

STAFF REPORT

DATE: July 24, 2023
TO: Sacramento Regional Transit Board of Directors
FROM: Jamie Adelman, VP, Procurement, Real Estate and Special Projects
SUBJ: DECLARING MIDTOWN ADMINISTRATIVE COMPLEX PROPERTIES EXCESS TO TRANSIT OPERATIONS AS SURPLUS

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

If adopted, this action will allow the Sacramento Regional Transit District (SacRT) to list the properties for sale, following state and federal surplus disposition processes.

FISCAL IMPACT

The declaration of surplus does not, in and of itself, result in a fiscal impact. Any subsequent transaction resulting in disposition of one or more of the properties will be brought to the Board for approval, at which time the fiscal impacts, including the costs associated with vacating the properties, will be discussed in detail. In general, with respect to properties acquired with Federal Transit Administration (FTA) assistance, the use of at least a portion of sales proceeds will be restricted to FTA-eligible capital projects.

DISCUSSION

As a result of recently executed leases for office and warehouse space at 1102 Q Street and 2710 R Street, respectively, SacRT is in the process of vacating the following parcels, all of which are within 0.3 miles of the 29th Street light rail station. Moving to these leased properties allowed SacRT to reduce its overall office footprint for administrative functions, increase efficiency and reduce overhead costs, while planning and securing capital funds for a permanent administrative campus. The soon-to-be vacant properties require expensive and ongoing maintenance and repairs to preserve state of good repair with their ages ranging from 45 years to almost 110 years old.

Staff recommends that the Board declare the following properties excess to transit operations and move forward to dispose of them as surplus property, with the restriction that the properties may not be used for the following purposes: auto - sales, storage, rental; auto service, repair; cannabis cultivation; cannabis manufacturing, nonvolatile; drive-through restaurant; equipment - rental, sales yard; gas station (excluding electric

vehicle charging facilities, which will be permitted); manufacturing, service and repair; mini storage; locker building; plant nursery; warehouse; distribution center; or wholesale store. These restrictions are generally consistent with current restrictions in the City of Sacramento's transit-oriented development ordinance (some of these uses might be permitted by the City through a conditional use permit for parcels between ¼ and ½ mile of a light rail station; as a condition of sale, SacRT would prohibit these uses even if the City might otherwise approve a conditional use permit).

Parcel List:

- 1516 29th Street (Assessor Parcel Numbers (APN) 007-0274-012 and -013): These parcels contain an office building of approximately 5,680 square feet with 8 adjacent parking stalls on a lot totaling approximately 6,800 square feet. The property was purchased by SacRT in 1998 with State Transit Assistance funds and was most recently used for the Finance Department. With the relocation of Finance staff to 1102 Q Street, the property is now vacant.
- 2831 P Street (APN 007-0274-026): This parcel is approximately 22,748 square foot and contains a 63-space parking lot. It was purchased by SacRT in 1981 with Fed 80%/20% Local funds and is currently used for employee parking. With the relocation of most administrative staff to 1102 Q Street, parking can be consolidated onto the leased Caltrans lots under the freeway between P and Q Streets.
- 2811 O Street (APN 007-0273-014 and -015): These parcels contain an office building of approximately 11,024 square feet, a 2,000 square foot portable building, 6 parking stalls, and a generator connected to 1400 29th Street on a total lot of approximately 17,067 square feet. The parcels were purchased by SacRT in 1986 with CA-90-X145 Fed 80%/20% Local funds. With the relocation of staff to 1102 Q Street and the consolidation of Operations Staff into 1400 29th Street, the property will soon be vacant, with the exception of the emergency backup generator, which will require an easement for as long as SacRT requires the generator to support Bus Operations at 1400 29th Street. Consequently, title to this parcel is conveyed, SacRT will reserve an easement for itself so that the generator can continue to be housed on that parcel.
- 2824 N Street (APN 007-0273-004): This parcel contains an office building of approximately 6,674 square feet. It was purchased by SacRT in 1973 with local funds. With the relocation of staff to 1102 Q Street, the property will soon be vacant.
- 2812 N Street (APN 007-0273-003): This parcel contains a building of approximately 21,695 square feet on a lot of approximately 19,200 square feet. It was purchased by SacRT in 1981 with CA 03-0063 Fed 80%/20% Local funds. It was most recently used for multiple departments and warehouse space. With the relocation of staff to 1102 Q Street and 2710 R Street, the property will soon be vacant.

In addition to the above parcels, while SacRT has currently consolidated Bus Operations staff within the building at 1400 29th Street (APNs 007-0273-008 and -022), SacRT's long-term plan is to build another Bus Maintenance and dispatch facility in the south area in the next 5-10 years, at which time the Bus Operations and maintenance functions would be redistributed. SacRT also currently has critical radio and network infrastructure located at 1400 29th Street.

Because the property at 1400 29th Street is significantly more valuable in combination with the adjacent vacant parcels on N Street, Staff is recommending that it be conditionally declared surplus, with the conditions that any proposed purchaser either:

- (1) Allow SacRT to lease back the property at no cost for a sufficient period of time to allow SacRT to complete a permanent relocation of all functions currently at the site; or
- (2) Provide SacRT with a suitable replacement property in close proximity to SacRT's bus storage and maintenance facilities through either a lease or purchase and compensate SacRT for the costs of relocation of staff, the server room, and the radio communication equipment and other associated cost.

The parcels known as 1400 29th Street contain an office building of approximately 23,000 square feet on a 12,800-square foot lot. The property purchased by SacRT in 1974 with CA 03-0063 Fed 80%/20% Local funds.

To dispose of the properties, SacRT will follow state Surplus Land Act (SLA) requirements (Government Code Section 54220 and following, as well as the Surplus Land Act Guidelines issued by the State Department of Housing and Community Development (HCD) in April 2021), federal requirements set out in 49 U.S.C. Section 5334 and FTA Circular 5010.1E, and Title VII of SacRT's Administrative Code.

The SLA requires that SacRT issue a Notice of Availability (NOA) to HCD notifying the HCD of the availability of SacRT's surplus properties and provide the NOA to statutorily-specified agencies and to entities on the state's list of affordable housing developers. The SLA provides a period of 60 days for a qualifying entity or association to notify SacRT of its interest in the property.

If a notice of interest is provided, SacRT must engage in a 90-day period of good faith negotiations to determine a mutually-satisfactory sales price and terms or lease terms. If agreement cannot be reached with a purchaser qualified under the SLA, the properties may then be marketed to the public at large, with the caveat that if housing is to be developed on the property, a portion of the units must be set aside for affordable housing through a restrictive covenant that is recorded against the property.

For FTA-assisted properties, the FTA requires that SacRT request disposition instructions and obtain FTA approval prior to transferring a real estate interest. To the extent that SacRT intends to sell a property, the FTA requires that sales procedures "be followed that provide for competition to the extent practicable and result in the highest possible return or at least payment of appraised fair market value."

Title VII of the SacRT Administrative Code Section 7.6.04, written to reflect FTA guidelines at the time, requires surplus property acquired with federal funds to be sold to the “highest bidder.”

Because there may be other factors driving SacRT’s determination of the best overall proposal for SacRT, which may not be from the highest bidder and because the SLA requires SacRT to enter into an agreement with the offeror who will produce the most housing, not the highest bidder, Staff recommends that the Board waive the requirement that SacRT sell these parcels to the highest bidder, since that runs counter to the requirements set out in the SLA Guidelines and are inconsistent with what the FTA now allows.

Offers on the properties will be presented in the future to the Board for review and consideration. Concurrence from the state and the FTA, as applicable, will be required prior to final disposition.

RESOLUTION NO. 2023-07-071

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

July 24, 2023

DECLARING MIDTOWN ADMINISTRATIVE COMPLEX PROPERTIES EXCESS TO TRANSIT OPERATIONS AS SURPLUS

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, subject to the terms and conditions set out below, the real properties described as Assessor Parcel Numbers: 007-0274-012 and -013, -026, 007-0273—004, 014, -015, 007-0273-008 and -022 are hereby declared to be surplus to transit operations in accordance with the California Government Code Section 54221 (California Surplus Land Act), federal requirements, and Section 7.6.01 of Title VII of Sacramento Regional Transit's (SacRT) Administrative Code.

THAT, the Board hereby waives the requirement in Section 7.6.04 of Title VII of SacRT's Administrative Code that federally purchased properties be sold to the "highest bidder" after an Invitation to Bid or Request for Proposals.

THAT, as required under California Government Code Section 54222, the General Manager/CEO is hereby authorized and directed to prepare and issue a Notice of Availability (NOA) as required under the California Surplus Land Act (SLA) and engage in negotiations with any qualified offerors responding to the NOA, for presentation to the Board for final approval.

THAT, if SacRT does not receive any notice of interest under the SLA or if negotiations under the SLA do not result in mutually-satisfactory sales price and terms, the General Manager/CEO is hereby authorized and directed, in accordance with Chapter 6 of the Title VII of SacRT's Administrative Code, to begin the process of soliciting offers from members of the general public to purchase the properties and to begin negotiating any offers received for disposition of the above-referenced surplus properties, for presentation to the Board for final approval.

THAT, the terms and conditions for any purchase of any of the properties under either the SLA or through competitive marketing to the general public will include, at a minimum:

- (1) The offeror must pay at least appraised fair market value for the property.
- (2) To the extent applicable, the FTA must approve the disposition of the property.
- (3) The purchaser is solely responsible for compliance with any applicable environmental requirements and entitlements related to the proposed development.
- (4) Use of property will be restricted to prohibit the following uses as a covenant running with the land: auto - sales, storage, rental; auto service, repair;

cannabis cultivation; cannabis manufacturing, nonvolatile; drive-through restaurant; equipment - rental, sales yard; gas station (excluding electric vehicle charging facilities, which will be permitted); manufacturing, service and repair; mini storage; locker building; plant nursery; warehouse; distribution center; or wholesale store.

- (5) As to APNs 007-0273-008 and -022, the offeror must either: (a) allow SacRT to lease back the property at no cost for a sufficient period of time to allow SacRT to complete a permanent relocation of all functions currently at the site; or (b) provide SacRT with a suitable replacement property in close proximity to SacRT's bus storage and maintenance facilities through either a lease or purchase and compensate SacRT for the costs of relocation of staff, the server room, the radio communication equipment and other associated cost.
- (6) To minimize SacRT's transaction costs, to the extent the other conditions are met and as permitted by applicable law and regulations, preference may be given to an offeror prepared to purchase the greatest number of the surplus properties in a single transaction if SacRT determines it is in its interest to do so.

THAT, nothing in this Resolution is intended to limit or restrict the Board from later determining that one or more of the foregoing properties qualify as "exempt surplus land" under the SLA and rescinding the surplus declaration as to that property.

THAT, nothing in this Resolution is intended to limit or restrict the Board from later determining that one or more of the foregoing properties is necessary for SacRT's use and rescinding the surplus declaration as to that property.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Tabetha Smith, Assistant Secretary