

REGIONAL TRANSIT ISSUE PAPER

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Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
12	02/26/18	Open	Action	02/21/18

Subject: Whether to Delegate Authority to the General Manager/CEO to Transfer Title of SacRT Property Located along the Old Walnut Grove Branch Line to the City of Sacramento.

ISSUE

How to dispose of surplus Sacramento Regional Transit District (SacRT) property along the Walnut Grove Branch Line of the Southern Pacific Railroad.

RECOMMENDED ACTION

- A. Adopt Resolution No. 18-02-____, Delegating Authority to the General Manager/CEO to Enter Into a Joint Development Agreement with the City of Sacramento for the Transfer of the Walnut Grove Branch; or
- B. Adopt Resolution No. 18-02-____, Delegating Authority to the General Manager/CEO to Dispose of the Walnut Grove Branch through Marketing to a Single or Multiple Buyers; or
- C. Motion: Authorizing the Use of Operating Funds to Pay Ongoing Maintenance Costs and Begin Addressing Existing Encroachments

FISCAL IMPACT

Resolution A. Relief of annual maintenance costs. Annual maintenance costs are approximately \$30,000 to \$35,000 per year, primarily for the Sheriff's work crew and tree trimming work. Potential increases in ridership and fare revenue.

Resolution B. Relief of all or part of the annual maintenance costs and liabilities. Potential proceeds from sales of parcels are unknown at this time. There may be costs associated with liquidation, including need to create legal descriptions and plat maps if the parcels are split rather than sold to a single buyer.

Motion C. Maintenance expenses as well as potential costs associated with addressing encroachments, which were estimated by the City, in its project costs for the Del Rio trail, as ranging from \$495,000 to \$955,000. SacRT has historically budgeted for annual maintenance costs of \$35,000 in the operating budget, but has not budgeted for the other costs.

DISCUSSION

The SacRT portion of the Walnut Grove Branch Line extends from Sutterville Road to Interstate 5 through the South Land Park neighborhood and is comprised of 4.5 miles of surplus non-operational railroad corridor within the City of Sacramento (City) and is further

Approved:

Presented:

Final 02/21/18

General Manager/CEO

VP, Finance/Chief Financial Officer

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identified in Attachment 1. The entire corridor will be referred to hereinafter as the “Subject Property.” The northern portion of the corridor (approximately 2.5 miles) is sandwiched between residential developments, with a narrow width that limits its usability. The southern portion of the corridor is wider, fronts onto Freeport Blvd, and might be suitable for residential or commercial development on the out parcels.

The Subject Property was acquired by SacRT from Southern Pacific Railroad in 1984 using \$2,825,000 in state and local funds. SacRT purchased the Subject Property as a potential alignment for the Blue Line light rail extension that was to begin downtown and end at Meadowview Road. A different alignment was ultimately selected for the Blue Line extension as that option was considered cost effective and afforded the greatest potential public benefit. Due to the fact that the Subject Property was not chosen for the Blue Line alignment, the Subject Property has not been used for its original purpose and SacRT has not identified another use for the corridor.

SacRT currently maintains the Subject Property at an annual average cost of \$30,000 to \$35,000 per year. In addition to the recurring annual maintenance expense, neighboring property owners in the northern portion of the corridor (predominantly between Sutterville Road and Fruitridge Road) have encroached on SacRT property. Although these encroachments have not resulted in any significant liability for SacRT during its ownership of the property, they do affect the marketability of the corridor. All of the encroachers are trespassing on SacRT property and have no claim of ownership (adverse possession, prescriptive easement, etc.); however, a potential purchaser might be deterred by the work involved in ejecting these trespassers.

Options for addressing the encroachments would be to: (1) request removal of all encroaching facilities to enable SacRT to sell the property to a buyer without the nuisance of dealing with encroachers; (2) attempt to enter into license agreements, easements or other agreements with the encroachers whereby SacRT would receive compensation for the encroachment; or (3) attempt to divide the corridor and sell parcels in the landlocked portion of the corridor to adjacent landowners/encroachers.

The City, in its estimate of project costs, identified at least 46 encroachments that would need to be addressed. At minimum a survey would need to be performed to identify the property boundary to document the extent of the encroachment. The City estimated its total costs to rectify existing encroachments to be between \$460,000 and \$920,000. SacRT has not independently done a cost estimate or analysis of the work necessary to address the encroachments.

On December 11, 2017, the Board was presented with an information item detailing a Letter of Interest from the City to develop the Subject Property as part of the City's proposed Del Rio Trail. At the meeting, the Board gave staff direction to return at a subsequent meeting with options on how to proceed. Through subsequent discussions with the City, SacRT staff

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reviewed several options, including the possibility of a long-term ground lease for the Subject Property. During the course of negotiations, the City informed SacRT that the grant being used to fund the proposed Del Rio Trail project requires that the City acquire the land for the proposed trail in fee and that a ground lease would not satisfy the requirements of the grant. Therefore, SacRT staff determined the possibility of a long-term ground lease was not feasible.

SacRT does not have a current valuation of the Subject Property. The last complete appraisal was done in 2005 and estimated a fair market value of \$8,000,000, which was based on a combined approach of preserving a uniform 45' width corridor and liquidating the excess width. The net liquidation value (which assumed that a single buyer would take all responsibility for dividing and marketing the individual parcels for the highest and best use) was \$2.4 million. The southernmost portion of the corridor was appraised by Caltrans in December 2016 in connection with a Temporary Construction Easement requested for a Caltrans project. That appraisal valued the southernmost parcel, 252,212.4 square feet in size, at \$7.50 per square foot, or roughly \$1.9 million.

Under state law, SacRT has the authority to enter into joint development agreements and transfer property at less than fair market value for development that is functionally related to SacRT transit facilities. While the term "functionally related" is not defined in state law, the Federal Transit Administration has adopted a policy statement that pedestrian improvements are presumed to have a functional relationship with transit facilities if they are within ½ mile, and the range for bicycle improvements is 3 miles.

The City's proposed plan for the Del Rio Trail provides an opportunity to stimulate transit usage in the surrounding neighborhoods by providing a "first mile/last mile" benefit to transit users. The area surrounding the Subject Property is highly residential and is served by several SacRT bus routes, including East/West routes along Pocket Road, Florin Road, 43rd Avenue, and Fruitridge Road; and North/South Routes along 13th Street, South Land Park Drive, and Riverside Boulevard. Construction of the Del Rio Trail may increase bus ridership in the surrounding neighborhoods by providing shorter and/or more attractive routes from homes to bus stops for some portion of residents. The City has provided a high-end estimate that ridership could increase by as many as 190 round-trip work commutes per day based on an extrapolation of average mode share throughout the City. Additional ridership increases could be observed if the City makes future plans to expand bike share kiosks to the trail. Furthermore, the City would agree to include wayfinding signs and potential improvements to bus stops in the area to assist with increasing transit ridership.

To ensure that the functional relationship requirements are met, the joint development agreement with the City would contain a condition that the City must develop the Del Rio Trail and, if not, ownership of the property would revert to SacRT.

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The City has agreed to accept title to the property subject to existing title conditions and with the existing encroachments. The City has further agreed to indemnify SacRT from any claims that may arise from hazardous materials on the site and other requirements for environmental remediation as well as any litigation associated with the transfer of the Subject Property. The agreement with the City will ensure that any other legal risks associated with the transfer of the property to the City are placed on the City, rather than SacRT.

Portions of the Subject Property are land-locked by surrounding properties; however, some segments do have frontage along 35th Ave., Freeport Blvd., Florin Rd., and Meadowview Rd. and those segments are likely to be of most value. Should any of the areas with frontage be suitable for sale and development, the City has agreed to allow SacRT to receive the net sale proceeds.

On January 26, 2015, the Board declared the Subject Property excess to transit operations. Staff then sent letters to state and public agencies, offering the property for sale, as required by the Government Code. The Subject Property is suitable for disposition as a sale in accordance with Title VII of the SacRT Administrative Code Section 7-6.01.

As an alternative to a transfer to the City, SacRT could attempt to dispose of the Subject Property on the open market. This could be done either through a sale to an individual buyer that would take responsibility for subdividing and marketing the corridor (obviously at a discounted value – as noted above, the 2005 appraisal established a value of \$2.4 million for this approach) or through SacRT subdivision of the corridor into marketable segments. To divide the corridor Staff would be required to obtain appraisals and surveys on each parcel, which, in the northern portion of the right of way, could cost as much as SacRT would generate from the sale. The likely purchasers in the northern portion of the corridor would be the adjacent landowners. Liquidation presents a number of challenges and costs, including unknown levels of interest from adjacent property owners and the time and various costs associated with dividing the corridor and attempting to dispose of the individual parcels, but could potentially mean realized revenue from the sale of the corridor or each parcel.

Staff is seeking the Board's decision on whether SacRT should dispose of the Subject Property by transferring title to the City under a joint development agreement, attempt to liquidate the Subject Property on a parcel-by-parcel basis, or continue to hold the Subject Property and potentially address existing encroachments.

Site Location

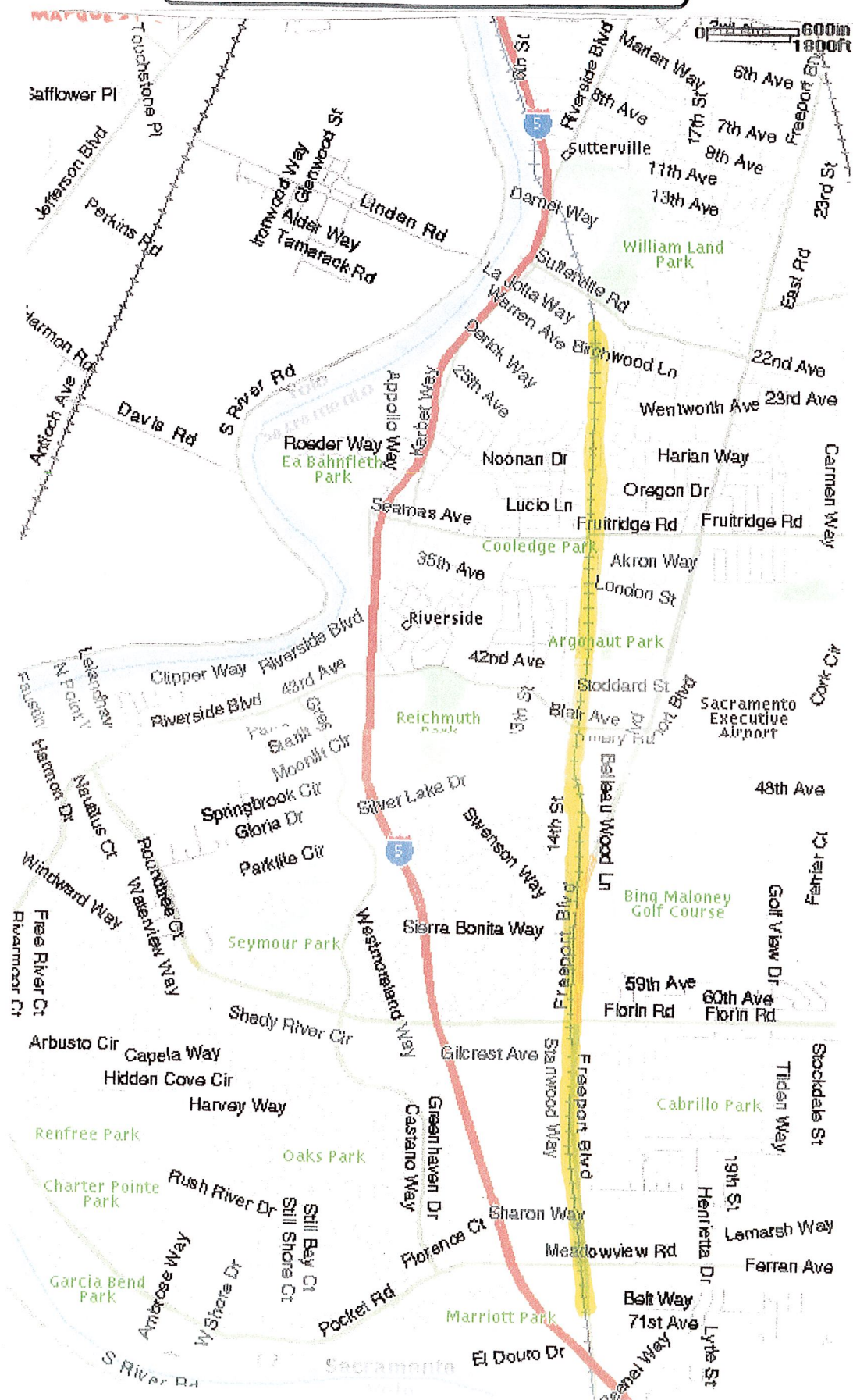
Attachment 1

Property Name: Old Meadowview Corridor

Parcels: 017-0020-012, 017-0020-013, 017-0020-015, 017-0020-010, 035-0010-053,
035-0010-010, 035-0010-045, 031-0010-009, 031-0010-006, 031-0010-007



NEIGHBORHOOD MAP



RESOLUTION NO. 18-02-_____

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

February 26, 2018

DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO ENTER INTO A JOINT DEVELOPMENT AGREEMENT WITH THE CITY OF SACRAMENTO FOR THE TRANSFER OF THE WALNUT GROVE BRANCH

WHEREAS, in 1984, the Sacramento Regional Transit District ("SacRT") acquired ownership of a portion of the Old Walnut Grove Branch Line from the Southern Pacific Railroad (the "Property"); and

WHEREAS, SacRT intended for the property to be used for a light rail alignment; and

WHEREAS, SacRT ultimately selected a different light rail alignment in South Sacramento; and

WHEREAS, the City of Sacramento has proposed to construct a bike and pedestrian trail along the Property; and

WHEREAS, construction of the trail will promote first/last mile connectivity with SacRT's bus service and will be functionally related to SacRT's bus stops in the vicinity of the Property.

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

THAT, subject to the requirements of Section 7.7.08 of Title VII of the SacRT Administrative Code, authority is delegated to the General Manager/CEO to enter into a joint development agreement with the City of Sacramento for the surplus property along the Old Walnut Grove Branch Line of the Southern Pacific Railroad.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary

RESOLUTION NO. 18-02-_____

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

February 26, 2018

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO DISPOSE OF
THE WALNUT GROVE BRANCH THROUGH MARKETING TO A SINGLE OR
MULTIPLE BUYERS**

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

THAT, notwithstanding the requirements of Title VII of the Sacramento Regional Transit District Administrative Code, with the exception of Section 7.7.08, authority is delegated to the General Manager/CEO to enter into an agreement or agreements to dispose of the surplus property along the Old Walnut Grove Branch Line of the Southern Pacific Railroad in a manner that maximizes the overall net revenue received by SacRT for the disposition.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary