

## STAFF REPORT

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**DATE:** August 11, 2025  
**TO:** Sacramento Regional Transit Board of Directors  
**FROM:** Chris Flores, Chief of Staff/VP, Real Estate  
**SUBJ:** MIDTOWN SURPLUS PROPTERY SALE UPDATE

### RECOMMENDATION

No Recommendation - For Information Only.

### RESULT OF RECOMMENDED ACTION

None

### FISCAL IMPACT

None

### DISCUSSION

On July 24, 2023, SacRT's Board of Directors declared the following properties in Midtown as surplus property ("the Properties"): Assessor Parcel Numbers:

- 1516 29<sup>th</sup> Street (Assessor Parcel Numbers (APN) 007-0274-012 and -013)
- 2831 P Street (APN 007-0274-026)
- 2811 O Street (APN 007-0273-014 and -015)
- 2824 N Street (APN 007-0273-004)
- 1400 29<sup>th</sup> Street (APNs 007-0273-008 and -022),

and on September 25, 2023 declared 2812 N Street (APN 007-0273-003) surplus.

SacRT has been following the state-mandated Surplus Land Act (SLA) requirements (Government Code Section 54220 and following, as well as the SLA Guidelines issued by the State of California Department of Housing and Community Development (HCD) in August 2024), federal requirements set out in 49 U.S.C. Section 5334 and FTA Circular 5010.1F, and Title VII of SacRT's Administrative Code for this disposition.

The SLA spells out the steps public agencies must follow when disposing of publicly owned real property. It requires agencies to give a "first right of refusal" to other public agencies, nonprofit housing developers, schools, and parks and recreation departments. After notifying all eligible entities that the property is available, the disposing agency must negotiate in good faith for a minimum of 90 days with interested parties to try to come to agreement. If the parties cannot come to agreement over the terms and conditions of the

proposed property disposition, the disposing agency can market and sell the real property in the open market.

Below is a summary of SacRT actions following the SLA process and guidelines:

- On January 17, 2024, SacRT issued a Notice of Availability (NOA) to the HCD that SacRT's surplus properties were available and provided the NOA to statutorily specified agencies and to entities on the state's list of affordable housing developers. It is important to note that SacRT staff worked closely with HCD throughout the SLA process, meeting regularly with HCD staff to ensure that we were strictly complying with the State's requirements.
- The SLA provides a period of 60 days for a qualifying entity or association to notify SacRT of its interest in the real property. In response to the NOA, SacRT received responses from 19 parties.
- On March 18, 2024, SacRT sent a request for additional information to the interested parties requesting that each proposer provide more detailed information regarding their proposals for purchase and use of the real property by April 17, 2024. In response to the request for additional information, six proposers from the original 19 responded.
- After best and final offers were received and reviewed, SacRT presented those offers that met SacRT's desired terms and SLA's criteria to the Board of Directors in closed session on August 26, 2024, and received direction to negotiate a PSA with The Code Solution, Inc. wherein they would purchase all nine parcels to develop affordable housing on each of the parcels.
- At the November 18<sup>th</sup>, 2024 Board meeting, the Board approved entering into a Purchase and Sale Agreement (PSA) with The Code Solution. Escrow opened on March 21, 2025.

During the due diligence period in escrow, The Code Solution, Inc. elected to cancel the transaction and not move forward with the purchase. SacRT has received approval from the HCD that SacRT has fulfilled its obligations under the SLA. As a result, the properties may be disposed of outside of the SLA process.

Despite having the ability to market the parcels on the open-market now that SacRT has gone through the SLA process, the SLA requires properties surplus pursuant to the requirements of the SLA, to record an affordability covenant against the property requiring that if ten or more residential units are developed on the surplus parcel, not less than 15% of the total units developed must be sold or rented as affordable housing to low-income households. Rental units must remain affordable and occupied by eligible households for 55 years.

SacRT will be seeking fair market value for the properties and a sale which results in the highest possible return and best value for SacRT and the community. Note that sale of some of the parcels must be approved by the Federal Transit Administration before the disposition is completed.

Per the Board approved action on these parcels, use of property will be restricted to prohibit the following uses as a covenant running with the land: auto - sales, storage, rental; auto service, repair; cannabis cultivation; cannabis manufacturing, nonvolatile; drive-through restaurant; equipment - rental, sales yard; gas station (excluding electric

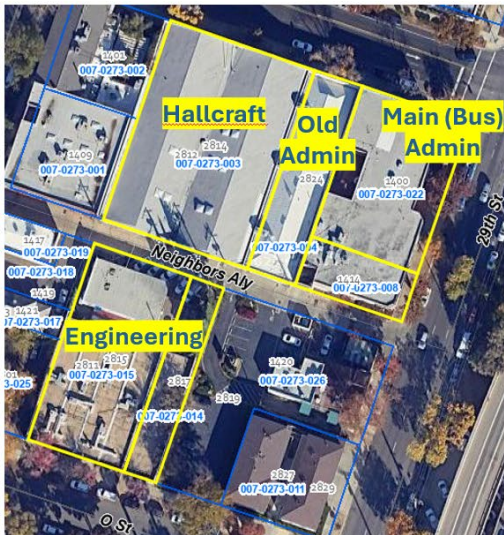
vehicle charging facilities, which will be permitted); manufacturing, service and repair; mini storage; locker building; plant nursery; warehouse; distribution center; or wholesale store certain uses are restricted, such as drive-throughs or storage units.

To minimize SacRT's transaction costs, to the extent the other conditions are met and as permitted by applicable law and regulations, preference may be given to an offeror prepared to purchase the greatest number of the surplus properties in a single transaction if SacRT determines it is in its best interest to do so.

Staff will begin soliciting offers from members of the general public shortly after Labor Day and anticipates entertaining initial offers for 60 days. Escrow is estimated to take 150+ days.

APNs 007-0273-008 and -022, currently house critical SacRT operational functions. As such, offerors for these parcels must either: (a) allow SacRT to lease back the property at no cost for approximately ten to fifteen years to allow SacRT to complete a permanent relocation of all functions currently at the site; or (b) provide SacRT with a suitable replacement property in close proximity to SacRT's bus storage and maintenance facilities including relocation costs.

Below is a picture of the nine parcels:



29<sup>th</sup> & N Streets and  
29<sup>th</sup> & O Streets



29<sup>th</sup> & P Streets