

Fresno City Hall and real estate: perpetual action



THE CITY BEAT

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Posted by George Hostetter on March 25, 2015

A dozen quick thoughts on the amazing world of land-use policy at Fresno City Hall:

- 1.) There's an interesting item on this week's City Council agenda. It deals with City Hall's purchase of a piece of property from the city's Successor Agency (the old Redevelopment Agency). The parcel is "located near the west corner of Inyo Street and Fulton," says the staff report. I thought: "Inyo and Fulton -- we must be dealing with a piece of the mall. What's up?" So, I took a walk on Tuesday to City Hall.
- 2.) The site is the parking lot on the northwest corner of Inyo/Fulton Mall. It is .61 acres. City Hall and the Successor Agency (pretty much the same thing) have agreed on a price of \$328,000. That's \$12.50 per square foot.
- 3.) The city already owns this site through its control of the Successor Agency. Why shuffle \$328,000 from one pocket to the other? Well, the answer begins with the Successor Agency. Gov. Jerry Brown killed Redevelopment Agencies (RDAs) a few years ago during one of Sacramento's periodic money crises. The whole point of an RDA was to use tax-increment financing to turn blighted property into thriving commercial and residential projects. That often required the RDA to buy property. In the wake of Brown's execution order, successor agencies (the governing entities that replaced RDAs) throughout the state were charged with selling its undeveloped properties. The .61-acre site at Inyo/Fulton is one of the old Fresno RDA's undeveloped properties. The Fresno Successor Agency has no choice but to sell it to someone at fair-market value.
- 4.) A-OK so far. What happens to the money from a sale that occurs in Fresno? Well, about 30 cents of each dollar goes to Fresno County. About 30 cents of each dollar goes to local education (as former Clovis Unified Superintendent Terry Bradley notes firmly and often, this means Sacramento sends 30 cents less to local schools, essentially leaving local schools no better than before). About 30 cents of each dollar goes to Fresno City Hall. And about 10 cents of each dollar goes to a variety of special districts (the Fresno flood control district, for example).
- 5.) For the most part, you might think, the sale of Successor Agency property is a rather nice bonanza for City Hall. Yes and no. City Hall certainly likes the cash. But City Hall to this day mourns the death of its Redevelopment Agency. This is especially true of Mayor Ashley Swearingin. That's because the RDA was a stunningly powerful development tool. The details are complex, but it's sufficient to note that the agency each year got hold of million of dollars for redevelopment projects in selected neighborhoods. Some of this money was used as developer subsidies. Without the subsidies, the thinking went, developers would stay away because the economics simply didn't pencil out. Take a look at Uptown, north of Fulton Mall. The place is full of impressive Assemi apartment complexes, each with a certain percentage of units for low- or moderate-income renters. All of those projects include the old RDA as a partner. Swearingin took office in January 2009 promising to revitalize downtown and older neighborhoods. The RDA died just when she most needed it. The Mayor now must find developer-friendly alternatives.
- 6.) The Swearingin Legacy also has a lot riding on the future of Fulton Corridor. This stretch of six blocks between Tuolumne Street and Inyo is now Fulton Mall. Swearingin wants to return the corridor to Fulton Street and two-way vehicular traffic. She says the mall idea, inspiring though it once was, isn't working. She has millions of dollars in government grants in her back pocket to revise the corridor. She says the corridor's development will explode with a combination of cars, housing and entrepreneurial zeal. Housing is critical to the game plan. But, as we've seen, the

beloved RDA is gone.

7.) On Oct. 30, 2014, the City Council in a 7-0 vote made a deal with a partnership headed by well-known Fresno developers Mehmet Noyan and Terance Frazier. Noyan and Frazier said they wanted to build a nine-story building on the mall. The place would have housing, retail and entertainment. The council gave the developers a period of time to get the financing in order. The project's proposed site: The northwest corner of Inyo/Fulton.

8.) The scuttlebutt at City Hall is that Noyan and Frazier were counting on financing help through the state's Cap and Trade program. The first round of Cap and Trade awards was coming up. Noyan and Frazier would apply. Well, city officials said the developers got shut-out (so, too, did the developers trying to turn the deteriorating Hotel Fresno into a mixed-use gem, city officials said). One of the alleged reasons for the Noyan-Frazier failure: The developers didn't have full control of the project site. The site still belonged to the Successor Agency.

9.) Well, you can see City Hall's thinking: It's high time to get that Inyo/Fulton site into the hands of a developer if Fresno ever expects to do something spiffy on the Fulton Corridor. How is City Hall to get the site into the developers' hands? That's a hurdle for another day. For now, it's enough to note that the Swearingin Administration probably thinks it's easier to clear the hurdle if the property is in the hands of a mayor and seven council members than in the hands of a Successor Agency that has all sorts of pesky regulatory ties to Sacramento and things like the Fresno Oversight Board.

10.) I asked city officials on Tuesday where City Hall will get the \$328,000 to pay to the Successor Agency. Those officials said the money will come from two sources. Part of the \$328,000 will come from proceeds from the sale of a portion of the city-owned Fresno Convention Center asphalt parking lot. That part of the lot someday will be the new home of The Cosmopolitan, the popular tavern/restaurant that will be booted from its current site on the southwest corner of Fresno and G streets when the bullet-train project gets going. And the rest of the \$328,000 will come from the sale to another developer of a city-owned parcel on Santa Fe Avenue, a street near City Hall that has become a beehive of development activity. The parking lot at Inyo/Fulton also will generate a net of thousands of dollars per year for City Hall until the site gets developed.

11.) This leads to an interesting state of affairs. The Cosmo comes to an increasingly dynamic corner of downtown. Santa Fe Avenue continues its rebirth. Both events give City Hall the cash (without dipping into the general fund) to buy a piece of property that the Successor Agency is legally compelled to sell. City Hall gets nearly \$100,000 from the sale of the Inyo/Fulton parking lot. The city now has the kind of firm yet flexible control of the site that makes it easier to cut a development deal with the private sector. That makes it easier for a developer in the next round of Cap and Trade applications to clear that hurdle about actually controlling the proposed development site. The developer might, in the name of the kind of blight-removal that kept redevelopment agencies alive for 60 years, get a break or two on the sale price when buying the Inyo/Fulton site from City Hall. And Ashley Swearingin would take another step toward the revitalization of the Fulton Corridor.

12.) All of this went through my mind Tuesday evening as I listened to folks at the Fresno Station District workshop talk about the potential domino-type impacts of high-speed rail and the new bullet-train station coming to downtown. Things are always happening with Fresno real estate and City Hall policy, often right in the open. The challenge is piecing them together in a way that makes sense.