



# REPORT TO COUNCIL City of Sacramento

# 30

915 I Street, Sacramento, CA 95814-2604  
www.CityofSacramento.org

**PUBLIC HEARING**  
May 13, 2008

Honorable Mayor and  
Members of the City Council

**Title: FY2008/09 PROPOSED BUDGET – ECONOMIC DEVELOPMENT DEPARTMENT**

**Location/Council District:** Citywide

**Recommendation:** Conduct a public hearing on the FY2008/09 Proposed Budget for the Economic Development Department and upon conclusion adopt an intent motion to approve the budget as proposed.

**Contact:** David Spaur, Director, 808-8196; Leslie Fritzsche, Downtown Development Manager, 808-5450; and Jim Rinehart, Citywide Economic Development Manager, 808-5054, Dave Harzoff, Economic Development Manager (Railyards), 808-5385

**Presenters:** David Spaur, Director

**Department:** Economic Development

**Division:** Not Applicable

**Organization No:** 4451/4453/4454/4455

## Description/Analysis

**Issue:** This report provides information on the FY2008/09 proposed budget for the Economic Development Department (the “Department”). It includes a department description, budget summary, and proposed department measures to assist in balancing the City’s budget.

The role of the Department is to market the City of Sacramento and facilitate private investment in accordance with established economic development priorities and adopted land use plans and policies. The Department is divided into two functional divisions:

- **Downtown Development** – manages both the Downtown and Richards Boulevard Redevelopment Project Areas.
- **Citywide Development** – manages all economic development activities within the City of Sacramento.



Despite budget reductions, the Department will continue to implement key components of the Council adopted Economic Development Strategy. The Department will stimulate the local economy by focusing on commercial corridors, retail attraction, small business development and clean and green industries.

The department budget will be reduced by \$324,000, which will defer hiring two Senior Project Manager positions and reduce consulting services. These reductions will result in the following service level impacts:

- Delay in developing:
  - 65<sup>th</sup> Street and Power Inn Opportunity Area
  - Cal Expo/Point West Opportunity Area
  - Raley Blvd Industrial Project Area
- Discontinued/reduced levels of partnership with non-profit regional partners that provide business retention and attraction services

**Policy Considerations:** The policies and objectives outlined in the approved Economic Development Strategy placed the Department in a strong position to focus on initiatives that will generate additional employment and revenues for the City.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** This report concerns administrative activities that will not have any significant effect on the environment, and that do not constitute a "project" as defined by the California Environmental Quality Act (CEQA) [CEQA Guidelines Sections 15061(b)(3); 15378(b)(2)].

**Sustainability Considerations:** The department will continue efforts to promote the City's sustainability mission by promoting the recently adopted CleanTech Zone to attract "Green" Companies, support Leadership in Energy and Environmental Design (LEED) Certified products, and encourage sustainable development.

**Rationale for Recommendation:** Staff recommends that the City Council adopt an intent motion approving the Economic Development Department budget and/or provide additional direction for final budget adoption.

**Financial Considerations:** The FY2008/09 proposed budget for the Economic Development Department includes 27 full-time equivalent (FTE) positions. However, as a General Fund reduction measure, 2 FTE will be unfunded, resulting in a total of 25 funded FTE positions. The department has a total budget of \$5.328 million, of which \$5.132 million is supported by the General Fund. For more information on the department's budget and staffing, please see Attachments 1-3.

**Emerging Small Business Development (ESBD):** None.

Respectfully Submitted by: Leslie Fritzsche  
Leslie Fritzsche  
Downtown Development Manager  
on behalf of the Redevelopment Agency  
of the City of Sacramento

Approved by: David L. Spaur for DCS  
David L. Spaur, CECD, EDFP  
Director, Economic Development

Recommendation Approved:

Ray Kerridge  
Ray Kerridge  
City Manager

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**Attachment 1  
Department Budget**

# 13

**SECTION – 13**

**ECONOMIC DEVELOPMENT**

## DESCRIPTION

The role of the **Economic Development Department** is twofold. The Department markets, facilitates and financially assists targeted private investment and development within the City of Sacramento, and seeks redevelopment opportunities that will revitalize the Merged Downtown and Richards Boulevard Redevelopment Project Areas. To accomplish this, there are two divisions within Economic Development: Citywide Development and Downtown Development.

Citywide Development is focused on development outside the Downtown Sacramento core. The focus includes:

- Business Recruitment
- Business Retention and Expansion
- Small Business Outreach
- Revitalization of Targeted Commercial Corridors
- Economic Development Policy
- Development Opportunity Project Management

Downtown Development focuses on redevelopment and revitalization of the Downtown Sacramento core including the Richards Boulevard project areas and Railyards. Specific areas of focus include:

- The Sacramento River waterfront
- Downtown market-rate housing
- Railyards development
- New hotel development to support tourism and the Sacramento Convention Center
- Retail, entertainment, and cultural arts facilities
- New commercial and office projects
- Public area beautification

## MORE INFORMATION

For more information about the Economic Development Department:

**Website** - <http://www.cityofsacramento.org/econdev>

**Other Economic Development Information** - <http://www.sacsites.com/>

## PROGRAMS/SERVICE HIGHLIGHTS

The Economic Development Department will continue to implement the key components of the Council adopted Economic Development Strategy. The department will target commercial corridors including retail, small business, and clean and green energy industries for business retention, recruitment and expansion to stimulate the local economy.

**OBJECTIVES FOR FY2008/09**Downtown Development

- Begin construction of Phase 1 of the Riverfront Promenade in the Docks area.
- Construct Phase 1 of the K Street Streetscape.
- Renovate St. Rose of Lima Park.
- Complete construction of 10<sup>th</sup>/K Cabaret/Restaurant project.
- Finish construction of Citizens Hotel at 926 J Street.
- Initiate rehabilitation of 700 K Street block, transforming into a destination retail district.
- Undertake redevelopment of 1012-22 K Street.
- Relocate Greyhound facility.
- Initiate fee deferral program to stimulate development projects in the Downtown.
- Complete negotiations for an additional downtown hotel.
- Undertake three new residential projects.
- Launch Downtown J-K-L Street Window Graphic Program.
- Initiate redevelopment of the Marshall Hotel.

Railyards Development

- Complete conceptual design/negotiate business terms for 5<sup>th</sup>/6<sup>th</sup> Street Parking Garage.
- Work with River District/Railyards and City staff to revise impact fee program.
- Promote Railyards opportunities as part of the overall City Economic Development effort.

Citywide Economic Development

- Meet with 100 local businesses as part of City's Business Retention Program.
- Conduct two "Business Walks" with local business associations.
- Conduct two Council district tours.
- Participate in the annual International Council of Shopping Centers Spring Convention and recruit property owners, developers and retailers to the Sacramento region.
- Identify projects for the Sacramento Employment and Economic Development Corporation that will help stimulate the economy.
- Assist with development projects and opportunities at Cal Expo.
- Assist with development projects and opportunities at Granite Regional Park.
- Participate in regional small business outreach events.

**PROPOSED BUDGET/STAFFING CHANGES**

Service Level Impacts

The Economic Development Department will be reduced by \$324,000, including the unfunding of 2.0 FTE Senior Project Manager positions and a reduction in consulting services. These reductions will result in the following service level impacts:

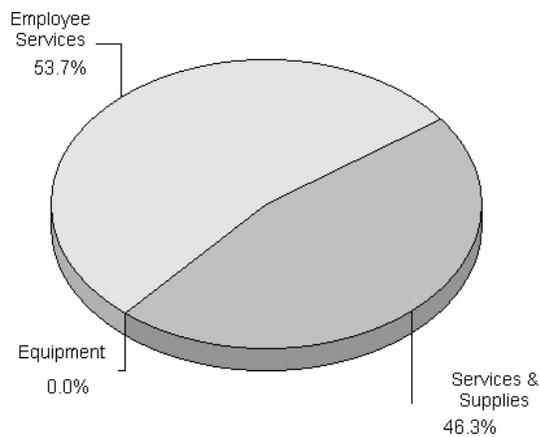
Citywide Economic Development

- Delay in developing:
  - 65<sup>th</sup> Street and Power Inn Opportunity Area
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- Discontinued/reduced levels of partnership with non-profit regional partners that provide business retention and attraction services.

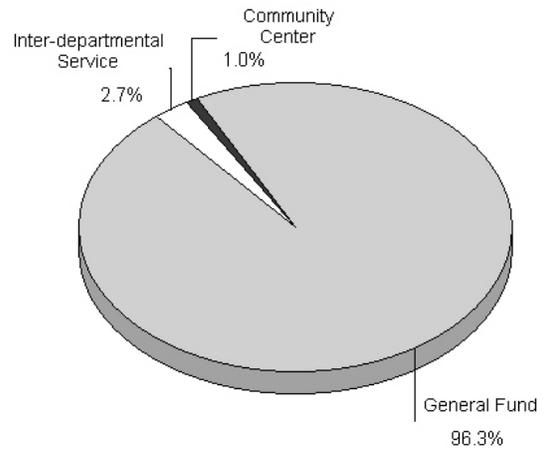
Department Budget Summary

<b>Economic Development Department</b> Budget Summary	FY 2006/07 Actual	FY 2007/08 Approved	FY 2007/08 Amended	FY 2008/09 Proposed	Change More/(Less) Proposed/Amended
Positions (FTE)	17.00	24.00	24.00	27.00	3.00
<b>Budgeted Expenditures</b>					
Employee Services	1,998,725	2,636,487	2,693,497	2,860,172	166,675
Services & Supplies	843,687	2,428,927	2,428,927	2,466,364	37,437
Equipment	11,000	1,000	1,000	1,000	0
Total:	<b>2,853,412</b>	<b>5,066,414</b>	<b>5,123,424</b>	<b>5,327,536</b>	<b>204,112</b>
<b>Funding Summary by Fund/Special District</b>					
Community Center	52,000	52,000	52,000	52,000	0
General Fund	2,801,412	5,014,414	5,071,424	5,132,140	60,716
Inter-departmental Service	0	0	0	143,396	143,396
Total:	<b>2,853,412</b>	<b>5,066,414</b>	<b>5,123,424</b>	<b>5,327,536</b>	<b>204,112</b>

**Budgeted Expenditures - FY09**



**Funding Summary - FY09**



Division Budget Summary

<b>Economic Development Department</b> Division Budgets	FY 2006/07 Actual	FY 2007/08 Approved	FY 2007/08 Amended	FY 2008/09 Proposed	Change More/(Less) Proposed/Amended
Economic Development Admin	333,834	1,432,630	1,493,694	1,467,656	(26,038)
Downtown Development	1,407,338	1,574,001	1,571,859	1,634,763	62,904
Citywide Development	1,112,240	2,059,783	2,057,871	2,225,117	167,246
<b>Total:</b>	<b>2,853,412</b>	<b>5,066,414</b>	<b>5,123,424</b>	<b>5,327,536</b>	<b>204,112</b>

Staffing Levels

<b>Economic Development Department</b> Division FTEs	FY 2006/07 Actual	FY 2007/08 Approved	FY 2007/08 Amended	FY 2008/09 Proposed	Change More/(Less) Proposed/Amended
Economic Development Admin	2.00	2.00	2.00	2.00	0.00
Downtown Development	8.00	9.00	9.00	9.00	0.00
Citywide Development	7.00	13.00	13.00	16.00	3.00
<b>Total:</b>	<b>17.00</b>	<b>24.00</b>	<b>24.00</b>	<b>27.00</b>	<b>3.00</b>

**Attachment 2  
Department Staffing**

Economic Development Department

	FY 2007/08 Amended	FY 2008/09 Proposed	Change	FY2008/09	
				Unfunded	Funded
Accounting Technician	0.00	1.00	1.00	0.00	1.00
Administrative Analyst	2.00	2.00	0.00	0.00	2.00
Administrative Assistant	1.00	1.00	0.00	0.00	1.00
Administrative Officer	1.00	1.00	0.00	0.00	1.00
Administrative Technician	1.00	1.00	0.00	0.00	1.00
Development Project Manager	1.00	1.00	0.00	0.00	1.00
Director of Economic Development	2.00	2.00	0.00	0.00	2.00
Economic Development Manager	3.00	3.00	0.00	0.00	3.00
Media & Communications Specialist	1.00	1.00	0.00	0.00	1.00
Program Analyst	0.00	1.00	1.00	0.00	1.00
Program Specialist	0.00	1.00	1.00	0.00	1.00
Secretary	1.00	1.00	0.00	0.00	1.00
Senior Development Project Manager	11.00	11.00	0.00	2.00	9.00
<b>Department Total:</b>	<b>24.00</b>	<b>27.00</b>	<b>3.00</b>	<b>2.00</b>	<b>25.00</b>

**Attachment 3  
Department Reduction Details**

**FY2008/09 General Fund Reduction Impact: Summary Worksheet**

**Date:** 1/14/08

**Department Name:** Economic Development

**Reduction Target:** \$323,800 (20% Reduction)

**Total Approved FTE:** 12.00 (Citywide Division)

**Department Head:** David Spaur

Department	Type of Change (Indicate with X)				Description	FY09 Savings (whole dollars)				FTE Reduction
	Mark one only	Mark one only	Mark one only	Mark one only		Services and Supplies	Labor	Offset Increase	Total Savings	
Dept #	Reduction	Efficiency	Reorg	One-time	Brief High Level Description (Detail on Separate Worksheet) Short Title					
440	x			x	Defer Hiring of Sr Project Manager Impact to Programs/Services The loss of two Senior Project Managers will affect work on the following project areas: 65th Street and Power Inn Opportunity Area, Cal Expo/Point West Opportunity Area; and the Raley Blvd Industrial Project Area.	\$236,322		\$ -	\$236,322	2.00
440	x			x	Professional Svs. a 20% reduction will affect the Professional Consulting Services portion of our Supplies & Services budget committed to long-term projects such as: Railyards, River District, and Downtown.	\$87,478		\$ -	\$87,478	
						\$87,478	\$236,322	\$ -	\$323,800	2.00

**Attachment 4**  
**Fiscal Year 2008/09 Budget Presentation**



**CITY OF SACRAMENTO**  
ECONOMIC DEVELOPMENT DEPARTMENT

**Fiscal Year 08/09 Budget  
Presentation**

Dave Spaur, CEcD, EDFP  
Economic Development Director



**CITY OF SACRAMENTO**  
ECONOMIC DEVELOPMENT DEPARTMENT

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ECONOMIC DEVELOPMENT DEPARTMENT

### Economic Development Staff

Beth Tincher	Lorrie Lowry
Charlotte Broussard	Maurice Chaney
Dave Harzoff	Melissa Anguiano
Dave Spaur	Melissa Mowry
Diana Sasser	Nicole York-Johnson
Dean Peckham	Noreen James
Denise Malvetti	Rachel Hazlewood
Donna Ramos	Robi Holmen
lysha Jenkins	Sabrina Tefft
Jennifer Witz	Sheri Smith
Jim Rinehart	Tom Zeidner
Leslie Fritzsche	Trevor Walton



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ECONOMIC DEVELOPMENT DEPARTMENT

### **Economic Trends**

*Office Market:* 1<sup>st</sup> Qtr 2008 vacancy rates for the Sacramento Region now stands at 13.6%, up from the year-end 2007 level of 13.1%.

*Development Activity:* Construction valuation in March of this year was down \$45 million from the same month last year.

*Employment:* The Sacramento region unemployment rate is the highest in 11 years.

*Housing Market:* The housing downturn has resulted in unprecedented foreclosures and reduces property values through out the City.



## Accomplishments Since 2006

- 40 Projects, including:
    - ✓ Fulcrum Industries
    - ✓ Citizen Hotel
    - ✓ Kitchen Academy
    - ✓ Sheraton Hotel Sale
    - ✓ Ella Restaurant
    - ✓ Mel Rapton Honda
    - ✓ 10th & K Cabaret
    - ✓ Jackson Labs
  - \$647.8 million Total in Public-Private Investment
- Return on Investment***
- 2,435 New and Retained Jobs
  - \$6.6 million in Estimated New Revenue



**CITY OF SACRAMENTO**  
ECONOMIC DEVELOPMENT DEPARTMENT

### **What Lies Ahead for Economic Development**

**Continue to Ramp Up Business Retention, Expansion and Attraction Programs**

- Outreach to Businesses
- Provide Incentives for both existing and new businesses
- Strengthen Strategic Partnerships

**Promote New Investment to the City**

- Clean and Green Technology Businesses
- Hospital & Medical Industry (Kaiser, Mercy, UCD, Sutter)
- Automobile Sector
- Hospitality



**CITY OF SACRAMENTO**  
ECONOMIC DEVELOPMENT DEPARTMENT

**Reinvest in Opportunity Areas to increase Residential, Office, Entertainment and Retail**

- JKL Corridor
- River District, Railyards, and Old Sacramento
- 65<sup>th</sup> Street
- Army Depot
- Sacramento Waterfront – The Docks

**Launch SEED Corporation**

- Develop non-profit to assist the City and SHRA in economic development efforts