

# Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: March 2-3, 2005

Reference No.: 2.4d.(4)  
Action Item

From: CINDY McKIM  
Chief Financial Officer

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Division Chief  
Right of Way and Land Surveys

Ref: **DIRECT SALE OF EXCESS LAND TO THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

01-03-SAC-5-23.5	Sacramento
Disposal Unit DD 017881-01-02	52,158 sf (PSE \$3,445,000)
DD 017881-01-03	52,292 sf (PBP \$3,450,000)
Convey to Sacramento Housing and Redevelopment Agency	\$6,895,000

The California Department of Transportation (Department) recommends the California Transportation Commission (Commission) approve the sale of two excess land parcels located at 3<sup>rd</sup> Street and Capitol Mall in downtown Sacramento to the Sacramento Housing and Redevelopment Agency (SHRA). The parcels are located across the street from each other and are nearly identical in size and shape. The parcels are identified as DD-017881-01-02 (South Parcel) and DD-017881-01-03 (North Parcel). The negotiated sale price for both parcels is \$6,895,000, which is the Department's estimate of value based primarily on public auction results for the North Parcel.

The Department purchased these two parcels from the Sacramento Redevelopment Agency in 1964 as part of the Interstate 5 (I-5) construction project. Portions of each parcel were used to construct the Capitol Mall (Route 275) overcrossing at I-5 and to create connectors to improve local traffic flow because the Tower Bridge and Capitol Mall were the main state highway routes into Sacramento from the west at that time. The connectors are no longer necessary for efficient traffic operations.

These parcels present many unique issues. Due to their prominent location, the City of Sacramento (City) has a very strong tie to them. SHRA also has an interest in the parcels. As the successor to the Sacramento Redevelopment Agency, SHRA had the first right of refusal under the original cooperative agreement executed when the Department purchased the properties. While the location at the gateway to the City and Capitol Mall is extremely desirable, the shape and size of the parcels present development and valuation challenges.

In accordance with Governor Schwarzenegger's Executive Order S-10-04 regarding effective management of the State's real estate assets, the Department pursued selling both parcels. Both parcels were initially offered to the City, but the City indicated an interest in the South Parcel only. After consultation with the Airspace Advisory Committee (AAC), the Department entered

negotiations with the City to purchase the South Parcel with the hope that value could be optimized by combining the parcel with an adjacent parcel owned by the City. Under the appraisal theory of plottage, the value of both the South Parcel and the City property would be higher if the two parcels could be developed together, e.g. as a large office complex. Using the plottage method, the Department appraised the South Parcel at \$6,940,000, if it could be combined with the City parcel and developed to its highest and best use. The plottage value became a moot issue when it was determined that ties to the Crocker Museum restricted the City's parcel and that the City was not interested in a joint venture. Negotiations with the City on a direct sale continued through December 2004, but they ultimately broke down. The North Parcel went out to public bid on September 30, 2004 and received a high bid of \$3,450,000 from Domich and Separovich and Ravel and Rasmussen (Developers). The Developers entered into an option agreement and made a 10% option deposit.

The City was surprised by the very high bid that was 66% above the Department's public sale estimate of \$2,083,000 and more than double the minimum acceptable bid of \$1,562,000. Shortly after the auction of the North Parcel, the City repeatedly expressed concerns to the Department and the Developers that the community needed to be more involved in controlling both parcels because they form the gateway to the City and, possibly more importantly, to the Capitol itself. The City requested that the Department cancel the sale of the North Parcel and that both of the excess parcels be sold to the City at a lower value based on the General Plan designation as open space. When the Department refused, the City took the issue to the Governor's Office.

Consultations with the Business, Transportation, and Housing Agency; the California State and Consumer Services Agency; the Department of General Services; and the Capitol Area Redevelopment Authority resulted in a determination that the parcels should be under local control, but the State should receive fair value. On January 7, 2005, the Department met with representatives from the City and SHRA. During this meeting, SHRA proposed to exercise its first right to purchase the properties. A negotiated agreement was reached whereby SHRA would purchase both parcels for a total of \$6,895,000 based on the public bid price for the North Parcel of \$3,450,000 and the Department's public sale estimate for the slightly smaller South Parcel of \$3,445,000 as an independent parcel. The Department agreed to refund the Developers' deposit, and SHRA agreed to reimburse the Developers for their direct costs related to the transaction. The Developers agreed to this proposal, and all parties agreed not to pursue legal action.

The Department has arrived at a desirable solution that yields a true market driven value for the parcels and also puts the parcels in local control so that any future development would come after a deliberate and public process. The Department further believes that this is the highest price that could be obtained from any interested party. The Department was not able to present the sale to the AAC because of their meeting schedule and the desire by all parties to bring final resolution to this contentious issue by expedited execution of each party's commitments which all depend on the Commission's approval.

Attachments

**SUMMARY OF DIRECTOR'S DEEDS (2.4d.4)**

**PRESENTED TO CALIFORNIA TRANSPORTATION COMMISSION - MARCH 2005**

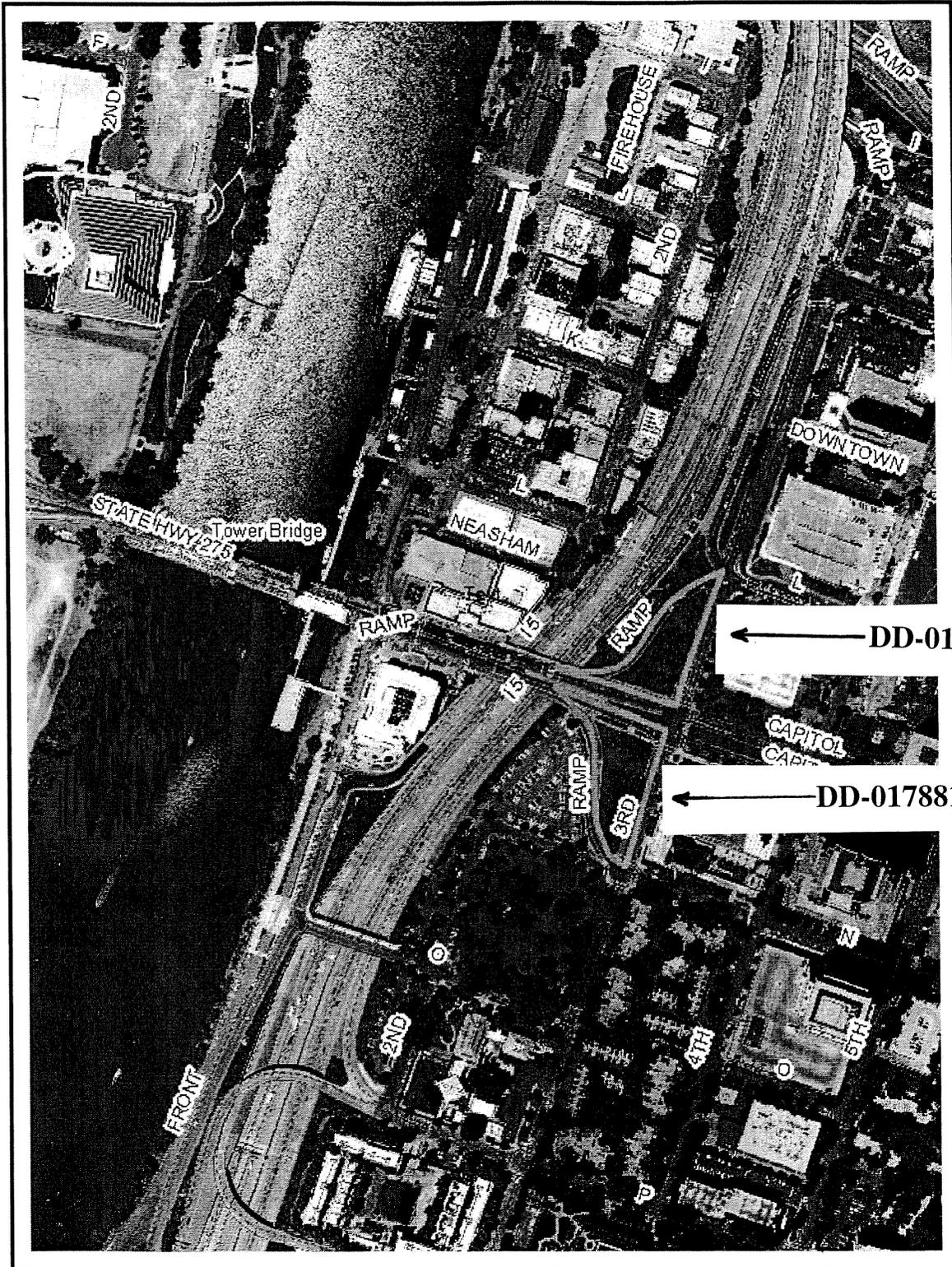
Table I - Volume by Districts

District	Direct Sales	Public Sales	Non-Inventory Conveyances	Other Funded Sales	Total Items	Current Estimated Value	Return From Sales	Recovery %
								% Return From Sales Current Value
01					0	\$0	\$0	
02					0	\$0	\$0	
03	2				2	\$9,023,000	\$6,895,000	76%
04					0	\$0	\$0	
05					0	\$0	\$0	
06					0	\$0	\$0	
07					0	\$0	\$0	
08					0	\$0	\$0	
09					0	\$0	\$0	
10					0	\$0	\$0	
11					0	\$0	\$0	
12					0	\$0	\$0	
<b>Total</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>\$9,023,000</b>	<b>\$6,895,000</b>	<b>76%</b>

Table II - Analysis by Type of Sale

Type of Sale	# of Items	Current Estimated Value	Return From Sales	Recovery %
				% Return From Sales Current Value
<b>Direct Sales</b>	2	\$9,023,000	\$6,895,000	76%
<b>Public Sales</b>	0	\$0	\$0	
<b>Non-Inventory Conveyances</b>	0	\$0	\$0	
<b>Sub-Total</b>	2	\$9,023,000	\$6,895,000	76%
<b>Other Funded Sales</b>	0	\$0	\$0	
<b>Total</b>	<b>2</b>	<b>\$9,023,000</b>	<b>\$6,895,000</b>	<b>76%</b>

"Triangle Parcels"  
(excess land)  
Sacramento Area



Triangle Parcels  
(excess land)  
Sacramento Area

