



**REPORT TO THE
REDEVELOPMENT AGENCY
of the City of Sacramento**

915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Consent
May 13, 2008

Honorable Chair and Members of the Board

TITLE: Forgive Loans to the Richards Boulevard Redevelopment Area and Establish Budget Authority for Railyards Redevelopment Area

Location/Council District: Railyards, River District – District 1

Recommendation: Adopt a **Redevelopment Agency Resolution** 1) forgiving internal loans made to the Richards Boulevard Redevelopment Area from Lot A funds in the amount of \$649,241; 2) returning an unexpended internal loan in the amount of \$350,759 from Lot A funds; 3) establishing an internal loan in the amount of \$350,000 to the Railyards Redevelopment Project Area with proceeds from the sale of Lot A; and 4) establishing a budget in the amount of \$350,000 for redevelopment consulting and predevelopment activities to facilitate actions necessary to support the Railyards Redevelopment Area.

Contact: Rachel Hazlewood, Senior Project Manager, 808-8645,
David Harzoff, Economic Development Manager, 808-5385

Presenters: N/A

Department: Economic Development

Division: River District, Downtown Development

Org. Number: 4451

Description/Analysis

Issue: The proposed actions will forgive two loans totaling \$649,241 made to the Richards Boulevard Redevelopment Area from proceeds of the sale of Lot A. These loans were for projects that are located in the newly established Railyards Redevelopment Project Area, namely a loan made in 2002 for improvements to the Rail Depot for \$348,241 and a loan made in 2003 for a study on the Intermodal facility in the amount of \$301,000. A loan in the amount of \$350,759 was also made to the Richards Boulevard Redevelopment Project Area in 2006 for the California Indian Heritage Center (CIHC). In 2007, the CIHC announced its intention to establish the Center in West Sacramento, therefore, these

unexpended funds are being returned to the Lot A fund and the associated project budget will be reduced by \$350,759. Also approved by this action will be an internal loan and budget in the amount of \$350,000 from the Lot A fund to the newly established Railyards Redevelopment Project Area for start up efforts until tax increment is generated. This is typically how other new project areas have been initiated.

Policy Considerations: The actions proposed in this Staff Report support the redevelopment of the Railyards and the River District Redevelopment Project Areas by 1) not burdening the remaining, smaller River District Project Area with debt incurred from projects that will be located in the new Railyards Project Area; and 2) providing funds for the Railyards Area to begin immediately on redevelopment efforts rather than waiting for the Project Area to begin generating tax increment revenue. .

Environmental Considerations: The proposed actions are exempt from environmental review under CEQA Guidelines Section 15262.

Rationale for Recommendation: Forgiving the two Richards Boulevard Project Area loans will release the now smaller River District Redevelopment Project Area from debts incurred for projects that are no longer located within its boundaries. Loaning funds to the Railyards Project Area will provide start-up funds until tax increment funds begin to flow to the Project Area. The funds will be used to undertake studies, begin predevelopment activities and hire consultants in support of redevelopment projects approved by the Agency in the Railyards Redevelopment Plan and Railyards Implementation Plan.

Financial Considerations: The Agency will forgive \$649,241 in Lot A sale proceeds. The internal loan for \$350,000 to the Railyards Redevelopment Area will be repaid from tax increment revenues generated by the Project Area.

Emerging Small Business Development (ESBD): There are no Minority and Women's Business Enterprise considerations associated with the actions recommended in this report.

Respectfully Submitted by:



Rachel Hazlewood

Senior Project Manager

on behalf of the Redevelopment Agency
of the City of Sacramento

Approved by:



David Harzoff

Economic Development Manager

Recommendation Approved:



Ray Kerridge
City Manager

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Attachment 1

Background

The year long process to approve the Railyards Redevelopment Project culminates in the adoption of two Ordinances which to be presented to City Council for approval on May 13, 2008. One Ordinance will delete 298 acres from the existing Richards Boulevards Redevelopment Area leaving a smaller River District Project Area and the second Ordinance will adopt a separate Railyards Redevelopment Project Area.

Tax increment revenues will begin to be generated by the Railyards Project Area in mid 2009, and as property values increase, those tax increment revenues will also increase. However, as is typical of new redevelopment areas, the amount of tax increment to be generated in the Railyards Project Area in the first two years will be small. It is projected that the tax increment will be \$130,000 in 2009/2010 fiscal year.

Traditionally, to provide new project areas with funding to begin redevelopment projects, the Agency has loaned start-up funds to the new project area. These funds are repaid once the area begins generating tax increment. The loan of \$350,000 from the Lot A fund to the Railyards Redevelopment Project Area will enable staff to begin immediately to implement the program approved in the newly approved Redevelopment Plan and Implementation Plan for Railyards, rather than wait until sufficient revenues are generated by tax increment flows. Funds will be used to undertake studies, engage consultants and undertake predevelopment activities on the Railyards and Intermodal projects.

The funds to make this loan will come from a loan that was made to the Richards Boulevard Redevelopment Area but never used. Lot A funds were loaned to the Richards Boulevard Redevelopment Project Area to acquire a site in the River District for the California Indian Heritage Center (CIHC). However, the CIHC announced in 2007 that it will locate in West Sacramento so the funds were not needed and can be returned to the Agency.

This action also includes a request to forgive two other loans that were made to the Richards Boulevard Redevelopment Area with Lot A funds. These loans were for projects that are located in the newly established Railyards Redevelopment Project Area, namely improvements to the Rail Depot for \$348,241 and a study on the Intermodal facility in the amount of \$301,000. Since the River District will no longer receive tax increment revenues from the Railyards Area, forgiving the loans will relieve the River District Redevelopment Project Area from debt obligations incurred on behalf of the Railyards Area.

RESOLUTION NO. 2008-_____

Adopted by the Redevelopment Agency
of the City of Sacramento

**FORGIVE LOANS TO THE RICHARDS BOULEVARD REDEVELOPMENT AREA
AND ESTABLISH BUDGET AUTHORITY FOR
RAILYARDS REDEVELOPMENT AREA**

BACKGROUND

- A. On May 13, 2008, in order to address the unique challenges to redevelopment of the Railyards area and to protect the Richards Boulevard Redevelopment Area from the significant costs associated with that redevelopment, the City Council adopted ordinances amending the boundaries of the Richards Boulevard Redevelopment Project Area and creating the Railyards Redevelopment Project Area.
- B. The Seventh Amendment to the Richards Boulevard Redevelopment Project (now the "River District Project Area") deletes the Railyards Area from within its boundaries and establishes the Railyards Redevelopment Project as a separate redevelopment area.
- C. In 2002 and 2003, two loans with outstanding balances totaling \$649,241 were made to the Richards Boulevard Redevelopment Project Area for projects which are now located in the Railyards Project Area. With the creation of the separate Railyards Project Area, tax increment revenues generated from the Railyards Project Area will stay in that Project Area and, therefore, will be unavailable to repay the outstanding loans.
- D. A loan made in 2006 for \$350,759 for the California Indian Heritage Center will not be needed as the Center announced its plans to move to West Sacramento.
- E. Tax increment revenues are not expected to begin to flow to the Railyards Redevelopment Project Area until the 2009-2010 fiscal year, while the redevelopment program is planned to be implemented immediately, necessitating the loan of start up funds to the Railyards Redevelopment Project Area.
- F. The proposed actions authorize a budget to undertake predevelopment activities and engage consultants in support of the Railyards Redevelopment Project and is exempt from environmental review under CEQA Guidelines Section 15262 as planning studies for possible future actions which have not yet been approved.

An appropriate level of environmental analysis will be completed prior to consideration and approval of any proposed Agency actions.

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

- Section 1. After due consideration of the facts presented, the findings, including the foregoing recitals and the environmental findings regarding this action, as stated in this Resolution are approved and adopted.
- Section 2. The Executive Director or her designee is directed to forgive two loans made to the Richards Boulevard Redevelopment Project Area for Rail Depot Improvements in the amount of \$348,241 and the Intermodal Facility Study in the amount of \$301,000; and return a loan in the amount of \$350,759 made to the Richards Boulevard Redevelopment Project Area for the California Indian Heritage Center but never expended and to decrease the associated project budget by \$350,759.
- Section 3. The Executive Director, or her designee, is authorized to execute an internal loan agreement in the amount of \$350,000 from the Lot A fund, in a form approved by Agency counsel, to the Railyards Redevelopment Project Area which will be repaid upon collection of future tax increment generated by the Railyards Redevelopment Project.
- Section 4. The Executive Director, or her designee, is authorized to establish budget authority, based on the authorized loan in Section 3, for the Railyards Redevelopment Project Area for predevelopment services and consultants in the amount of \$350,000 to facilitate actions necessary to support the Railyards Redevelopment Project.

