



May 20, 1998

Redevelopment Agency
of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT ESTABLISHING JUST COMPENSATION AND
AUTHORIZING ALL ACTIONS NECESSARY TO ACQUIRE
3701 MARYSVILLE BLVD. (APN 251-122-011 & 012)

LOCATION Del Paso Heights Redevelopment Area, District 2

RECOMMENDATION

Staff recommends adoption of the attached resolution which:

- establishes just compensation for 3701 Marysville Boulevard;
- authorizes the Executive Director to take all actions necessary to purchase and manage the property;
- authorizes the Executive Director to negotiate and enter into leases with existing and/or future tenants;
- approves the transfer of \$161,200 from Del Paso Heights Developer Assistance for 3701 Marysville Boulevard acquisition.

FOR COUNCIL MEETING OF: May 26, 1998

SUMMARY

This report requests authorization to acquire 3701 Marysville Boulevard (a voluntary sale) and implement property management controls including entering into leases and contracting for property management services. The report further authorizes funding acquisition, code repairs, security devices and arrangements, facade improvements and maintenance reserves.

APPROVED
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AGENCY

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DEL PASO HEIGHTS RAC ACTION

At its regular meeting of May 14, 1998, the Redevelopment Advisory Committee (RAC) of Del Paso Heights did not have a quorum present for consideration of this item. Therefore, the RAC did not take any action. However, six of the individuals present expressed support of Staff's recommendations with the following additions:

- 1) Increase the project budget from \$141,200 to \$161,200 in order to provide security services to the project on an "as needed" basis. These additional funds (\$20,000) are to be reserved solely for security purposes.
- 2) Any additional or extraordinary operational expenses shall be from sources other than Del Paso Heights tax increments.

The votes were as follows:

AYES: Echols, Mack, Perlberger, Short, Smith, Whitaker

NOES: Olivares

NOT PRESENT TO VOTE: Ahkiong

ABSENT: Barnes, Bolden, Loree, Moore, Velez-Balay, Vue

COMMISSION ACTION

At its meeting of May 20, 1998, it is anticipated that the Sacramento Housing and Redevelopment Commission will recommend approval of the attached resolutions. In the event they fail to do so, you will be advised prior to your May 26, 1998 meeting.

BACKGROUND

The subject property is located at the corner of Marysville Boulevard and Roanoak Avenue in the heart of Del Paso Heights' commercial district (see map - Attachment I). The site is approximately 7,000 square feet and contains a single 4,400 square foot structure. The building is in below average condition and is in need of basic repairs (see Attachment II). Current tenants include the following: John's Liquors, Rise Record Store, East Coast Fashions and Dody's Beauty Supply.

For over ten years this site has been the center of social nuisance activities. Community complaints and police records include noise, public inebriation, drug dealing and use,

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assaults and shootings. This led to the temporary closing of the adjacent Balsam Street in 1993 to eliminate drive through traffic associated with drug dealing, extensive police activity and sting operations. The State Alcohol Beverage and Control (ABC) is currently taking action to revoke the liquor license for John's Liquors following a sting operation. That action is, however, is under appeal. ABC has informed staff that the appeal process will take approximately six to eight months to resolve.

In May 1997 the Agency received a letter from Mr. Darrell Perry, acting as executor on behalf of the property owner(s), Norm Dewnsup Estate, offering the property for sale to the Agency for \$80,000. Staff analyzed comparable sales in the area and has determined this is fair market value for the property. The Agency entered into an option agreement (expiring June 30, 1998) to purchase the property, subject to City Council approval. Prior to any Council action staff has confirmed the short- and long-term public purpose and interest in the purchase, completed fiscal due diligence and sought community input.

Clearly the most critical issue related to our recommendation to purchase the property is that of the public purpose. After much deliberation and legal consultation, staff believes that over the short term aggressive property management will improve the conditions at the site. The seller has warranted that there are no existing leases and that tenants are renting on a month to month basis. Upon acquisition staff will negotiate new leases with reasonable but strict and enforceable tenant provisions. A private sector commercial property manager with a fair but aggressive management plan will be hired to manage the property on a fee basis. Existing tenants will be allowed to remain providing they abide by the terms of their lease. Staff has also been in consultation with the police sector captain to open a temporary police field office in a portion of the existing space.

Long term opportunities could include a more comprehensive redevelopment of the subject site and adjacent sites. The site is identified as a key redevelopment opportunity site under a recently completed Urban Design Plan for the Marysville Boulevard commercial corridor. Agency ownership of the site will ensure its availability for future development. Several private concerns have expressed preliminary interest in the site and have a continuing dialog with staff. Existing tenants may also be included in long term development plans for the site or provided with relocation benefits.

Staff has completed due diligence to support its recommendations. A construction budget is included as Attachment II, mandatory code and health and safety items are noted on Attachment III and an operational proforma based on current lease revenues is included as Attachment IV. Other actions which are in process include a Phase I toxics report and an evaluation of property management firms.

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To summarize, Agency staff is prepared to assume responsibility for the subject property and become the "good neighbor" and effective landlord which the community desires. Listed below are the tools which will make the difference:

- written, enforceable leases
- hiring a commercial property management firm
- provision of an on-site police field office or other security arrangements
- removal of pay phone
- installation of additional lighting
- immediate attention to repairs as well as on-going maintenance

Community Participation

The proposed project has been noticed for five public meetings as noted below. Public comment, as of the this writing, has been generally supportive of the Agency's role and recommendation.

- Del Paso Heights Economic Development Subcommittee April 28, 1998
- Grant High School Advisory Board May 5, 1998
- Del Paso Heights Redevelopment Advisory Committee May 14, 1998
- Sacramento Housing & Redevelopment Commission May 20, 1998
- Redevelopment Agency May 26, 1998

FINANCIAL DATA

The proposed budget to acquire, make one time improvements and provide a replacement reserve for the first year is set forth below.

Project Development

Acquisition	\$80,000
Escrow Fees	2,000
Property Repairs/Tenant Improvements	47,600
Construction Contingency	7,400
Replacement Reserve	3,000
Code Items	1,200
Security	20,000
TOTAL PROJECT COST	<u>\$161,200</u>

Source of Funds

DPH Tax Increment (Developer Assistance)	<u>\$161,200</u>
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The "Cash Flow Statement" (Attachment III) demonstrates that lease payments will cover the cost of management and operations with any balance of cash flow supporting replacement and operational reserves.

POLICY CONSIDERATIONS

The action recommended in this report is consistent with the Del Paso Heights Redevelopment Plan due to the removal of blight; the Del Paso Heights Implementation Plan, as a precursor to developer assistance for future catalyst project; and the Marysville Urban Design Plan, wherein the Agency acquires and assembles parcels for future catalyst projects. No policy changes are recommended.

ENVIRONMENTAL REVIEW

The proposed actions authorized in this report are in furtherance of the Del Paso Heights Redevelopment Plan, as amended. Per CEQA Guidelines Sections 15180, 15162 and 15163, acquisition of parcels to eliminate blight in a redevelopment area were deemed approved at the time of adoption of the redevelopment plan. No further environmental documentation is required at this time. NEPA does not apply.

M/WBE CONSIDERATIONS

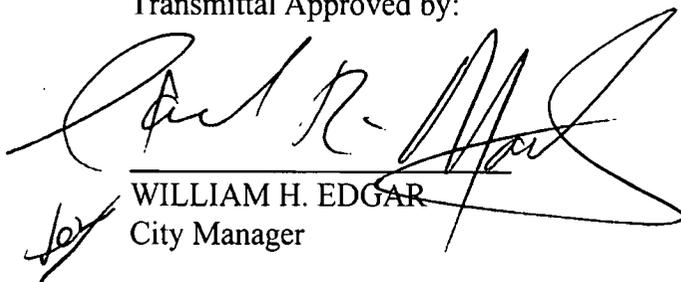
There are no M/WBE considerations associated with this action.

Respectfully submitted by:



ANNE M. MOORE
Acting Executive Director

Transmittal Approved by:



WILLIAM H. EDGAR
City Manager