

REPORT TO COUNCIL

City of Sacramento

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Staff Report
April 10, 2008

**Honorable Mayor and
Members of the City Council**

Title: Capital Area Development Authority (CADA) 2007 Annual Report

Location/Council District: Citywide

Recommendation: Receive and file.

Contact: Stephanie Mizuno, Assistant City Clerk, 808-8093;
Shirley Concolino, City Clerk, 808-5442.

Presenters: Paul Schmidt, CADA Executive Director, 322-2114

Department: City Clerk's Office

Division: N/A

Organization No: 0700 / 04000

Description/Analysis

Issue: CADA is a joint powers authority between the State of California and the City of Sacramento. The CADA Executive Director presents it annual report to the City Council for review each year.

Policy Considerations: N/A

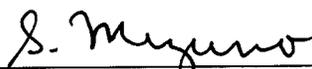
Environmental Considerations: N/A

Commission/Committee Action: N/A

Rationale for Recommendation: To annually inform the City Council of the activities and accomplishments of the joint powers authority.

Financial Considerations: N/A

Emerging Small Business Development (ESBD): N/A

Respectfully Submitted by: 
Stephanie Mizuno,
Assistant City Clerk

Recommendation Approved:


Shirley Concolino
City Clerk

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YEAR END REPORT



2007



The Capitol Area Development Authority (CADA)

CADA is a joint powers authority created by the State of California and the City of Sacramento to implement the residential and neighborhood commercial components of the Capitol Area Plan - a state plan for 42 blocks of state-owned property, south of the Capitol, in the heart of the City of Sacramento. The Capitol Area Plan, adopted in 1977 and updated in 1997, was a forerunner of smart growth and the new urbanism movement. The plan calls for the area to be redeveloped as an urban village of state offices, housing, retail and parking; a place where residents can walk and bicycle, and where they have transit options to travel to work and entertainment destinations, thus reducing dependence on automobiles and improving regional air quality.

CADA began implementing the Capitol Area Plan in 1978 by preserving the rental housing stock transferred to its care by the State of California. Since then, CADA has built hundreds of dwelling units through effective public-private partnerships. Through developing and managing urban infill housing, CADA has transformed the Capitol Park Neighborhood into a community of neighbors with diverse lifestyles. As the neighborhood's desirability gains momentum, CADA is meeting both the growing demand for housing and the challenge of maintaining economic diversity.

Due to CADA's unique structure and its expertise in linking, convening, collaborating and sharing resources with diverse public and private partners, its redevelopment boundaries were expanded in 2002 to include the key central section of the R Street Corridor. The purpose of this expansion was to address blight and accelerate the pace and pattern of redevelopment along the southern border of the Capitol Area between 10th and 19th Streets. Redevelopment of this blighted area will enhance the Capitol Park Neighborhood and serve as an opportunity for transit-oriented development in proximity to the 13th and 16th Street light rail stations.

Executive Director



Paul Schmidt

The year 2007 featured substantial accomplishments in challenging economic times. CADA is thankful to the State and the City for its fulfilling stewardship opportunity and we pledge to continue to meet and exceed performance expectations. I would like to thank all of our residents, stakeholders, board members, and employees for their continued support as we head into 2008 and celebrate CADA's 30th year of service!

Board of Directors



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East End Gateway

CADA continued work on its 16th Street development sites, bringing the creation of the East End Gateway (EEG) closer to reality. These sites, at the juncture of Downtown and Midtown, are well-suited for transit-oriented development because of their close proximity to light rail and the State's East End Office Complex.

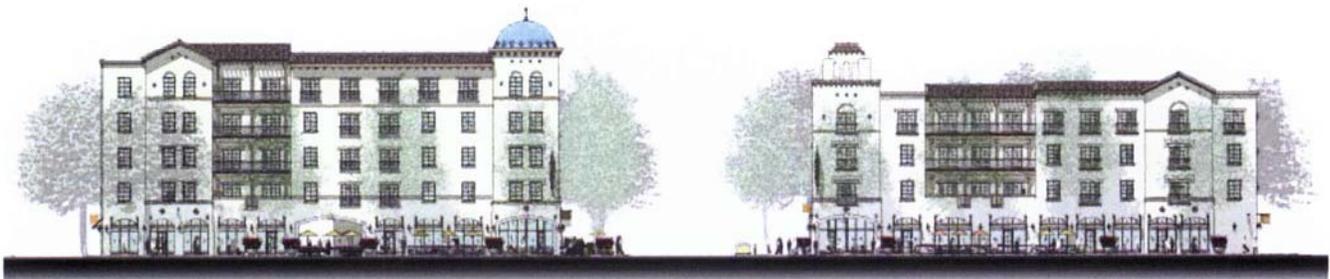


The Inn off Capitol Park at 16th & N Streets offers business visitors to the Capitol a convenient boutique hotel experience.

In late 2006, work necessary to ready EEG Sites 2 and 3 for development at 16th and O Streets was completed and proposals were solicited from developers experienced in building successful urban infill projects in Sacramento. In early 2007, four excellent proposals were received and in May, after a public review and selection process, CADA entered into an exclusive negotiating agreement with the development team of Ravel Rasmussen and Domich Separovich. A major reason that this team was selected was their commitment to expedite the development with minimal public financing. This commitment has been kept. The project has been favorably received because of its neighborhood compatibility and the reputation of the development team for producing a quality product. Construction is scheduled to commence in fall 2008.

Although challenged by current economic conditions, progress can also be reported on EEG Site 1. Throughout 2007 CADA worked with Lambert Development on refining the design and undergoing environmental and City reviews necessary for this landmark 15-story condominium tower to be built across from the future Unity Center at 16th and N Streets. CADA also structured a financing model for the project that includes a commitment of future CADA tax increment dollars.

In 2007, Lambert Development concentrated its efforts on EEG Site 1 and allowed its exclusive negotiating agreement for EEG Site 4 to expire. Both EEG Site 4 and a new 16th Street site, that has been designated EEG Site 5, are currently being considered as opportunities to construct affordable rental housing.



EAST ELEVATION | 3/32" = 1'-0"

EEG 2 and 3 - starting construction at 16th and O Streets in Fall 2008

On R Street

The legislation extending CADA's redevelopment project area to include the central section of the R Street Corridor requires CADA to develop a plan for development and redevelopment that furthers the objectives of the Capitol Area Plan. The draft R Street Area Implementation Plan presented at the March Board Workshop was prepared to meet this legislative requirement and elicit stakeholder comments. The two components of the Implementation Plan are strategies to provide affordable housing in the R Street Area and strategies to facilitate private development and public infrastructure.

In April and July, Regional Transit and CADA co-hosted workshops for 13th and 16th Street Light Rail station improvements, which helped prioritize construction funding obtained from the SACOG Community Design Grant Program to enhance pedestrian connectivity and renovate passenger amenities.

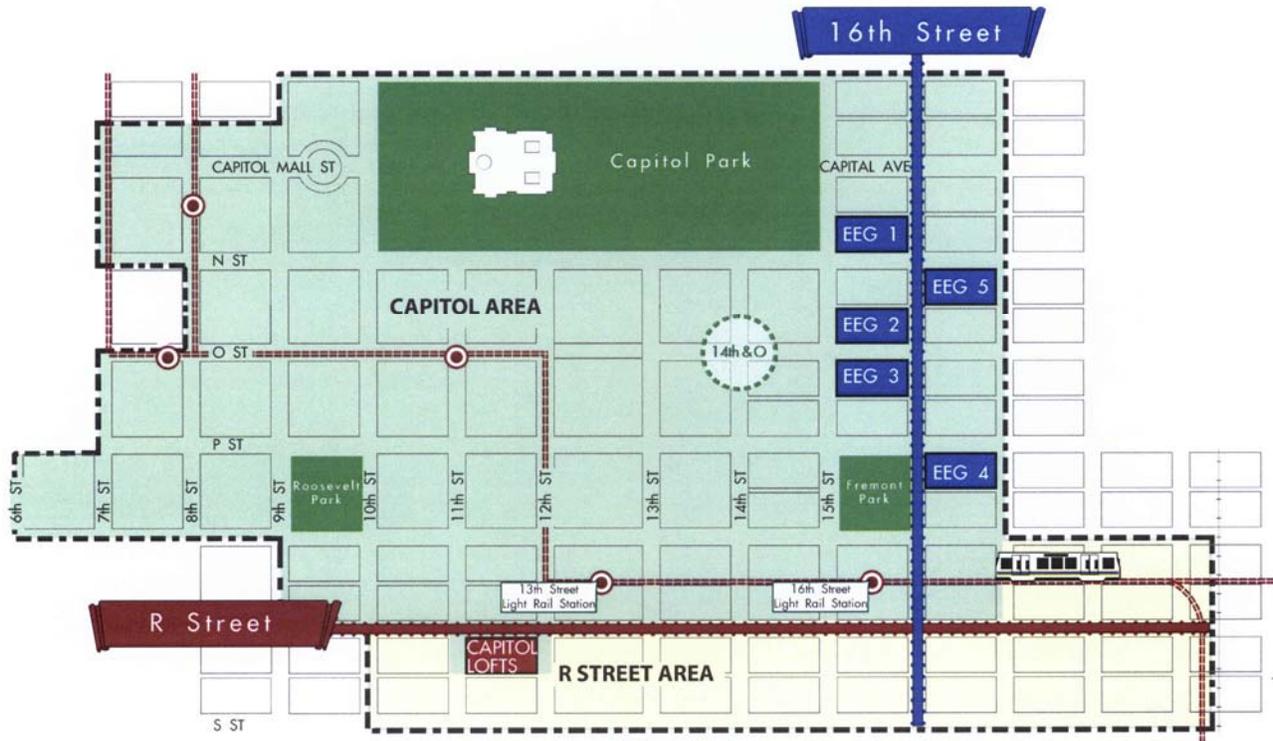
In September, CADA authorized the execution of an amended disposition and development agreement for the Capitol Lofts project at 11th and R Streets by which Holiday Development assumed primary responsibility for bringing this project to fruition. Holiday Development was the first developer to deliver New York inspired lofts to San Francisco. Their portfolio includes renovated and rehabilitated landmark buildings such as the Clocktower and 1000 Van Ness Avenue in San Francisco, as well as cutting edge developments such as the Emeryville Warehouse, Walnut Creek's Iron Horse Lofts and the Pacific Cannery Lofts currently under construction in Oakland.

In December, the Sacramento City Council approved zoning amendments to the R Street Corridor Special Planning District. These amendments, developed by R Street stakeholders, CADA, and City staff, are aimed to help alleviate restrictive development standards within the R Street Zoning Code.

In the Neighborhood

In addition to the construction of major new developments, CADA takes pride in its management and maintenance of a large portfolio of apartments including Victorians, classic flats facing Capitol Park, and townhomes built in the 1980s and 1990s. The diversity of this housing stock brings vibrancy to the Capitol Area. To ensure these structures remain functionally viable and architecturally distinctive, in addition to meeting on-going maintenance needs CADA funds an aggressive capital improvements program. Functional capital improvements undertaken in 2007 include elevator replacements and the installation of new plumbing systems. In this period, efforts undertaken to accentuate the unique charm of CADA vintage properties included the replacement of deteriorated glass block panels and ceramic tile in a 1930s art moderne building with sensitive replications.

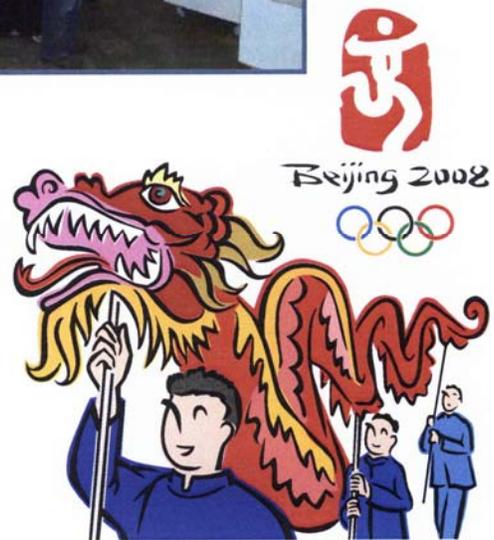
CADA also began rehabilitation of the landmark Sam's Market building at the corner of 14th and O Streets. A cornerstone for the 14th and O Street neighborhood, Sam's Market houses a ground floor grocery with two residential flats on the second and third floor. It is one of Capitol Park Neighborhood's few surviving mixed-use structures from the early 20th century. In continuing its legacy of small urban infill projects, CADA also shepherded a new Craftsmen-style duplex on 17th Street through the City entitlement process.



The Greater Community

CADA continued to facilitate its stakeholders' needs and actively participate in matters that affect the greater community. These activities included structuring a Memorandum of Understanding that is responsive to the office development needs of the State Department of General Services and the Department of Veteran's Affairs, completing the transfer of the Fremont Community Garden to the City Parks Department, participating in the Downtown Partnership's Strategic Plan process, supporting the SAFCA 200-Year Flood Assessment, and joining the Midtown Property Business Improvement District.

CADA also sponsored the first Second Saturday Night Market on R Street between 10th and 11th Streets featuring over 40 booths and attracting over 3,000 people. The streets were lit with Chinese lanterns in honor of the 2008 Beijing Olympic Landscape Art Exhibition, which made its American debut in Sacramento. Sixty-five of the award-winning models chosen from over 2,600 international entries were included in the exhibition.



The CADA Redevelopment Project Area, established in 1978, was limited to the Capitol Area. In 2002, the CADA Redevelopment Project Area boundaries were amended to include the R Street Area. Progress on the separate benchmarks that have been set forth for both areas are reported.

Disposition & Development

In the Capitol Area, CADA is the disposition agent for state-owned properties designated for new residential/mixed-use development. Of the 22.53 acres of state-owned lands designated for new residential/mixed-use development in the Capitol Area, 17.63 acres have been disposed and the remaining acres are in the process of being disposed. CADA does not serve a similar function in the R Street Area because the land is not state-owned.

Housing Production

In the Capitol Area, through its development of state-owned land, CADA is required to meet a specific housing production goal set forth in the State's Capitol Area Plan. In the R Street Area, CADA facilitates mixed-use transit-oriented development by constructing public infrastructure improvements and removing development impediments through such efforts as toxic remediation and providing technical/financial assistance to entities seeking to develop property in the R Street Corridor. CADA is not required to meet a set housing production goal in the R Street Area.

Capitol Area	Units
Housing production goal	1,471
Completed in prior periods	(804)
Completed in current period	-
Under construction/in development	(208)
Remaining units to be developed	459



Affordable Housing

In the Capitol Area, 25% of the units located property leased by CADA from the Department of General Services or on property sold to CADA by the Department of General Services must be affordable to low income households from inception.

Capitol Area	Assisted	Market	Total
Units managed by CADA	202	550	752
Units managed by others	136	464	600
Total units	338	1,014	1,352
Percentage split	25%	75%	100%

In the R Street Area, CADA is required to assure at least 15% of all units developed by entities other than CADA are affordable to low or moderate income households with not less than 40% of these units affordable to very low income households by build-out. CADA is also required to assure at least 30% of all units that it develops are affordable to low or moderate income households with not less than 50% of these units affordable to very low income households.

R Street Area	Developed by CADA	Developed by Others
Units produced to date	0	19
Affordable units produced to date		
Very low	0	0
Low/moderate	0	0
Total	0	0
Affordable units required by buildout		
Very low	0	1
Low/moderate	0	2
Total	0	3

FINANCIALS

CADA is a self-sustaining public agency. CADA does not receive on-going operational support from either the State of California or the City of Sacramento and is responsible for maintaining its own budget.

CADA's primary revenue stream is the rental revenue collected from the apartments, neighborhood commercial and parking spaces that it manages in the Capitol Area. In addition to preserving critically needed affordable rental units, CADA's management and maintenance of these properties provides the neighborhood stability necessary to attract private investment in new development projects.

CADA's secondary revenue stream is the tax increment generated by new development projects within the Capitol Area and the R Street Area. The tax increment growth in the Capitol Area resulting from CADA's disposing of state-owned properties not being retained for state offices is tempered because it is designated for residential/mixed use development rather than intense commercial/office development. Tax increment growth in the R Street Area has greater potential for growth in the long-term because the property is predominantly in private ownership and higher density transit-oriented development is proposed at the 13th and 16th Street Light Rail Stations.

Twenty percent (20%) of CADA's tax increment is designated as Housing Set Aside Funds because they must be used for the purpose of increasing and improving the supply of affordable housing. Eighty percent (80%) of CADA's tax increment is designated as Unrestricted Funds because they may be used for any purpose consistent with the implementation of CADA's redevelopment mandates. As illustrated to the right, CADA is required to separately account for the utilization of the tax increment generated in the Capitol Area and R Street Area.

Because development projects require advance funding and the timing of the resulting tax increment is uncertain, CADA maintains an ongoing ten year financial forecast that analyses the impact of all development projects on CADA's overall operations. This projection is reviewed annually as part of the upcoming fiscal year's budget preparation process and whenever CADA makes a decision concerning a significant development project.

Statement of Revenue & Expenses (Period ending June 30, 2007)

Revenues	
Rental of property and equipment	\$7,248,721
Less: Low income rent-assistance	<u>(789,364)</u>
	6,459,357
Tax increment revenue	2,307,839
Interest on investments	784,450
Development revenue and grants	118,685
Other	<u>138,813</u>
Total revenues	9,889,144
Expenses	
Employee services and benefits	2,805,654
Services and supplies	1,881,130
Development projects	919,253
Repairs and maintenance	984,522
Amortization and depreciation	871,485
Interest expense	926,717
Forgiveness of note	41,210
Total expenses	8,429,971
Net income	\$1,459,173

Tax Increment Source & Use (Period ending June 30, 2007)

Capitol Area	Unrestricted	Housing Set Aside
<u>Source</u>		
Tax increment	\$1,404,581	\$351,148
Unexpended prior		
Year tax increment	<u>72,662</u>	<u>12,550</u>
Total	1,477,243	363,698
<u>Use</u>		
Bond debt service	586,540	152,162
Direct expenditure	570,701	114,487
Reserved	<u>320,002</u>	<u>97,049</u>
Total	1,477,243	363,698
Net	\$0	\$0

R Street Area	Unrestricted	Housing Set Aside
<u>Source</u>		
Tax increment	\$505,688	\$126,422
Unexpended prior		
Year tax increment	<u>0</u>	<u>0</u>
Total	505,688	\$126,422
<u>Use</u>		
Bond debt service	39,905	9,152
Direct expenditure	182,015	0
Reserved	<u>283,768</u>	<u>116,970</u>
Total	505,688	126,422
Net	\$0	\$0



CAPITOL AREA DEVELOPMENT AUTHORITY

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