

Sifting through the rubble of Fresno's most ambitious developer

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Fresno City Hall is desperately searching for real estate swashbucklers exactly like City Hall itself.

Then again, what property owner isn't?

The City Council spent early Thursday afternoon chewing on something called the Real Estate Strategic Plan, a 12-page blueprint for turning city-owned properties into cash.

The authors are property services powerhouse CBRE and Pacific Commercial Realty Advisors. The catalyst is Council Member Lee Brand's Asset Management Act, a bill designed to help the city get a handle on its far-flung properties. The inspiration is City Hall's need to pay for better public services now that the Great Recession is receding.

The hour-long workshop was low-key. Perhaps the two biggest suggestions: 1.) Sell parcels such as the Blosser property in northwest Fresno and the Palm Lakes property north of Fresno-Yosemite Airport for top dollar; 2.) Sell advertising on electronic billboards planted on city-owned property anywhere near an asphalt road.

Sound familiar? In one form or another, the ideas have been kicking around City Hall for years, if not decades.

Hence the lack of passion at Thursday's workshop – been there, done that.

But something else involving city-owned dirt took place this week that shines a rare light on how City Hall handles real estate.

I'm talking about Tuesday's meeting of the Oversight Board.

Now, bear with me.

The local Oversight Board is a seven-member group born when Gov. Jerry Brown killed redevelopment agencies about four years ago. That Great Recession-induced action set in motion all sorts of crazy bureaucratic requirements and machinations.

It's sufficient here to remember these six things:

- 1.) Redevelopment agencies such as Fresno's were designed to use a slice of property taxes to upgrade blighted properties and boost the construction of affordable housing.
- 2.) Fresno's Redevelopment Agency (RDA) was a City Hall creature to the bone, with the City Council serving as the RDA governing board.
- 3.) The death of RDAs was a slow process. There was a lot of "transition" to be done. Something had to take the place of the old RDA administrative structure. That "something" in Fresno is the "Successor Agency" (it's official name – honest). The governing body of the Fresno Successor Agency is – you guessed it – the City Council.

4.) The old RDA in the course of some 55 years of existence had acquired a lot of property, thanks to the agency's access to lots of tax money. Some of that property was designed for affordable housing. That property transitioned to something called the Fresno Housing Successor Agency (yes, the City Council rules the roost here). This property will stay in the Housing Successor Agency's hands until it's all used up by affordable housing projects.

5.) The old RDA also acquired a bunch of non-housing property. We'll call it commercial property. The Fresno Successor Agency must sell that property. The money will be divided among certain government entities that rely on property taxes for their livelihood. They include Fresno County, Fresno City Hall, special districts such as the Metropolitan Flood Control District and schools (please, Dr. Terry Bradley, allow me this one little compression of the story – the Internet isn't big enough to explain what really happens when Successor Agency money gets near schools and Sacramento).

6.) The Oversight Board (Bradley, the former Clovis Unified School District superintendent, is chairman) consists of seven appointees. The board's task is explained by its name. It provides a level of community oversight on Successor Agency actions. The Oversight Board, however, doesn't carry the big regulatory stick. That belongs to the state Department of Finance. What the state says, goes (unless things end up in court, which seems to happen rather often).

Now you've got the lay of the land as the Oversight Board prepared to meet Tuesday at City Hall.

The board's agenda was simple.

The state some time ago had asked for a copy of the Successor Agency's Long Range Property Management Plan. The Successor Agency sent one to Sacramento. The state said the plan had problems. Fresno must try again.

The Oversight Board on Tuesday merely had to give its OK to this second attempt.

Two noteworthy things happened.

The Oversight Board approved the plan on a 6-1 vote. The lone no vote was from former Fresno County Supervisor Doug Vagim.

Vagim has been on the board from the get-go. Anyone who has followed Oversight Board events knows Vagim is just about the only member who routinely challenges the Successor Agency's conventional wisdom.

Vagim is upfront with his fundamental beef – he thinks the Successor Agency is sending too much money to City Hall, thus shortchanging other government entities such as the county.

Vagim's concern on Tuesday was of the same nature, but with a twist.

In a nutshell, Vagim thought the Successor Agency (by extension, City Hall) was being too cozy with the proposed developer for two of the properties on the Long Range Property Management Plan.

The second noteworthy thing at the Oversight Board meeting is the plan itself.

There are 54 items on the list.

An item might be a tiny sliver of land, only a couple of hundred square feet, that somehow became an orphan from a bigger project in the area. An item might be a handful of properties assembled in the hope of a much bigger project.

All 54 items, taken together, show the stunning scale of the old Fresno Redevelopment Agency's ambitions, the incredible amount of taxpayer money that was spent, and the strange (to a layman like myself) nature of real estate appraisals.

Let's start with Site No. 29 on the list.

This one is dear to my heart because I wrote a blog for The Bee in 2011 about the RDA's purchase of this quarter-acre site at 731 E. California Avenue, not far from Edison High School in West Fresno.

The parcel is a triangle bounded by California, Inyo Street and Waterman Avenue. The site included a small, abandoned fast-food building. The parcel was supposed to be part of a bigger retail project along California Avenue.

The RDA spent \$309,292 for the dirt and to get rid of the battered shack. The retail project never got built (although I assume it's still on someone's books). City Hall now wants to sell the parcel. The appraised value: \$25,234.

RDA officials and Council Members in 2011 repeatedly told me this was a great deal for taxpayers.

Let's take a look at No. 24, No. 25 and No. 26.

This trio, in essence, is the old Palm Lakes golf course on Dakota Avenue, between Peach and Chestnut avenues. The three parcels total about 40 acres, with the biggest (No. 26) at 32.5 acres.

The old RDA paid \$1.45 million for No. 26. Its appraised value today is \$813,000. The real estate consultants at Thursday's council meeting said No. 26 might fetch as much as \$2.1 million on the open market.

The consultants didn't say who got the \$1.45 million for unloading this stunningly irregular piece of land to the Fresno Redevelopment Agency.

The seller was Fresno City Hall.

No wonder a lot of government entities (such as schools) cheered when Brown killed redevelopment agencies.

No. 40 and No. 41 are interesting. They total 6.2 acres bounded by Tuolumne Street, B Street, Fresno Street and Highway 99. We're talking Kearney Palms Shopping Center.

The two sites don't take up the entire block, but come darn close. The two sites cost more than \$5 million to acquire, but now are worth less than half that.

There are two points to remember. First, the old RDA's cost for a site included things like clearing the land to make it suitable for development. Second, some of the sites are worth more money now than when the old RDA bought them.

Still, by my calculations, taxpayers invested about \$18.7 million in buying and clearing the 54 sites. But in 2015 dollars, the 54 are valued at \$13.5 million.

My point: Property-owners in blighted areas of Fresno must have smiled when the old Redevelopment Agency, checkbook in hand, came knocking at the door.

Finally, we circle back to Doug Vagim and his frustration on Tuesday.

What we're dealing with is Old Armenian Town, the proposed mixed-use project by Richard Gunner and George Andros located south of the Convention Center.

Ten of the 54 sites reviewed by the Oversight Board on Tuesday are connected in some way to Old Armenian Town. The cost of acquiring and clear the ten sites was close to \$4 million. The current value of the sites is close to \$400,000.

Old Armenian Town has been on the drawing board for years. The project's history is complicated. But, for the most part, it's more dream than reality.

That's what bothered Vagim.

Two of the sites, No. 51 and No. 52, total slightly less than a half-acre. They are part of an odd-shaped parcel just to

the east of the Fifth District Court of Appeal (this parcel is bounded by O, Ventura and P streets).

Vagim told me that Gunner-Andros have a deal with the old RDA to buy the land for \$2 a square foot when they really get moving on Old Armenian Town. Vagim said that's fine and dandy if Gunner-Andros are serious about Old Armenian Town.

But if they're not, Vagim said, then the Successor Agency should let other potential buyers take a shot at the land.

"I have no qualms about the developers. I wish them well," Vagim said. "But the fact of the matter is we're dealing with the public's money. Somewhere along the line, we have the authority to say the proverbial 'get off the pot' to (Gunner-Andros)."

High-Speed Rail, Asset Management Act, Long Range Property Management Plan, Code Enforcement Task Force, 2035 General Plan, Development Code ... on and on goes Fresno's real estate whirl.

Don't worry, all you taxpayers.