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APPROVED
BY THE CITY COUNCIL
APR 28 1998
OFFICE OF THE
CITY CLERK

NEIGHBORHOOD SERVICES
DEPARTMENT

CITY OF SACRAMENTO
CALIFORNIA

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April 24, 1998

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City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: CHICORY BEND ACQUISITION - REQUEST FOR COUNCIL SUPPORT AND DIRECTION ON FUNDING PREFERENCES

LOCATION AND COUNCIL DISTRICT: East Bank of the Sacramento River, three miles south of downtown, District 4

RECOMMENDATION:

Staff is requesting that City Council:

- Support the acquisition of the Chicory Bend property;
- Support the use of \$100,000 of General Fund Contingency for escrow deposit; and
- Provide direction to staff on long-term funding preferences.

CONTACT PERSON: Vic Edmisten, Parks and Recreation Manager, 264-5336

FOR COUNCIL MEETING OF: April 28, 1998

SUMMARY:

This report requests City Council support to acquire 10.8 acres known as Chicory Bend in partnership with the California State Lands Commission (SLC), as outlined below.

- Six year installment purchase of \$1.1 million.
- SLC will put \$400,000 and the City will deposit \$100,000 in escrow.
- Remaining \$600,000 is split \$150,000 for SLC and \$450,000 for the City making it a equal partnership of \$550,000 each.
- The City will be responsible for paying the owners the entire remaining \$600,000 with a separate agreement with SLC for SLC's \$150,000 share.

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- Interest rate will be negotiated with input from the City Treasurer.
- There will be no prepayment penalty if the remaining amounts on the sale contract are paid early.
- At close of escrow, a pending California Environmental Quality Act (CEQA) lawsuit brought by the owners against the City will be dismissed. A separate lawsuit between the property owners and the SLC will also be dismissed.
- Although the State will own the property, the City will manage all or portions of the property as part of the City's park inventory. A separate agreement between the SLC and City will address management and use issues.

Staff is asking City Council support the use of \$100,000 of General Fund Contingency for initial escrow deposit; and provide direction to staff on long-term funding preferences.

Staff will report back to City Council with funding recommendations and proposed finalized agreement terms.

BACKGROUND INFORMATION:

DESCRIPTION AND FEATURES OF PROPERTY

Chicory Bend is a 10.8 acre site located along the east banks of the Sacramento River approximately three miles south of downtown Sacramento (Exhibit A). If acquired by the City and SLC, City staff proposes that the property would be used as a nature study area and, potentially, other recreational uses.

The property is consistent with the Sacramento River Greenway Plan in that it offers recreational value if used as a nature study area. The Greenway Plan is a joint effort by the California State Lands Commission, counties of Sacramento and Yolo, and cities of Sacramento and West Sacramento for the purpose of establishing the Sacramento River Riparian Parkway. On February 27, 1998, certification of the Sacramento River Greenway Plan Final Environmental Impact Report (EIR) and consideration of the Sacramento River Greenway Plan was approved by California State Lands Commission.

The property is also consistent with the Sacramento River Parkway Plan which is intended to serve as the City's component within the Greenway Plan. The Parkway Plan, which is the subject of the current CEQA lawsuit brought by the property owners against the City, was adopted by City Council on October 21, 1997.

SUMMARY HISTORY

The subject site has been under separate litigation concerning property ownership, called the "Lovelace Case", for some time between the private owners and the SLC. A proposed agreement was negotiated

between the two parties whereby SLC would purchase the property from the private owners for an agreed upon amount and closing date, contingent upon obtaining the necessary public funds. That proposed sale did not close.

In July 1996, the City of Sacramento was approached by the property owners who asked whether the City had any interest in the purchase of the Chicory Bend property. Meetings were held with the property owners, representatives of the City, SLC and the Attorney General's Office to determine whether a partnership arrangement could be reached leading to the purchase of the property. Initially, attempts were made to reach an agreed upon appraisal of the property. Subsequently, those efforts led to a price of \$1.6 million being set by the property owner. Later, the price of \$1.1 million was established.

This report requests from the Council direction on funding sources for the City's share of the proposed \$1.1 million purchase. City staff agreed with the property owners to bring an item to Council on or before April 28, 1998. If Council provides staff direction to move forward, staff anticipates that it will return to Council at a May, 1998 meeting with further details and proposed sale documents. If the City, SLC and the property owners do not reach final agreement within the next few weeks, it is unclear at this time whether the property owners will remain willing to sell the property.

FUNDING EFFORTS

In discussions with the SLC and the Attorney General's Office, it was agreed that, contingent upon the identification of funding, the City would partner with SLC on the acquisition of Chicory Bend as follows:

| | |
|---------------------------|-----------|
| State Lands Commission: | \$400,000 |
| City of Sacramento: | \$400,000 |
| Undetermined Third Party: | \$300,000 |

The SLC has already appropriated \$400,000 for their share of the cost, leaving the funding source for the remaining \$700,000 unidentified. Cognizant of the timeframes involved, both the City and SLC went in search of the \$700,000. In August 1997, the City submitted a Request for Proposal, in an amount of \$700,000, for CalFED funding. The City was not awarded funding in that cycle.

In addition to the CalFED application, City and SLC staff investigated numerous other funding opportunities including:

- *Grants:* 1998-99 Environmental Enhancement and Mitigation Program (EEMP) Program Grant, Habitat Conservation Fund Program, Watershed Grant Program, Nonpoint Source Implementation Grant Program, and the Land and Water Conservation Fund Program. While many of these sources

may be viable, the application timeframes did not coincide with the originally mandated deadlines for the acquisition agreement nor did the average award amounts meet the unmet need.

- *Public and private partnerships:* Both City and SLC staff solicited input and/or assistance from other public agencies and private nonprofit organizations including the Trust for Public Lands and Sacramento Valley Open Space Conservancy. To date, no options have been forthcoming that are acceptable to all involved parties.
- *City Funding Options:* Staff continues to consult with the City Treasurer's Office regarding the ability to increase Landscaping and Lighting bonding capacity, tax-free notes, and a taxable note.

RECENT DEVELOPMENTS/CURRENT PROPOSAL

In April 1998, the involved parties met once again to review alternative methods of acquisition. A tentative agreement was negotiated by all parties pending City Council approval and City funding.

- Six year installment purchase of \$1.1 million
- SLC will deposit \$400,000 and the City will deposit \$100,000 in escrow
- Remaining \$600,000 is split \$150,000 for SLC and \$450,000 for the City making it an equal partnership of \$550,000 each.
- The City will be responsible for paying the owners the entire remaining \$600,000 with a separate agreement with SLC for SLC's \$150,000 share.
- Interest rate will be negotiated with input from the City Treasurer.
- There will be no prepayment penalty if remaining amounts on the sale contract are paid early.
- At close of escrow, the pending CEQA lawsuit brought by the owners against the City will be dismissed. The separate Lovelace Case between the property owners and the State will also be dismissed.
- Although the State will own the property, the City will manage all or portions of the property as part of the City's park inventory. A separate agreement between the State and City will address management and use issues.

PURCHASE OPTIONS

Staff is requesting Council support for the acquisition of the property and direction on preferred funding options. At this time, the City Attorney's Office and the City Treasurer's Office are assisting staff in identifying possible sources and methods of funding. Possible sources may include:

- Quimby Funds
- Landscaping and Lighting Funds
- Transportation Development Act funds (designated for use on bike trails)

Staff is continuing to pursue grant opportunities and possible financial assistance through the legislative processes.

FINANCIAL CONSIDERATIONS:

The agreed upon purchase price of the property is \$1,100,000 for 10.8 acres. Staff is requesting Council support the use of \$100,000 in General Fund Contingency for the initial \$100,000 escrow payment. Staff is asking for Council preference on funding the remaining \$600,000 of the City's responsibility. The table below provides a breakout of the proposed payment plan over the recommended Six-year Installment Plan.

| Year | SLC | City | Total |
|--------|-----------|---------------------|---------------|
| Escrow | \$400,000 | \$100,000 | \$500,000 |
| 1 | 0 | \$100,000+ interest | \$100,000 + |
| 2 | 0 | \$100,000 + | \$100,000 + |
| 3 | 0 | \$100,000 + | \$100,000 + |
| 4 | 0 | \$100,000 + | \$100,000 + |
| 5 | 0 | \$100,000 + | \$100,000 + |
| 6 | 0 | \$100,000 + | \$100,000 + |
| Total | \$400,000 | \$700,000 + | \$1,100,000 + |

(This table reflects the City's obligation to pay the entire remaining balance of \$600,000 after escrow and does not take into account the proposed separate agreement between SLC and the City for the State's \$150,000 future contribution.)

The following schedule was prepared by the City Treasurer's Office in regards to potential interest rate impact over a six-year spread.

| Type | Rate | Principal | Interest | Annual Installment | Total |
|------------|------|-----------|-----------|--------------------|-----------|
| Commercial | 8.0% | \$600,000 | \$178,735 | \$129,789 | \$778,735 |

ENVIRONMENTAL CONSIDERATIONS:

Staff will prepare recommendations and any necessary environmental documentation pending City Council authorization to proceed. Environmental documentation will be completed as a condition of the final purchase agreement.

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POLICY CONSIDERATIONS:

Acquisition of the property is consistent with City policy which emphasizes City efforts and support that contribute to resource conservation and environmental quality of the community and region in balance with other City Council priorities.

MBE/WBE CONSIDERATIONS:

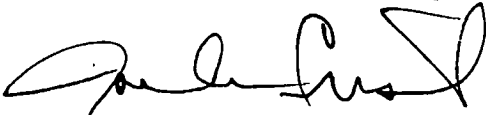
Not applicable.

Respectfully Submitted:



VICTOR L. EDMISTEN
Parks and Recreation Manager

RECOMMENDATION APPROVED:

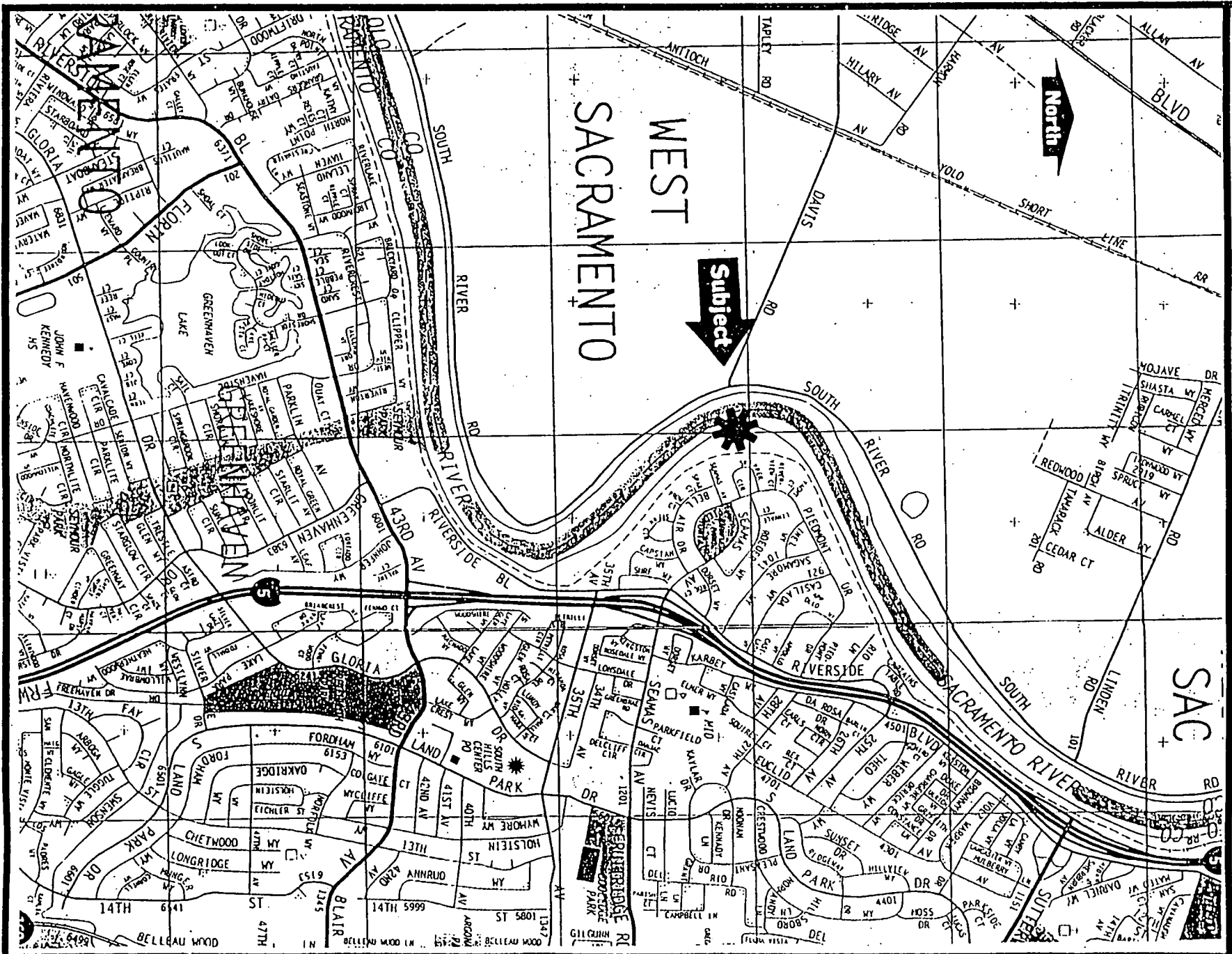


JACK CRIST
Deputy City Manager

APPROVED:



GARY L. LITTLE
Director, Area 2
Neighborhoods, Planning & Development Services



NEIGHBORHOOD MAP

Exhibit A