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May 5, 2004

Redevelopment Agency  
of the City of Sacramento  
Sacramento, California

Honorable Members in Session:

**SUBJECT: REDEVELOPMENT OF PROPERTIES AT 516 & 526 12TH STREET**

**LOCATION & COUNCIL DISTRICT**

Alkali Flat Redevelopment Area  
District 1

**RECOMMENDATION**

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

- Offer owners of properties at 516 12<sup>th</sup> Street (APN 002-0116-058) and 526 12<sup>th</sup> Street (APN 002-0116-011) the opportunity to negotiate an Owner Participation Agreement (OPA) for redevelopment of both properties.
- Set just compensation for 516 and 526 12<sup>th</sup> Street as determined by an appraisal.
- Offer to purchase the properties if OPA negotiations are unsuccessful.
- Authorize issuance of a Request for Proposals (RFP) for redevelopment of 516 and 526 12<sup>th</sup> Street if purchased by the Agency.
- Take all other actions necessary to purchase the properties on a voluntary basis.
- Transfer \$850,000 from the Alkali Flat Developers Assistance Fund to the 516 - 526 12<sup>th</sup> Street Project.

**CONTACT PERSONS**

Jim Hare, Program Manager, 440-1313  
Alida Martinez, Development Services Analyst, 440-1399, x1464

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## **FOR COUNCIL MEETING OF**– May 18, 2004

### **SUMMARY**

This report recommends negotiation of an OPA for rehabilitation of an historical building at 526 12<sup>th</sup> Street and associated parking facility at 516 12<sup>th</sup> Street. If OPA negotiations are unsuccessful, the Agency will offer to purchase the properties for redevelopment based on just compensation.

### **PAC/RAC/TAC ACTION**

At its meeting on April 21, 2004, the Alkali Flat Project Area Committee adopted a motion recommending approval of the actions discussed in this report. The votes were as follows:

AYES: Camacho, Lough, Delgado, Wright, Martinez, Owen, Parra, Prosser, and Frankfield

NOES: None

ABSENT: Cuellar, Williams, Carrera, Hill, and Lopez

### **COMMISSION ACTION**

At its meeting May 5, 2004, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Burns, Burruss, Coriano, Farley, Gore, Harland, Hoag, Piatkowski, Stivers, Simon

NOES: None

ABSENT: McCarty

### **BACKGROUND**

The properties located at 516 and 526 12<sup>th</sup> Street are key redevelopment sites to further economic development along the 12<sup>th</sup> Street commercial corridor (Please see Attachment I – Site map). The Alkali Flat Implementation Plan identifies the mixed-use rehabilitation of 526 12<sup>th</sup> Street, better known as the 524 Club Mexican Restaurant, and the associated need for parking to serve both the commercial and residential needs of the community. The Agency has participated in the

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rehabilitation and new construction of several projects to the south and west of the subject sites including the Sweet Bay Building, 12<sup>th</sup> and F Building and the Boys and Girl Club. Purchase and subsequent redevelopment of 516 & 526 12<sup>th</sup> Street would complement progress to date and promote future redevelopment further north on 12th Street such as the La Valentina site and Globe Mills.

### 516 12<sup>th</sup> Street

The vacant parcel at 516 12<sup>th</sup> Street would provide parking essential to the successful rehabilitation of the 526 12<sup>th</sup> Street building. Parking availability has been an ongoing issue for the 524 Club and other businesses located on the 12<sup>th</sup> Street corridor. Employees often have to park at a far distance; leave work consistently throughout the day to pay the meter and/or move their car from time restricted parking spaces. Local businesses lose revenues as customers go elsewhere due to lack of parking space. Additionally, residential unit development at 526 12<sup>th</sup> Street would require tenant-parking space.

### 526 12<sup>th</sup> Street

The Agency has been working with Mestizo LLC (Mestizo) since the mid-1990s to rehabilitate the building. Initial architectural drawings received design review approval along with a conditional approval for historical tax credits. In March 2003, the Agency approved a \$50,000 predevelopment loan to Mestizo to obtain architectural and structural working drawings to assess accurate rehabilitation costs. However, before a contract for this work was completed, Casa Grande Inc, Mestizo's equity partner withdrew from the partnership. Additionally, the 524 Club restaurant suffered a kitchen fire and has been unable to reopen due to a protracted insurance settlement. The vacant building is steadily deteriorating and susceptible to break-ins.

At this time, Mestizo is considering their options regarding the future of the property. One option is to maintain ownership and seek an equity partner experienced in complex rehabilitation projects. Another option is to sell the property to the Agency who in turn would offer the property to the development community through an RFP process.

### Redevelopment Approach

With governing board approval, staff will offer the owners of both 516 and 526 12<sup>th</sup> Street the opportunity to submit a comprehensive redevelopment plan for both properties. If such a plan is submitted, staff will endeavor to negotiate an Owner Participation Agreement. If such a plan or plans are not forthcoming within 60 days or OPA negotiations are not successful, staff will initiate purchase negotiations. If purchase negotiations are successful, staff will develop a Request for Proposals to find a developer for both properties.

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## **FINANCIAL CONSIDERATIONS**

The estimated costs of acquisition, including appraisals, environmental analysis, and closing costs are estimated to be a total of \$850,000. This report recommends transferring funds in this amount from the Alkali Flat Developers Assistance Fund to the 516 & 526 12<sup>th</sup> Street Project.

## **POLICY CONSIDERATIONS**

Redevelopment of the 516-526 12<sup>th</sup> Street opportunity site is consistent with community development goals for the Alkali Flat Redevelopment Area Implementation Plan. The project meets the following objectives in the Alkali Flat Redevelopment Area Implementation Plan: Increasing the viability of existing businesses by providing low interest loans and rebates for building improvements, and enriching the area's historical significance through preservation of historically significant structures.

This report is also consistent with the City's Strategic Plan goal to promote and enhance economic vitality. The proposed action supports the Guiding Principles of that goal which state that City programs should support the development and success of new and existing targeted businesses of all sizes within the City.

## **ENVIRONMENTAL REVIEW**

Acquisition of parcels as described herein is in furtherance of the Alkali Flat Redevelopment Plan. Pursuant to California Environmental Quality Act ("CEQA") Guidelines Section 15180, actions to eliminate blight and encourage redevelopment in a redevelopment area were deemed approved at the time of adoption of the redevelopment plan and the Program EIR. Once the rehabilitation scope of the 516 and 526 12<sup>th</sup> Street site has been defined through either the Owner Participation Agreement or the RFP and Disposition and Development Agreement process, environmental review of the proposed project will be conducted. Acquisition of property does not commit the Agency to proceed with a project. Subsequent environmental review once the project has been defined is authorized under CEQA pursuant to *Stand Tall on Principles vs. Shasta Union* (235 Cal App 3<sup>rd</sup> 772). NEPA does not apply.

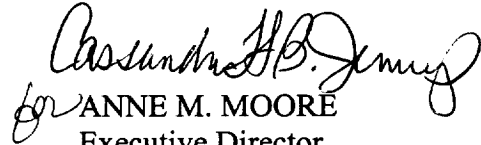
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**M/WBE CONSIDERATIONS**

The items discussed in this report have no M/WBE impact; therefore M/WBE considerations do not apply.

Respectfully submitted,

  
for ANNE M. MOORE  
Executive Director

Transmittal approved,

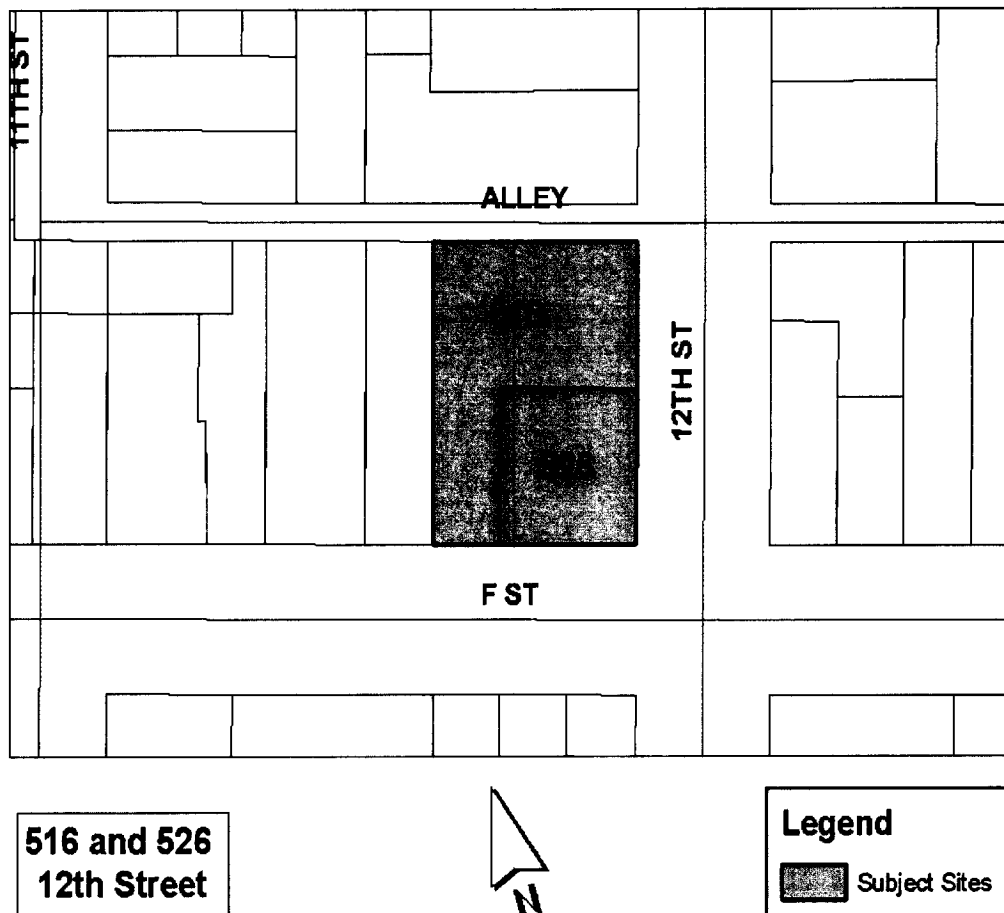
  
or ROBERT P. THOMAS  
City Manager

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SITE LOCATION MAP


09



516 and 526  
12th Street



**Legend**

 Subject Sites

**RESOLUTION NO. \_\_\_\_\_**

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

ON DATE OF \_\_\_\_\_

**516 AND 526 12<sup>th</sup> STREET ACQUISITION PROJECT;  
ANTEX BUILDERS, INC. AND MESTIZO LTD. LIABILITY CO.**

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

Section 1. The Executive Director of the Redevelopment Agency of the City of Sacramento ("Agency") is hereby authorized to offer to Antex Builders, Inc., the owner of property at 516 12<sup>th</sup> Street (APN 002-0116-058) and Mestizo Ltd. Liability Co., the owner of the property at 526 12<sup>th</sup> Street (APN 002-0116-011), collectively "Owners", the opportunity to negotiate an Owner Participation Agreement (OPA) for redevelopment of both properties.

Section 2. Just Compensation for two properties (APN No.s 002-0116-058 and 002-0116-011), which comprise the 516 and 526 12<sup>th</sup> Street Acquisition Project, is set as the price that the Owners would be willing to sell their properties to the Agency based on an appraisal and the amount is fair and reasonable and does not exceed the fair market value for these parcels, collectively referred to as "Properties".

Section 3. The Agency has reviewed the actions authorized herein and hereby finds and declares that the Agency has complied with all environmental laws, regulations and policies as further described and stated in the accompanying staff report, and its attachments, which are incorporated herein by this reference, and that this acquisition is consistent with the Alkali Flat Redevelopment Area Implementation Plan.

Section 4. The Executive Director, or her designee, is hereby authorized to purchase the Properties for not more than Just Compensation.

Section 5. The Executive Director, or her designee, is hereby authorized to take all other actions necessary to purchase the Properties voluntarily from the Owners.

Section 6. The Executive Director is authorized to transfer \$850,000 from the Alkali Flat Developer Assistance Fund to the 516 and 526 12<sup>th</sup> Street Acquisition Project to pay for all actions necessary to purchase the Properties.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

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

(7)

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

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