



CITY OF SACRAMENTO
CALIFORNIA

Office of the City Auditor
Jorge Oseguera, City Auditor

October 9, 2019

Honorable Mayor and
Members of the City Council
915 I Street, Fifth Floor, New City Hall
Sacramento, CA 95814-2604

This letter is in response to the August 20, 2019 request from the Budget and Audit Committee for additional information related to our *Audit of City-Owned and Leased Real Property*. The request was made by the Committee in response to our high-level review of potential surplus City-owned property. The Committee asked us to provide additional information regarding vacant property located within the City and owned by the City's Redevelopment Agency Successor Agency (RASA) and the Sacramento Housing and Redevelopment Agency (SHRA). In addition, we were asked to review models in other cities that have monetized vacant land either towards buying down the land costs for affordable housing or other inclusive economic development to maximize the utility of land assets.

RASA and SHRA Properties

We spoke with staff from SHRA and requested information regarding vacant property that could be used for affordable housing. According to SHRA staff, "SHRA owns 6 sites to be developed as multifamily affordable housing in the City". Of the six sites, three are under contract with developers, Requests for Proposals will be released for two of the sites in the near future, and one needs environmental cleanup before development. Figure 1 below provides detailed information about the six sites.

Figure 1: SHRA Affordable Housing Sites

Address	Owner	APN	Size (Acres)	RFP Date
Broadway and 39th Street				
3021 39th St 3023 39th St 3900 Broadway 3908 Broadway 3025 39th St	Housing Authority (City)	014 0172 025 0000 014 0172 024 0000 014 0172 001 0000 014 0172 030 0000 014 0172 023 0000	0.55	1/17/2018 Awarded to Related California 4/10/18
Coral Gables				
49 Coral Gables Ct 63 Coral Gables Ct 81 Coral Gables Ct	Housing Authority (City)	049 0250 027 0000 049 0250 028 0000 049 0250 035 0000	0.87	1/17/2018 Awarded to John

				Stewart Co 4/10/18
Donner Field				
4501 9th Ave	Housing Authority (City)	014 0223 004 0000	1.23	1/17/2018 Awarded to Related California 4/10/18
San Juan				
5716 Stockton Blvd 5258 Young St	Housing Authority (County)	026 0073 017 0000 026 0073 003 0000	2.37	RFP Pending County Property Transfer
5266 Young St 5270 Young St 5300 Young St 5320 Young St 5340 Young St	Housing Authority (City)	026 0073 004 0000 026 0073 005 0000 026 0073 006 0000 026 0073 007 0000 026 0073 008 0000	0.63	RFP Pending County Property Transfer
5700 Stockton Blvd	County	026 0073 014 0000	2.54	RFP Pending County Property Transfer
Rio Linda Boulevard Site				
0000 Rio Linda Blvd 0000 South Ave 3605 Rio Linda Blvd 3617 Rio Linda Blvd 3621 Rio Linda Blvd 3629 Rio Linda Blvd 3633 Rio Linda Blvd 3637 Rio Linda Blvd 810 Roanoke Ave 801 South Ave 3601 Rio Linda Blvd	Housing Authority (City)	251 0131 009 0000 251 0131 017 0000 251 0131 010 0000 251 0131 008 0000 251 0131 015 0000 251 0131 005 0000 251 0131 004 0000 251 0131 003 0000 251 0131 016 0000 251 0131 018 0000 251 0131 011 0000	3.74	Site has recently been cleaned up and will be included in a future RFP
A Street Site				
0000 A St 111 N 12th St 1221 North A St 1223 North A St	Housing Authority (City)	002 0041 055 0000 002 0041 054 0000 002 0041 048 0000 002 0041 047 0000	0.96	Funding for Environmental Cleanup must be obtained
Total		32	12.89	

Source: Auditor compiled with report provided by staff from the Sacramento Housing and Redevelopment Agency.

The City's Office of Innovation and Economic Development manages the City's RASA properties. Staff in the Office of Innovation and Economic Development provided us with a list of the remaining RASA properties that the Office is currently attempting to sell. Review of the list provided by the Office of

Innovation and Economic Development identified 24 parcels of surplus land totaling nearly 13 acres. Some of the parcels are adjacent to other parcels and allow for larger properties. According to the Office of Innovation and Economic Development, 5 adjacent parcels are currently under contract negotiations. Figure 2 below identifies the vacant RASA parcels.

Figure 2: Vacant RASA Parcels as of August 2019

<u>Address</u>	<u>APN #</u>	<u>Status</u>	<u>Size (Acres)</u>
<u>DOWNTOWN</u>			
<u>Docks Area</u>			
LAND, 1920 FRONT STREET	009-0012-002-0000	RASA	2.23
LAND, 1980 FRONT STREET	009-0012-067-0000	RASA	1.47
<u>DEL PASO HEIGHTS</u>			
LAND, 3801 MARYSVILLE BLVD.	251-0084-018-0000	RASA	0.74
LAND, 3741 BALSAM STREET	251-0121-004-0000	RASA	0.14
BLDG, 3739 MARYSVILLE	251-0122-002-0000	RASA	0.24
LAND, NORTH AVENUE-HARRIS	251-0012-023-0000; 251-0014-015-0000; 251-0096-022-0000; 251-0102-022-0000	RASA	1.63
2432 NORWOOD AVENUE	250-0200-040-0000; 250-0200-046-0000; 250-0200-049-0000; 250-0200-050-0000; 250-0200-051-0000	RASA	3.92
<u>NORTH SACRAMENTO</u>			
Land, 1340 DEL PASO	275-0123-010-0000	RASA	0.34
LAND, 2075 BARSTOW STREET	275-0161-006-0000	RASA	0.15
LAND, 1400 DEL PASO BLVD	275-0125-001-0000	RASA	0.17
BLDG, 1414 DEL PASO BLVD	275-0125-004-0000	RASA	0.17
LAND, 1410 DEL PASO BLVD	275-0125-028-0000	RASA	0.34
LAND, 1116 DIXIEANNE	277-0083-002-0000	Under contract	0.24
LAND, 1120 DIXIEANNE	277-0083-003-0000	Under contract	0.24
LAND, 2323 SELMA	277-0083-004-0000	Under contract	0.46
LAND, 2330 LEXINGTON	277-0083-006-0000	Under contract	0.32
LAND, 2334 LEXINGTON	277-0083-007-0000	Under contract	0.16
Total	24		12.96

Source: Auditor compiled with report provided by staff in the Office of Innovation and Economic Development.

Monetization of Vacant Land in Other Cities

We researched policies in other cities to maximize the utility of land assets. We conducted Google searches using key words to identify local government entities that have policies in place to utilize surplus real property for other goals and found the following:

City of Milwaukee, Wisconsin

In 2014, the City of Milwaukee adopted *Growing Prosperity: An Action Agenda for Economic Development in the City of Milwaukee* that identified 47 action items for economic growth in focus areas such as human capital development, entrepreneurship and innovation, and quality of life and place. One of the strategies for entrepreneurship and innovation includes reusing vacant City-owned commercial properties to foster start-ups in central city neighborhoods. According to the *Growing Prosperity* report,

“As a result of property tax foreclosure, the City owns more than 120 commercial buildings, many in neighborhoods that lack sufficient commercial services. By creating a partnership among the City of Milwaukee, technical assistance providers, and a development entity to offer low-cost space, along with business financing and mentoring to promising entrepreneurs, these properties could be repurposed to support new business development.”¹

To achieve this goal, the City created the Community Revitalization Ownership Project (CROP) to tie entrepreneurs to city real estate and creatively reuse vacant properties.

Some other action items identified in *Growing Prosperity* include:

- Develop, maintain, and publish a comprehensive list of available development sites in the City;
- Maintain an inventory of 100 acres of “shovel ready” industrial land for development;
- Return 500 acres of brownfield land to active, industrial use in 10 years;
- Regularly communicate with M7 and key asset industry organizations to keep suitable city development sites on their radars;
- Update the analysis of industrial-zoned land within the city; and
- Identify existing building inventory and promote for alternative uses.

To review the complete *Growing Prosperity* report, visit the website indicated in the footnote below.

¹ City Development, Department of. "Growing Prosperity: An Action Agenda for Economic Development in the City of Milwaukee ". *City.Milwaukee.Gov*, 2014, <https://city.milwaukee.gov/ImageLibrary/Groups/cityDCD/planning/plans/Economic-Growth-Plan/GrowingProsperityFullReport.pdf>. Accessed 10 Sept 2019.

City of San Diego, California

The Real Estate Assets Department's Fiscal Year 2018 Portfolio Management Plan states that the Real Estate Assets Department (READ) "actively seeks opportunities for affordable housing on City-owned surplus property by offering surplus property first to affordable housing sponsors during the clearance process...Going forward, READ has implemented a policy of requesting a memo from the San Diego Housing Commission and from Civic when surplus property is sent to them for clearance indicating the specific reasons why a site was not attractive to them for the purpose of developing affordable housing." For example, the City of San Diego sold 3.3 acres of vacant land to San Diego Community Land Trust, a nonprofit land trust, for \$16 to build affordable single-family homes. The houses, with yards and garages, will sell for \$350,000 or less – significantly less than what similar new homes go for on the open market. Qualified families buy the homes but only lease land underneath from the Land Trust. When owners want to sell, they can only sell to another family who meets the income requirements. If there's appreciation of the house's value, the seller's profit can only mirror the increase in the area median income over the same amount of time.² Earlier this year, the City of San Diego made eight city-owned properties available to developers to spur construction of roughly 200 new low-income housing units through release of request for proposals.³

City of Seattle, Washington

In September 2017, the City of Seattle passed Resolution 31770 which amended procedures for the evaluation of the reuse and disposal of the City's real property to update certain portions of the procedures and expedite the dispositions of properties for affordable housing development. The updated *Procedures for the Evaluation of the Reuse and Disposal of the City's Real Property* states "The City intends to prioritize the use of surplus properties for the development of affordable housing and desires to expedite such dispositions to create more affordable housing as quickly as possible." Property that will be transferred to an entity for the development of affordable housing will follow a "simple" disposition process in which legislation is prepared by Real Estate Services, reviewed and approved by the Law Department and Department of Finance, and sent to the City Council.

City of Boston, Massachusetts

The City of Boston uses land owned by the City as a source for new housing and works with communities to find the right sites for affordable housing. According to the City of Boston website, the City works

² Steele, Jeanette. "San Diego Selling \$1 Lots: Is This The Future Of 'Affordable Housing' For The Middle Class?". *Spokesman.Com*, 2018, <https://www.spokesman.com/stories/2018/feb/20/san-diego-selling-1-lots-is-this-the-future-of-aff/>. Accessed 10 Sept 2019.

³ Sridhar, Priya. "San Diego To Leverage Eight City-Owned Sites For Affordable Housing". *KPBS Public Media*, 2019, <https://www.kpbs.org/news/2019/may/08/san-diego-properties-permanent-supportive-housing/>. Accessed 11 Sept 2019.

with property owners and neighbors living next to City-owned sites. They receive feedback and incorporate it in a Request for Proposal and ask for responses from nonprofit and for-profit developers.

In the City's *Housing a Changing City: Boston 2030 – 2018 Update* report, the City has made some City-owned property available to achieve some of its housing goals.⁴ The report states:

“A key challenge in producing senior units has been funding. The federal 202 program--a long-standing and critical resource for senior development--ended in 2011. This has significantly hampered Boston's ability to meet its senior housing goals. In the face of this challenge, the City has made 92,000 square feet of City-owned land available to stimulate production. This action is supporting 476 new units in three new senior housing developments, 345 of which are complete, and 131 are currently in the pipeline.”

In addition, in regard to sustainable and climate-ready housing goals, the report states:

“Advance new energy-efficient affordable housing creation by promoting E+ (energy positive) and passive energy efficiency development on City-owned land; including on site renewable solar PV and thermal energy, onsite energy storage, or other solutions that increase affordability and resilience while contributing to Boston's carbon neutrality goals.”

In regard to housing innovation and government efficiency goals, the report states “develop a strategic plan for building affordable housing along with redeveloping City owned real estate assets.” In addition, in order to prevent displacement and support housing stability, the report identifies the following action plan:

”Include a ‘Development without Displacement’ selection criteria in all appropriate RFP's for residential development on City owned land which evaluates the track record of the developer in preventing evictions as well as promotes redevelopment of the site in a way that will benefit local community members.”

As indicated above, the City of Boston plans to utilize City-owned land to meet its future housing goals.

City of Oakland, California

In March 2016, the City published the report *Oakland at Home: Recommendations for Implementing A Roadmap Toward Equity From the Oakland Housing Cabinet*, which included a recommendation that

⁴ "Housing Boston 2030 Update 2018". Google Docs, 2019, https://docs.google.com/document/d/1WRWTkvId7_hAKiKz-_F8-J_HCq5mCrWKxBUeFOVgwaM/edit. Accessed 10 Sept 2019.

the City create a public land policy that prioritizes the development of affordable housing. In May 2016, the Community and Economic Development Committee received these recommendations and directed Staff to prepare a policy for the disposition of City land. However, at the urging of community organizations, the City delayed action and committed to further community engagement and a more deliberative process to develop a public lands policy.

In December 2018, the Oakland City Council approved *Resolution Setting Forth Oakland's Public Lands Policy Framework and Directing Staff to Return to Council with An Ordinance to Codify These Policies*.⁵ The staff report accompanying the Resolution identifies the following policy priorities for the Public Lands Policy:

1. Utilizing City-owned land to address housing and shelter inquiries.

The Public Lands Policy has been developed as a response to the current urgency to utilize these City assets to address affordable housing and shelter inequities. Utilizing City-owned land to address inequitable housing and shelter outcomes is the first priority of this policy.

2. Improving transparency and efficiency.

Currently, the current lack of notification and accessible information on public lands disposition leads to an inefficient process. Increasing transparency through open data and opportunity for community input through notification will prevent the inefficiencies that are incurred with public outcry over the lack of proper notification and information on project proposals, which has historically and continues to cause costly delays.

3. Utilizing City-owned land to address disparities in employment outcomes.

A public lands policy may support these adopted goals by not only providing Oaklanders with job opportunities on City-owned projects but also an entry point into career pipelines in industries with ongoing projected growth throughout California.

4. City-owned land as an investment when coupled with long-term planning.

Public property is one of the key City investments that can be leveraged in order to achieve its long-term policy goals. Researchers have found that city-owned and other public lands are critical tools for revitalizing communities with histories of divestment. In a time of gentrification,

⁵ Granicus, Inc. "City Of Oakland - File #: 18-1137". Oakland.Legistar.Com, 2019, <https://oakland.legistar.com/LegislationDetail.aspx?ID=3756905&GUID=414D2367-9E9B-45A9-93D6-2F8DC924495A&Options=&Search=>. Accessed 11 Sept 2019.

cities can use public land as a resource in addressing high demand for affordable housing and community services that benefit low-income residents that face displacement.

The City is currently conducting community outreach meetings and working on finalizing the Public Lands Policy.

City and County of San Francisco, California

The City and County of San Francisco's Public Land for Housing program collaborates with the City's enterprise agencies to redevelop publicly-owned land into housing. According to the City's San Francisco Planning website, "Using innovative strategies, these development opportunities seek to provide the revenue to the enterprise agency while creating other vital public benefits such as affordable housing. By structuring these projects as public-private partnerships, the City can create critical wide-reaching public benefits such as parks and open space, jobs, and affordable housing."⁶ The Public Land for Housing program's five principles include:

1. Optimize land utilization
 - a. Optimize productive use of public real estate assets in order to provide developable space that can help address critical City needs.
 - a. Work with partner agencies to relocate and co-locate services to more efficiently serve the public, particularly in cases where such services are not currently suitably located.
 - b. Develop and maintain a property inventory and regularly updated plan for the short and long-term use of public properties by each owning-agency.
2. Provide public benefits
 - a. Deliver multiple benefits and identify the appropriate public benefits and amenities that proposed development on public sites will provide, including what additional revenue will fund, and how they will be greater than what private development could deliver.
 - b. Evaluate sites holistically and balance citywide needs with individual neighborhood needs in considering appropriate public benefits each site can provide.
 - c. Balance city policy requirements with the need to create public benefits, allowing public agencies to provide public benefits and other requirements in-kind.

⁶ "Public Land For Housing | SF Planning". Sfplanning.Org, 2019, <https://sfplanning.org/public-land-housing>. Accessed 11 Sept 2019.

3. Fund public services

- a. Optimize productive use of public real estate assets, maximizing revenue in order to reduce owning agencies' budget deficits, help enhance the delivery of city services, including both capital infrastructure and operations, and provide additional resources to support future growth in service demand.
- b. Prioritize development strategies that enable property to serve and remain as a long-term source of revenue, in order to assist the land-owning agencies in fulfilling their mission over the long term. Consider sale of property as a last resort given the scarcity of land and its value in the City.

4. Utilize innovative approaches to deliver projects and public benefits

- a. Enhance public benefit opportunities by employing new and creative solutions and financing mechanisms such as public private partnerships, tax increment financing, tax abatement and infrastructure finance districts.
- b. Demonstrate innovative development and public benefits delivery models which can serve as an example for private site development.

5. Complement neighborhood context and engage the community

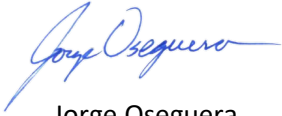
- a. Ensure development proposals are compatible with nearby existing and envisioned uses and are consistent with adopted Area Plans.
- b. Program uses in the development proposals that would serve neighborhood needs and specifically address demonstrated gaps in public services.
- c. Promote interim uses to activate underutilized public sites, promote economic development and provide additional amenities to the public if permanent re-use or redevelopment is not envisioned in the near term.
- d. Educate, engage, and involve the public to generate community-supported development proposals for publicly-owned sites.

Washington, D.C.

In November 2014, the Council of the District of Columbia passed *The Disposition of District Land for Affordable Housing Amendment Act of 2014* authorizing the sale of certain real estate in the District of Columbia no longer required for public purposes to establish affordable housing requirements and to

require that specific documents accompany a proposed resolution for a land disposition transmitted to the Council. The amended act introduced new sections that created affordable housing requirements on the development of multifamily residential property consisting of 10 or more units.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Jorge Oseguera", with a stylized flourish at the end.

Jorge Oseguera
City Auditor