies, leaving approximately \$65 million available for housing and non-housing redevelopment activities. This amount allows for a total bonding capacity of \$10.2 million. Of this amount, 20 percent will be used to develop and preserve housing for low and moderate-income housing.

### RECOMMENDATION

Based on the above information, staff is requesting authority to proceed with the process of adopting 65<sup>th</sup> Street as a redevelopment project area. The proposed adoption is consistent with the Council adopted guidelines referenced earlier in this report. The revenue indicates a modest tax increment flow over 45 years, which could be primarily oriented towards infrastructure improvements to support new and existing developments. The development of this area will have a citywide benefit, given its central location and proximity to California State University at Sacramento (CSUS), and meets the smart growth and infill policies and objectives approved by the Council. If this area is adopted as a redevelopment area, the redevelopment program would contribute to City initiatives to encourage transit-oriented development, improve traffic circulation, bring new affordable housing development to the area and address incompatible uses.

Staff has held several meetings with City Planning and Economic Development staff, and various land owners in the area including staff from Sacramento Municipal Utilities District (SMUD), CSUS and Regional Transit (RT). All have been supportive of the proposed plan adoption. If approved, the approximate timeline for plan adoption is as follows:

- September 2002 – obtain City Council approval to initiate plan adoption and environmental review procedures and authorize funding to enter into contracts with consultants to assist with the process.
- September/October 2002 – hire and begin working with consultants on the plan adoption and environmental review process.
- October 2002 through May 2003 – present various reports to City Planning Commission, Sacramento Housing and Redevelopment Commission and the Redevelopment Agency/City Council for plan adoption; hold several mandatory community meetings about redevelopment designation.
- June 2003 – adopt 65<sup>th</sup> Street as redevelopment area.

## SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency &  
City Council  
August 21, 2002  
Page 5

To accomplish the proposed plan adoption, staff is also seeking authorization to enter into contracts for assistance in the preparation of an Environmental Impact Report (EIR) and the administration of the redevelopment adoption process.

### **ARMY DEPOT**

Agency staff also considered the possible expansion or readoption of the Army Depot Redevelopment Area to increase the tax increment flow, which was severely impacted by the departure of Packard Bell and subsequent lease of the Army Depot to a single developer. This analysis concluded that by terminating the existing area and readopting a larger area, which includes some adjacent residential neighborhoods, the net tax increment after pass thru payments to taxing entities could increase from \$24 million to \$91 million over 45 years. The impact on total bonding capacity is anticipated to increase from \$6 million to \$18 million with the timing of the first potential bond of \$4 million moving up from 2015 to 2007.

Even with the tax increment and bonding increases noted above, staff does not recommend a change to the current Army Depot Redevelopment Area at this time. The Army Depot area and adjacent Granite Park area benefited significantly from concerted economic development efforts to bring commercial activity to the area. There is no evidence at this time that redevelopment tools are necessary to support private investment in the area. In addition, the financial challenges currently facing both the City and County argue against increasing the long term commitment of local revenues to the Army Depot area.

### **FINANCIAL CONSIDERATIONS**

The attached resolution authorizes the amendment of the Agency budget to reflect the reprogramming of \$250,000 from 2002 CDBG capital reserves for the 65<sup>th</sup> and Folsom Redevelopment Plan Adoption. Future tax increment will be used to reimburse these CDBG funds.

### **POLICY CONSIDERATIONS**

This action is consistent with Agency policy to assist blighted and deteriorating areas.

### **ENVIRONMENTAL REVIEW**

The proposed action does not constitute a project under CEQA per Guidelines Section 15378 (b)(3). Use of CDBG funds for planning purposes is exempt from further environmental review under NEPA requirements per 24CFR Part 58.34 (a)(1). An Environmental Impact Report will be prepared for adoption of the redevelopment plan.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

Redevelopment Agency &  
City Council  
August 21, 2002  
Page 6

**M/WBE CONSIDERATIONS**

The Agency's M/WBE policy will be implemented to the extent that it is required by funding sources, if any such funding sources so require.

**SBE CONSIDERATIONS**

The Agency's Small Business Enterprises policy shall be followed, where applicable.

Respectfully submitted,

  
for ANNE M. MOORE  
Executive Director

Transmittal approved,



ROBERT P. THOMAS  
City Manager

**APPROVED**  
SEP 03 2002  
OFFICE OF THE  
CITY CLERK

**RESOLUTION NO. 2002-593**

**ADOPTED BY THE SACRAMENTO CITY COUNCIL**

ON DATE OF

**AUTHORIZATION TO PROCEED WITH ADOPTION OF PROPOSED 65<sup>th</sup> STREET REDEVELOPMENT PROJECT AREA AND AMENDMENT TO 2002 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

Section 1. The Executive Director or her designee is authorized to proceed with the adoption of the 65<sup>th</sup> Street corridor as a redevelopment project area;

Section 2: The Executive Director or her designee is authorized to enter into all contracts related to the plan adoption process of a redevelopment project area for the 65<sup>th</sup> Street corridor and for the preparation of an Environmental Impact Report for the area;

Section 3: A public hearing having been held, the Executive Director or her designee is authorized to amend the 2002 CDBG Action Plan to loan \$250,000 from the capital reserve allocation to the plan adoption process; and

Section 4: The Executive Director or her designee is authorized to amend the 2002 CDBG and Agency budgets accordingly.

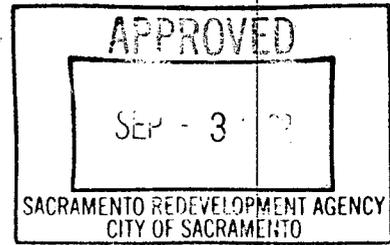
\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_  
DATE ADOPTED: \_\_\_\_\_



**RESOLUTION NO. 2002-036**

**ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO**

ON DATE OF

**AUTHORIZATION TO PROCEED WITH ADOPTION OF PROPOSED 65<sup>th</sup> STREET REDEVELOPMENT PROJECT AREA AND AMENDMENT TO 2002 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1: The Redevelopment Agency is authorized to proceed with the adoption of the 65<sup>th</sup> Street corridor as a redevelopment project area;

Section 2: The Redevelopment Agency is authorized to enter into contracts related to the plan adoption process of a redevelopment project area for the 65<sup>th</sup> Street corridor and for the preparation of an Environmental Impact Report for the area;

Section 3: A public hearing having been held, the Redevelopment Agency is authorized to amend the 2002 CDBG Action Plan and loan \$250,000 from the capital reserve allocation to the plan adoption process; and

Section 4: The Redevelopment Agency is authorized to amend the 2002 CDBG and Agency budgets accordingly.

\_\_\_\_\_  
CHAIR

ATTEST:

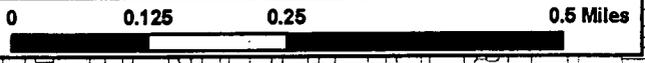
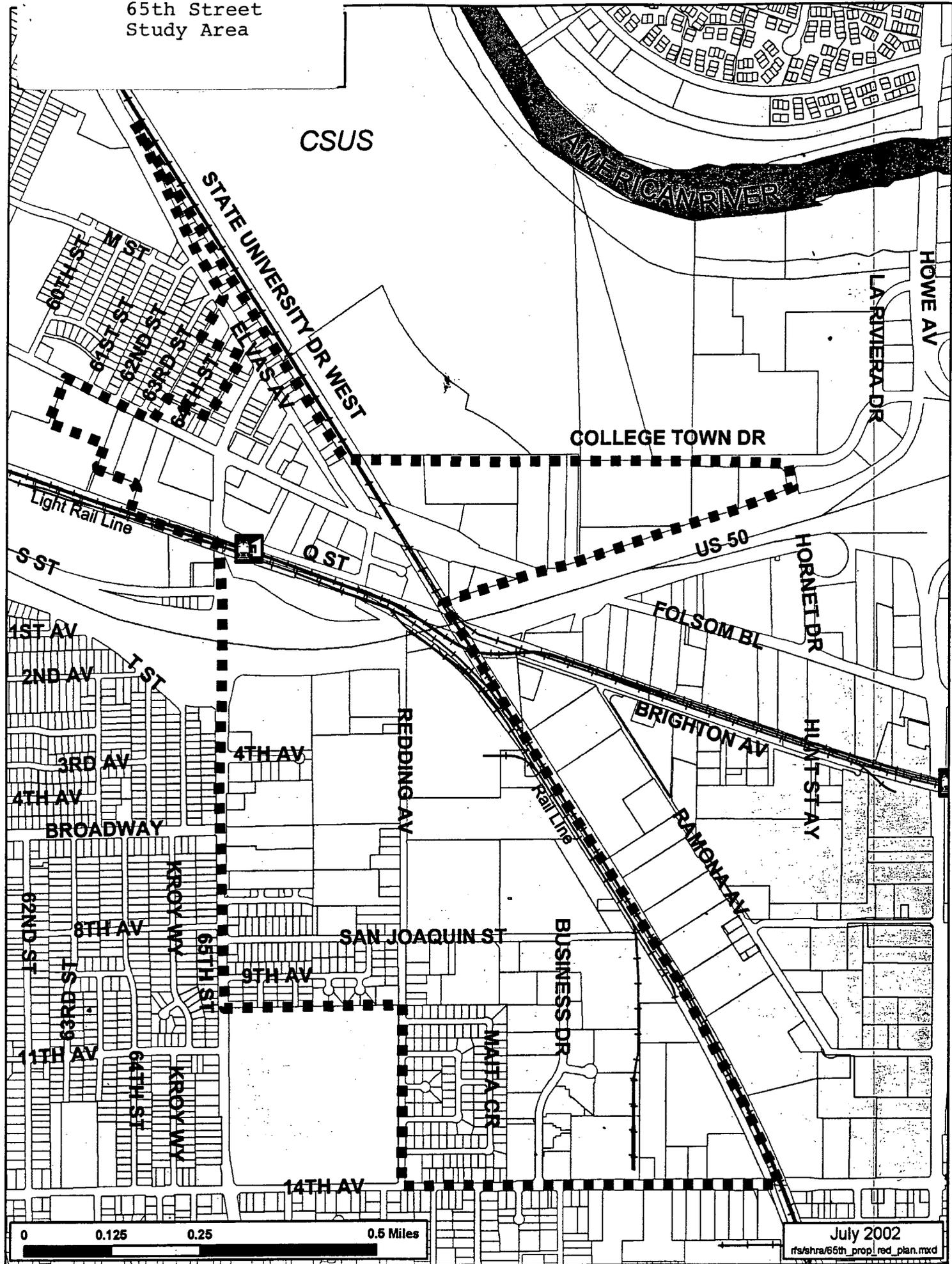
\_\_\_\_\_  
SECRETARY

\_\_\_\_\_  
**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

65th Street Study Area



July 2002  
rfs/shra/65th\_prop\_red\_plan.mxd

*The following is a synopsis of the Preliminary Blight Analysis for 65<sup>th</sup> Street which was prepared for the Sacramento Housing and Redevelopment Agency by Rosenow Spevacek Group Inc. (RSG) on July 2, 2001.*

## **PRELIMINARY BLIGHT ANALYSIS**

The California Community Redevelopment Law, Health and Safety Code Section 33000 *et seq.*, ("Law") requires that properties may be included in a redevelopment project area if they are blighted, or necessary for the effective redevelopment of the project area. The Study Area includes both of these types of properties.

Blighted properties are those that meet the specific definition of serious physical and economic conditions as delineated in the Law. These conditions include the following:

- Unsafe or Unhealthy Buildings
- Factors Hindering the Economically Viable Use of Buildings or Lots
- Incompatible Uses
- Lots of Irregular Shape, Form, and Size under Mixed Ownership
- Depreciated Values and Impaired Investments
- Excessive Vacant Lots, Business Turnovers, or Low Lease Rates
- Lack of Neighborhood Commercial Facilities
- Residential Overcrowding
- Excess Concentration of Adult-Oriented Businesses
- High Crime Rates

In June 2001, RSG staff conducted a windshield tour of the Study Area to identify physical and economic blighting conditions. This survey and included information on property values, hazardous contamination, vacancy rates, and other physical and economic conditions.

Below is RSG's preliminary blight findings.

### **Unsafe/Unhealthy Buildings**

Deterioration is the chief causes of unsafe and unhealthy buildings in the Study Area. RSG noted several weathered structures, with little or no evidence of maintenance and repairs. Examples of these structures include older industrial buildings along Elvas Avenue, 65<sup>th</sup> Street, San Joaquin Street, and Redding Avenue. On 65<sup>th</sup> Street, between

Fourth Avenue and Manassero Way, approximately three retail and residential buildings were in significant decay.

Most of the buildings that were considered potentially unsafe or unhealthy suffered from deferred maintenance. For example, unpainted plywood sheets were hung to patch damaged siding on a building on the corner of Manassero Way and 65<sup>th</sup> Street. In the immediate area, other structures had rusted corrugated metal roofs and rotting wood siding.

Other parts of the Study Area showed minor deterioration, including commercial buildings along 14<sup>th</sup> Avenue, Folsom Boulevard, Q Street, and 65<sup>th</sup> Street. The extent of these conditions appeared to be more aesthetic rather than structural, thus it is questionable whether these conditions could be considered unsafe or unhealthy.

Initiating redevelopment in the Study Area would provide the Agency the legal and financial tools to rehabilitate or reconstruct these deteriorated or unsafe buildings.

### **Factors Hindering the Economically Viable Use of Buildings or Lots**

To meet this condition of blight, a commercial property must have some type of serious physical design flaw (lack of parking, inadequate size) that can be demonstrated to affect the viable use of the property. These criteria can be difficult to achieve, since landlords typically lower rents to entice businesses into a substandard location rather than leaving the space idle. While this may be sufficient in the short term by showing higher occupancy rates, lower rents diminish the resources owners have available to reinvest in capital improvements.

One area where this blighting condition is evident is the west side of Elvas Avenue, where retail and industrial lots are a shallow 125 feet deep. By today's standards, commercial lots tend to average at least 250 feet deep, so the 125-foot depth along Elvas Avenue is extraordinarily shallow by comparison. As a result of the shallow lots, many of the commercial buildings abut the property line and do not have sufficient space for off-street parking and onsite storage. Additionally, the mix of industrial warehousing, outdoor storage and production, and retail uses on these small lots detracts from the character of the area.

However, most of these buildings were occupied, suggesting that either the lot size issue is not a serious problem, or owners are discounting lease rates to attract users to this relatively substandard location. (Based on County Assessor records, RSG estimates that 80% of the parcels in this area are renter-occupied.) Though RSG was not able to more thoroughly analyze market rents in this area, there are signs that rental rates may not be sufficient to meet property owner needs. Many of the buildings along Elvas Avenue were in fair to poor physical condition, with dated design, minor deterioration, and little screening to adjacent uses and the public right of way.

### **Impaired Investments/Stagnant Property Values**

RSG's initial analysis of the Study Area indicated a significant concentration of impaired investments due to hazardous contamination in the Study Area. According to a June 2001 inventory of contaminated sites from VISTA Information Systems, the Study Area contains 2 sites, which the Environmental Protection Agency is investigating for possible Superfund classification, and 24 sites with leaking underground storage tanks. The specific locations of these contaminated sites are listed below:

- 1 Possible Superfund Site – Folsom Boulevard
- 1 Possible Superfund Site – 59<sup>th</sup> and S Streets
- 6 Leaking Underground Storage Tanks – Folsom Boulevard, between 59<sup>th</sup> Street and Elvas Avenue
- 6 Leaking Underground Storage Tanks – 65<sup>th</sup> Street, between Q Street and Broadway
- 5 Leaking Underground Storage Tanks – Redding Avenue, between Highway 50 and San Joaquin Street
- 3 Leaking Underground Storage Tanks – Elvas Avenue, between J and M Streets
- 2 Leaking Underground Storage Tanks – San Joaquin Street, between Redding Avenue and the Southern Pacific Railroad right-of-way
- 2 Leaking Underground Storage Tanks – S Street, between 59<sup>th</sup> and 65<sup>th</sup> Streets

While further investigation of these 26 separate sites may indicate that some may be in the process of remediation, this concentration of contaminated properties shows a continuing and widespread problem in the Study Area. Contamination cleanup costs can stop redevelopment efforts unless there are financial incentives to make such projects feasible. Another constraint to redeveloping contaminated properties is the risk of taking title, because federal law (Comprehensive Environmental Response, Cleanup and Liability Act of 1980) assigns liability for contamination to any property owner or operator, regardless of fault.

Inclusion of these properties in a redevelopment project area would provide the Agency with the financial tools, as well as the unique legal authorities under the Polanco Act, to facilitate remediation efforts. The Polanco Act allows redevelopment agencies to assume a more active role in site investigation and cleanup, and provides for the assignment of immunity after cleanup is complete.

### **High Vacancy Rates and Abandoned Buildings**

The Study Area contains several vacant and abandoned buildings, including commercial properties on Folsom Boulevard near the Highway 50 overpass, 65<sup>th</sup> Street south of 4<sup>th</sup> Avenue, and Q Street. Relative to other retail and industrial commercial properties in the greater area, vacant buildings are in higher concentrations in the Study Area. According

to the first quarter 2001 real estate analysis by CB Richard Ellis, retail and standard industrial vacancy rates average 6.1% and 7.1%, respectively in the greater Sacramento area. RSG estimates that the Study Area vacancy rates are double the regional average.

**Other Blighting Conditions**

This study did not make any conclusive determinations regarding other conditions of blight in the Study Area. As a part of a comprehensive plan adoption effort, further analysis may identify additional blighting conditions, such as high crime rates, depreciating property values, and high turnover rates in the Study Area.