



December 5, 2001

5.1



Redevelopment Agency of the  
City of Sacramento  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** REDEVELOPMENT OF 2001 AND 2089 ACOMA STREET

**LOCATION & COUNCIL DISTRICT:** District 2

**RECOMMENDATION**

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

- execute an Owner Participation Agreement and related loan documents with McCuen Acoma Street Investors, LLP for the rehabilitation of 2001 Acoma Street and the construction of a parking lot at 2089 Acoma Street;
- transfer \$50,000 from the Special Planning District Implementation project (North Sacramento capital projects), \$350,000 from the Development Assistance Project (99 North Sacramento CIRB'S) and \$75,000 from City Community Development Block Grant's Exterior Rebate Program to the Acoma Street project; and
- Upon completion of project allocate up to \$50,000 in tax increment funds generated by the project annually for five years to McCuen Acoma Street Investors, LLP. This reimbursement is contingent upon actual property taxes paid by developer and receipt and verification of said payment to the County of Sacramento.

**CONTACT PERSONS**

Lisa Bates, Director, City Community Development, 440-1357  
Leslie Fritzsche, Management Analyst, Development Services, 440-1301

**FOR COUNCIL MEETING OF:** December 18, 2001

**SUMMARY**

This report recommends approval of an Owner Participation Agreement (OPA) with McCuen Acoma Street Investors, LLP ("Developer") and related loan documents for the rehabilitation of 2001 Acoma Street for offices and a child care center and the new construction of a public

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parking area at 2089 Acoma Street. The OPA, on file with the Agency Clerk, includes a forgivable loan of \$400,000 and an annual allocation of up to \$50,000 in tax increment generated by the project for five years from completion of project. An exterior rebate grant of \$75,000 is also proposed for the project. This investment represents approximately six percent of the project's development budget.

### **UPTOWN COMMUNITY DEVELOPMENT CORPORATION ACTION**

At its meeting of June 28, 2001, the Redevelopment Committee of the Uptown Community Development Corporation adopted a motion recommending approval of the project and the proposed Agency financing. The votes were as follows:

AYES: Bergstrom, Giles, Marcus, Warfield  
NOES: None  
ABSENT: Thielan

### **COMMISSION ACTION**

At its meeting of December 18, 2001, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Amundson, Burns, Castello, Cespedes, Faust, Graham, Harland, Hoag,  
McCarty, Newsome  
NOES: None  
ABSENT: Simon

### **BACKGROUND**

The proposed project site contains two addresses, 2001 and 2089 Acoma Street, and is located at the southern gateway to the North Sacramento Redevelopment Project Area (see Site Map included as Attachment I). The 4.35-acre site numbered 2001 Acoma Street is currently owned by Blue Diamond Growers but will be sold to McCuen Acoma Street Investors, LLP (Developer) to accomplish this development. The site contains an approximately 95,000 square foot building that is currently used for seasonal storage of almonds. The second address numbered 2089 Acoma Street is currently owned by Mr. Gavin Wilson, and was once the home of Empire Recycling. The recycling operation has been officially closed for 5 years, and the 2.45-acre site contains a largely vacant 12,000 square foot wood and tin building. Blue Diamond Growers has executed a 34-year lease for the property with an option to purchase after ten years. This lease will be assumed by McCuen Acoma Street Investors, LLP.

The project envisions the transformation of this underutilized warehouse into finished commercial office space. The proposed tenant for the space is the Sacramento Employment and

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Training Agency (SETA). They will use approximately 70,000 square feet for administrative offices, and an additional 7,500 square feet for a Headstart childcare facility. The Headstart facility will have childcare slots for an estimated 80 children and 16 infant/toddler in a new program called Early Headstart. The childcare slots will be open to the public and will be a replacement and expansion of an existing Headstart on Traction Avenue, which has closed because the building was sold. The Traction center only had 60 childcare slots. The County will lease the remaining portion of the building, approximately 17,500 square feet.

Because of the tenant's and Del Paso Boulevard parking needs, the additional property at 2089 Acoma is included within the project's scope. The Developer has secured a long-term lease for this site and will clear the site of existing dilapidated structures and build a new parking lot. The combined sites will provide 380 parking spaces. Construction on the project is expected to begin in December 2001 and be completed by November 2002. A rendering and site plan of the proposed project is included as Attachment II and Attachment III.

The project presents an opportunity to keep SETA and its approximately 280 employees on the Del Paso Boulevard corridor. SETA is a joint powers agency serving both the City and County of Sacramento. They administer the Workforce Investment Act program, Sacramento County Headstart Program, Community Services Block Grant program, Refugee Resettlement program, and the employment and training component of the California Work Opportunity and Responsibility for Kids Act (CalWORKS) program. This will be an expansion for SETA, because it currently occupies 52,000 square feet on the Boulevard, which will be vacated.

The total project will cost approximately \$11,751,767. (The sources and uses are outlined below in the Financial Considerations section). The proposed Agency assistance to the project would be in the form of an exterior rebate of \$75,000 for the building improvements. A \$400,000 forgivable loan is proposed to assist in the development of the additional parking area. This parking area will be available for off-hours parking and can serve the parking needs generated by the Second Saturday and Phantom Gallery attendees. On-site security will be provided by the Developer for the Second Saturday events. The Developer and tenant are in discussions about using the lobby space for the display of public art, furthering the North Sacramento arts theme.

McCuen Properties, the general partner of McCuen Acoma Street Investors LLP will be the property manager for the site when it is completed. McCuen Properties has been active in Sacramento real estate development since 1980. Its commercial real estate projects include several large acreage business parks with approximately one hundred offices and light manufacturing buildings. Examples of projects completed by McCuen include the Money Store, Library Plaza, U.S. Bank Plaza, and the reuse of Mather Air Force Base.

Prior to development of the property, the project is expected to receive a Mitigated Negative Declaration from the City of Sacramento Planning Department. The subject properties are currently zoned M-1 SPD and are proposed to become C-2. In addition a special permit will be

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required for the child care facility and for exceeding 35% office in an M-1 zone. The proposed project exceeds the City requirements for parking requiring a special permit as well. The Committee has already reviewed and is in support of the preliminary designs for the project.

**FINANCIAL CONSIDERATIONS**

The proposed Agency assistance to the project will be in the form of an exterior rebate grant of \$75,000 for the building improvements. The proposed \$400,000 forgivable loan would be used for the development of the adjacent parking area. Staff is also recommending the contribution of up to \$50,000 in annual tax increment funds generated by the project be provided to the Developer as reimbursement of actual property taxes paid to the County of Sacramento after project completion. This would be a five-year commitment. These funds are recommended to make the project economically feasible.

Agency staff will also be coordinating with the City’s Economic Development staff on the provision of Regional Sanitation Sewer Fee Credits for this project.

The proposed project sources and uses are as follows:

<u>Sources</u>			<u>Uses</u>	
McCuen/Private Lender	\$11,276,767	96%	Acquisition	\$2,000,000
N. Sacramento Capital Improvement Revenue Bond	\$350,000	3%	Building Renovation	\$6,043,169
CDBG-Exterior Rebate	\$75,000	0.06%	Environmental Permits	\$130,000
North Sac. TI – Special Planning District Implementation	\$50,000	0.04%	Parking Lot Construction	\$416,831
			Financing Interest/Fees	\$736,761
			Construction Management	\$358,575
			Professional Fees	\$863,331
			Design Services	\$288,000
			Art in Public Places	\$129,000
			Annual Ground Lease	\$47,600
			Project Contingency	\$343,500
			Title/Legal	65,000
<b>Total</b>	<b>\$11,751,767</b>	<b>100.0%</b>	<b>Total</b>	<b>\$11,751,767</b>

The tax-exempt bond funds and the Special Planning District Implementation funds are proposed to be a forgivable loan. The Agency’s loan would be structured in the following manner: if borrower utilizes the space in accordance with the OPA for five years, twenty percent of the principal amount would be forgiven by the Agency each year. The loan will be secured by a deed of trust on the property.

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### POLICY CONSIDERATIONS

The proposed action is in furtherance of the North Sacramento Redevelopment Plan and conforms to the Del Paso Boulevard Special Planning District. The renovation of an industrial use into a commercial use comports with the North Sacramento Implementation Plan (approved in March 2000) to revitalize the corridor as a commercial thoroughfare. The project will address the blighting conditions found in the redevelopment by placing a major property back into active service. The demolition of the dilapidated 2089 Acoma Street structures will further eliminate blight. The entire project will provide an economic stimulus and promote new reinvestment within the Del Paso corridor. Because of the large amount of leverage, the Owner Participation Agreement does not require a good faith deposit by McCuen Acoma Street Investors, LLP.

### ENVIRONMENTAL REVIEW

Approval of the OPA is in furtherance of the North Sacramento Redevelopment Plan. Per CEQA Guidelines Sections 15180, 15162, and 15163, actions to encourage redevelopment in a redevelopment area were deemed approved at the time of adoption of the redevelopment plan. Office use of this site was an action identified for future consideration in the DA and DDA for the Blue Diamond Growers Improvement Project, approved with a negative declaration in 1995. Furthermore, approval of the OPA does not commit the Agency to a definite course of action since it is expressly made contingent upon CEQA compliance prior to approval of City entitlements per Agency and City environmental procedures (Stand Tall on Principles v. Shasta Union High School (3d Dist. 1991) 235 Cal.App.3d 772 [1Cal.Rptr.2d 107]).

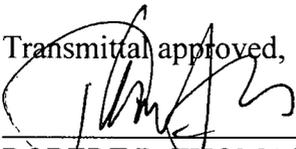
### M/WBE CONSIDERATIONS

M/WBE will be applicable to the federally funded exterior rebate portion of this project.

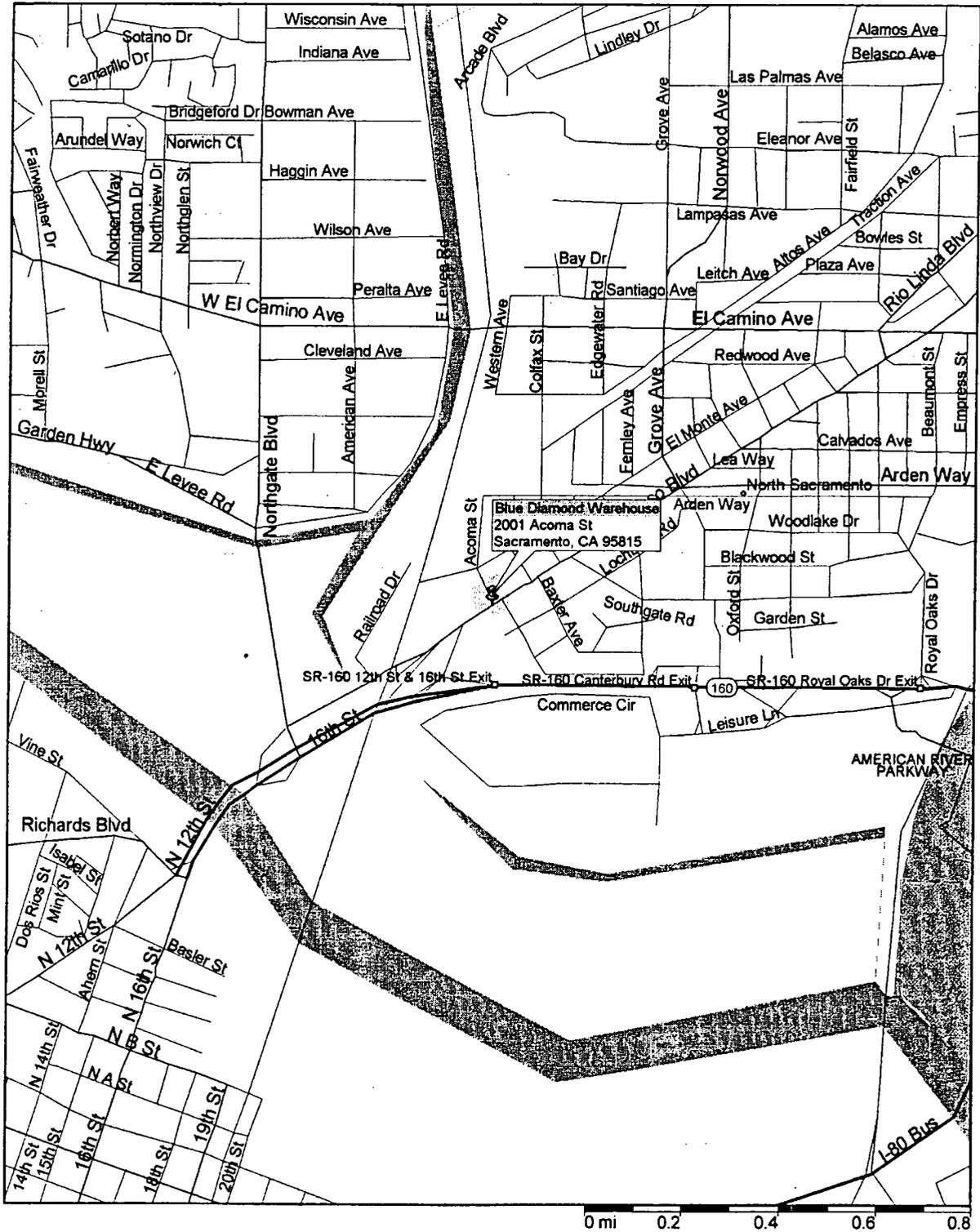
Respectfully submitted,

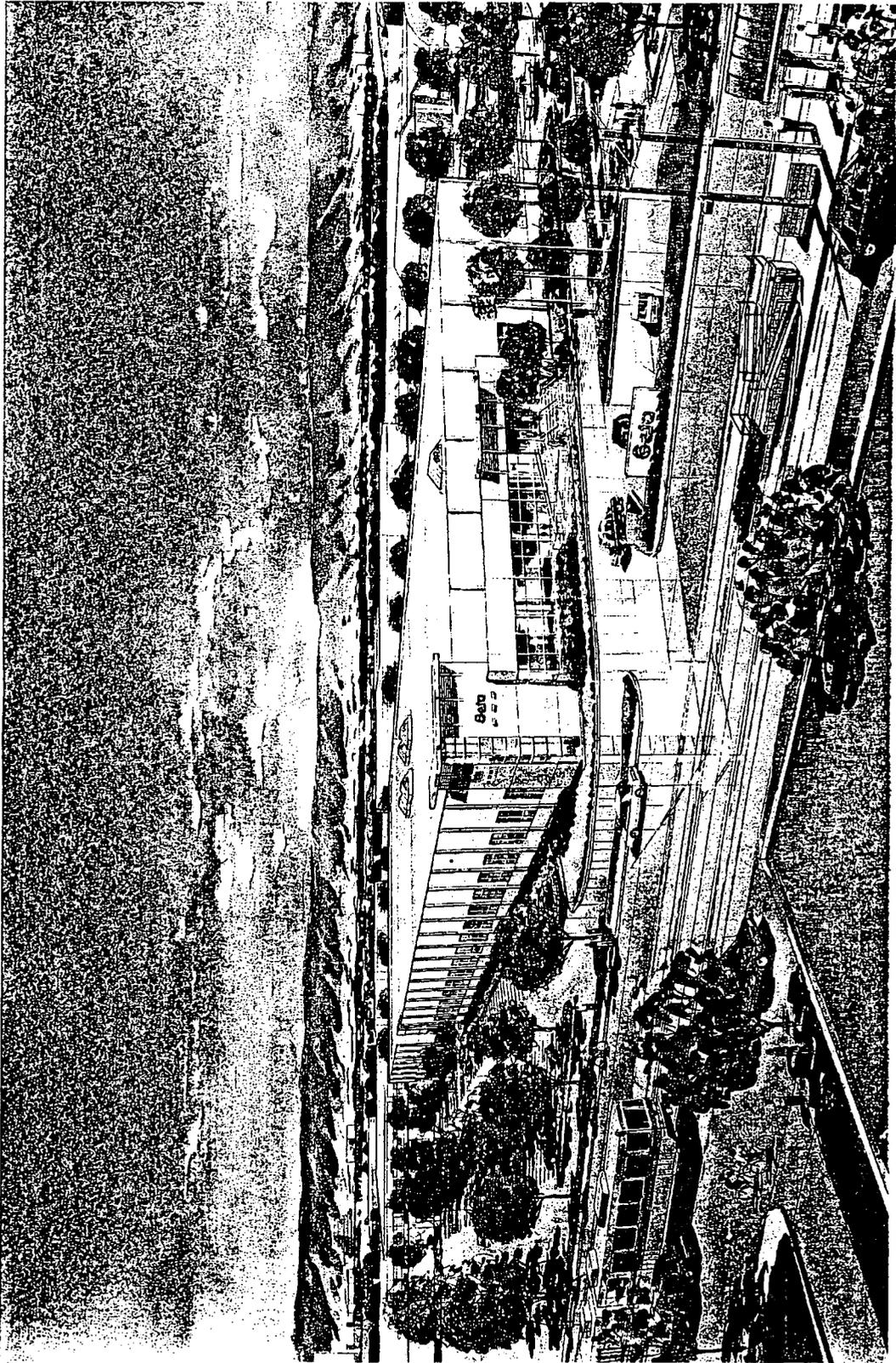
  
ANNE M. MOORE  
Executive Director

Transmittal approved,

  
ROBERT P. THOMAS  
City Manager

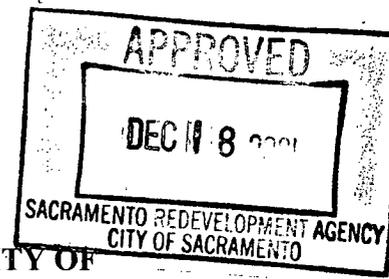
### Site Location







RA-RESOLUTION NO. 2001-065



ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

**NORTH SACRAMENTO REDEVELOPMENT AREA: AUTHORIZATION FOR EXECUTION OF AN OWNER PARTICIPATION AGREEMENT WITH McCUEN ACOMA STREET INVESTORS, LLP REGARDING 2001-89 ACOMA STREET**

WHEREAS, the Redevelopment Agency of the City of Sacramento ("Agency") has adopted the North Sacramento Redevelopment Plan ("Redevelopment Plan") and an "Implementation Plan" for the North Sacramento Project Area ("Project Area");

WHEREAS, the Agency and the McCuen Acoma Street Investors, LLP (also known as the "Developer") desire to enter into an Owner Participation Agreement, a copy of which accompanies this resolution and is on file with the Agency Clerk, which OPA would require improvements to 2001-2089 Acoma Street ("Property"), as further described in the OPA (collectively, "Project").

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

Section 1. The Project will assist in the elimination of blight in that it will remove buildings with serious code violations, dilapidation and deterioration, defective design and physical construction; and depreciated property values. The Project is consistent with the goals and objectives of the Redevelopment Plan and the Implementation Plan. A goal of the Redevelopment Plan, as stated in the Implementation Plan, is to concentrate resources on specific catalyst sites that have the greatest potential to provide long-term sustainable economic development; promote orderly transition of land uses from underutilized buildings to new commercial uses; and increases private investment through public/private partnerships.

The OPA shall be deemed an implementing document approved in furtherance of the Redevelopment Plan, the Implementation Plan for the Project Area and all applicable land use plan, studies, and strategies.

Section 2. The OPA is approved and the Executive Director is authorized to execute the OPA with the Developer to take such actions, execute such instruments, and

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

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

amend the budget as may be necessary to effectuate, implement and enforce this resolution and the OPA.

Section 3. The Executive Director or her designee is authorized to transfer \$50,000 from the Special Planning District Implementation project (North Sacramento Capital Projects), \$350,000 from the Development Assistance project (99 North Sacramento CIRBS) and \$75,000 from City Community Development Block Grant's Exterior Rebate Program to the Acoma Street project; and to allocate up to \$50,000 in tax increment funds generated by the project annually for five years to McCuen Acoma Street Investors after completion of project.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

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