



**Sacramento
Housing &
Redevelopment
Agency**

**REPORT TO REDEVELOPMENT AGENCY
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org**

Consent
May 6, 2008

Honorable Chair and Members of the Redevelopment Agency

Title: Contract/Allocation of Funds: Del Paso Heights Redevelopment Plan Amendment

Location/Council District: Del Paso Heights Redevelopment Area; Council District 2

Recommendation: Adopt a **Redevelopment Agency Resolution** authorizing the Interim Executive Director, or her designee, to 1) amend the Sacramento Housing and Redevelopment Agency budget to transfer \$200,000 of Del Paso Heights Tax Increment Development Assistance funds to the Del Paso Heights Redevelopment Plan Amendment project, and 2) enter into a professional services contract with Murphy and Davis, LLP to assist the Agency in preparing all legal documentation and information necessary to amend the Redevelopment Plan for the purposes of increasing the cumulative Tax Increment (TI) limitation for an amount not to exceed \$200,000.

Contact: Lisa Bates, Deputy Executive Director, 440-1316; Chris Pahule, Assistant Director, Community Development, 440-1350

Presenters: Not Applicable

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: California Redevelopment Law requires that redevelopment plans adopted before 1982 establish a limit on the amount of tax increment (TI) funds a redevelopment agency may receive during the life of the plan. The Del Paso Heights Redevelopment Plan (the Plan) was first adopted in 1970 and is therefore subject to this requirement. The effective date of the Plan was extended in 2003 through an SB 211 amendment, however the TI limit was not changed at that time.

Since 2003, TI has nearly tripled in the Del Paso Heights Redevelopment Area from \$1.30 million to \$3.84 million annually. TI growth rates averaged 20 percent annually until fiscal year 2005-06 when the annual growth rate increased to the highest point at 40 percent. The dramatic increase is a result of the escalation of home sale prices during this period, the construction of new housing, and new commercial development along the I-80 corridor. The unprecedented TI growth rates in the Del Paso Heights Redevelopment Area will result in the Redevelopment Agency (Agency) reaching its cumulative TI capture limit for the

Del Paso Heights Redevelopment Area Tax Increment Cap Increase Project

redevelopment area well before the Agency is otherwise required to stop receiving TI.

A Redevelopment Plan amendment is required to increase the TI cap. It is recommended that the Agency hire a professional consultant to assist in preparing all legal documentation, to make findings necessary for the amendment, and to identify an appropriate increased TI cap dollar amount based on new development opportunities for the area, need for redevelopment assistance, inflationary factors and other factors that may be relevant.

Policy Considerations: Increasing the tax increment limit is consistent with the 2003-2007 Five-Year Implementation Plan for the Del Paso Heights Redevelopment Area and the Del Paso Heights Redevelopment Plan by providing additional financial resources for projects that eliminate blight and barriers to development.

Environmental Considerations: The proposed action is exempt from California Environmental Quality Act (CEQA) review pursuant to CEQA Guidelines Section 15378, which exempts fiscal activities that do not involve any commitment to any specific project. National Environmental Policy Act (NEPA) does not apply.

Committee/Commission Action: *Del Paso Heights Redevelopment Advisory Committee (RAC Action):* At its meeting on March 27, 2008, the RAC adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Grigas, Painter, Perry, Sample, Scoggins, Thao, Ward

NOES: None

ABSENT: Joe, Robinson, Hinkle, Watts

Sacramento Housing and Redevelopment Commission Action: At its meeting on April 16, 2008, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Chan, Coriano, Dean, Gore, Morgan, Stivers

NOES: None

NOT PRESENT TO VOTE: Otto, Shah

ABSENT: Burruss, Fowler

Rationale for Recommendation: Amending the Del Paso Heights Redevelopment Plan to increase the cumulative amount of TI that the Agency may receive will allow for significant redevelopment initiatives to proceed. This report recommends the hiring of the consultant team, Murphy and Davis, LLP (M&D), as legal consultant, Rosenow Spevacek Group, Inc. (RSG), as

Del Paso Heights Redevelopment Area Tax Increment Cap Increase Project

redevelopment consultant, and The Ervin Consulting Group (ECG), as environmental consultant, to assist the Agency in preparing all legal documentation and information necessary to amend the Redevelopment Plan for the purposes of increasing the cumulative TI limitation. Each of these firms has substantial experience in redevelopment plan amendments and adoptions and in working with the Agency. Murphy and Davis, LLP will serve as the principal contractor to the Agency and will subcontract with RSG and ECG for the provision of their services. The process will take approximately nine months to complete and will include six to eight informational presentations at City Council prior to final adoption of the plan amendment.

Financial Considerations: Staff recommends allocating \$200,000 of Del Paso Heights Tax Increment to cover all costs associated with the Del Paso Heights Tax Increment Capture Allowance Increase Project. The substantial growth in tax increment will cause the Agency to reach its cumulative TI limitation, or "cap," several years earlier than otherwise would be anticipated based on the expiration of the Redevelopment Plan. Reaching the TI cap earlier could mean the loss of millions of dollars in TI for potential redevelopment projects.

If, for example, the tax increment growth rate at a conservative two percent annually is used, the Agency would reach the current TI cap of \$131 million by the year 2028. The potential loss of TI revenues until the year 2033 (which is the current expiration date) is \$35 million. If a five percent growth rate is used, the potential loss of TI revenues could reach \$108 million.

M/WBE Considerations: The items discussed in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by: 
LA SHELLE DOZIER
Interim Executive Director

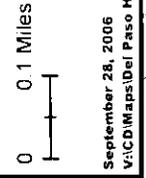
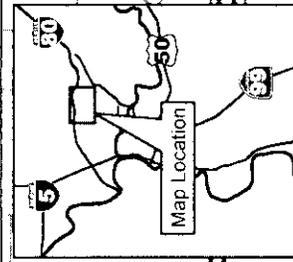
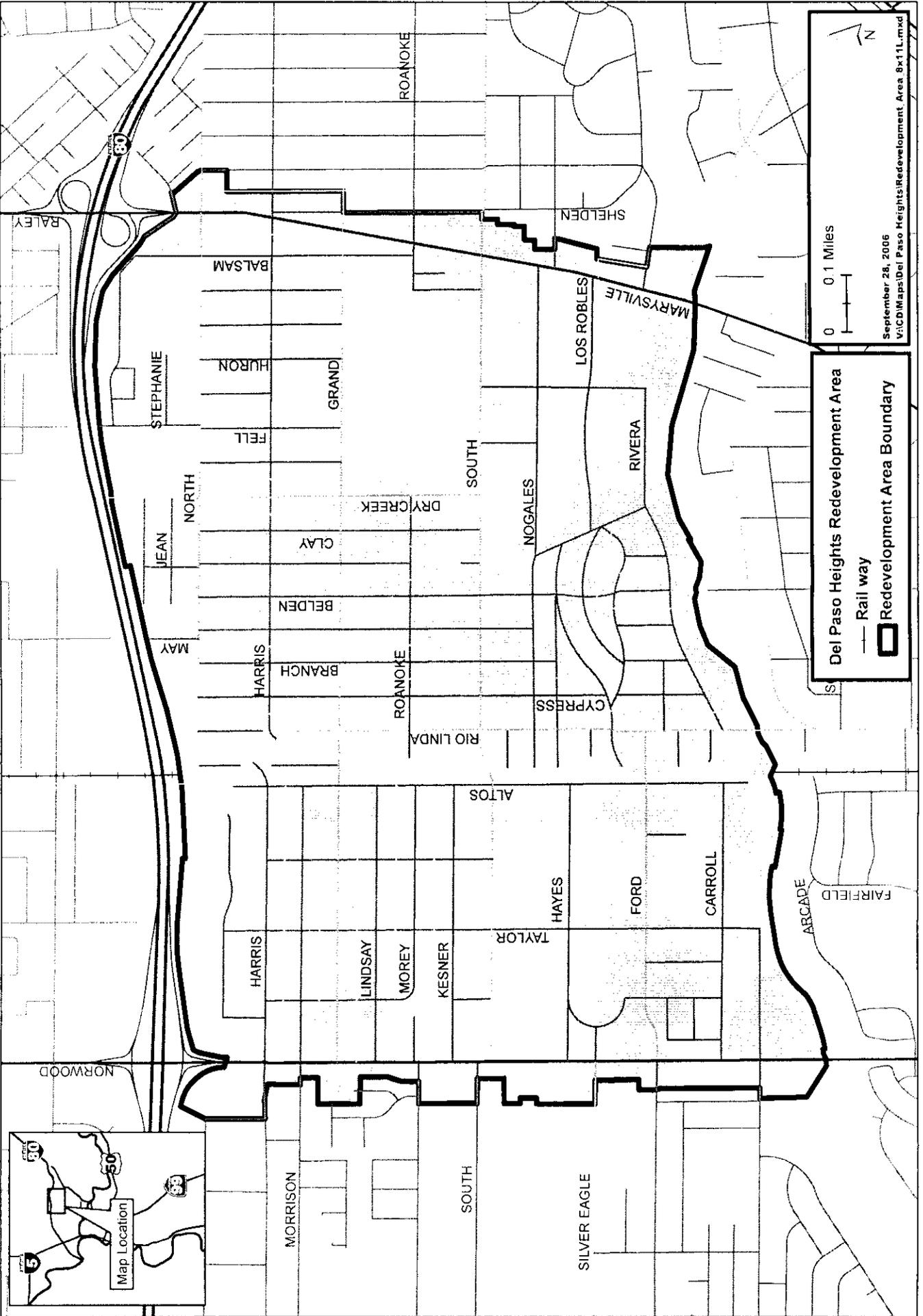
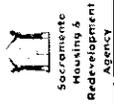
Recommendation Approved:


RAY KERRIDGE
City Manager

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Del Paso Heights Redevelopment Area



Del Paso Heights Redevelopment Area

— Rail way

Redevelopment Area Boundary

September 28, 2006
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RESOLUTION NO. 2008 - _____

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

ALLOCATION OF FUNDS TO PREPARE THE DEL PASO HEIGHTS REDEVELOPMENT PLAN AMENDMENT TO INCREASE THE TAX INCREMENT CAPTURE ALLOWANCE

BACKGROUND

- A. The Redevelopment Agency of the City of Sacramento ("Agency") has adopted the Del Paso Heights Redevelopment Plan ("Redevelopment Plan") and the 2003-2007 Implementation Plan for the Del Paso Heights Redevelopment Project Area ("Project Area").
- B. Due to unprecedented annual growth rates in Del Paso Heights Tax Increment ("TI"), the current TI limit will be reached several years earlier than the date on which the Agency is otherwise required to stop receiving TI under the Redevelopment Plan.
- C. Costs of activities for the elimination of blight in the Project Area far exceed the TI which could be obtained during the life of the Redevelopment Plan; and therefore, elimination of the TI limit, which is no longer required for the Redevelopment Plan, would substantially improve the ability to eliminate blight in the Project Area.
- D. A Redevelopment Plan amendment is necessary to eliminate or increase the TI limit.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. All of the evidence presented having been duly considered, the findings, as stated above, are approved and adopted.
- Section 2. The proposed action is exempt from California Environmental Quality Act (CEQA) review pursuant to CEQA Guidelines Section 15378, which exempts fiscal activities that do not involve any commitment to any specific project. The National Environmental Policy Act (NEPA) does not apply.
- Section 3. The Interim Executive Director, or her designee, is authorized to amend the Sacramento Housing and Redevelopment Agency budget to transfer \$200,000 of Del Paso Heights Development Assistance Tax Increment funds to the Del Paso Heights Redevelopment Plan Amendment Project to cover all costs associated with the completion of the Redevelopment Plan amendment.

Section 4. The Interim Executive Director, or her designee, is authorized to enter into a professional services contract with Murphy and Davis, for Redevelopment Plan amendment services, in an amount not to exceed \$200,000.