



**Sacramento  
Housing &  
Redevelopment  
Agency**

**REPORT TO COUNCIL AND  
REDEVELOPMENT AGENCY**

**City of Sacramento**

**915 I Street, Sacramento, CA 95814-2671**

**[www.CityofSacramento.org](http://www.CityofSacramento.org)**

**Staff Report**

**December 2, 2008**

**Honorable Mayor and Members of the Council  
Chair and Members of the Redevelopment Agency**

**Title: Preliminary Report on the Proposed Eleventh Amendment to the  
Redevelopment Plan for the Del Paso Heights Redevelopment Project Area;  
Calling Joint Public Hearing**

**Location/Council District: Del Paso Heights Redevelopment Project Area, Council  
District 2**

**Recommendation:** Adopt a 1) **City Council Resolution** consenting to and calling a joint public hearing with the Redevelopment Agency of the City of Sacramento to consider the Proposed Eleventh Amendment to the Redevelopment Plan for the Del Paso Heights Redevelopment Project; and make related findings; and 2) a **Redevelopment Agency Resolution** approving the Preliminary Report on the Proposed Eleventh Amendment to the Redevelopment Plan for the Del Paso Heights Redevelopment Project, referring said Proposed Eleventh Amendment to the Planning Commission of the City of Sacramento and to the Del Paso Heights Redevelopment Advisory Committee for report and recommendation, and consenting to and requesting the City Council of the City of Sacramento to call a joint public hearing with the Redevelopment Agency of the City of Sacramento to consider said Proposed Eleventh Amendment.

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

**Presenters:** Erika Bumgardner, Senior Redevelopment Planner

**Department:** Sacramento Housing & Redevelopment Agency

Preliminary Report: Del Paso Heights Redevelopment Plan Amendment

**Description/Analysis**

**Issue:** The Redevelopment Agency of the City of Sacramento (“Agency”) is proposing an Eleventh Amendment (“Plan Amendment”) to the Redevelopment Plan for the Del Paso Heights Redevelopment Project. The Redevelopment Plan imposes time and financial limits that guide the projects and programs that the Agency may implement.

The current limits will not allow the Agency to implement the projects necessary to alleviate blight within the Project Area. Current financial limits of the Redevelopment Plan will prevent the Agency from funding projects and programs during the final decade of the term of the Redevelopment Plan that are necessary to eliminate blight. Significant blight remains in the Project Area that cannot be eliminated without the use of eminent domain on property that is not occupied as a residence. In addition, the Plan Amendment would increase the Redevelopment Plan’s financial limits and extend the time period in which the Agency may commence eminent domain proceedings by an additional twelve (12) years. During the extended period for eminent domain, the Agency’s eminent domain authority would be limited to properties on which no persons reside.

Prior to the consideration and adoption of the ordinance approving the proposed Plan Amendment, a joint public hearing must be held by the Redevelopment Agency and the City Council to hear all testimony for and against the proposed actions.

**Policy Considerations:** The actions proposed in this staff report are consistent with the redevelopment plan amendment process established by Redevelopment Law. The actions are also consistent with the Five-Year Del Paso Heights Implementation Plan which identifies redevelopment and community goals for the Project Area. While the City’s General Plan is being updated, the City Council has adopted a vision for the future of the City, as well as several guiding principles to achieve its updated vision. This project complies with the following guiding principle: “programs and strategies should promote the development of the community to the fullest range possible in the City of Sacramento.” In addition, the proposal is not contrary to any of the other approved principles of the General Plan Vision.

Preliminary Report: Del Paso Heights Redevelopment Plan Amendment

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed actions in this staff report do not constitute a project under the California Environmental Quality Act (CEQA). The National Environmental Policy Act does not apply. The preparation and processing of the proposed Plan Amendment requires environmental review, for which a Negative Declaration has been prepared. The Negative Declaration will be presented for consideration by the Redevelopment Agency and City Council at the joint public hearing in April 2009.

**Sustainability Considerations:** The actions associated with this report achieve multiple City of Sacramento Sustainability Master Plan goals including: Creating "Healthy Urban Environments" through Restorative Redevelopment (*Public Health and Nutrition*).

**Committee/Commission Action:** *Del Paso Heights Redevelopment Advisory Committee (RAC Action):* At its meeting on October 23, 2008, the RAC adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Joe, Painter, Sample, Thoa, Ward

NOES: None

ABSENT: Grigas

ABSTENTION: Hinkle

*Sacramento Housing and Redevelopment Commission Action:* At its meeting on November 5, 2008, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Burruss, Chan, Dean, Mohr, Morgan, Otto, Stivers

NOES: None

ABSENT: Coriano, Fowler, Gore, Shah

Preliminary Report: Del Paso Heights Redevelopment Plan Amendment

**Rationale for Recommendation:** The recommended actions are necessary to amend the Del Paso Heights Redevelopment Plan which will provide the funding and administrative resources necessary to carry out proposed redevelopment projects for the next 15 years and simultaneously alleviate blight in the Project Area.

If approved, the Plan Amendment will amend the Redevelopment Plan for the Project by:

- Increasing the limitation on the amount of tax increment that may be allocated to the Agency for the Project Area from \$131,000,000 to \$250,000,000;
- Increasing the limitation on the amount of bonded indebtedness that can be outstanding at one time from \$41,000,000 to \$100,000,000;
- Repealing the time limit to incur debt; and
- Extending the time limit for commencement of eminent domain proceedings to acquire property that is not occupied as a residence within the Project Area by an additional twelve (12) years.

It is proposed that a joint public hearing on the proposed Plan Amendment be scheduled for the public meeting of April 21, 2009. By separate resolutions, the Redevelopment Agency will consider whether to consent to and request a joint public hearing to be held on April 21, 2009, and the City Council will consider whether to consent to and call the joint public hearing. Both resolutions authorize the preparation, publication and mailing of all required notices of the hearing.

**Financial Considerations:** There are no financial considerations associated with the actions requested in this report.

Preliminary Report: Del Paso Heights Redevelopment Plan Amendment

**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

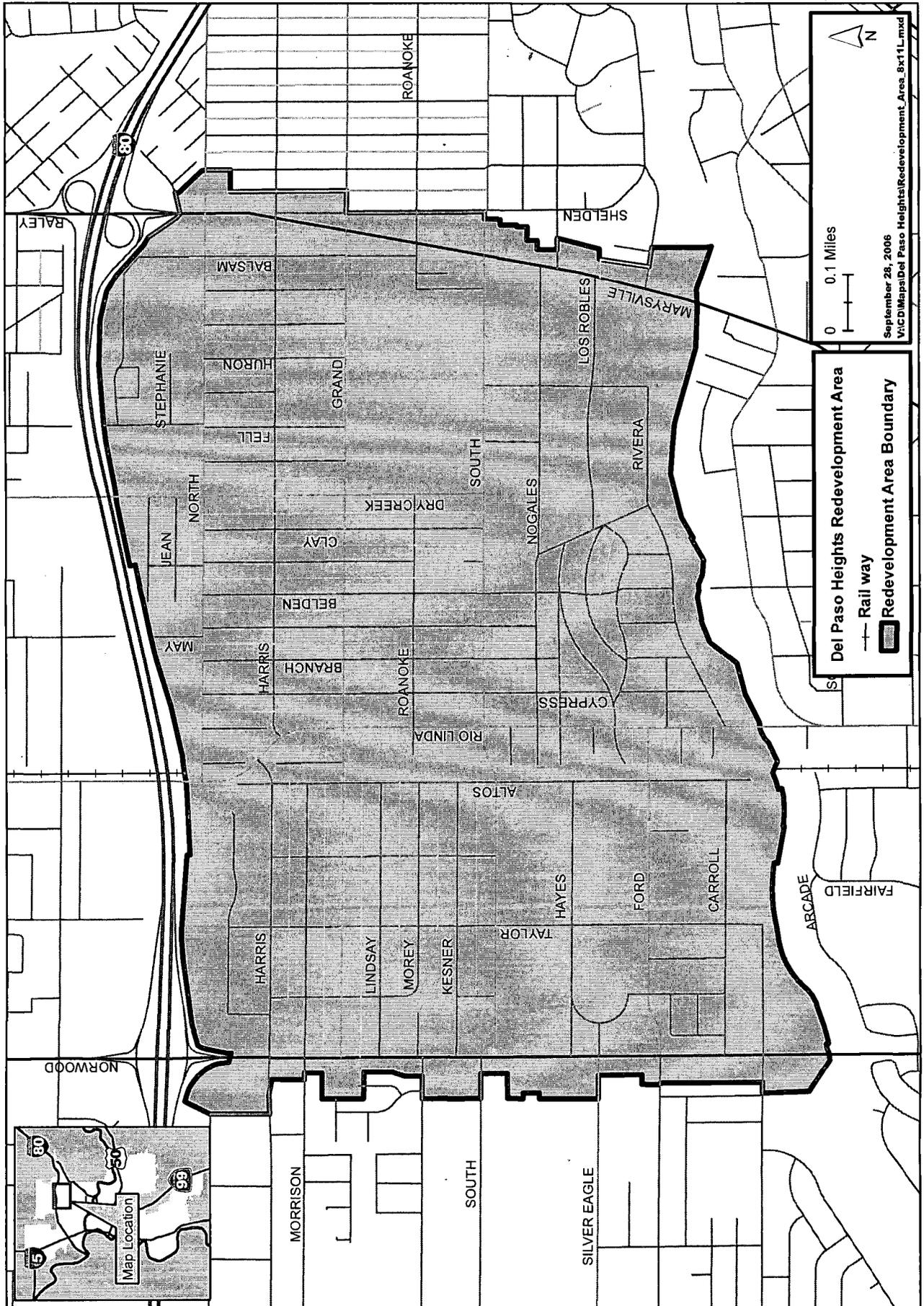
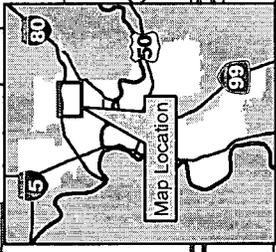
Recommendation Approved:

  
for RAY KERRIDGE  
City Manager

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# Del Paso Heights Redevelopment Area



0 0.1 Miles

September 28, 2006  
 V:\CD\Mapa\Del Paso Heights\Redevelopment Area\_8x11.mxd

Del Paso Heights Redevelopment Area  
 — Rail way  
 [Shaded Area] Redevelopment Area Boundary

## **Background**

### **Del Paso Heights Preliminary Report**

The Redevelopment the Agency of the City of Sacramento (the "Agency") is proposing an Eleventh Amendment to the Redevelopment Plan for the Del Paso Heights Redevelopment Project ("Plan Amendment"). The Redevelopment Plan ("Redevelopment Plan") for the Del Paso Heights Redevelopment Project ("Project" or "Project Area") imposes time and financial limits that guide the projects and programs that the Agency may implement.

The Plan Amendment is being proposed because the current limits will not allow the Agency to implement the projects necessary to alleviate blight within the Project Area. The current financial limits of the Redevelopment Plan will prevent the Agency from funding projects and programs during the final decade of the term of the Redevelopment Plan that are necessary to eliminate blight. Additionally, significant blight remains in the Project Area that cannot be eliminated without the use of eminent domain on property that is not occupied as a residence. In addition, the Plan Amendment would increase the Redevelopment Plan's financial limits and extend the time period in which the Agency may commence eminent domain proceedings by an additional twelve (12) years. During the extended period for eminent domain, the Agency's eminent domain authority would be limited to properties on which no persons reside.

The documents involved in the actions to be considered by the Agency are described in more detail below:

#### **Eleventh Amendment to the Del Paso Heights Redevelopment Plan**

Specific changes proposed by the Plan Amendment include the following:

- Increasing the limitation on the amount of tax increment that may be allocated to the Agency for the Project Area from \$131,000,000 to \$250,000,000;
- Increasing the limitation on the amount of bonded indebtedness that can be outstanding at one time from \$41,000,000 to \$100,000,000;
- Repealing the time limit to incur debt; and
- Extending the time limit for commencement of eminent domain proceedings to acquire property that is not occupied as a residence within the Project Area by an additional twelve (12) years.

Preliminary Report: Del Paso Heights Redevelopment Plan Amendment

The Plan Amendment would not alter land use policies of the Project Area. When forwarded to the Planning Commission by the Redevelopment Agency, the Planning Commission determines whether the Plan Amendment conforms to the City's General Plan. The Planning Commission is expected to approve this action since the Plan Amendment does not alter existing Redevelopment Plan policies which conform to the General Plan.

The reasons for each change proposed by the Plan Amendment are detailed in the Preliminary Report and summarized below.

Increasing the Tax Increment Limit

The Preliminary Report used an annual assessed value growth rate for the Project Area of five percent (5%), which forecasts that the Project Area will generate approximately \$231 million in tax increment revenue over the entire period the Project Area can collect tax revenue (until 5/11/2033). Of that amount, approximately \$34 million has already been collected and approximately \$80 million will be allocated to taxing agency payments, debt service, and administration fees charged by Sacramento County, which leaves the Agency with approximately \$117 million to spend on proposed housing and non-housing projects. The cost of proposed projects is approximately \$135 million, which means the Agency needs additional financial resources to complete its proposed projects. For this reason, rather than increasing the tax increment limit to \$231 million, the Agency is proposing a limit of \$250 million. This will enable the Agency to take advantage of additional growth in assessed value, providing sufficient tax increment revenues to fund all identified projects.

Increasing the Bonded Indebtedness Limit

The Agency needs to increase the Redevelopment Plan's bonded indebtedness limit of \$41 million to secure advanced funding to implement redevelopment projects in a timely manner. The Plan Amendment would increase this limit to \$100 million, enabling the Agency to receive maximum financial capacity and flexibility to fund redevelopment projects as needed rather than waiting for tax increment revenue to accumulate over a long period of time. Bonds are repaid with tax increment revenues generated from the Project Area up to ten years after the effectiveness of the Redevelopment Plan expires (2033 for the Project Area).

Rescinding the Time Limit to Incur Debt

The Plan Amendment would repeal the May 2010 time limit to incur debt to ensure that the Agency has the capacity to issue bonds when they are needed to fund redevelopment projects.

Preliminary Report: Del Paso Heights Redevelopment Plan Amendment

**Extending Eminent Domain**

The Plan Amendment will extend the time limit to commence eminent domain proceedings on property that is not occupied as a residence by an additional twelve (12) years. Section B of the Preliminary Report details the presence of several blighting conditions that make it necessary for the Agency to continue to have the power of eminent domain. Specifically, the Preliminary Report identifies properties within the Project Area that are severely dilapidated and owned by persons or entities that have neglected the responsibilities of ownership regarding functional, financial and physical upkeep, vacant residential parcels that do not meet minimum lot size standards for future development, excessive vacant lots and buildings that harbor serious crime that pose a threat to public safety and welfare. The use of eminent domain may be necessary to consolidate vacant lots under multiple ownership as well as redevelop buildings that pose a threat to public safety and welfare. Without the power of eminent domain, the Redevelopment Agency would be unable to undertake all projects necessary to eliminate the conditions of blight described in Section B of the Preliminary Report.

**Preliminary Report on the Proposed Eleventh Amendment**

The Preliminary Report is an informational document that provides analyses of some of the reasons and impacts of the Plan Amendment, as required by Section 33344.5 of Redevelopment Law. This Preliminary Report also includes additional information required by Section 33451.5 of Redevelopment Law. It is prepared and distributed to affected taxing agencies (such as special districts, school districts, and other agencies that levy taxes in the Project Area) and state agencies as part of the ongoing consultation process required by Redevelopment Law. In addition, the general public may review this document to learn more about the intended purposes and implications of the Plan Amendment. Later in the plan amendment process, the Preliminary Report is updated and expanded to include additional information and presented as the Agency's Report to the City Council at the joint public hearing.

The Preliminary Report consists of seven sections:

- **Section A: Reasons for Amending the Redevelopment Plan:** Section A sets forth the reasons for the Plan Amendment, which include the existence of physical and economic blighting conditions that cannot be alleviated by the private sector and/or government without the Plan Amendment due to various financial and physical impediments.
- **Section B: A Description of the Blighting Conditions Present in the Project Area:** As described in Section B, the physical and economic blighting conditions in the Project Area include unsafe and unhealthy buildings, factors hindering viable use of buildings, incompatible uses, depreciating property

Preliminary Report: Del Paso Heights Redevelopment Plan Amendment

values, abandoned buildings and excessive vacant lots, residential overcrowding, and a high crime rate that poses a serious threat to the public safety and welfare.

- Section C: A Determination as to Whether the Project Area is Predominantly Urbanized: This section explains why an urbanization analysis is not required for this Plan Amendment.
- Section D: A Preliminary Assessment of the Proposed Method of Financing the Redevelopment Plan: An assessment of the method of financing redevelopment of the Project Area is contained in Section D of the Preliminary Report. While other resources will always be pursued to augment the redevelopment program, the Redevelopment Agency's primary source of financing redevelopment of the Project Area will be tax increment revenues. Section D of the Preliminary Report contains a forecast of the tax increment revenues that could be generated by the Project Area for the duration of the Redevelopment Plan.
- Section E: A Description of the Projects the Agency may Pursue in the Project Area: Section E contains a description of the housing and non-housing projects and programs to be completed by the Agency, and correlates these potential redevelopment projects to the elimination of identified blighting conditions in the Project Area.
- Section F: Amended Implementation Plan: Section F contains an updated Implementation Plan for the Project Area.
- Section G: Neighborhood Impact Report: Section G contains a Neighborhood Impact Report which discusses the impact of the Plan Amendment on persons and families of low and moderate-income in several different matters affecting the physical and social quality of the neighborhood, including relocation, traffic circulation, environmental quality, availability of community facilities and services, affect on school population and quality of education, property assessments and taxes, and other matters affecting the physical and social quality of the neighborhood.

**ELEVENTH (11TH) AMENDMENT TO THE  
REDEVELOPMENT PLAN FOR THE  
DEL PASO HEIGHTS REDEVELOPMENT PROJECT**

The Redevelopment Plan (the “Redevelopment Plan”) for the Del Paso Heights Boulevard Redevelopment Project (the “Project”), as adopted by the City Council of the City of Sacramento on May 12, 1970, by Ordinance No. 2884, Fourth Series, and amended by the City Council of the City of Sacramento on:

- (1) August 6, 1970, by Ordinance No. 2913, Fourth Series (the “First Amendment”);
- (2) May 21, 1985, by Ordinance No. 85-047 (the “Second Amendment”);
- (3) November 18, 1986, by Ordinance No. 86-108 (the “Third Amendment”);
- (4) October 4, 1994, by Ordinance No. 94-046 (the “Fourth Amendment”);
- (5) October 27, 1998, by Ordinance No. 98-045 (the “Fifth Amendment”);
- (6) June 24, 2003, by Ordinance No. 2003-029 (the “Sixth Amendment”);
- (7) November 13, 2003, by Ordinance No. 2003-066 (the “Seventh Amendment”);
- (8) April 5, 2005, by Ordinance No. 2005-028 (the “Eighth Amendment”);
- (9) October 6, 2005, by Ordinance No. 2005-079 (the “Ninth Amendment”); and
- (10) May 8, 2007, by Ordinance No. 2007-035 (the “Tenth Amendment”);

is hereby further amended as follows (the term “Redevelopment Plan,” as used hereinafter, means the Redevelopment Plan as amended by the First through Tenth Amendments):

- I. Section 308 of the Redevelopment Plan is hereby amended to read as follows (additions are shown by underlining, deletions are shown by strikethrough):

“1. [Section 308] Acquisition of Real Property

“The Agency may acquire, but is not required to acquire, any real property located in the Project Area by gift, devise, exchange, lease, purchase, eminent domain or any other lawful method.

“It is in the public interest and is necessary in order to execute this Plan for the power of eminent domain to be employed by the Agency to acquire real property in the Project Area. No eminent domain proceeding to acquire property within the Project Area shall be commenced after ~~twelve (12) years following the effective date of the ordinance approving and adopting the Fifth Amendment to this Plan~~ November 26, 2022. Further, during the 12-year extension of eminent domain authority adopted by the Eleventh Amendment to this Plan (November 27, 2010 - November 26, 2022), the Agency may not use eminent domain authority to acquire real property that is occupied as a residence. Such time limitation may be extended only by amendment of this Plan.

“The Agency is authorized to acquire structures without acquiring the land upon which those structures are located. The Agency is also authorized to acquire any other interest in real property less than a fee.

“Without the consent of the owner, the Agency shall not acquire property to be retained by an original owner pursuant to a participation agreement if the owner fully performs under the agreement. The Agency shall not, without the consent of the original owner participant, acquire real property on which an

existing building is to be continued on its present site and in its present form and use unless such building requires structural alteration, improvement, modernization, or rehabilitation, or the site or lot on which the building is situated requires modification in size, shape or use, or it is necessary to impose upon such property any of the standards, restrictions and controls of this Plan or of any Design Guide adopted by the Agency pursuant to this Plan, and the owner fails or refuses to participate in the Plan or in conformance with any such Design Guide by executing a participation agreement.

#### “EMINENT DOMAIN PROGRAM

“The Agency is authorized to acquire ~~commercial~~—real property by eminent domain pursuant to the provisions of this Plan and the Agency shall strictly adhere to the following in assessing just compensation and damages to affected owners: The Fifth Amendment to the United States Constitution; Article I, section 19 of the California Constitution; the Eminent Domain Law (California Code of Civil Procedure Section 1230.010, et seq.); the California Real Property Acquisition and Relocation Assistance Act (California Government Code Section 7260, et seq.); implementing rules and regulations (Title 25, California Code of Regulations, Section 6000 et seq.) and such other applicable local, state or federal ordinances, statutes, rules, regulations and decisional laws. The Agency shall assess the payment of fair market value for interests in real property, payment for the taking and damaging of improvements, fixtures and equipment, any diminution in value caused to a remainder of property acquired pursuant to a resolution of necessity, relocation benefits and assistance, loss of business goodwill in appropriate cases and the necessary costs of mitigating a loss of business goodwill.”

- II. Section 502 of the Redevelopment Plan is hereby amended to read as follows (additions are shown by underlining, deletions are shown by strikethrough):

“B. [Section 502] Tax Increment Funds

“All taxes levied upon taxable property within the Project Area each year, by or for the benefit of the State of California, the County of Sacramento, the City of Sacramento, any district or any other public corporation (hereinafter sometimes called “taxing agencies”) after the effective date of the ordinance approving this Redevelopment Plan shall be divided as follows:

- “1. That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency, last equalized prior to the effective date of such ordinance, shall be allocated to and when collected shall be paid to the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid (for the purpose of allocating taxes levied by or for any taxing agency or agencies which did not include the territory of the Project on the effective date of such ordinance but to which such territory has been annexed or otherwise included after such effective date, the assessment roll of the County of Sacramento last equalized on the effective date of said ordinance shall be used in determining the

assessed valuation of the taxable property in the Project Area on said effective date); and

- “2. Except as provided in subdivision 3 below, that portion of said levied taxes each year in excess of such amount shall be allocated to and when collected shall be paid into a special fund of the Agency to pay the principal of and interest on bonds, loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the Project. Unless and until the total assessed valuation of the taxable property in the Project Area exceeds the total assessed value of the taxable property in the Project Area as shown by the last equalized assessment roll referred to in subdivision 1 hereof, all of the taxes levied and collected upon the taxable property in the Project Area shall be paid into the funds of the respective taxing agencies. When said bonds, loans, advances and indebtedness, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in the Project Area shall be paid to the respective taxing agencies as taxes on all other property are paid; and
- “3. That portion of the taxes in excess of the amount identified in subdivision 1 hereof which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayment of the principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of real property shall be allocated to and when collected shall be paid into, the fund of that taxing agency. This subdivision 3 shall only apply to taxes levied to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989.

“The portion of taxes mentioned in subdivision 2 above is hereby irrevocably pledged for the payment of the principal of and interest on the advance of moneys, or making of loans, or the incurring of any indebtedness (whether funded, refunded, assumed or otherwise) by the Agency to finance or refinance the Project, in whole or in part.

“The Agency is authorized to make such pledges as to specific advances, loans and indebtedness as appropriate in carrying out the Project.

“The portion of taxes divided and allocated to the Agency pursuant to subdivision 2 of this Section 502 shall not exceed ~~\$131.0 million~~ \$250 million, except by amendment of this Plan. This limit shall not apply to, include or prevent the Agency from incurring debt to be paid from the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Community Redevelopment Law, or any amounts required to fulfill the Agency’s obligations under Section 33413(a) of the Community Redevelopment Law.”

- III. Section 503 of the Redevelopment Plan is hereby amended to read as follows (additions are shown by underlining, deletions are shown by strikethrough):

“C. [Section 503] Agency Bonds

“The Agency is authorized to issue bonds from time to time, if it deems it appropriate to do so, in order to finance all or any part of the Project.

“Neither the members of the Agency nor any persons executing the bonds are liable personally on the bonds by reason of their issuance.

“The bonds and other obligations of the Agency are not a debt of the City, the State, or any of its political subdivisions and neither the City, the State, nor any of its political subdivisions is liable on them, nor in any event shall the bonds or obligations be payable out of any funds or properties other than those of the Agency; and such bonds and other obligations shall so state on their face. The bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

“The amount of bonded indebtedness to be repaid in whole or part from the allocation of taxes described in subdivision 2 of Section 502 above which can be outstanding at any one time shall not exceed ~~\$41.0 million~~ \$100 million in principal amount, except by amendment of this Plan.”

- IV. Section 504 of the Redevelopment Plan is hereby amended to read as follows (additions are shown by underlining, deletions are shown by strikethrough):

“D. [Section 504] ~~Time Limit on Establishment of Indebtedness Intentionally Omitted~~

~~“The Agency shall not establish or incur loans, advances or indebtedness to finance in whole or in part the Project beyond May 11, 2010.~~

~~“Loans, advances, or indebtedness may be repaid over a period of time beyond said time limit. This time limit shall not prevent the Agency from incurring debt to be paid from the Low and Moderate Income Housing Fund established pursuant to Section 33334.6 of the Community Redevelopment Law and Section 335 of this Plan, or establishing more debt in order to fulfill the Agency’s obligations under Section 33413(a) of the Community Redevelopment Law and Section 334 of this Plan. The above limit shall not prevent the Agency from refinancing, refunding or restructuring indebtedness after the time limit if the indebtedness is not increased and the time during which the indebtedness is to be repaid is not extended.”~~

- V. Section 800 of the Redevelopment Plan is hereby amended to read as follows (additions are shown by underlining, deletions are shown by strikethrough):

“VIII. [Section 800] DURATION OF THIS PLAN

“Except for the non-discrimination and non-segregation provisions imposed by the Agency which shall run in perpetuity, and the affordable housing covenants imposed by the Agency which shall continue in effect for a period as may be determined and specified by the Agency, the provisions of this Plan shall be effective, and the provisions of other documents formulated pursuant to this

Plan may be made effective until May 11, 2023; provided, however, that, subject to the limitations and exceptions thereto set forth in Sections ~~504 and~~ 506 of this Plan, the Agency may issue bonds and incur obligations pursuant to this plan ~~Plan~~ which ~~that~~ extend beyond the termination date, and in such event, this Plan shall continue in effect for the purpose of repaying such bonds or other obligations until the date of retirement of such bonds or other obligations.”



Attachment 4

**DRAFT Preliminary Report on the Proposed  
Eleventh Amendment to the Redevelopment Plan  
for the Del Paso Heights Redevelopment Project**

**October 14, 2008**

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# INTRODUCTION

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The Redevelopment Agency of the City of Sacramento ("the Agency") is proposing an Eleventh Amendment to the Redevelopment Plan for the Del Paso Heights Redevelopment Project ("Plan Amendment"). If approved, the Plan Amendment will modify financial limits on the Redevelopment Plan for the Del Paso Heights Redevelopment Project Area ("Redevelopment Plan") by:

- Increasing the limitation on the amount of tax increment that may be allocated to the Agency for the Project Area from \$131,000,000 to \$250,000,000;
- Increasing the limitation on the amount of bonded indebtedness that can be outstanding at one time from \$41,000,000 to \$100,000,000;
- Repealing the time limit to incur debt; and
- Extending the time limit for commencement of eminent domain proceedings to acquire property that is not occupied as a residence within the Project Area by an additional twelve (12) years.

The Redevelopment Plan imposes time and financial limits that guide the projects and programs that the Agency may implement. This Plan Amendment is being proposed because the current limits will not allow the Agency to implement the projects necessary to alleviate blight within the Project Area. The current financial limits of the Redevelopment Plan will prevent the Agency from funding projects and programs during the final decade of the term of the Redevelopment Plan that are necessary to eliminate blight. Additionally, significant blight remains in the Project Area that cannot be eliminated without the use of eminent domain on property that is not occupied as a residence. The Plan Amendment would remediate these problems by increasing the Redevelopment Plan's financial limits and extending the time period in which the Agency may commence eminent domain proceedings against properties on which no persons reside by an additional twelve (12) years.

This document is the Preliminary Report ("Report") on the proposed Plan Amendment. It provides background on the Del Paso Heights Redevelopment Project Area ("Project Area") and a description of the Plan Amendment. It explains why the Plan Amendment is being proposed and what it will accomplish. This Report is one of several documents prepared as part of the plan amendment process required by the California Community Redevelopment Law (Health & Safety Code Section 33000 *et seq.*, "Redevelopment Law").

### Plan Amendment Process

Redevelopment Law dictates a specific process for redevelopment plan amendments. This Report is one of several documents that Redevelopment Law requires the Agency to prepare during the Plan Amendment process, and is intended to aid the general understanding of the proposed Plan Amendment. Over the next several months, the City Council, the City of Sacramento Redevelopment Agency Board ("the Agency Board"), the Sacramento Housing and Redevelopment Commission ("SHRC"), the Del Paso Heights Redevelopment Advisory Committee ("RAC"), the Planning Commission, affected taxing agencies, and the community at large will have an opportunity to study and comment on the proposed Plan Amendment.

This Report will be reviewed by the SHRC and the Agency Board. If approved by the Agency Board, the Agency will then send a copy of this Report and draft text of the Plan Amendment to the affected taxing entities, the California Department of Housing and Community Development, the California Department of Finance, and the Planning Commission and the RAC. Following these consultations, the Agency will incorporate comments into a Report to the City Council that is prepared by the Agency pursuant to Section 33352 of Redevelopment Law. In addition, a Negative Declaration will be prepared and circulated for review in accordance with the requirements of the California Environmental Quality Act. The Plan Amendment and Negative Declaration will be considered by the Agency Board and City Council at a joint public hearing that is anticipated to occur in April 2009. All Project Area property owners and affected taxing agencies will receive notice of this public hearing by mail and through the publication of public notices in local newspapers. Adoption of the Plan Amendment and Negative Declaration is anticipated to occur in May 2009.

### Report Contents

This Report has been prepared by the Agency in accordance with Redevelopment Law. Consistent with Sections 33344.5 and 33451.5 of Redevelopment Law, this Report contains the following:

- Section A: Reasons for Amending the Redevelopment Plan
- Section B: A Description of the Blighting Conditions Present in the Project Area;
- Section C: A Determination as to Whether the Project Area is Predominantly Urbanized;
- Section D: A Preliminary Assessment of the Proposed Method of Financing the Plan Amendment, Including the Economic Feasibility of the Plan and the Reasons for the Inclusion of Tax Increment Authority;
- Section E: A Description of the Projects the Agency May Pursue in the Project Area and a Description of How the Proposed Projects Will Improve or Alleviate the Blighting Conditions in the Project Area;
- Section F: Amended Implementation Plan; and
- Section G: Neighborhood Impact Report

# SECTION A

## Reasons for Amending the Redevelopment Plan

### Project Area Location and Land Use

The Project Area is one of sixteen redevelopment project areas in the City and the County of Sacramento ("City" and "County," respectively). It is located in the northeast portion of the City, generally bordered by the Interstate 80 freeway on the north, Norwood Avenue on the west, Marysville Boulevard on the east, and Arcade Creek on the south. A map of the Project Area is provided as Exhibit A-1. The Project Area is 1,037 acres more or less<sup>1</sup> and is primarily a residential neighborhood with single family homes. It also has a mix of public, commercial, industrial and miscellaneous land uses. Table A-1 displays the types of land uses within the Project Area by acreage.

<b>Land Use</b>	<b>Acres</b>	<b>% Total</b>
Residential	459	44%
Public	203	20%
Vacant	97	9%
Unknown	57	6%
Industrial	20	2%
Commercial - Office	19	2%
Commercial - Retail	5	0.5%
Social/Inst/Misc	5	0.5%
Right-of-Way (estimated)	204	20%
<b>Total</b>	<b>1,037</b>	<b>100%</b>
Total Parcels		3,336

Note: Unknown land uses were not available from our data sources

Source: First American Title Metroscan Information Service

<sup>1</sup> Many of the Agency's documents state that the Project Area is 1,071 acres; however the source of this figure is unknown and other values have been used in various reports relating to the Project Area. The State Board of Equalization does not have the Project Area acreage on file. The original Project Area legal description does not define the acreage and is written in a way that leaves it up to interpretation. For the purposes of this Report, RSG (the Agency's redevelopment consultant) hired a civil engineer to calculate the Project Area acreage based on a closure of an electronic map file that has spatial data. The engineer estimates the acreage to be 1,037 acres, more or less, based on this method. This figure essentially matches the acreage declared in the Report to City Council for the Sixth Amendment, which found the Project Area to be 1,037.76 acres.

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Some notable places within the Project Area include the Del Paso Nuevo neighborhood, Grant High School, Hagginwood Park, the Robertson Community Center and an office of the Sacramento County Department of Human Assistance.

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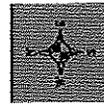
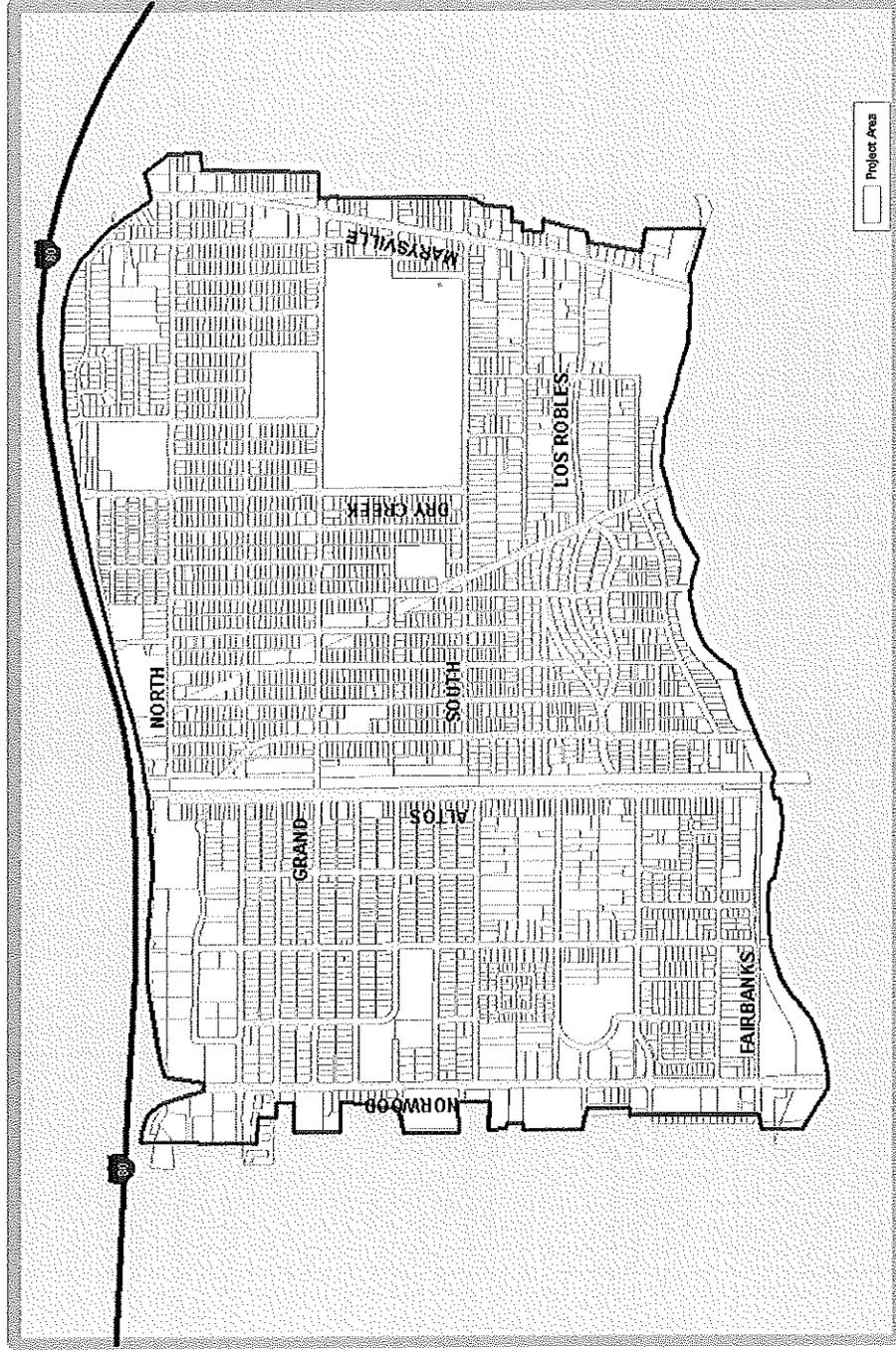


Exhibit A-1 Del Paso Heights Redevelopment Project Area



Source: City of Sacramento GIS

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**Project Area History & Background**

**History**

The Del Paso Heights area dates back to the 1840s when the Mexican government granted "Rancho Del Paso" to Eliab Grimes. The land was farmed and ranched until the early 1900s when it began to urbanize as a result of being subdivided into smaller parcels by the North Sacramento Land Company. The area boomed during the Second World War due to its proximity to the McClellan Air Force Base and need for worker housing. During the 1950s and 1960s, the wartime economy slowed. Del Paso Heights began to show signs of economic decline as workers left McClellan Air Force Base. The area remained unincorporated and semi-rural in character with little infrastructure development until the City annexed Del Paso Heights in 1964. The City formed and adopted the Project Area in 1970 to provide necessary infrastructure and address emerging urban problems. The Project Area has been amended ten times since its adoption, summarized in Table A-2 below.

**Plan Adoption & Amendment History** **Table A-2**  
**Del Paso Heights Redevelopment Project Area**

Amend. No.	Date Adopted	Ordinance No.	Approved Action
--	5/12/1970	2884	Adoption of redevelopment plan
I	8/6/1970	2913	Added lot area restrictions and off-street parking regulations
II	5/21/1985	85-047	Changed land use designations
III	11/18/1986	86-108	Extended eminent domain and time and financial limits
IV	10/4/1994	94-046	Amended time limits
V	10/27/1998	98-045	Amended time and financial limits, extended eminent domain
VI	6/24/2003	2003-029	Amended time and financial limits, amended inclusionary housing requirements, increased housing set-aside amount
VII	11/13/2003	2003-066	Extended plan duration by one year per SB 1045
VIII	4/5/2005	2005-028	Extended plan duration by one year per SB 1096
IX	10/6/2005	2005-079	Extended plan duration by one year per SB 1096
X	5/8/2007	2007-035	Made an eminent domain statement per SB 53 and added an Eminent Domain Program description
XI	Proposed	TBD	Amend financial limits, extend eminent domain

Source: Agency

Since the Project Area was adopted, the Agency focused on providing the infrastructure necessary to make the area a functioning, modern neighborhood. More than \$8 million of tax increment and federal Community Development Block Grant funds were invested in upgrading and installing streets, curbs, gutters, sidewalks, lighting, drainage, water, and sewer systems. During the 1980s, the Agency began programs to focus on improving housing stock and providing community facilities in the Project Area. From the 1990s, the Agency worked to support economic development, continue public facility improvements, and facilitate and assist private development, particularly along



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Marysville Boulevard. These and other accomplishments are detailed in the Amended Implementation Plan in Section F of this Report.

**Current Conditions**

Despite the Agency's efforts, the Project Area continues to suffer from physical and economic blighting conditions, including:

- Unsafe and Unhealthy Buildings
- Factors that Prevent Economically Viable Use
- Adjacent or Nearby Incompatible Uses
- Depreciated Property Values, Including Properties Containing Hazardous Waste
- Abandoned Buildings and Excessive Vacant Lots
- Residential Overcrowding
- A High Crime Rate that Constitutes a Serious Threat to The Public Safety and Welfare

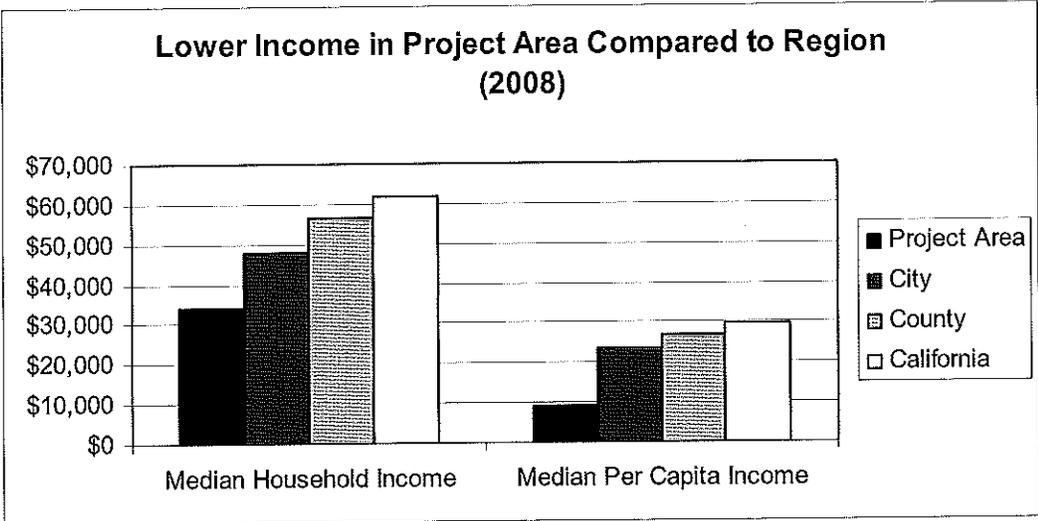
These blighting conditions are described in detail in Section B of this Report. Redevelopment is necessary to alleviate these blighting conditions and make the neighborhood a safer place to live.

Socio-Economic Background

Blighting conditions, particularly unsafe and unhealthy buildings and depreciated property values, may be caused by the inability of some residents to pay for property maintenance and improvements. The Project Area has a lower median income, higher level of poverty, and lower levels of educational attainment compared to the City and other regions.

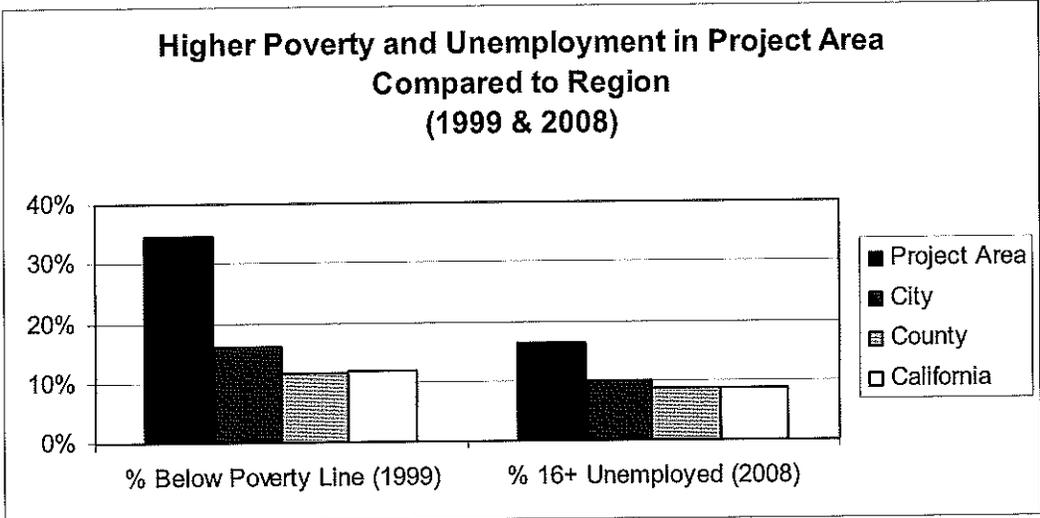
The Project Area's median household income, at \$33,836, is 42% lower than the City's median household income at \$48,029. The per capita income is 156% lower in the Project Area at \$9,242 compared to \$23,678 in the City. The wide gap between household income and per capita income indicates that Project Area households tend to have more income earners than City households, yet individual residents make significantly less than the City average. The chart below illustrates differences in income between the Project Area and other regions.

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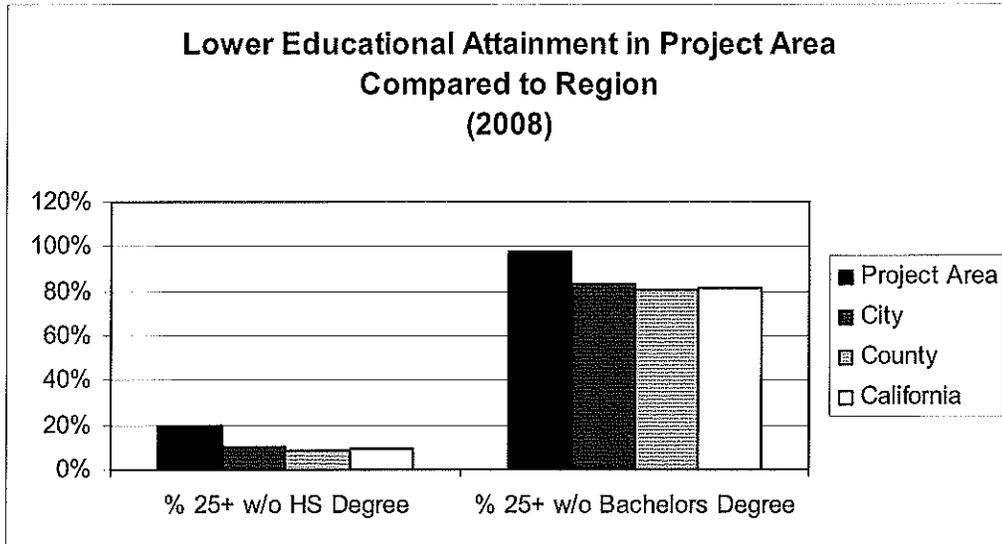
Source: ESRI Business Analyst based on U.S. Census 2000

The chart below illustrates differences in poverty level and unemployment between the Project Area and other regions. Thirty-five percent of Project Area residents live under the federal poverty line and 16% over the age of 16 are unemployed. These rates are 54% and 39% higher compared to the City, respectively.



Source: U.S. Census 2000 (poverty level) and ESRI Business Analyst based on U.S. Census 2000 (unemployment)

Lower incomes may be attributed to a lower level of educational attainment within the Project Area. As shown in the chart below, nearly 20% of Project Area residents over the age of 25 do not have a high school degree, compared to 11% of City residents. Nearly 98% of Project Area residents over the age of 25 do not have a college degree, compared to 83% of City residents. The lack of a high school degree often limits employment opportunities, and in many cases confines people to low wage jobs.



Source: ESRI Business Analyst based on U.S. Census 2000

Residents within the Project Area have lower incomes, higher poverty and higher unemployment compared to the overall City, thus are less likely to be able to afford maintaining and improving their property compared to the average City resident.

Foreclosure Crisis

The financial challenges faced by Project Area residents are exemplified by the disproportionate amount of foreclosures occurring in the Project Area. In the second quarter of 2008, the Project Area had the highest foreclosure rate out of all City and County redevelopment project areas. This is based on an analysis of homes that have received a notice of default (“NOD”), or are bank owned or are up for auction (“REO”). In the same time period, the Project Area had a higher foreclosure rate than all Sacramento neighborhoods except for South Oak Park. The Project Area also had a higher foreclosure rate than the City overall. Based on Agency sources, the City has the tenth highest foreclosure rate in the nation; the fact that the Project Area has an even higher rate shows the severity of the problem. Table A-3 and the following chart detail the total number of foreclosures in the Project Area compared to other areas.

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**Pre-Foreclosure and Foreclosure Rate Comparison, Second Quarter 2008**  
**Del Paso Heights Redevelopment Project Area vs. Other Project Areas and City Neighborhoods** Table A-3

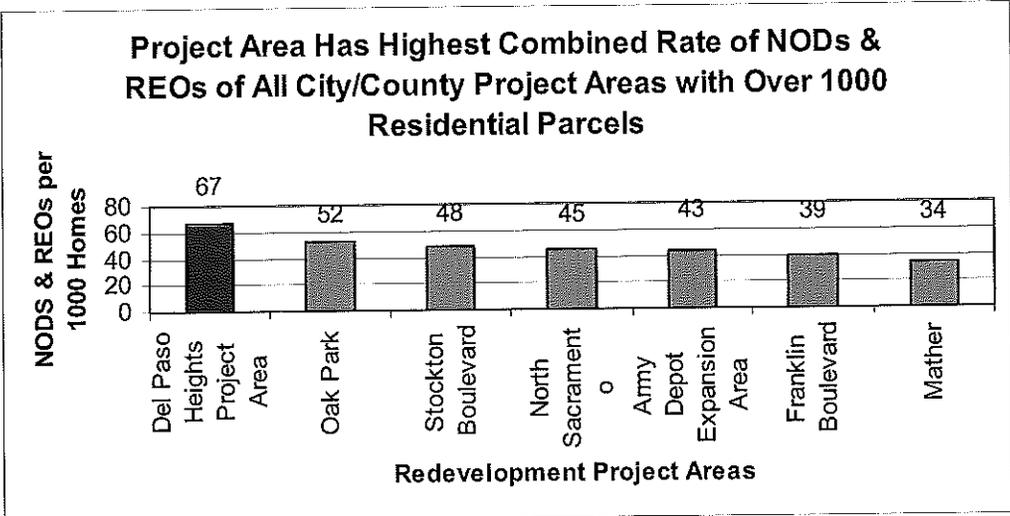
Redevelopment Project Areas	Notice of Real Estate		Total Parcels	NOD per 1000 parcels	REOs per 1000 parcels	Total per 1000 parcels
	Default	Owned				
<b>Del Paso Heights Project Area</b>	<b>110</b>	<b>59</b>	<b>2,527</b>	<b>44</b>	<b>23</b>	<b>67</b>
Oak Park	129	98	4,326	30	23	52
Stockton Boulevard	61	40	2,102	29	19	48
North Sacramento	35	34	1,529	23	22	45
Army Depot Expansion Area	139	80	5,090	27	16	43
Franklin Boulevard	49	34	2,136	23	16	39
Mather	30	13	1,277	23	10	34
<b>Top 10 Neighborhoods /1</b>						
South Oak Park	66	33	1,361	48	24	73
Parkway	141	84	3,557	40	24	63
Glenwood Meadows	41	27	1,085	38	25	63
Meadowview	253	152	6,555	39	23	62
Valley Hi / North Laguna	343	254	9,985	34	25	60
Natomas Creek	50	13	1,128	44	12	56
South Hagginwood	42	33	1,352	31	24	55
Robla	64	42	1,971	32	21	54
Central Oak Park	38	53	1,765	22	30	52
Village 11	44	27	1,490	30	18	48
City	1,904	1,153	96,262	32	21	54

1/ Excludes neighborhoods that are part of the Project Area.

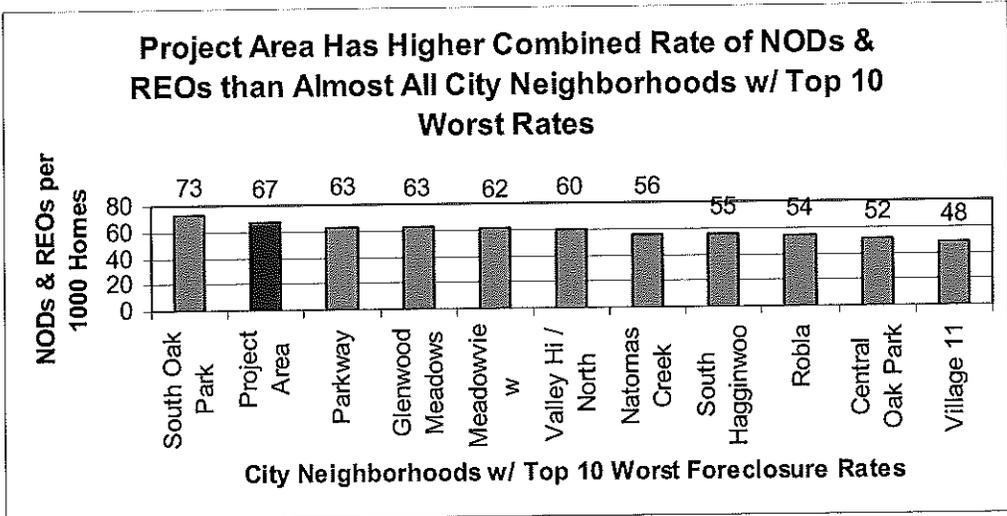
Source: Agency/DataQuick



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Source: Agency/DataQuick, Second Quarter 2008



Note: Excludes neighborhoods that are part of the Project Area  
 Source: Agency/DataQuick, Second Quarter 2008

The Woodstock Institute, a policy advocacy and research organization based in Chicago, conducted a study in 2005 finding that foreclosures decrease neighboring property values and increase violent crime within a neighborhood. The study also found that foreclosures have a larger negative impact in low and moderate income neighborhoods. Other negative impacts cited in the report include:



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- Increases in vacant and abandoned buildings, which attract crime and harbor decay;
- Vacant homes are havens for trash, rats, other stray animals, squatters, and criminals;
- Vacant homes may be used for selling drugs or by predatory criminals;
- Vacant homes are targets of vandalism, theft of wiring, and arson;
- A lack of collective concern by neighborhood residents resulting from the presence of boarded and abandoned buildings;
- A loss in individual home equity and damaged credit for future homeownership, rental housing, insurance, and other markets; and
- Reduced tax revenue for cities, counties and school districts.

Phil Velez and Grace Bettencourt, two local real estate brokers who represent residential property in the Project Area, were interviewed about their experience with the Project Area for this Report. Mr. Velez stated that many properties in the Project Area are vacant due to foreclosures and are often vandalized and deteriorate very quickly. Both realtors said that squatters, vandalism and theft are issues they face on a regular basis at vacant properties. The picture below is one example of a vacant foreclosed property within the Project Area that has been vandalized.

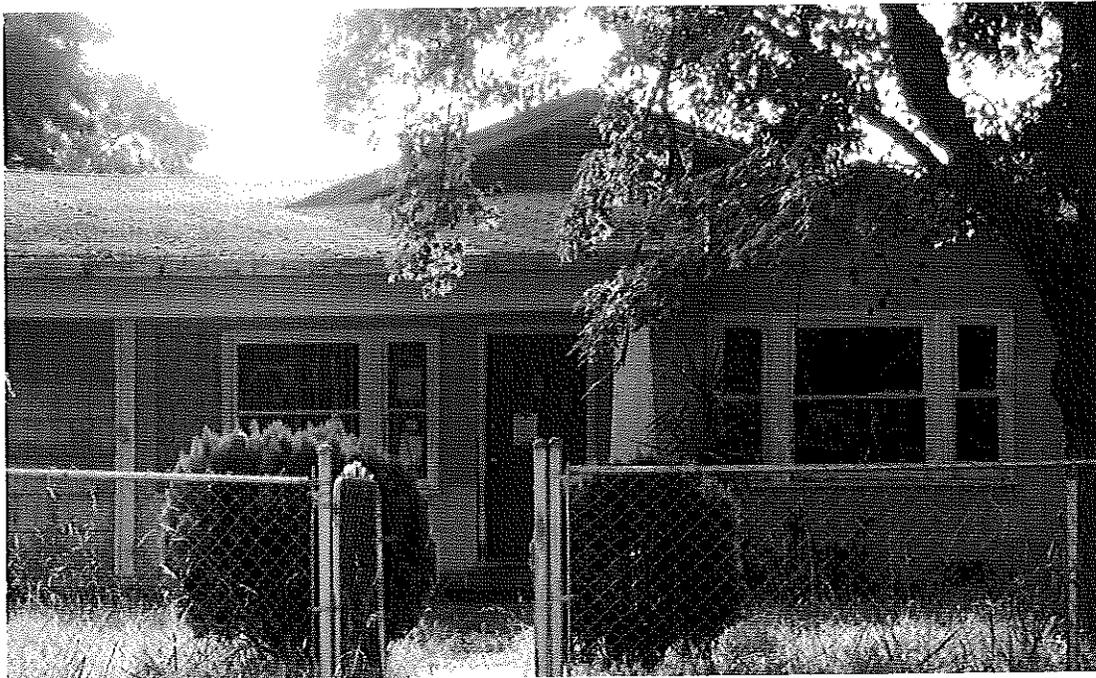


Photo A-1<sup>2</sup>: This vacant foreclosed home in the Project Area has been vandalized.

Mr. Velez further stated the Project Area residents have significantly low morale and there is extreme disinvestment by property owners to improve their properties. Deferred maintenance resulting from disinvestment can lead to physical deterioration and lower property values.

<sup>2</sup> Appendix B provides a map showing the location of photos shown throughout this Report

Although a high rate of foreclosures is not blight in and of itself as defined by Redevelopment Law, the circumstances experienced by Mr. Velez and Ms. Bettencourt contribute to blighting conditions such as unsafe and unhealthy buildings, depreciating property values, and a high rate of serious crime that poses a serious threat to the public safety and welfare. These blighting conditions are present in the Project Area and are discussed in Section B of this Report.

The troubling rise in foreclosures throughout the Project Area and the negative impacts that result are problems that the Agency is addressing. The Agency has partnered with the City and County to create a Foreclosure Taskforce to facilitate efficient local response to the foreclosure crisis. It co-sponsors monthly workshops with other agencies on mortgage default and foreclosure prevention, and sends letters to homeowners who are in danger of foreclosure to warn about fraud and list resources for homeowner counseling. The Plan Amendment would be one of many tools to provide sufficient funding to continue these programs and avoid foreclosure problems in the future.

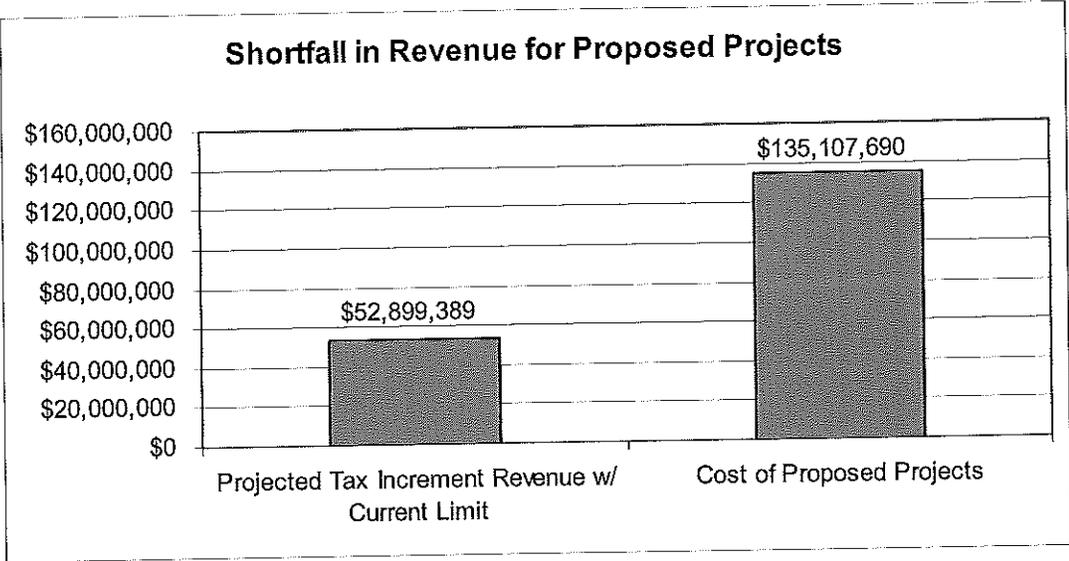
#### **Reasons for Amending the Redevelopment Plan**

The proposed Plan Amendment is necessary to give the Agency the financial and administrative resources necessary to alleviate blight and carry out the goals of the Redevelopment Plan.

#### **Increasing the Tax Increment Limit**

The cost of proposed projects, which total approximately \$136 million, exceeds available revenue within the Redevelopment Plan's current financial limits by \$82.2 million. The Redevelopment Plan permits the Agency to collect \$131 million in tax increment generated by the Project Area over the life of the Redevelopment Plan, or approximately \$52.9 million available for projects over the next 25 years. Based on estimates explained in Section D of this Report, the Agency will reach its tax increment limit in fiscal year 2023-24, which is nine years prior to the time limit on when the Agency may collect tax increment.

The chart below shows the shortfall in revenue available to fund proposed projects based on current Redevelopment Plan limits and the estimated cost of proposed projects and programs that will help eliminate blight.



A more detailed financial analysis is included in Section D of this Report. Increasing the limit on the amount of tax increment the Agency may collect to \$250 million will ensure that sufficient funding may be received to fund proposed projects.

**Increasing the Bonded Indebtedness Limit**

The Agency needs to increase the Redevelopment Plan's bonded indebtedness limit in order to secure advanced funding to implement redevelopment projects in a timely manner. The current bonded indebtedness limit is \$41 million. The Plan Amendment would increase this limit to \$100 million commensurate with the increase in the amount of tax increment that may be received. Bonds give the Agency maximum financial capacity and flexibility to fund redevelopment projects at the time they are needed, rather than wait for tax increment revenue to accumulate over a long period of time. Bonds are repaid with tax increment revenues generated from the Project Area up to ten years after the effectiveness of the Redevelopment Plan expires.

**Rescinding the Time Limit to Incur Debt**

The Plan Amendment would repeal the May 2010 time limit to incur debt to ensure that the Agency has the capacity to issue bonds when they are needed to fund redevelopment projects.

**Extending Eminent Domain**

The Plan Amendment will also extend the time limit to commence eminent domain proceedings on property that is not occupied as a residence by an additional twelve (12) years. Section B of this Report details the presence of several blighting conditions that make it necessary for the Agency to continue to have the power of eminent domain. Specifically, the Report identifies properties within the Project Area that are severely dilapidated and owned by persons or entities that have neglected the responsibilities of ownership regarding functional, financial and physical upkeep, vacant residential parcels that do not meet minimum lot size standards for future development, excessive vacant lots, and buildings that harbor serious crime that pose a threat to public safety and welfare. The use of eminent domain may be necessary to consolidate vacant lots as

well as redevelop buildings that pose a threat to public safety and welfare. Without the power of eminent domain, the Agency would be unable to undertake all projects necessary for the elimination of the conditions of blight described in Section B of this Report.

Table A-4 shows the current and proposed time and financial limits of the Redevelopment Plan.

**Table A-4**

**Time and Financial Limits**  
**Del Paso Heights Redevelopment Project Area**

Type	Current Limit	Proposed Limit
Plan Duration	5/11/2023	Same
Establish Indebtedness	5/11/2010	No Limit
Receive Tax Increment/Repay Indebtedness	5/11/2033	Same
Eminent Domain	11/26/2010	11/26/2022 <sup>1</sup>
Amount of Bonded Indebtedness	\$ 41,000,000	\$ 100,000,000
Amount of Tax Increment	\$ 131,000,000	\$ 250,000,000

<sup>1</sup>The Eleventh Amendment will extend the time limit to commence eminent domain proceedings for an additional twelve (12) years from the date of the prior limit, but its use will be restricted to real property that is not occupied as a residence

The government and private sector cannot be reasonably expected to alleviate blight in the Project Area without continued redevelopment. The private sector has a limited interest and ability to invest in the area. The Agency has come across this challenge while seeking to develop many projects in the Project Area. For example, a developer planned to develop a Rite Aid or similar national drug store chain at a site for a potential Del Paso Nuevo Town Center, but they could not get tenants due to a lack of population, insufficient traffic counts on Norwood Avenue, and the economic makeup of the community. Another developer has been unable to complete a phase of residential development in Del Paso Nuevo, a mixed income residential development commissioned by the Agency as a result of rapidly depreciating land and housing values in the community. The bank stopped issuing construction loans to the developer because the value of the project became less than the loan amount, turning the project upside down. The developer was unable to make up the difference in value with his own equity and has since filed for bankruptcy on the property. The Agency may need to take over a bank note on the project to ensure its completion. New development is also hindered by environmental contamination. A site on Rio Linda Boulevard, between South and Roanoke Avenues, suffers contamination from many years as a debris field and gas station. The private sector will not clean the site and the Agency has needed to step in to ensure the site is remediated. The Plan Amendment is necessary to give the Agency the financial and administrative capacity to facilitate new investment in the Project Area in ways that the private sector and government cannot.

**Summary**

Since its adoption in 1970, the Project Area has evolved to have new social conditions and physical and economic challenges. The Agency has completed many successful

redevelopment projects, however further redevelopment is necessary to address significant remaining blight within the Project Area. Lower incomes, higher poverty, and lower levels of education attainment make it less likely that residents can fund improvements on their own. Economic challenges are exemplified by the high amount of foreclosures occurring in the Project Area. Businesses and developers lack interest in investing in the Project Area due to its physical and economic depreciation. Redevelopment is necessary to assist residents, property owners, businesses and developers to make property improvements, foster new development, increase homeownership, provide more affordable homes, prevent crime, and provide other services that alleviate blight. The Plan Amendment is necessary to secure the financial and administrative tools that will enable the Agency to implement proposed projects that are necessary for the elimination of blight.

## SECTION B

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### A Description of the Blighting Conditions Present in the Project Area

#### Introduction

The Redevelopment Plan was adopted in 1970 to address the blighting conditions present in the Project Area as defined by Redevelopment Law at the time. The Redevelopment Plan would have expired in 2010, but, in 2003, the Agency adopted the Sixth Amendment to the Redevelopment Plan ("Sixth Amendment"), pursuant to Section 33333.10 of the Redevelopment Law, extending the life of the Redevelopment Plan by an additional ten years. Three subsequent amendments to the Redevelopment Plan extended its duration by one year each, as permitted by Senate Bills 1045 (Stats. 2003, Chap. 260) and 1096 (Stats. 2004, Chap. 211), to compensate for the Agency making required payments to the Educational Revenue Augmentation Funds.

The Section 33333.10 amendment required a finding that significant blight remained within the Project Area according to the then-current definition of blight and a specific definition of the term "significant." The adoption of the Sixth Amendment, and the ten-year extension of the life of the Redevelopment Plan, was allowable only if the Project Area suffered from conditions of blight as defined in 2003, which were as follows:

- (a) This subdivision describes physical conditions that cause blight:
- (1) Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors.
  - (2) Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by a substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.
  - (3) Adjacent or nearby uses that are incompatible with each other and which prevent the economic development of those parcels or other portions of the project area.
  - (4) The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership.
- (b) This subdivision describes economic conditions that cause blight:
- (1) Depreciated or stagnant property values or impaired investments, including, but not necessarily limited to, those properties containing hazardous wastes that require the use of agency authority as specified in Article 12.5 (commencing with Section 33459).
  - (2) Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.
  - (3) A lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.

(4) Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults, which has led to problems of public safety and welfare.

(5) A high crime rate that constitutes a serious threat to the public safety and welfare.

For purposes of determining the significance of blight conditions remaining in the Project Area, Section 33333.10 defined "significant" as being "important and of a magnitude to warrant agency assistance," and noted that significant blight can exist in a project area even if blight is not prevalent. The Sixth Amendment found that the vast majority of the Project Area remained blighted under the 2003 definitions of blight, as shown on Exhibit B-1. Blighting conditions in the Project Area at the time included:

- Buildings in which it is unsafe or unhealthy for persons to live or work;
- Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots;
- Adjacent or nearby incompatible land uses that prevent economic development;
- Subdivided Lots of Inadequate Size in Multiple Ownership;
- Depreciated or stagnant property values or impaired investments;
- Abnormally high business vacancies, abnormally low lease rates, and abandoned buildings;
- A lack of necessary commercial facilities that are normally found in neighborhoods;
- Residential overcrowding; and
- A high crime rate that constitutes a serious threat to the public safety and welfare.

Because the ten-year extension of the Redevelopment Plan was based on blight under the 2003 definitions listed above, for the purpose of this Amendment, this Report must again identify and evaluate the existence of blighting conditions in accordance with the 2003 definitions of blight.

This section of the Report describes the physical and economic blighting conditions that remain in the Project Area, as defined by Redevelopment Law in 2003 when the Sixth Amendment was adopted.

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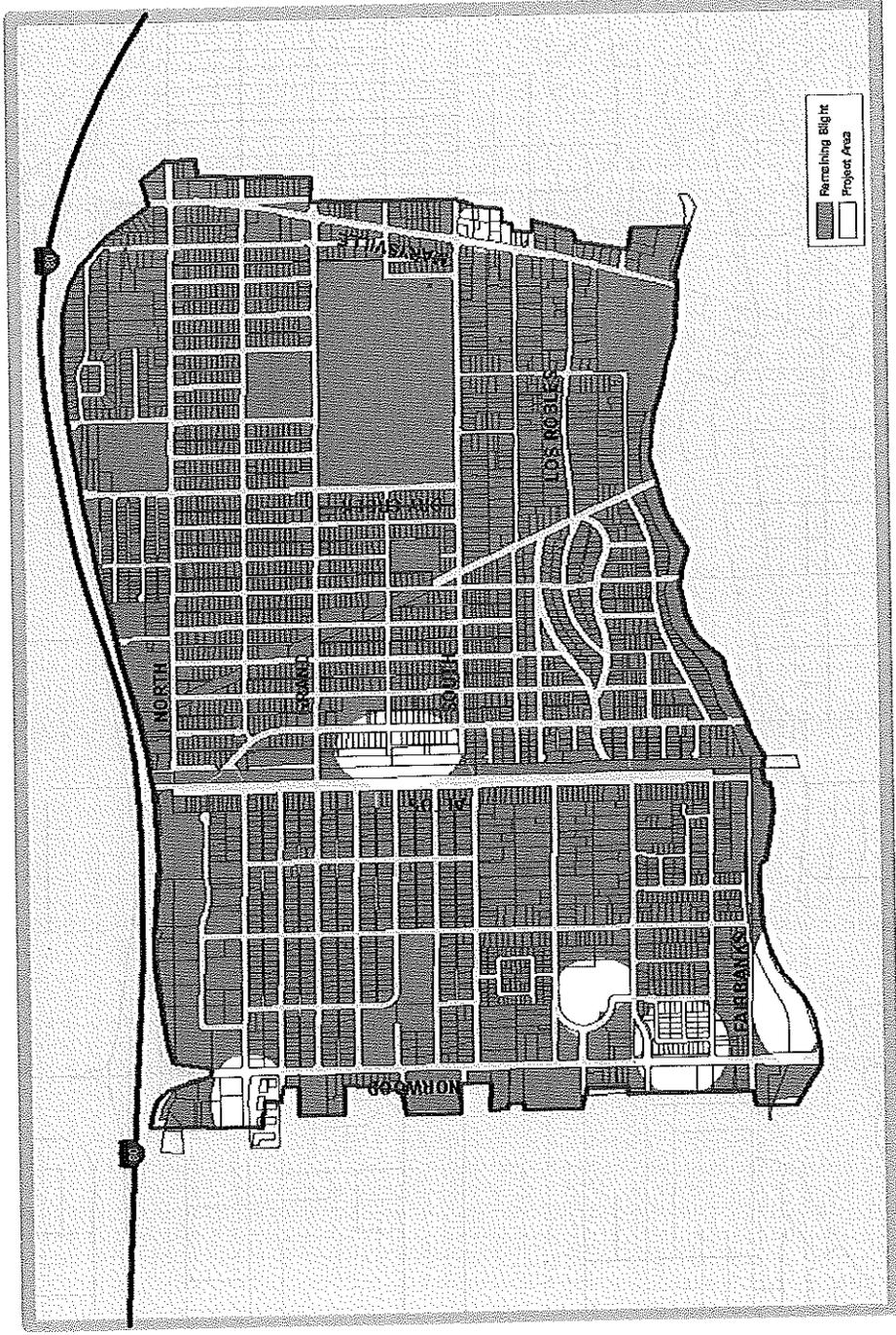


Exhibit B-1 Remaining Blight Found by the Sixth Amendment

Source: City of Sacramento GIS, SHRA



### Findings & Methodology

Blighting conditions that were found to exist in the Project Area at the time of this Plan Amendment include:

- Unsafe and Unhealthy Buildings
- Factors that Prevent Economically Viable Use
- Adjacent or Nearby Incompatible Uses
- Depreciated Property Values, Including Sites Containing Hazardous Waste
- Abandoned Buildings and Excessive Vacant Lots
- Residential Overcrowding
- A High Crime Rate that Constitutes a Serious Threat to The Public Safety and Welfare

Several data sources were used to make these findings. Rosenow Spevacek Group, Inc. ("RSG"), the Agency's redevelopment consultant, undertook an analysis of the physical and economic conditions in the Project Area based on the requirements of the Redevelopment Law. This Report utilizes many quantitative and qualitative research tools developed by RSG to make determinations for the formation of redevelopment project areas throughout the state. Specifically, the methodology used to determine blighting conditions are as follows:

*Field Reconnaissance:* Trained staff conducted a parcel-by-parcel field survey of the Project Area from June 23 to 25, 2008, documenting and photographing examples of blighting conditions that could be observed from the public right-of-way. Both physical and economic indicators of blight were noted, such as deterioration and dilapidation, possible abandoned buildings, vacancies, and crime such as vandalism and graffiti.

*Code Enforcement Research:* RSG collected a database of open code enforcement violations in the Project Area as of August 6, 2008, from the City Code Enforcement Department. Serious code violations that make a property unsafe or unhealthy were identified based on the definition of dangerous and substandard buildings in the City's Municipal Code.

*Property Tax Research:* RSG searched the County Department of Tax Collection and Licensing's Property Tax Bill Information System to use as an indicator that a vacant and neglected building is abandoned.

*Investigation of Development Standards:* RSG reviewed the City's General Plan and Zoning Code to identify development standards. This information was used as a basis to determine whether properties have conditions that hinder economically viable use or have irregular shapes and sizes for proper usefulness and development.

*Analysis of Property Information:* RSG used First American Title Metroscan Information Service to obtain County Assessor's data on property information such as parcel shape, size, ownership, assessed value land use, and zoning. Parcel location, shapes, sizes and other information was also available from GIS files provided by the City. RSG used this data to analyze conditions throughout this Report.

*Land Use Analysis:* RSG analyzed existing land uses and spoke to local real estate brokers to identify adjacent or nearby incompatible land uses within the Project Area that prevent economic development.

*Real Estate Market and other Economic Analysis:* RSG collected data from local real estate agents and Sacramento real estate market reports to establish a baseline expectation of lease rates, vacancy rates, and property values. Statistics particular to the Project Area were obtained through LoopNet and MetroScan, online real estate databases, and field reconnaissance. These were compared to regional values to determine whether the Project Area has depreciated or stagnant property values.

*Survey of Real Estate Brokers:* RSG surveyed ten local real estate brokers that represent single and multifamily residential and industrial property in the Project Area about market factors and trends in the Project Area compared to the greater Sacramento region. Questions addressed vacancy, lease and turnover rates, foreclosures, crime, building age, client preferences and perceptions, and broker recommendations.

*Hazardous Waste Research:* RSG researched environmental databases from the Environmental Protection Agency, California Water Resources Control Board, and California Department of Toxic Substances Control to determine whether the study area has hazardous waste sites that have impaired property values and may be eligible for Agency intervention pursuant to the Polanco Act. The Agency also provided information on hazardous waste sites that they have acquired or will attempt to acquire to remediate.

*Commercial Facilities Research:* RSG analyzed whether there is a lack of necessary commercial facilities in the Project Area that are normally found in neighborhoods (such as grocery stores, drug stores, banks and health services), as well as whether there is an excess of adult businesses. Field survey observations and a general internet search of such businesses showed that these conditions are not present in the Project Area.

*Residential Overcrowding Analysis:* 2000 U.S. Census data was utilized to analyze whether the Project Area has residential overcrowding based on standards identified by the U.S. Department of Housing and Urban Development.

*Crime Analysis:* RSG drove through the Project Area with Lieutenant Gardner of the Sacramento Police Department in June 2008 to learn about crime in the Project Area. RSG also analyzed crime statistics in the area as reported by the City of Sacramento Police Department.

## Physical Blight

Physical blighting conditions within the Project Area consist of Unsafe and Unhealthy Buildings, Factors that Prevent Economically Viable Use, and Adjacent or Nearby Incompatible Uses. These are described in detail below.

### Unsafe & Unhealthy Buildings

Buildings in which it is unsafe or unhealthy for persons to live or work are a physical blighting condition per Redevelopment Law Section 33031(a)(1). Based on 2003 Redevelopment Law, these conditions may be caused by serious building code violations and dilapidation and deterioration, among other things. The Project Area has 60 unsafe and unhealthy buildings; 21 have serious code violations and 40 have dilapidation and deterioration (one building has both conditions).

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Serious Building Code Violations

Properties with serious code violations are found throughout the Project Area. Table B-1 summarizes the number and type of open code enforcement cases within the Project Area as of July 2008. Over half of all open code enforcement cases are unsafe and unhealthy buildings. According to Ron O'Connor, Chief of Housing and Dangerous Buildings within the City's Code Enforcement Department, 99% of code enforcement data is compiled on a complaint basis, thus more violations are likely to exist beyond what is recorded.

**Table B-1**

**Summary of Open Code Enforcement Cases by Type**  
**Del Paso Heights Redevelopment Project Area**

Type of Violation	Incidences	% of Total Cases
<i>Unsafe &amp; Unhealthy</i>		
Dangerous Building	2	3.0%
Dangerous Vacant Building	7	10.4%
Substandard Building	2	3.0%
Substandard Vacant Building	10	14.9%
<b>Total unsafe &amp; unhealthy building cases</b>	<b>21</b>	<b>23.9%</b>
<i>Other</i>		
Other Cases	67	76.1%
<b>Total Cases in Project Area</b>	<b>88</b>	<b>100.0%</b>

Source: City of Sacramento Code Enforcement, 8/6/2008

The City of Sacramento Code Enforcement Department reported 21 cases of "dangerous" or "substandard" buildings as defined by the Chapters 8.96 and 8.100 of the Sacramento City Code. Dangerous buildings are in danger of collapsing, have buckled walls or other structures, damage from fire and other natural disasters, or other conditions to the point that they endanger the life, health, property, or safety of the public or its occupants. Substandard buildings lack proper plumbing, heating, electrical equipment and other utilities, lack minimum amounts of natural light and ventilation, have general dilapidation, or other conditions to the point that endanger the life, limb, health, property, safety, or welfare of the public or the occupants of the building. The Project Area's unsafe and unhealthy buildings and their code violations are identified in Table B-2 below.

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**Serious Building Code Violations** Table B-2  
**Del Paso Heights Redevelopment Project Area**

Site Address	APN	Description
800 Block of Brae Ave	251 0191 029	Dangerous Vacant Building
700 Block of Carroll Ave	250 0260 014	Dangerous Building, Fire
3700 block of Cypress St	251 0904 022	Substandard Vacant Building
3800 Block of Elm St	251 0081 007	Substandard Vacant Building,
800 Block of Ford Rd	251 0241 070	Substandard Vacant Building
1000 Block of Grand Ave	251 0063 011	Dangerous Vacant Building
1400 Block of Grand Ave	251 0801 015	Substandard Vacant Building
3900 Block of Huron St	251 0034 110	Substandard Vacant Building
1100 Block of Jean Ave	237 0213 030	Dangerous Vacant Building
500 Block of Kesner Ave	250 0102 005	Substandard Vacant Building
3900 Block of May St	251 0021 021	Dangerous Vacant Building
600 Block of Morey Ave	250 0111 025	Substandard Building
1200 Block of Nogales St	251 0175 001	Substandard Building
1300 Block of North Ave	251 0033 001	Dangerous Vacant Building
1300 Block of North Ave	251 0330 030	Substandard Vacant Building
3600 Block of Rio Linda Blvd	251 0132 032	Substandard Vacant Building
3600 Block of Rio Linda Blvd	251 0132 017	Substandard Vacant Building
900 Block of Rivera Dr	251 0301 047	Dangerous Vacant Building
1100 Block of Rivera Dr	251 0311 053	Substandard Vacant Building
3400 Block of Taylor St	250 0200 045	Dangerous Building
800 Block fo Union St	251 0242 012	Dangerous Vacant Building

Source: City of Sacramento Code Enforcement, 8/6/2008

The location of unsafe and unhealthy properties with serious code violations are shown in Exhibit B-2.

Dilapidation and Deterioration

The Project Area has 40 unsafe and unhealthy residential and nonresidential buildings resulting from dilapidation and deterioration based on RSG's field survey observations. Many cases are serious and caused by long term neglect. Conditions include:

- Roofs, eaves and overhangs that are sagging, broken, cracking, rotted, peeling, and/or otherwise deteriorated to a point of endangering the health and safety of occupants.
- Damaged exterior building materials such as cracking and chipped walls, rotting wood, buckling columns, wood panels out of alignment, rusting metal roofs and walls, and other conditions that endanger health and safety of building occupants.



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Unsafe and unhealthy buildings are found throughout the Project Area, however there are four areas of concentration between:

1. Norwood Avenue, Kesner Avenue, Taylor Street and Hayes Avenue;
2. Clay Street, Harris Avenue, Dry Creek Road and South Avenue;
3. Elm Street, North Avenue, Balsam Street, and Grand Avenue; and
4. Rio Linda Boulevard, Silvano Street, Belden Street, and Rivera Drive.

The first three photos below are examples of unsafe or unhealthy non-residential properties throughout the Project Area with the above conditions. The remaining photos show examples of unsafe or unhealthy residential properties with dilapidation and deterioration. Appendix B provides a map showing the location of photos shown in this Report.

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Photo B-1: 3400 Block of Rio Linda Boulevard, APN 251 0191 017: This property has a severely damaged roof that is broken and rotting. Parts of the eaves and overhangs are missing and the remaining eaves have cracks and holes due to stress from the roof. The exterior is damaged and rotting from faulty weather protection and neglect. The open wall may attract squatters or persons who use the building for illegal activity. The County Tax Collection & Licensing Department records show that this property has delinquent property taxes as of September 19, 2008. The property owner has failed to maintain the building functionally, physically, and financially.

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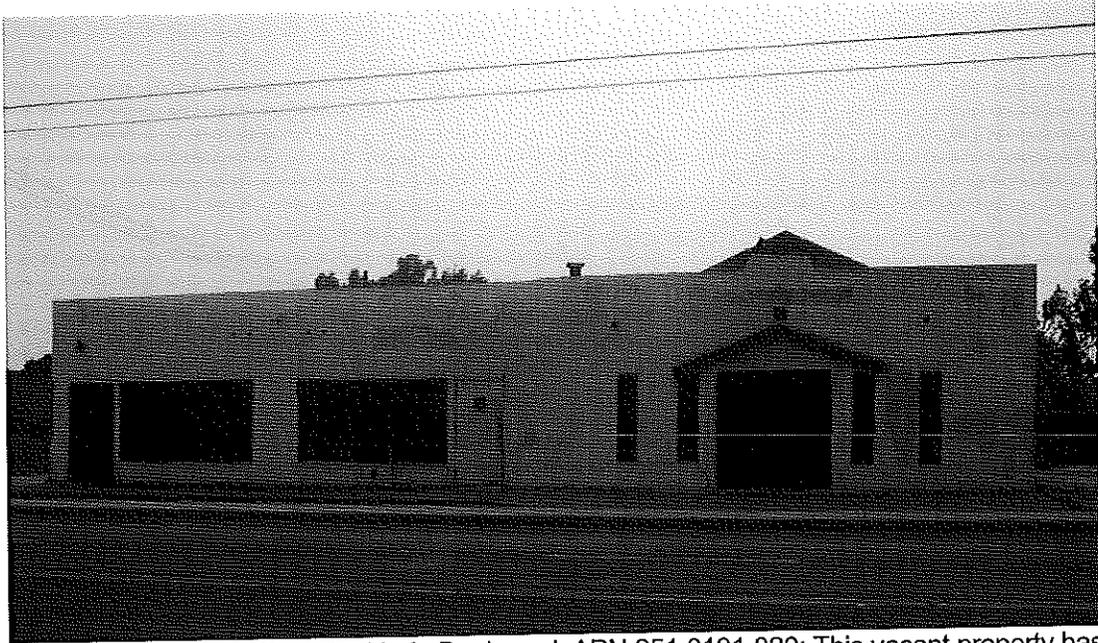


Photo B-2: 3400 Block of Rio Linda Boulevard, APN 251 0191 020: This vacant property has a damaged exterior and is molding along the bottom due to faulty weather protection and neglect. It also has delinquent property taxes as of September 19, 2008. The owners have not maintained the property's physical, functional, and financial upkeep.

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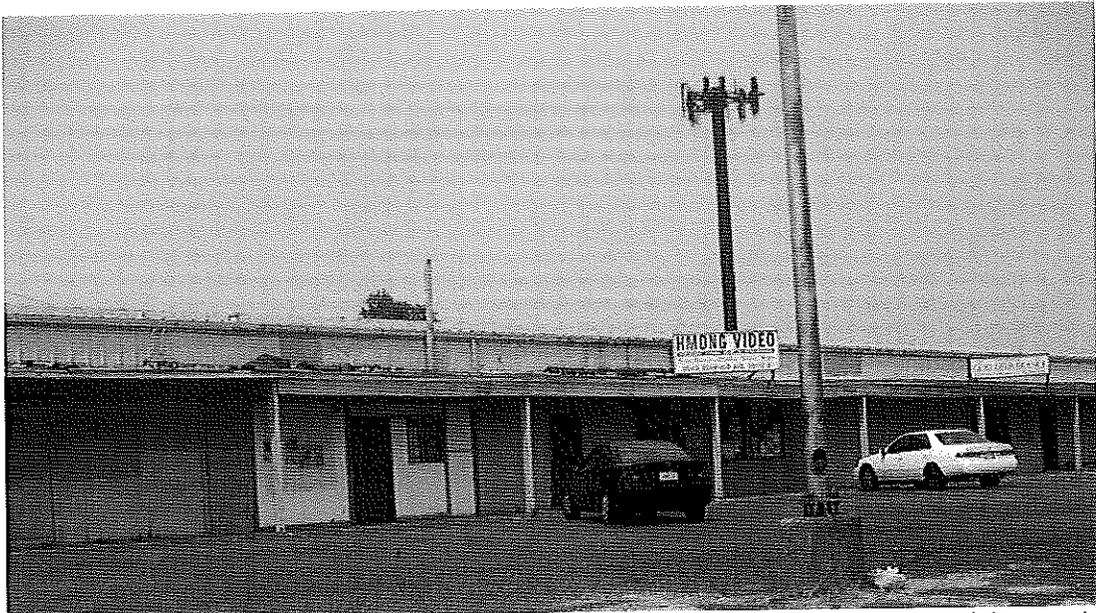


Photo B-3: 3500 Block of Norwood Avenue, APN 250 0140 047: This commercial property is seriously dilapidated. The roof, eaves, and overhangs are peeling and sagging. The roof is made of corrugated sheet metal and prone to rust. The exterior building materials are damaged and cracking at the foundation due to faulty weather protection and neglect. Although the building has some operating tenants, several units have boarded windows. This property also has delinquent property taxes as of September 19, 2008. The property owner has neglected to maintain the physical, functional and financial aspects of this building.

The non-residential properties pictured above are examples of buildings that are unsafe and unhealthy due to dilapidation and deterioration. Non-residential dilapidated properties tend to be concentrated on Rio Linda Boulevard and Taylor Street, with some on Norwood Avenue and Haywood Street. The Plan Amendment would provide sufficient financial resources to assist property owners with improvements and, in some cases, acquire properties.

The photos below show examples of unsafe and unhealthy residential properties within the Project Area.

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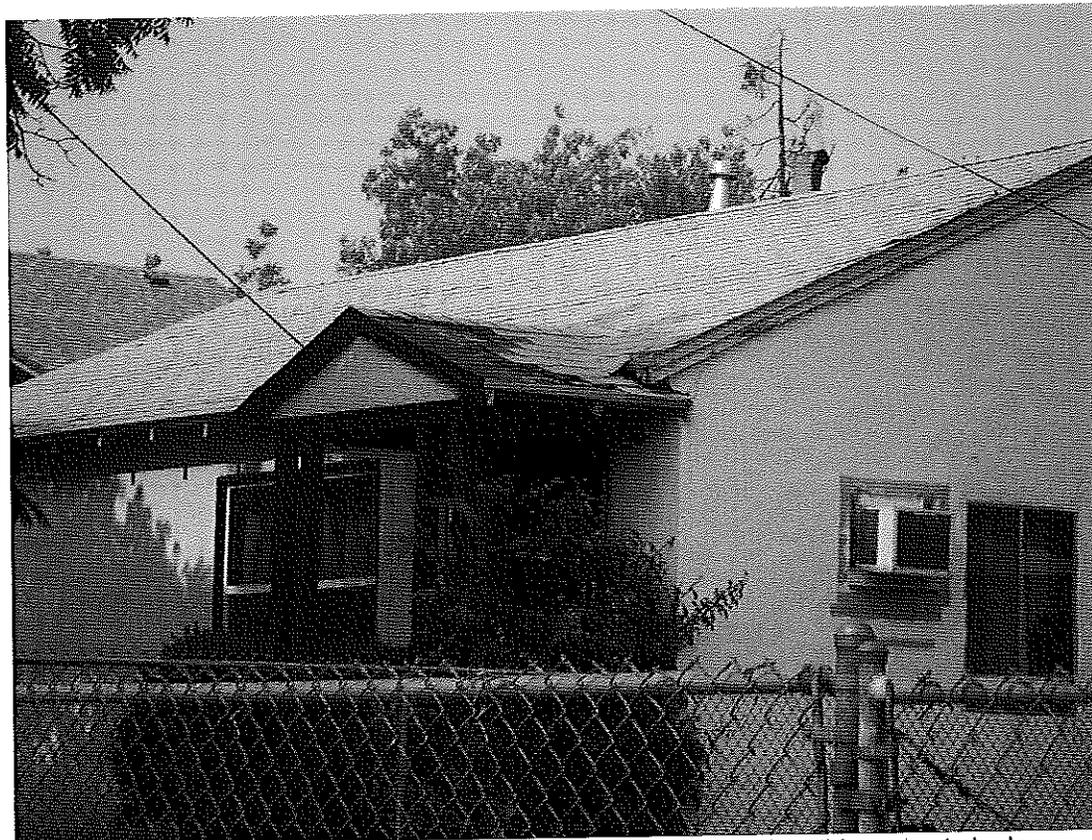


Photo B-4: 3300 Block of May St, APN 251 0252 027: The roof on this property is damaged and has missing asphalt shingles, exposing the unprotected roof to the elements and increasing the rate of damage and decay.

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Photo B-5: 3300 Block of May Street, APN 251 0251 021: This property's roof is peeling and severely deteriorated. Deteriorated roofing materials can allow moisture to seep through the roof and affect the interior of the building, causing problems such as mold and deteriorating building materials.

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Photo B-6: 400 Block of Kesner Avenue, APN 250 0101 009: This property has deteriorated eaves and the wood panels at the base of the building are cracking due to faulty weather protection and are susceptible to damage and rot.

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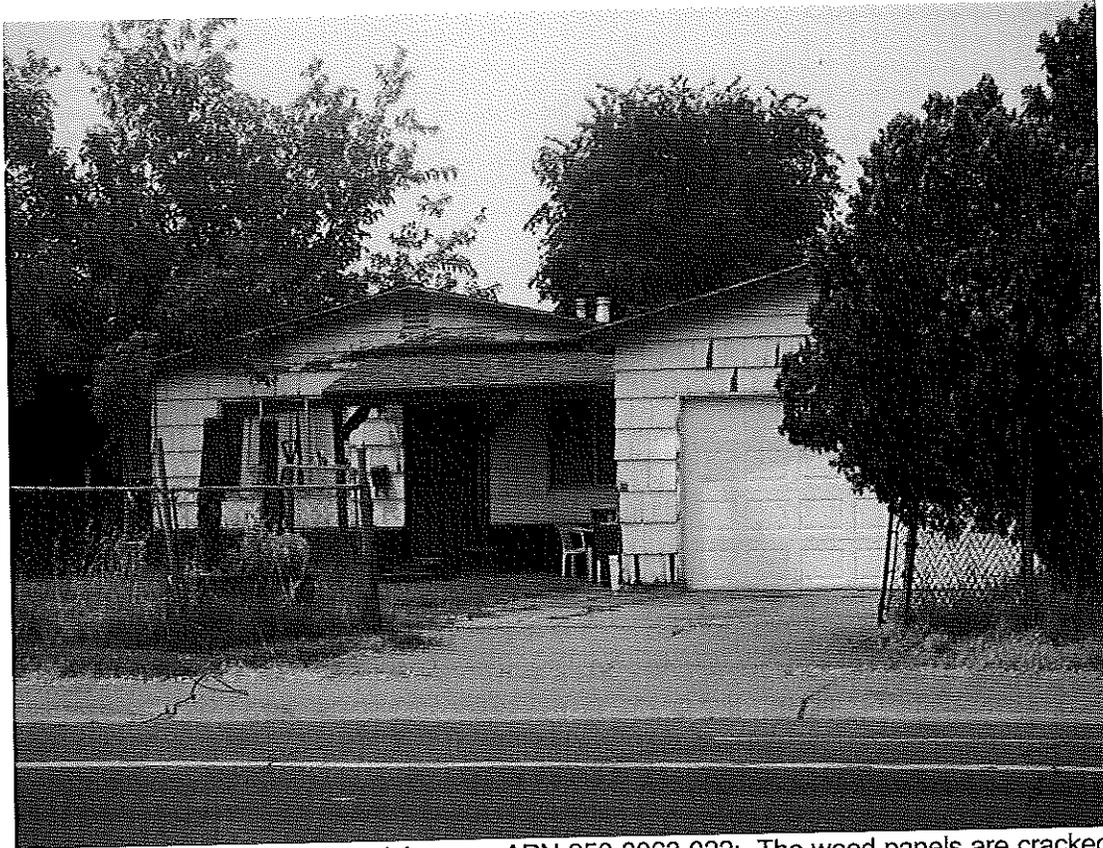


Photo B-7: 500 Block of Grand Avenue, APN 250 0063 022: The wood panels are cracked above the doorway and around the garage due to faulty weather protection and neglect. The left column holding the overhang above the door is beginning to buckle. Buckling vertical supports are a common code violation according to the City Code Enforcement Department.

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Photo B-8: 3400 Block of Cypress Street, APN 251 0192 009: This roof is peeling and damaged, leaving the exposed materials underneath more susceptible to damage and rot.

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Photo B-9: 3300 Block of Branch Street, APN 251 0244 009: The property pictured has deteriorating wood panels from faulty weather protection and a damaged roof. The wood is exposed to the elements, increasing the rate of damage and decay.

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Photo B-10: 3300 Block of Branch Street, APN 251 0251 016: The wood panels are severely deteriorated and rotting, compromising the building's structural integrity.

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Photo B-11: 3900 Block of Palmetto Street, APN 251 0011 007: This property is boarded up and appears to be uninhabited. The exterior is damaged from faulty weather protection and the roof sags in the middle, causing damage to eaves. A sagging roof could be accompanied by a damaged support wall or beam and are a common code violation according to the City Code Enforcement Department

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Photo B-12: 3300 Block of Rio Linda Boulevard, APN 251 0282 010: The wood tiles are splitting and cracking and are susceptible to rot from faulty weather protection.

Redevelopment Agency of the City of Sacramento

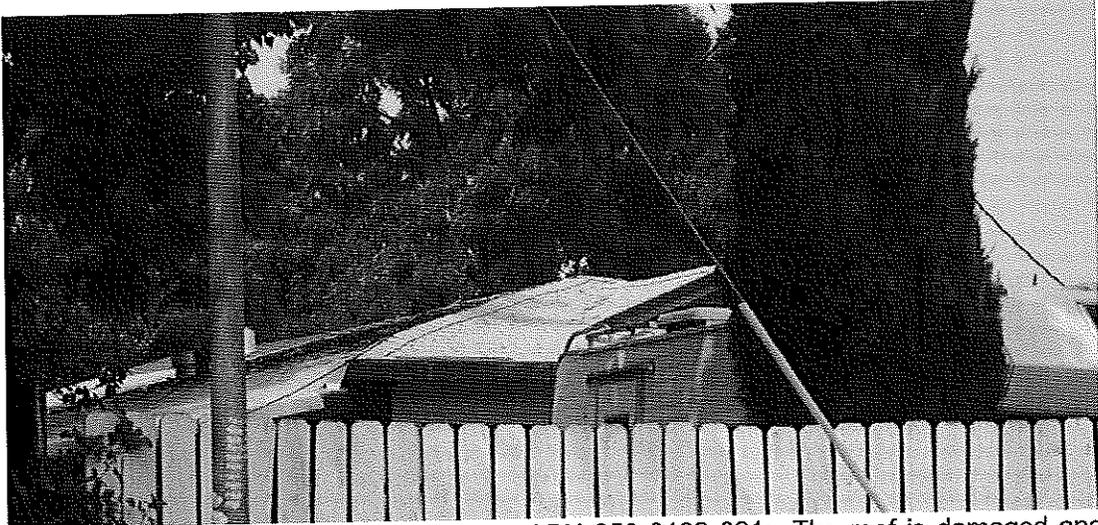


Photo B-13: 500 Block of South Avenue, APN 250 0102 021: The roof is damaged and rotting, creating a safety hazard for residents.

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Photo B-14: 3200 Block of Taylor Road, APN 250 0480 001: The property suffers from deteriorated eaves and overhangs. The overhang above the door sags on the left.

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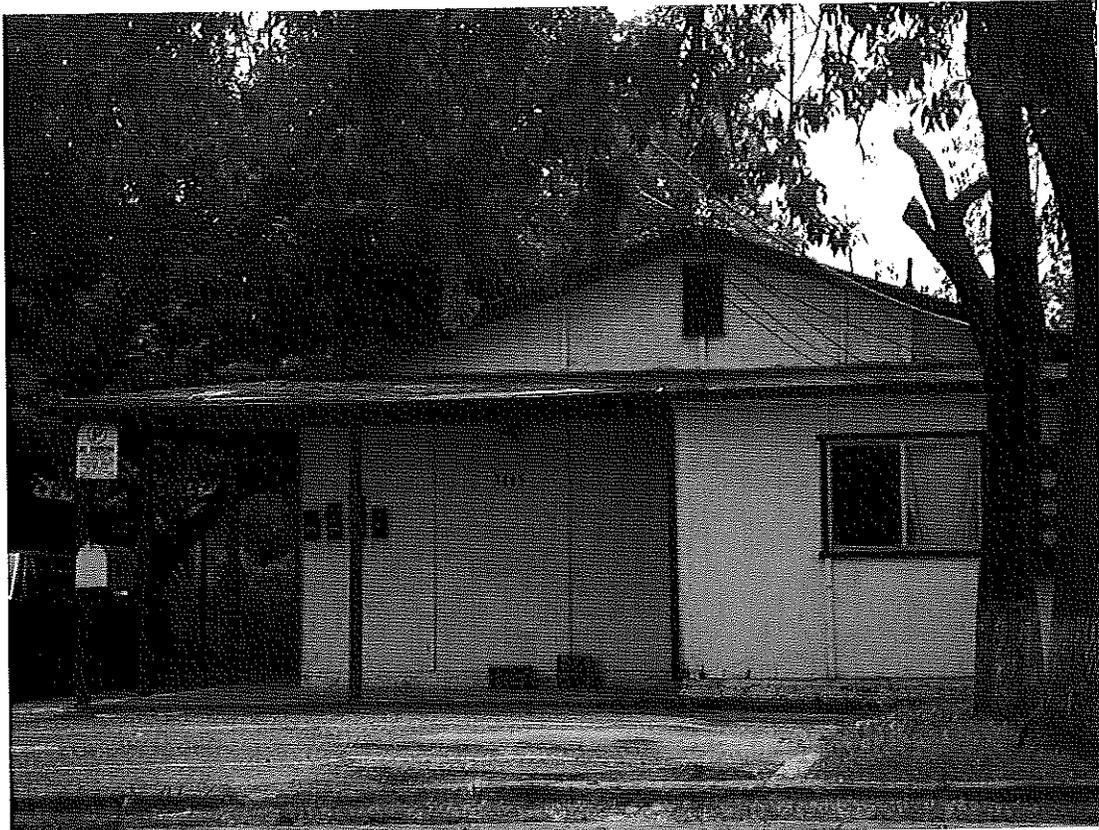


Photo B-15: 3400 Block of Altos Avenue, APN 250 0210 018: Just as many other properties within the project area, this residence has a damaged roof with missing tiles and the overhang above the door sags in the middle. Wood panels at the base of the building are cracked, which indicates a poor foundation.

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Photo B-16: 3900 Block of Palmetto St: The wood panels at bottom right of the building on Palmetto Street are broken and out of alignment, leaving holes in the exterior and exposing the interior to weather induced damage.

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Photo B-17: 3800 Block of Haywood Street, APN 251 0071 016: The wood panels on this building are cracked and peeling, exposing the material to weather damage.

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Photo B-18: 3900 Block of Huron Street, APN 251 0041 023: This single family residence has sustained major fire damage and is currently uninhabited. The roof, eaves, overhangs, and exterior are badly damaged, and debris covers the front yard.

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Photo B-19: 3900 Block of Elm Street, APN 251 0042 018: The exterior building materials of this property are damaged, as are the roofing materials and eaves. The eaves are buckling above the doorway due to pressure from the roof.

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Photo B-20: 3800 Block of Fig Street, APN 251 0082 011: Deteriorating eaves, overhangs, and roofing materials are an issue at this property. The roof is peeling and tiles are missing, exposing the roof to weather induced damage.

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Photo B-21: 3800 Block of Fig Street, APN 251 0082 010: Like many other properties within the project area, the residence's roofing materials, eaves, and overhangs are damaged and deteriorating. The wooden eaves are cracking and susceptible to rot from faulty weather protection.

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Photo B-22: 3900 Block of Fig Street, APN 251 0042 007: The roof at this boarded and uninhabited residence is damaged and peeling.

Redevelopment Agency of the City of Sacramento

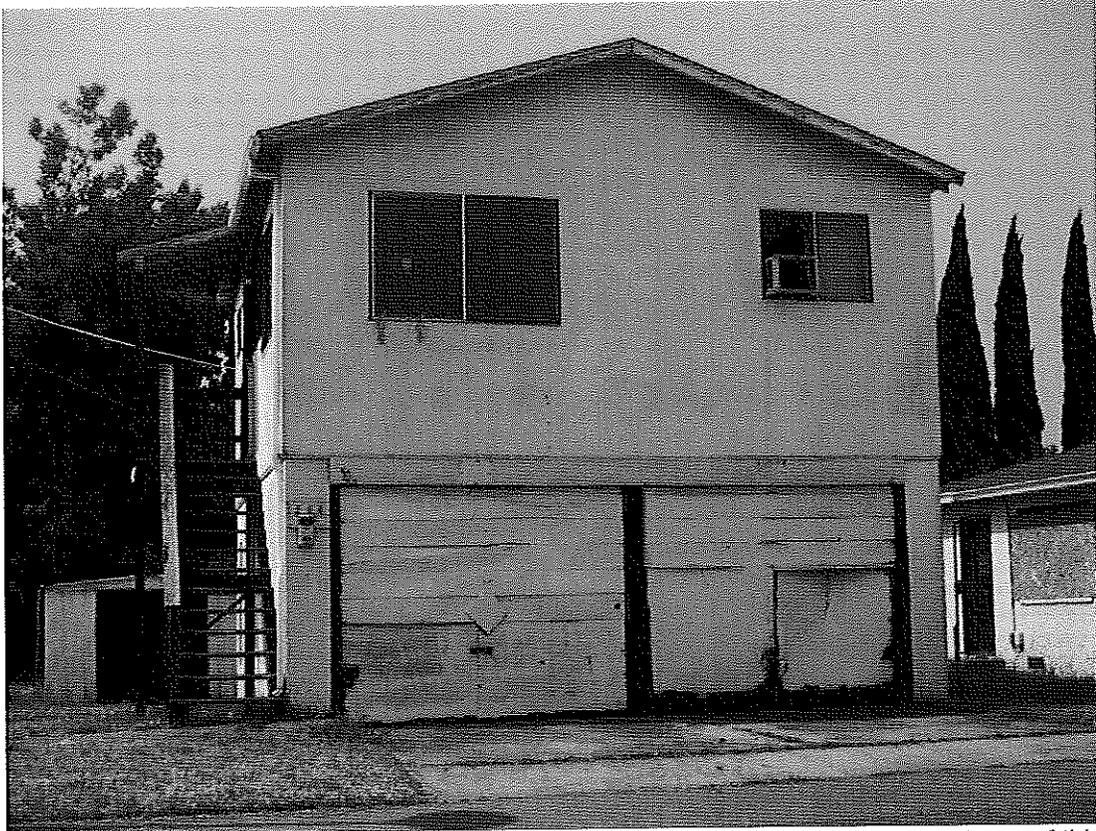


Photo B-23: 1200 Block of Roanoke Avenue, APN 251 0105 015: The garage doors of this property are severely deteriorated. The wooden stairwell at the side of the building and the eaves of this property are deteriorating. The side entrance has been boarded up with plywood and the County Tax Collection and Licensing records show the property has delinquent property taxes as of September 19, 2008.

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Photo B-24: 3800 Block of Huron Street, APN 251 0081 017: One of many properties with roof damage.

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Photo B25: 3900 Block of Haywood Avenue, APN 251 0023 016: The exterior of this home is damaged and deteriorating. Wood paneling above the doorway is cracked. Two front windows are boarded with wood.

The 22 residential properties shown above are examples of properties that have dilapidation and deterioration and endanger the health and safety of occupants. Dilapidated and deteriorated residential properties are scattered throughout the Project Area, as shown in Exhibit B-2. Five real estate brokers that represent single family residential property in the Project Area feel that dilapidation and deterioration are caused by neglect from absentee property owners and renters who do not maintain their properties. The older age of many homes in the Project Area makes them more susceptible to damage from neglect. As shown in Table B-3 below, over half (57%) of homes are over 30 years old and 40% of homes are older than 50 years.

**Age of Residential Properties** **Table B-3**  
**Del Paso Heights Redevelopment Project Area**

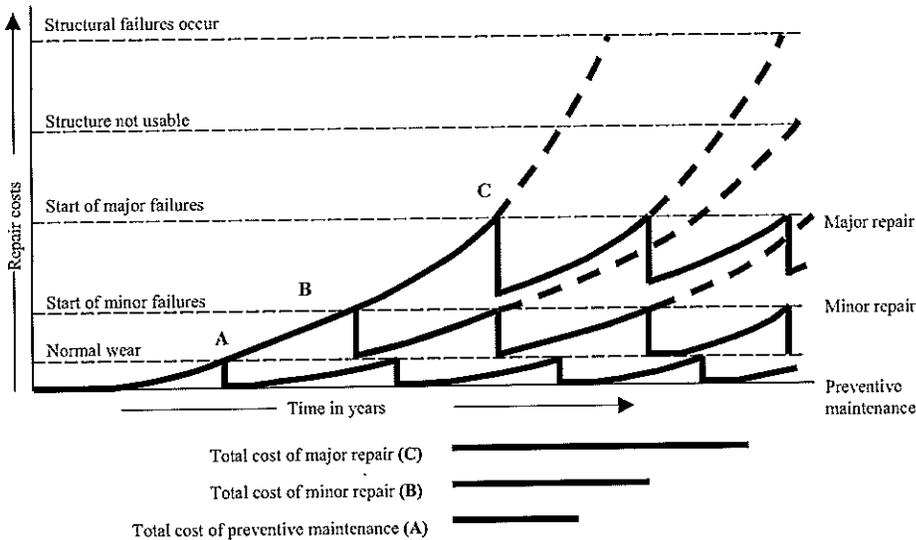
Year Built	# Properties	% Total
Prior to 1940	177	7%
1940-1949	422	17%
1950-1959	405	16%
1960-1969	275	11%
1970-1979	153	6%
1980-1989	228	9%
1990-1999	284	11%
2000-2008	335	13%
Unknown	217	9%
<b>Total</b>	<b>2496</b>	<b>100%</b>
Older than 50 Years	1004	40%
Older than 30 Years	1432	57%

*Source: First American Title Metroscan Information Service*

Deferred maintenance can be a result of declining or stagnant property values and/or aging building stock. Property owners are reluctant to invest if they do not realize a return on investments from the rehabilitation and as a result, necessary preventive maintenance is neglected. Poor building conditions indicate limited reinvestment in building stock through renovation and rehabilitation, and reflect a weak environment for private sector development. Aged building stock also contributes to deferred maintenance. By nature, older structures are difficult to rehabilitate, because as the structures age, rehabilitation is more expensive due to the need to bring the structures up to current building code requirements.

As demonstrated in the figure below, if proper regular maintenance is not done, first minor, and then major failures will result over time. As the cost of renovating the building goes up exponentially over the years, structural failures occur and the building cannot be recovered. If property owners fear that they will not realize a return on an investment in rehabilitation, buildings are often neglected.

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PREVENTIVE MAINTENANCE (bottom line) not only costs markedly less in aggregate than repairing building failures, it reduces human wear and tear. A building whose systems are always breaking or threatening to break is depressing to the occupants, and that brings on another dimension of expense. This diagram is adapted from *Preventive Maintenance of Buildings* (New York: Van Nostrand Reinhold, 1991), p.3.

Source: "How Buildings Learn, What Happens After They're Built" by Stewart Brand

The process of deterioration and dilapidation can be self-perpetuating. The presence of properties which exhibit signs of deterioration may deter owners of neighboring properties from improving and maintaining their properties because it appears to the property owner that any benefit which might accrue to the value of their properties will be diminished due to the condition of surrounding properties. When deteriorating conditions are prevalent throughout an area, it is often difficult for a properly maintained property to attract a buyer because the area's degenerating conditions send a message of apathy to potential investors, which presents a risk in terms of possible decrease in property values if these conditions continue to persist. Vacant homes resulting from foreclosures are another cause of dilapidation and deterioration, as they are often targets of vandalism and theft.

The Agency has several proposed projects that would improve unsafe and unhealthy buildings, such as financial assistance for property owners to upgrade properties. In some cases, the Agency purchases severely damaged properties to rehabilitate or replace. The Agency would also implement projects that increase homeownership opportunities and, in turn, increase the number of owner occupied properties. This would increase neighborhood investment and alleviate unsafe and unhealthy conditions caused by neglect from absentee property owners. The Plan Amendment would give the Agency the funding necessary to implement these projects. Proposed projects are discussed in Section E of this Report.

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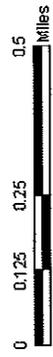
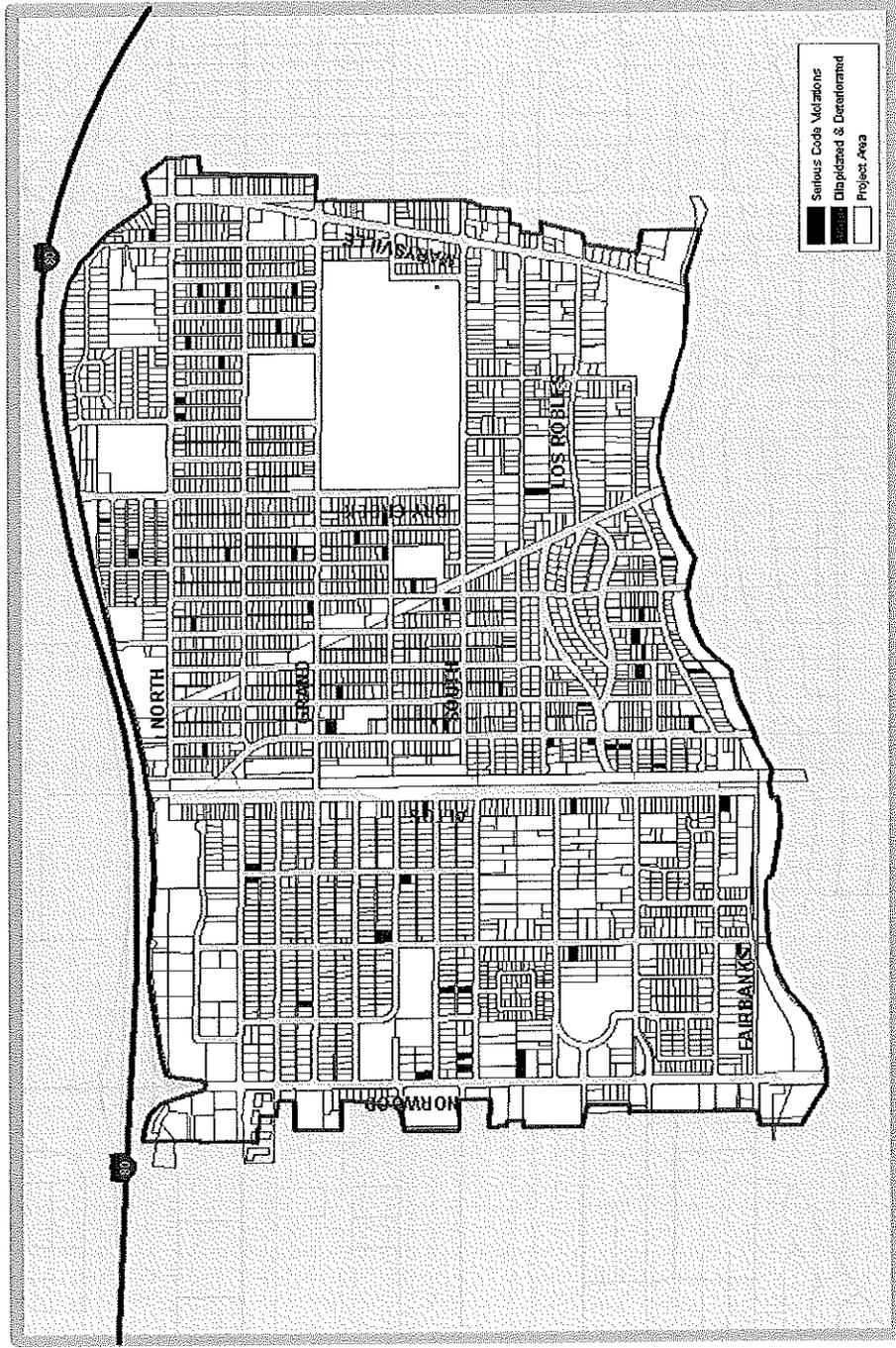


Exhibit B-2 Unsafe & Unhealthy Buildings

Source: City of Sacramento GIS, RSG Field Survey, June 2008

**Factors that Prevent Economically Viable Use**

Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots is a physical blighting condition according to Section 33031(a)(2) of 2003 Redevelopment Law. The condition can be caused by a substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.

The Project Area has 48 vacant residential lots that do not meet the City’s minimum lot size standards, 14 of which have been designated as an “Unusable Small/Misshaped” land use based on County assessor records available on the First American Title Metroscan Information System. Table B-4 summarizes the number of parcels, acreage, and zoning of vacant substandard lots.

**Table B-4**

**Vacant Substandard Residential Lots**  
**Del Paso Heights Redevelopment Project Area**

Zone		Min. Lot Size (s.f.)	Substandard Parcels	Substandard Acreage
R-1	Standard Single Family	5,200	46	3.06
R-2A	Multifamily (17 du/ac)	2,500	2	0.03
<b>Total</b>			<b>48</b>	<b>3.09</b>

*Source: City of Sacramento Zoning Code and GIS*

The lots are scattered throughout the Project Area and are in multiple ownership, causing them to remain undeveloped. No owner owns more than three parcels, and 84% of the owners own only one vacant lot. Mixed ownership limits opportunities to consolidate lots to form more developable parcels. Exhibit B-3 shows the location of vacant substandard residential lots.

A 2001 Infill Strategy report by the City Planning Department analyzed physical and economic constraints for infill development. It found that infill development is often more costly, time consuming, and difficult to market. Lots that are small or single parcels cannot benefit from the economies of scale that larger new developments achieve. They often require upgraded or expanded infrastructure due to the age of existing infrastructure, or to meet current building, fire or other codes that have changed since the infrastructure was originally developed. Infill development must often undergo additional design review and becomes a lengthy process. Many infill areas are difficult to market, especially when compared to newly developed neighborhoods. Real or perceived issues of public safety, the appearance of the neighborhood, the availability and quality of public and neighborhood facilities and services, particularly schools, affect the desirability and marketability of areas. Lenders are also more cautious to lend money for infill projects without a demonstrated local track record for the specific type of infill development.

Frank Vogui, a broker who represents residential land in the Project Area said that low resale prices make it difficult to make a profit from resale housing and imposes a significant challenge to selling residential land within the Project Area. The older homes and infrastructure in the Project Area affect the market value of the neighborhood. He and Sean Mahoney, another broker who represents industrial properties for lease in the Project Area, said that new housing stock and other buildings would improve the overall

appearance of the Project Area and attract new investors. Developing vacant land with affordable housing was also recommended because market rate housing is difficult to sell for an acceptable profit.

The Agency has proposed projects to consolidate land by purchasing adjacent lots that are in multiple ownership. The Agency has also proposed to develop affordable housing and implement homeownership programs to help people purchase homes in the Project Area, which would address concerns of making enough profit on small lots. The Agency's efforts to consolidate land and develop affordable housing can facilitate development of vacant lots of substandard size within the Project Area. The Plan Amendment would provide the necessary funding, land acquisition authority, and administrative tools to accomplish these goals.

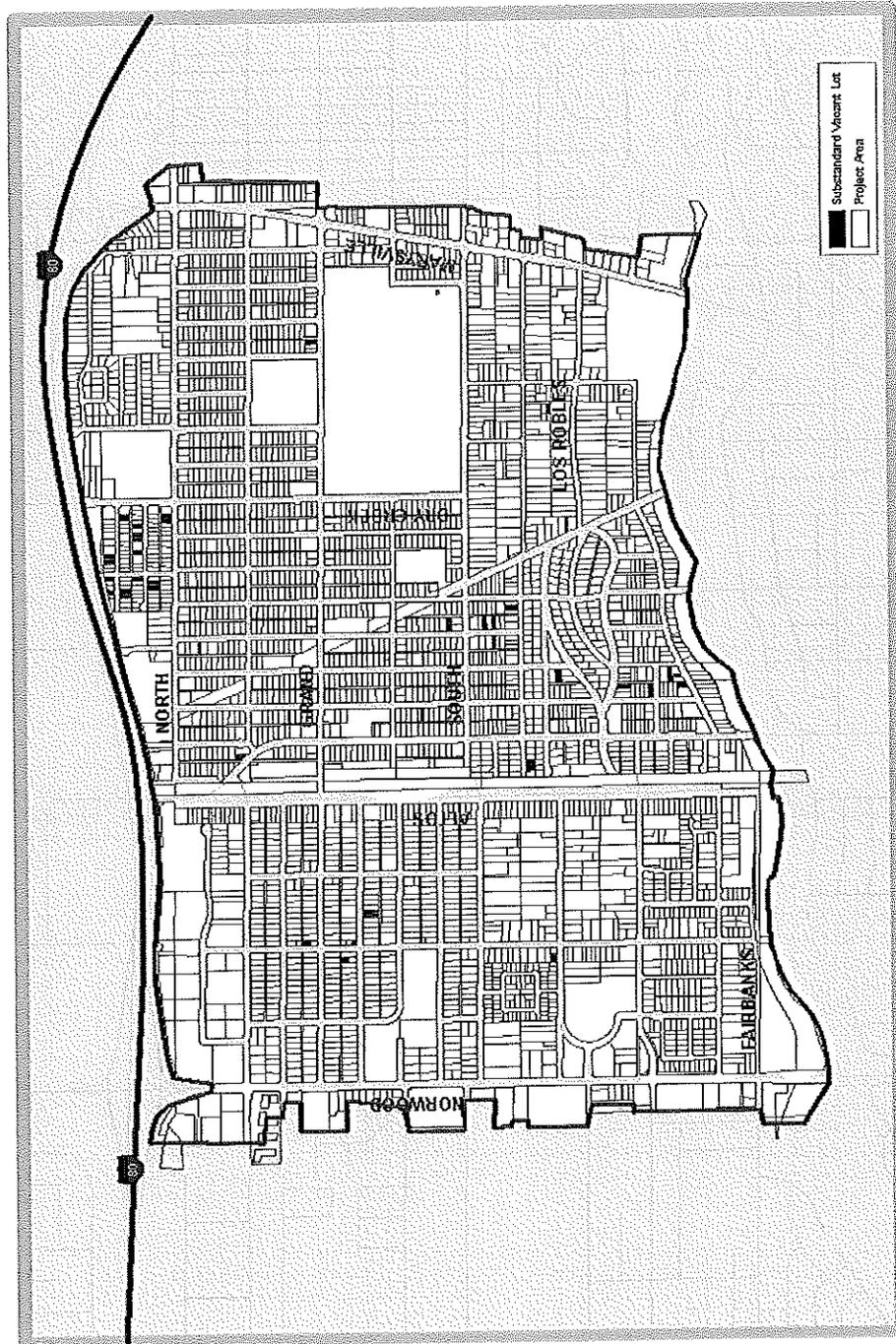


Exhibit B-3 Lots with Factors Hindering Economically Viable Use



Source: City of Sacramento GIS, City of Sacramento Zoning Code

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**Adjacent or Nearby Incompatible Uses**

Redevelopment Law in 2003 defined incompatible adjacent or nearby uses that prevent the economic development of those parcels or other portions of the project area as a physical blighting condition. This existed when the Sixth Amendment was adopted and continues to exist today.

The Project Area has incompatible uses on Harris Avenue east of Norwood Avenue and just east of Taylor Street, shown in Exhibit B-4 and the aerial photo below.



Photo B-26: Aerial satellite image of industrial uses near residential homes. Source: Google Maps

Industrial uses north of Harris Avenue are directly across the street from residential homes south of Harris Avenue. The arrow in the aerial image above points to a home that is adjacent to an industrial property with no buffer except a retaining wall, pictured below.

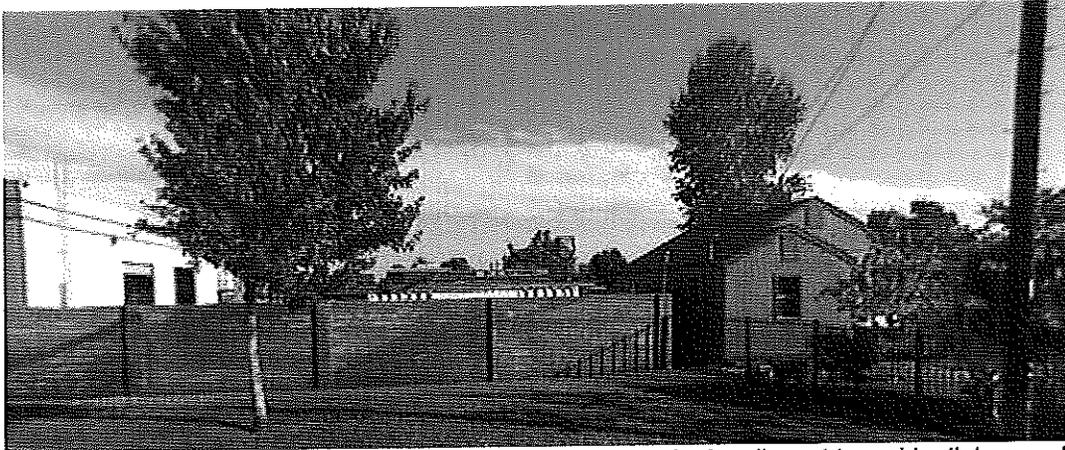


Photo B-27: An industrial property at the 3900 Block of Taylor is adjacent to residential property at the 600 Block of Harris Avenue

The mix of residential and industrial land uses is incompatible because of conflicting traffic patterns, noise impacts, odors, and other nuisances that impact quality of life and property values. Businesses are also hesitant to locate in the Project Area due to the perception that nearby public services will create a nuisance. This was identified as a challenge to leasing industrial property on Harris Avenue by a real estate broker representing industrial property for lease within the Project Area (who asked to remain anonymous). A methadone clinic treating heroin addiction is one block away from the industrial properties on Harris Avenue. According to the City Police Department, drug dealers sell heroin near the methadone clinic. This is further described in the *High Crime* section of this Report. An office of the County Department of Human Assistance is also one block from industrial businesses on Harris Avenue, which administers programs for welfare, food stamps, and homelessness.

The Agency will focus on redeveloping the Project Area, being mindful of the above issues when trying to attract future tenants to the area.

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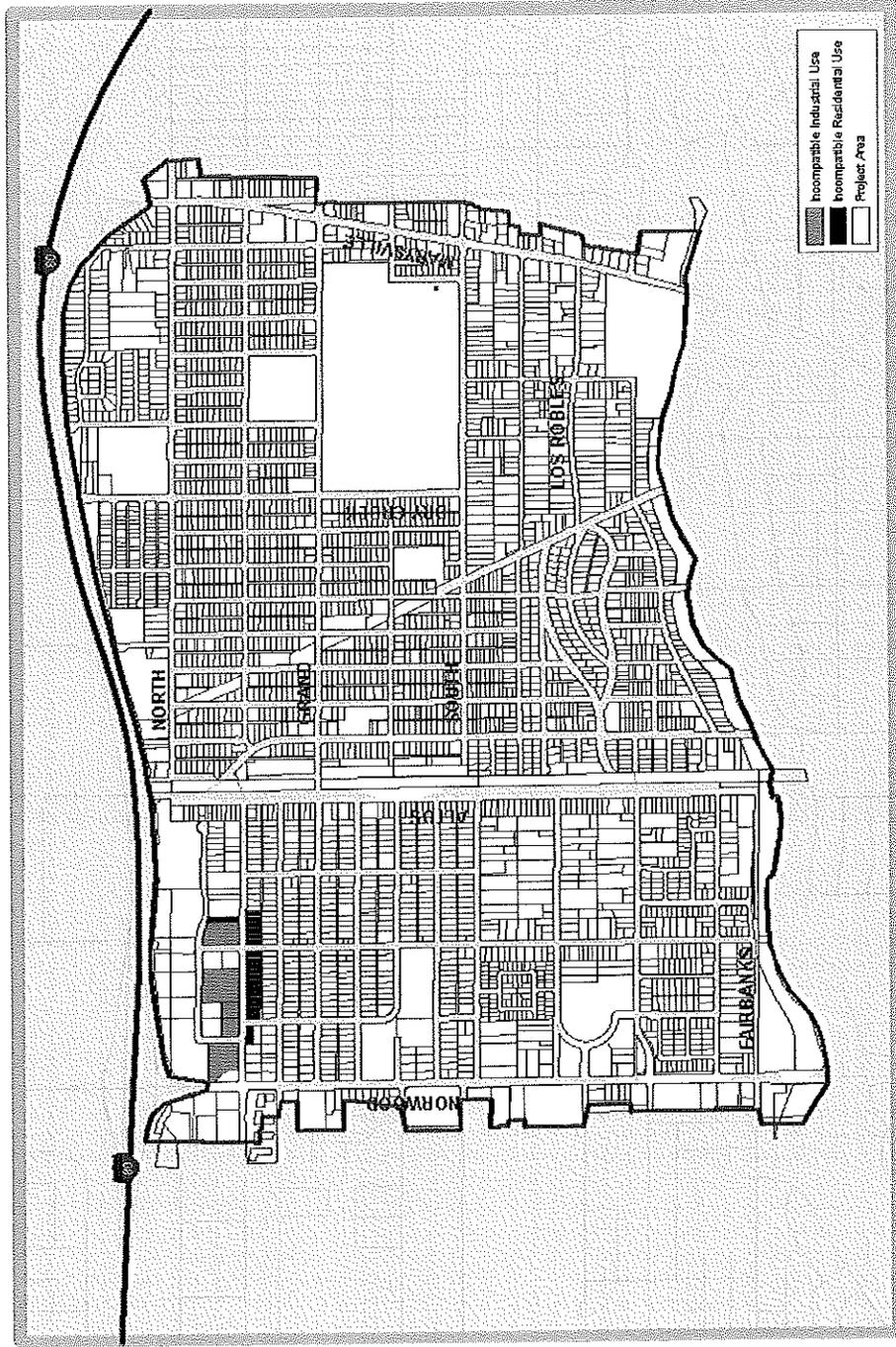


Exhibit B-4 Lots with Adjacent or Nearby Incompatible Uses

Source: City of Sacramento GIS, City of Sacramento Zoning Code

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**Economic Blight**

Economic blight in the Project Area consists of depreciated property values, abnormally low lease rates, the presence of abandoned buildings, residential overcrowding, and a high crime rate that constitutes a serious threat to public safety and welfare.

**Depreciated or Stagnant Property Values, Including Properties Containing Hazardous Wastes**

Depreciating or stagnant property values are a blighting condition per Section 33031(b)(1) of Redevelopment Law. Not only are Project Area property values depreciating after a seven year bubble, they are depreciating at a significantly faster rate than property values of the City as a whole.

The findings are the result of a comprehensive analysis of three-bedroom home sales in the Project Area and the encompassing City. To best ensure that the analysis was comparing similar statistics, the sales data (from January 1999 to June 2008) was limited to single family, three bedroom homes on individual lots that were sold to new owners and not transferred to a family member. Sales prices were further normalized by dividing the total sales price by the floor area of homes, thus controlling for the range in size of properties sold. Additionally, the sales prices for prior years were converted to current (2008) dollar values according to the Consumer Price Index.

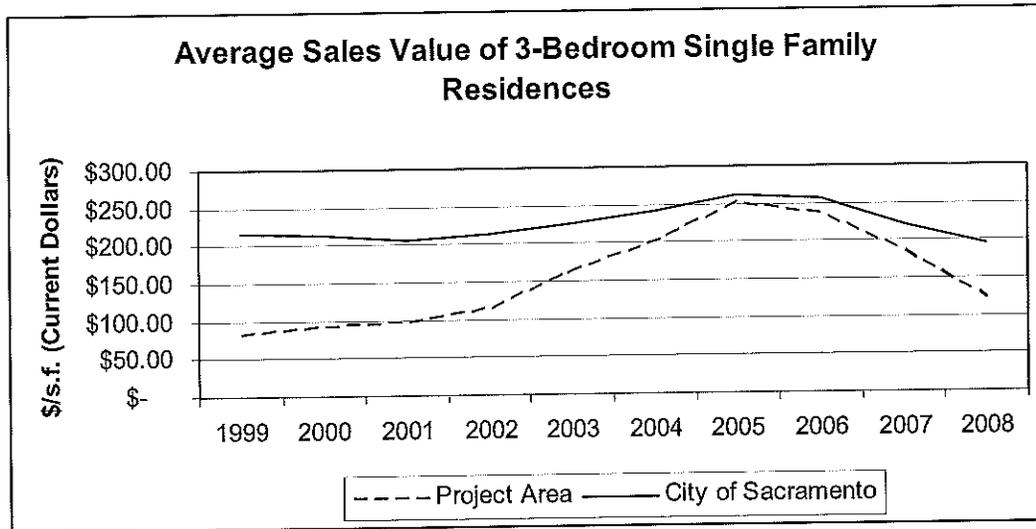
Table B-5 and the chart below show that the average sales price per square foot for a three-bedroom home in the Project Area declined two times faster than the City in the last four years. The 2008 average sales price per square foot is 37% lower than the City.

**3-Bedroom Residential Sales Value Comparison** **Table B-5**  
**Project Area vs. City of Sacramento**

Year	Average Sales Price per S.F. /1		Difference	
	Project Area	City	\$	%
1999	\$81.62	\$215.39	-\$133.77	-164%
2000	92.62	213.19	-120.57	-130%
2001	97.40	206.30	-108.90	-112%
2002	114.56	212.43	-97.87	-85%
2003	162.81	225.32	-62.51	-38%
2004	201.28	242.19	-40.91	-20%
2005	252.10	262.63	-10.53	-4%
2006	237.00	256.85	-19.85	-8%
2007	184.35	221.47	-37.12	-20%
2008	121.87	194.57	-72.71	-60%

1/ Values adjusted to current dollars based on the Consumer Price Index for all urban areas in the Western United States.

Source: First American Title Metroskan Information Service



Although Project Area property values are 37% lower than the City, Project Area residents have a 42% lower median household income compared to their City counterparts, which are derived from larger household sizes than the City. Because incomes are disproportionately lower relative to household costs, Project Area households are less likely to be able to afford homes. Exhibit B-5 shows the location of homes in the Project Area that have a significantly lower property value compared to the City based on sales within the last ten years.

Depreciating property values are a problem experienced by local real estate brokers that represent property in the Project Area. Phil Velez, Grace Bettencourt, who are local brokers that were interviewed who represent single family residential property, and one anonymous broker said that the Project Area is the worst market for single family homes in the City, with the exception of Oak Park (another redevelopment project area). Mr. Velez says all sale properties are currently being sold for an amount lower than the asking price. Nearly all the brokers stated that property values are lower due to poorly maintained and neglected properties, disinvestment by owners, and high crime (gang activity, drug use, vandalism and theft). The Project Area's older housing stock compounds the problem of neglect, as older homes require more maintenance and new owners have to deal with extensive repairs. Ms. Bettencourt says foreclosures are also a huge problem in the Project Area, which has caused lenders to tighten lending for properties in the Project Area such as requiring a 30-40% down payment. The brokers recommend implementing programs that increase homeownership in order to have more owner occupied homes in the Project Area, which would increase neighborhood investment. They also recommend improving crime prevention efforts.

Properties containing hazardous wastes that require the use of agency authority to clean the site, as specified in Redevelopment Law Section 33459, are also an economic condition that causes blight based on 2003 Redevelopment Law. The Project Area has seven properties with open cases of leaking underground storage tanks that currently or could potentially require Agency involvement, listed in Table B-6 below.

**Hazardous Waste Sites** **Table B-6**  
**Del Paso Heights Redevelopment Project Area**

Site Address	Facility	Cleanup Status as of 10/10/08	Contaminant	Potential Media Affected
1200 Block of Grand Ave	Former gas station (vacant lot)	Open - Site Assessment	Other solvent or non-petroleum hydrocarbon	Soil
3600 Block of Rio Linda Blvd	Service station (owned by Agency)	Open - Site Assessment	Diesel, gasoline, lead	Soil
3700 Block of Marysville Blvd	Gas station (owned by Agency)	Open - Site Assessment	Gasoline	Aquifer used for drinking water supply
3800 Block of Marysville Blvd	Former gas station (vacant lot)	Open - Site Assessment	Gasoline	Aquifer used for drinking water supply
3600 Block of Marysville Blvd	Former service station (vacant lot)	Open - Site Assessment	Gasoline	Soil
3700 Block of Marysville Blvd	Liquor store	Open - Site Assessment	TCE, PCE	Other groundwater (not drinking water)
3200 Block of Marysville Blvd	Convenience Store	Open - Site Assessment	Other solvent or non-petroleum hydrocarbon	Aquifer used for drinking water supply

Note: Open cases as of October 10, 2008

Source: California Water Resources Control Board Geotracker Database

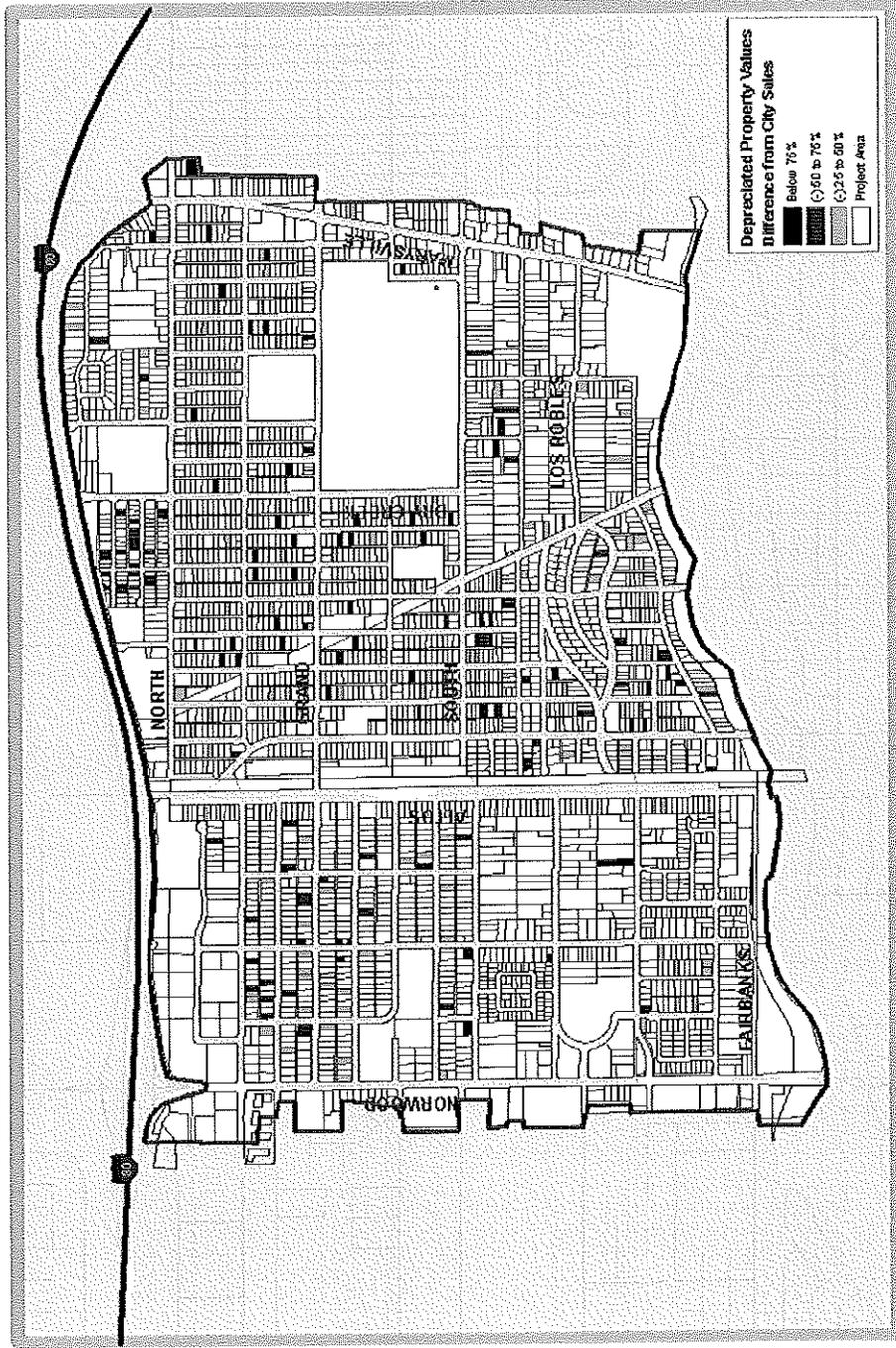
These sites are mainly concentrated on Marysville Boulevard, which is the Project Area's main commercial corridor. All cases involve soil and groundwater contamination due to gasoline and other hazards.

According to William Kinnard, author of *Measuring the Effects of Contamination and Pollution on Property Values*, "It is generally accepted that environmental contamination impairs a property's values due to a number of factors such as cost to correct, reduced marketability, inability to obtain financing, reduced net operating income, and higher capitalization rate." Contamination also impairs the value of the property due to the fact that the liability follows the sale of the property. California law dictates that contamination is the responsibility of the property owner or of a responsible party determined by a court of law. An investor is unlikely to purchase a property that may cost more than it is worth to clean, in addition to the liability of unknown plumes migrating from the property to surrounding properties. Clean up costs of contaminated properties could range anywhere between thousands and millions in consultant fees, clean up crews and legal fees, preventing properties from being developed or redeveloped.

The Agency has currently identified three sites with environmental contamination that require Agency involvement. The "Rio Linda Superblock," between Rio Linda Boulevard, Roanoke Boulevard, South Avenue, and Altos Avenue, suffers contamination from many years as a debris field and a former gas station (the gas station is the second property listed in Table B-6). The site has fractured ownership and the private sector will not

clean the site. The Agency has acquired all but three parcels that require environmental remediation. The Agency has also purchased a former gas station near the proposed Marysville Boulevard Town Center to remediate (the third property in Table B-6), and is in the process of acquiring a former dry cleaning site with environmental contamination. The "Grand Avenue Superblock," between Rio Linda Boulevard, Grand Avenue, Cypress Street, and Roanoke Avenue, may also require environmental remediation by the Agency. Exhibit B-6 shows the location of the above sites and the properties listed in Table B-6.

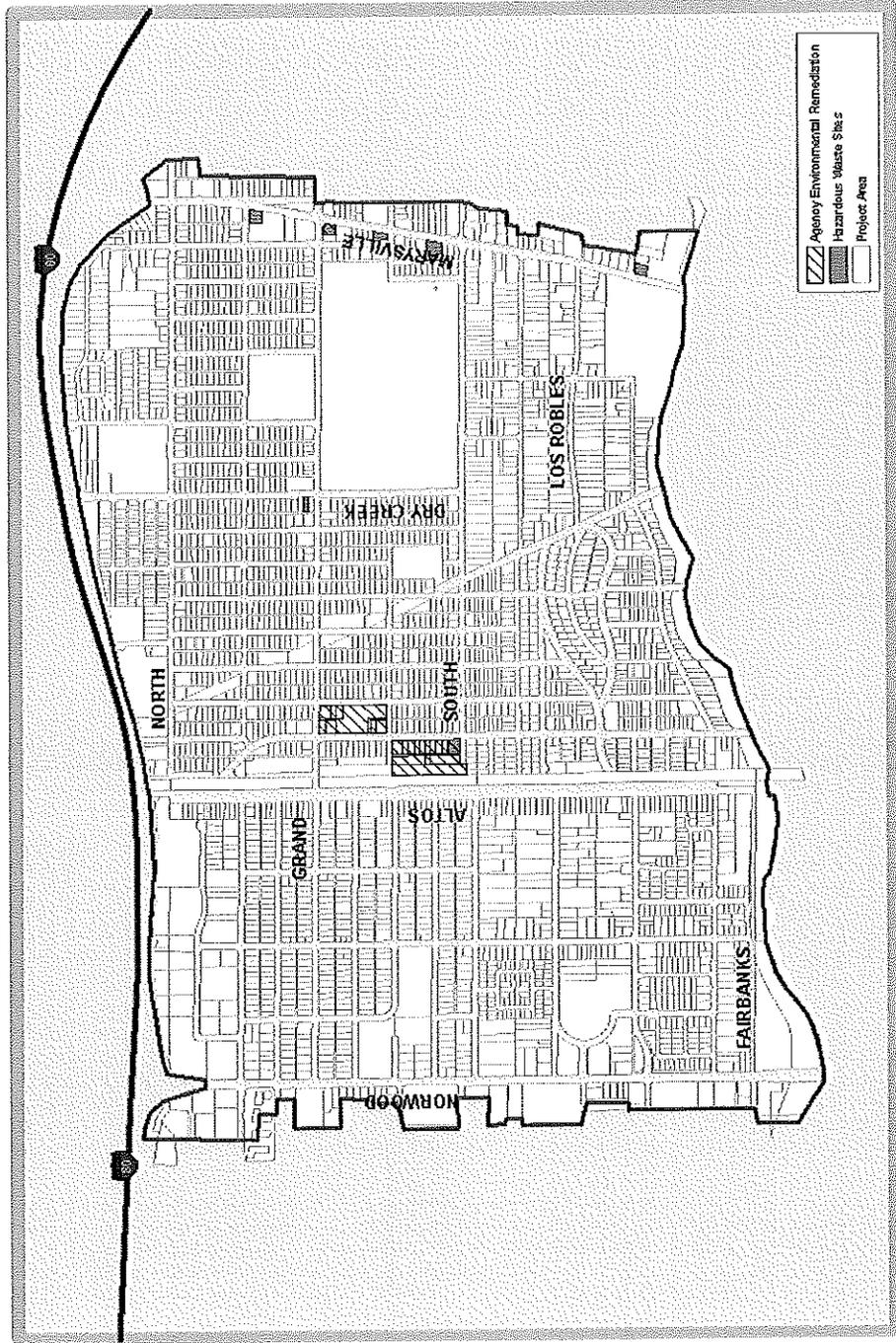
The Plan Amendment will provide funding to purchase contaminated parcels and clean sites with environmental hazards. Once the sites are clean, they will be marketed for development. The Plan Amendment would also increase funding to implement projects that increase homeownership, prevent crime, and create more neighborhood investment. Section E describes projects that assist property owners with improvements, increase homeownership opportunities, and deter crime, addressing many of the problems that lead to depreciating property values.



**Exhibit B-5 Difference in Home Sale Values From the Project Area Compared to City of Sacramento Average Sales Value**

Source: City of Sacramento GIS, First American Title/Metroscan Information Service

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Source: City of Sacramento GIS, SHRA, Geotracker

### Exhibit B-6 Sites Containing Hazardous Waste & Agency Environmental Remediation Projects



**Abandoned Buildings and Excessive Vacant Lots**

The presence of abandoned buildings and excessive vacant lots within an area developed for urban use and served by utilities are blighting conditions based on Section 33031(b)(2) of 2003 Redevelopment Law.

As of June 2008, the Project Area has eight abandoned buildings. According to the Brookings Institution’s Center on Urban and Metropolitan Policy, there is no one acceptable definition of abandoned, but for the purpose of this analysis we have defined an abandoned building as one that appears to be vacant and where the owner has neglected the responsibilities of ownership regarding functional, financial, and physical upkeep. Table B-7 lists buildings that meet this definition and Exhibit B-7 shows the location of each building.

**Abandoned Buildings** **Table B-7**  
**Del Paso Heights Redevelopment Project Area**

Non-Residential		
3400 Block of Rio Linda Blvd	251 0191 017	Unsafe & unhealthy vacant building with severe neglect and delinquent property taxes.
3400 Block of Rio Linda Blvd	251 0191 029	Unsafe & unhealthy vacant building with severe neglect and delinquent property taxes.
Residential		
3900 Block of Palmetto St	251 0011 007	Boarded unsafe & unhealthy property.
3900 Block of Altos Ave	250 0050 015	Boarded unsafe & unhealthy property.
3900 Block of Huron St	251 0041 023	Boarded unsafe & unhealthy property with fire damage.
1200 Block of Roanoke Ave	251 0105 015	Boarded unsafe & unhealthy property with delinquent property taxes.
3900 Block of Haywood Ave	251 0023 016	Boarded unsafe & unhealthy property.

Source: RSG, County of Sacramento Department of Tax Collection and Licensing

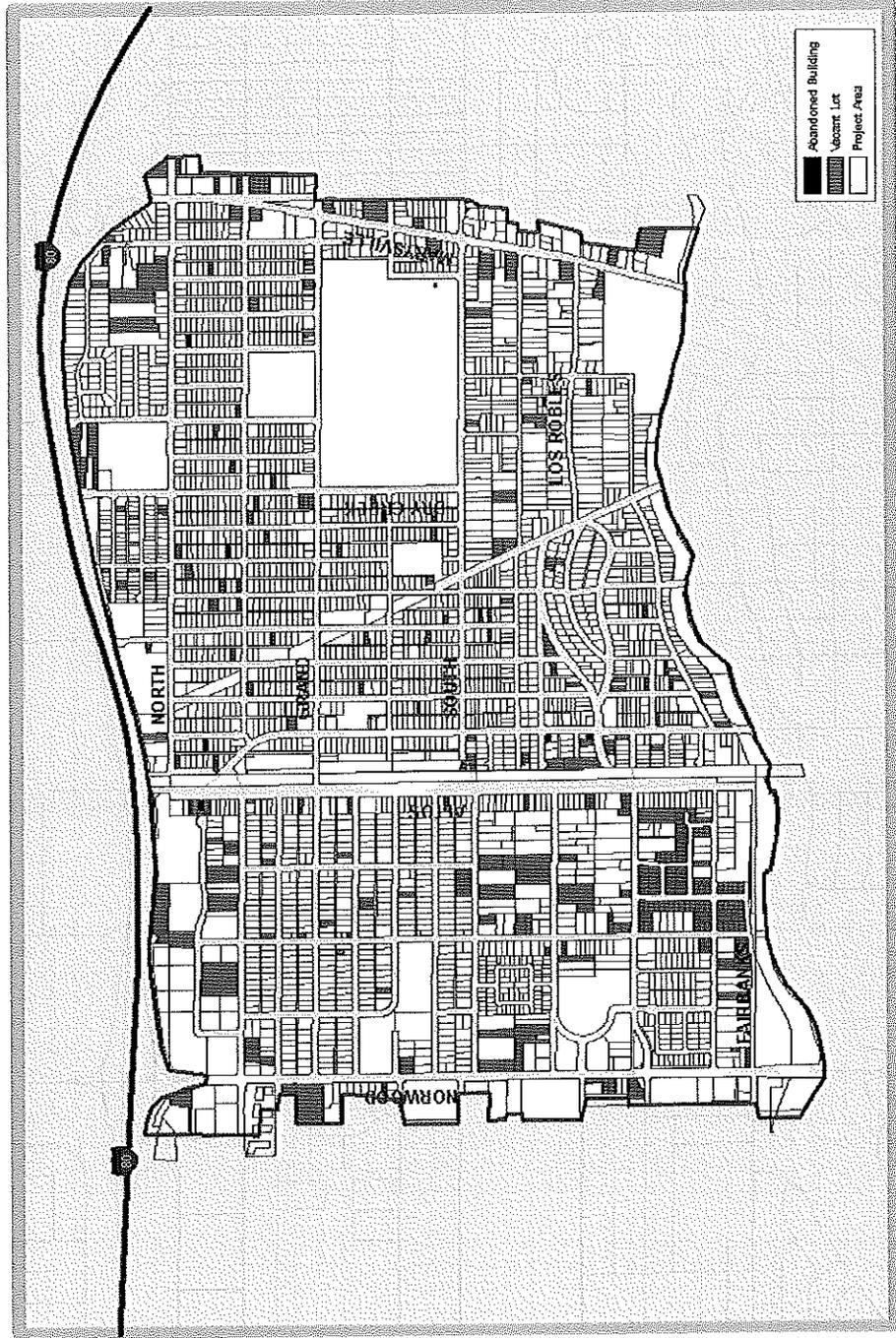
The properties listed above have boarded windows and/or doors and are unsafe and unhealthy due to neglect, and in some cases the property owners have neglected to pay their property taxes. The properties are pictured throughout Section B under the *Unsafe and Unhealthy Buildings* analysis. As mentioned in Section A, vacant properties are often targets of vandalism and crime. Two local real estate brokers that represent single family residential property within the Project Area have had plumbing, wiring, copper tubing, and air conditioning units stolen from vacant units in the Project Area. Vacant homes can also be vandalized and have squatters. A third local real estate broker states that vacant, unmaintained properties lower neighboring property values.

Excessive vacant lots in an urban area served by utilities are also an economic blighting condition. The Project Area has 335 vacant parcels, which is over ten percent of all parcels contained within the Project Area. Many of these vacant parcels are surrounded on at least three sides by existing development. The presence of so many vacant parcels after almost 70 years of being an urban area indicates a lack of investment in the Project Area by the private sector.

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The Plan Amendment would enable the Agency to purchase and maintain abandoned properties, both on its own and in collaboration with other public and private entities. It will also assist the Agency's efforts to consolidate vacant lots and encourage development. The Agency is currently facilitating the development of affordable housing on several vacant lots within the Del Paso Nuevo area (between Norwood, Altos, South and Carroll Avenues). The Plan Amendment would provide the funding and administrative authority necessary to continue this and other such projects.

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**Exhibit B-7 Abandoned Buildings and Excessive Vacant Lots**

Source: City of Sacramento GIS, RSG Field Survey, June 2008,  
First American Title Metropolitan Information Service,  
County Department of Tax Collection and Licensing



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**Residential Overcrowding**

Residential overcrowding is an economic blighting condition pursuant to 2003 Redevelopment Law Section 33031(b)(4). The U.S. Department of Housing and Urban Development (“HUD”) defines overcrowding as the condition of having more than one person per room per residence. Buildings that have more than 1.5 persons per room are considered severely overcrowded. Based on the U.S. Census 2000, 28% of the housing units in the Project Area are overcrowded and 16% are severely overcrowded, shown in Table B-8 below. Data is analyzed based on Census block groups that overlap the Project Area.

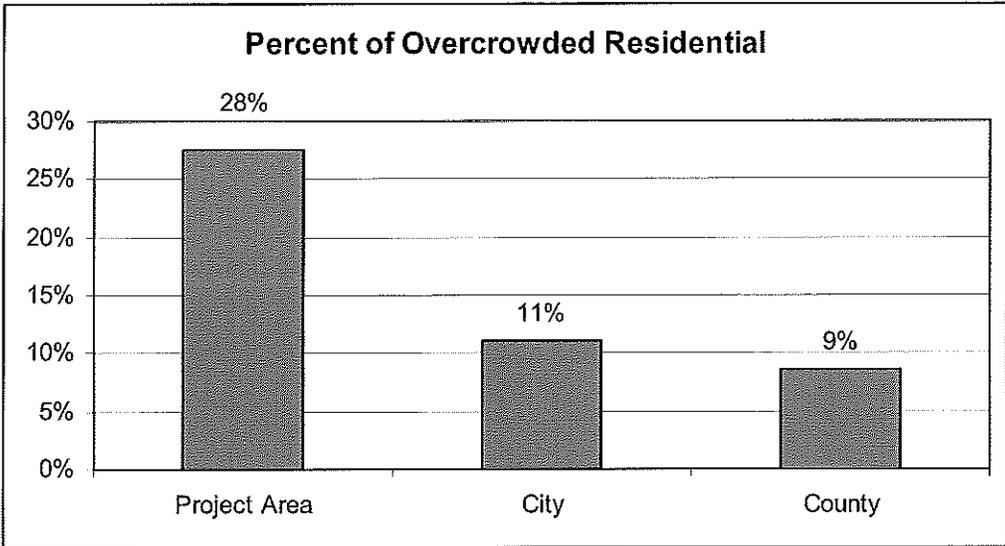
**Occupants per Habitable Room** **Table B-8**  
**Project Area vs. Region**

Region	Occupants per Room						Total
	1 or Less	%	1.01 to 1.5	%	1.51 or More	%	
Project Area /1	1,793	72%	292	12%	391	16%	2,476
Tract 65 Blk Grp 2	294	70%	68	16%	58	14%	420
Tract 65 Blk Grp 3	276	78%	29	8%	49	14%	354
Tract 65 Blk Grp 4	227	68%	34	10%	72	22%	333
Tract 66 Blk Grp 1	278	70%	68	17%	49	12%	395
Tract 66 Blk Grp 2	234	71%	33	10%	62	19%	329
Tract 67.2 Blk Grp 1	276	75%	44	12%	50	14%	370
Tract 67.2 Blk Grp 4	208	76%	16	6%	51	19%	275
City	137,467	89%	8,390	5%	8,708	6%	154,565
County /2	414,764	91%	20,061	4%	18,777	4%	453,602

1/ Project Area figures are based on Census Block Groups within the Project Area  
 2/ Figures may not add up to 100% due to rounding decimals

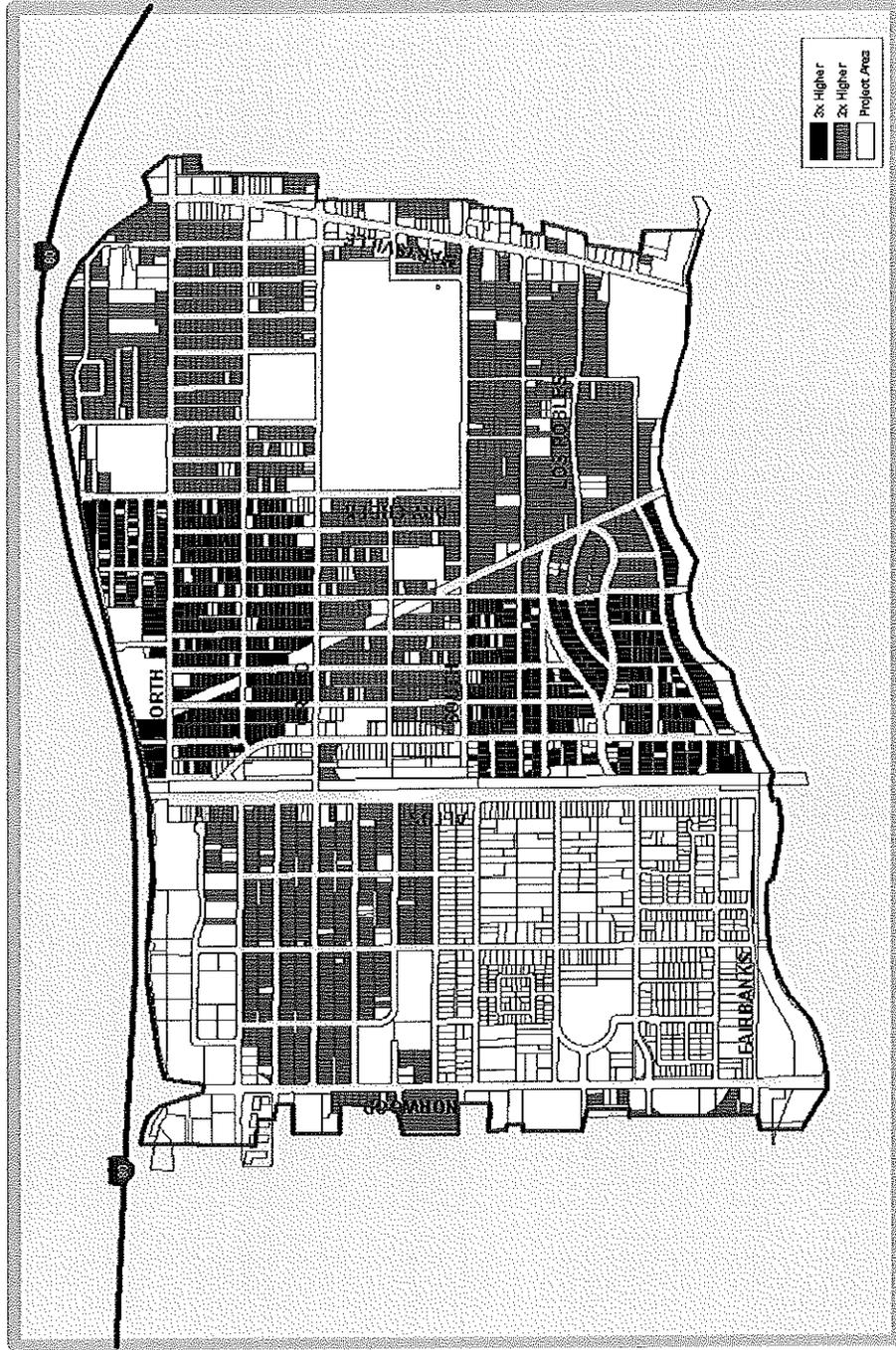
Source: U.S. Census 2000

Overcrowding is a larger problem in the Project Area than the City or County, which have 11% and 9% overcrowding respectively.



All of the Census block groups within the Project Area have residential overcrowding at a rate at least two times higher than the City, with three Census block groups having a rate three times higher than the City. The residential properties within six of these seven block groups are shown in Exhibit B-8. One block group is not shown in Exhibit B-8, as the Agency has assisted with a new mixed-income housing development within that block group, changing the conditions within that area. Similarly, one multifamily property within an overcrowded block group, the North Avenue Apartments at 999 North Avenue, is not shown as overcrowded because the Agency assisted with a new low income housing development that was completed in 2007.

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**Exhibit B-8 U.S. Census Block Groups with Residential Overcrowding At Least 2 to 3 Times Higher than the City**

Source: City of Sacramento GIS, U.S. Census 2000

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Overcrowding is difficult to document through field surveys, however indicators of overcrowding were observed throughout the Project Area in garage conversions and homes with multiple vehicles parked at a property. The picture below is one example of a garage that has been boarded, most likely to convert it into a habitable room.

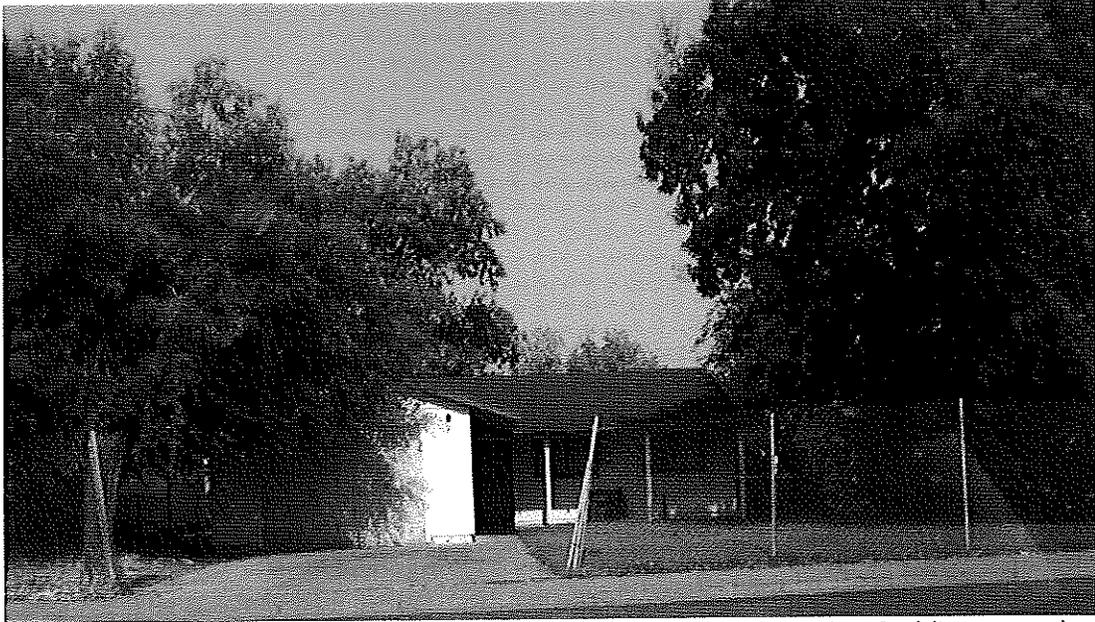


Photo B-28: 3800 Block of Fell Street, APN 251 0074 004: This home has had its garage door blocked by a sheet of wood, possibly to convert the garage into a bedroom.

A 2004 report released by the Office of the Deputy Prime Minister in the United Kingdom, entitled "The Impact of Overcrowding on Health and Education," found that overcrowding has negative impacts on physical and mental health. In a review of over 80 studies on the topic in 30 countries including the United States, the report concludes that overcrowding increases the risk of developing respiratory conditions and spreading diseases, particularly meningitis and tuberculosis. The social and psychological well being of residents are also compromised, especially for children. Children living in overcrowded conditions tend to do worse in school and have greater symptoms of psychological distress.

The Plan Amendment would increase funding for affordable housing projects and programs that provide more housing stock and assist residents to own or rent a home that is large enough to accommodate their household.

### **High Crime**

A high crime rate that constitutes a serious threat to the public safety and welfare is a blighting condition pursuant to Redevelopment Law Section 33031(b)(7). The Project Area has a higher rate of crime compared to the City overall and other residential neighborhoods within the City. Crimes used in our analysis include homicide, burglary, robbery, sexual battery, assault, theft, arson, and possession of controlled substances, among others. Our analysis excludes less serious crimes such as mail fraud and traffic violations. Table B-9 and the accompanying chart show the number of crimes per 1000 persons during a two and a half year period from January 2006 to June 2008 in

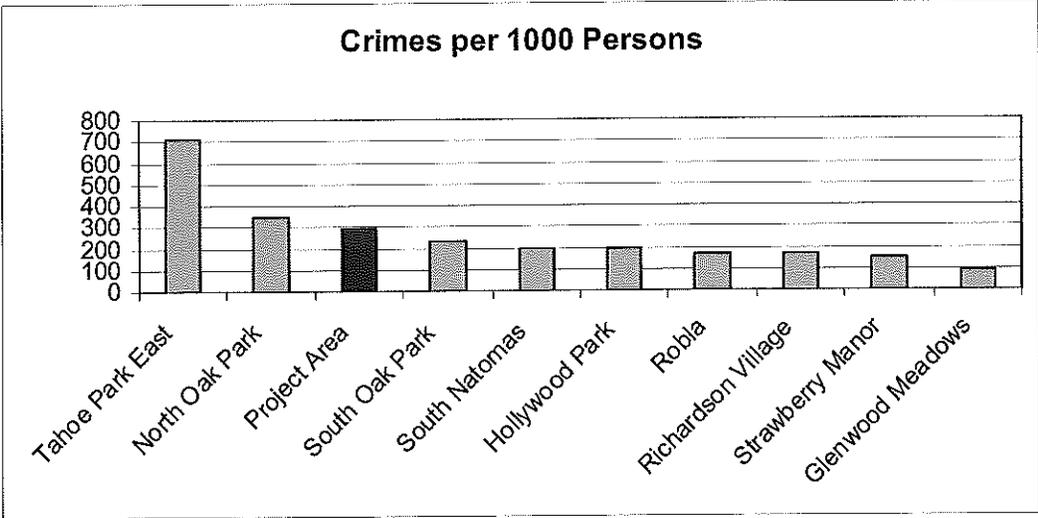
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residential neighborhoods throughout the City. Exhibit B-9 shows the locations of serious crimes within the Project Area from January 2006 to June 2008.

**Crime Comparison January 2006-June 2008** **Table B-9**  
**City of Sacramento Residential Neighborhoods**

Neighborhood	# Incidents	Population	Crimes per 1000 persons
Tahoe Park East	484	681	710.72
North Oak Park	1759	5,116	343.82
<b>Project Area</b>	<b>3105</b>	<b>10,624</b>	<b>292.26</b>
South Oak Park	1266	5,386	235.05
South Natomas	4905	25,526	192.16
Hollywood Park	468	2,444	191.49
Robla	1267	7,418	170.80
Richardson Village	297	1,739	170.79
Strawberry Manor	537	3,616	148.51
Glenwood Meadows	711	8,042	88.41

Source: City of Sacramento Police Department and ESRI Business Analyst



The Project Area’s high rate of crime poses a serious threat to public safety and welfare. Five local real estate brokers that represent single and multifamily properties within the Project Area (Phil Velez, Grace Bettencourt, Brett Swarts, and two brokers who wish to remain anonymous) identified the perception of crime as a major deterrent to investing in the Project Area. According to Lieutenant Kevin Gardner of the City of Sacramento Police Department (“Police Department”), the Project Area suffers from one of the highest crime rates within the City and is spread throughout the neighborhood.

On average, the Police Department responds to shootings in the Project Area at least once per week. Though injury or death is not a common result of shootings throughout Del Paso Heights, violent and reckless behavior involving firearms has the potential to escalate easily. Robertson Park at 187 Silver Eagle Road is the site of many gang related shootings. Shootings have also taken place in the parking lot of Rainbow Market

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on Marysville Boulevard and Grand Avenue, where the business owner quite often has to deal with crowds of up to 50 people drinking and loitering on the property. Proof of shootings can be seen in bullet holes that riddle the street sign at the intersection of Altos and Carroll Avenues. Furthermore, between January and June 2008, the Police Department has received 90 weapons calls of varying degrees, including calls related to suspicious circumstances involving weapons being displayed from vehicles.

The Project Area is a hotbed of drug related crimes. A methadone clinic is located in the Project Area at 310 Harris Avenue to help addicts with heroin addiction. Unfortunately, Lieutenant Gardner states that many patients of the clinic are ongoing drug users who, after obtaining methadone, can easily find dealers selling heroin just outside of the clinic. Lieutenant Gardner also indicated increased police suspicion of criminal activity occurring at a commercial business in the Project Area. Although no official charges or evidence have been brought forth, the Police Department believes the business is a front for selling drugs. Some areas of noticeably high drug activity are Hagginwood Park, the intersection of Grand Avenue and Cypress Street, and Los Robles Boulevard.

Del Paso Heights is notorious for gang activity and is home to various criminal groups. While the Del Paso Heights Bloods are the predominant criminal organization to be dealt with in the Project Area, Crips can also be found within the Project Area's borders along Elm and Fig Street between North and Grand Avenues. The nature of the Bloods and Crips rivalry is an additional threat to the Project Area. The pictures below are examples of graffiti that is prevalent throughout the neighborhood.



Photo B-29: Gang graffiti exists throughout the neighborhood.

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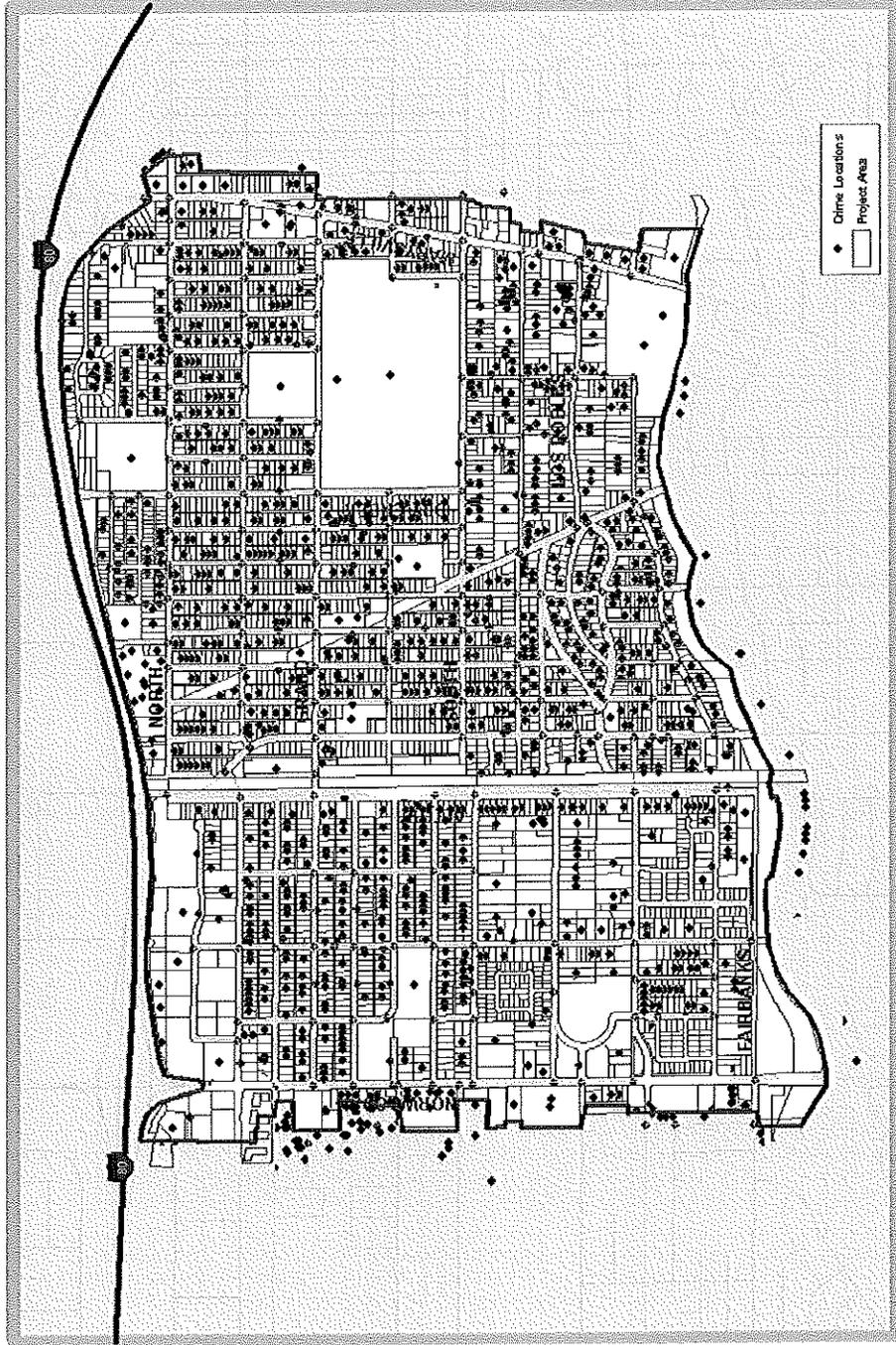
Photo B-30: This broken, vandalized fence stands on the corner of Taylor and Kesner.

Property crimes such as burglary occur frequently within the Project Area. For instance, residences near the intersection of Los Robles Boulevard and High Street typically report up to 11 burglaries per week. North Avenue Elementary School at 1281 North Avenue is also a frequent target of burglaries.

From January 2008 to June 2008, a total of 12,000 calls for police responses was reported.<sup>3</sup> Of these calls, 60 were felony assault reports, 40 were misdemeanor assaults, 9 were kidnappings, 11 were instances of prostitution, 5 were rapes, 189 were burglaries, and 33 were reported acts of vandalism. Lieutenant Gardner believes that these numbers do not represent all the crimes occurring within the Project Area, as many crimes go unreported. One example of an area of high crime within the Project Area is the Village Park Apartments at 350 Morey Avenue. The Police Department has responded to the complex 19 times in 2008 as of September 30, 2008. Crimes at the complex include family violence, burglary, stolen automobiles, gang violence, and felony assaults. The property has also had some minor disturbance crimes. Additionally, while not within the Del Paso Heights project area, high crime in the nearby neighborhood of Strawberry Manor warrants attention for potential spillover effects that neighborhoods may have on the Project Area. Lieutenant Gardner indicated that patrol officers have mentioned how Strawberry Manor is receding back to the high crime era of the 1980s.

The Plan Amendment would enable the Agency to fund projects that alleviate crime by increasing lighting on public streets, making safety improvements in Hagginwood Park, and building community facilities that offer programs for residents that may deter crime, especially for youth.

<sup>3</sup> Calls for response do not always result in a criminal charge, thus these figures vary from Table B-10 above.



**Exhibit B-9 Crime Incidents within the Project Area  
January 2006 to June 2008**

Source: City of Sacramento GIS, City of Sacramento Police Department

**Summary**

Physical blight in the Project Area consists of unsafe and unhealthy buildings, factors that prevent economically viable uses, and adjacent or nearby incompatible uses. Economic blight consists of depreciated property values, impaired investments on sites with hazardous waste, the presence of abandoned buildings and excessive vacant lots, residential overcrowding, and a high crime rate that poses a serious threat to the public safety and welfare. These conditions are intertwined and the presence of one condition strengthens another. For example, depreciated property values can be caused and exacerbated by unsafe and unhealthy buildings and high crime. The Project Area needs a multifaceted redevelopment program that fully addresses each blighting condition to prevent their reoccurrence. The Agency has proposed many projects that will address these problems and help eliminate blight in the Project Area, described in Section E of this Report. The Plan Amendment is necessary to enable the Agency to fund proposed projects necessary to eliminate blight and extend the Agency's authority to acquire properties that are not occupied as a residence in order to assist with the elimination of blight.

Exhibit B-10 shows the location of remaining blight within the Project Area, as well as parcels that are no longer blighted or necessary for effective redevelopment. Parcels that are necessary for effective redevelopment include the Del Paso Nuevo neighborhood, where the Agency is currently facilitating development of affordable housing, commercial and industrial corridors that are necessary to implement programs that foster economic development in the Project Area, and individual parcels that are overwhelmingly surrounded by blighted parcels.

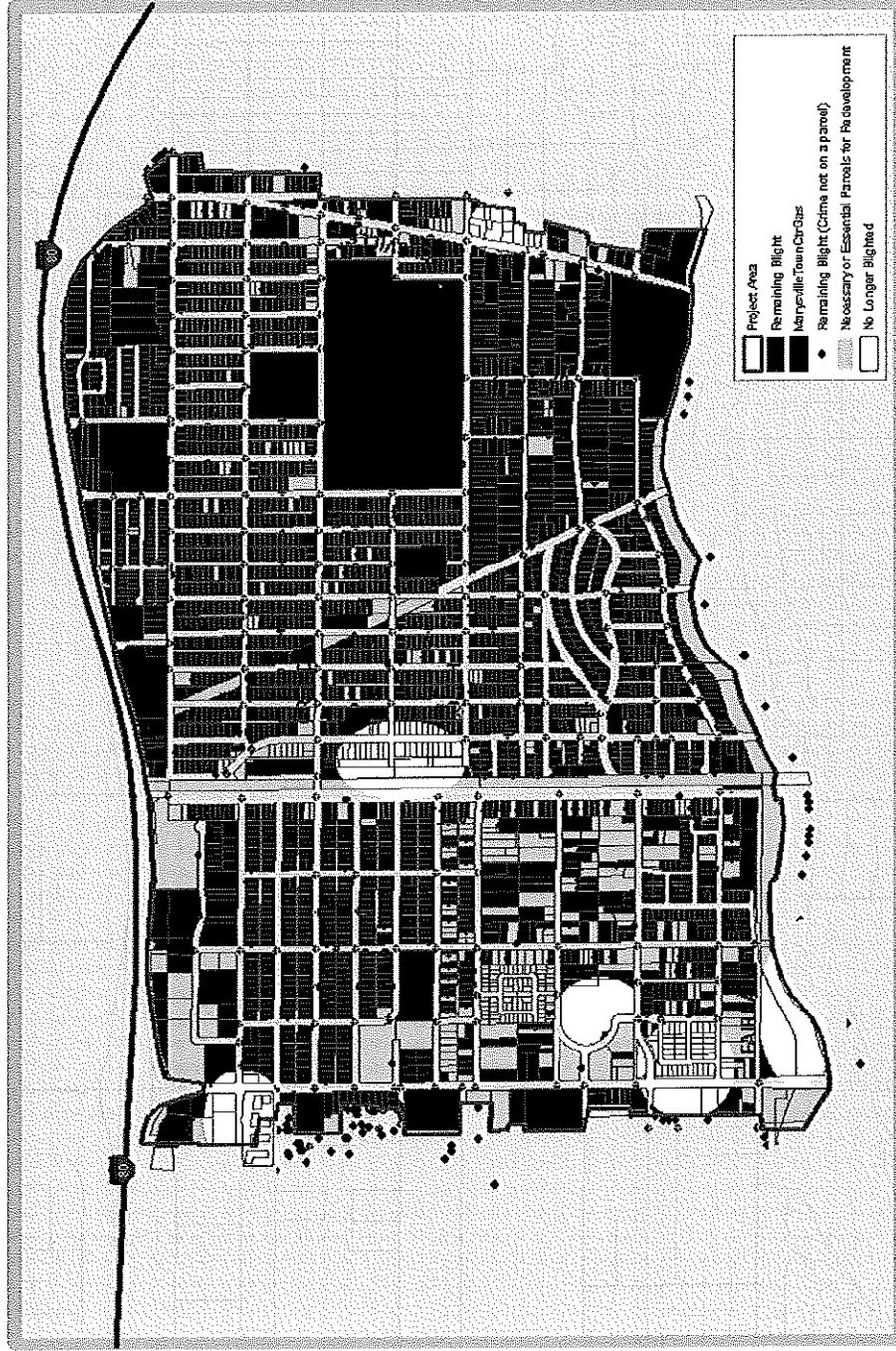


Exhibit B-10 Remaining Blight within the Project Area

Source: City of Sacramento GIS, RSG

## SECTION C

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A Determination as to Whether the Project Area is Predominantly Urbanized

At the time the Project Area was adopted in 1970, redevelopment project areas were not required to be predominantly urbanized. Because the Plan Amendment is not changing the boundaries of the Project Area, a determination as to whether the Project Area is predominantly urbanized is not required.

## SECTION D

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A Preliminary Assessment of the Proposed Method of Financing, Including Economic Feasibility of the Plan Amendment and the Reasons for the Continued Inclusion of Tax Increment

Section 33344.5 of Redevelopment Law requires that a Preliminary Report include information on the proposed method of financing, including information on the economic feasibility of the Project Area and the reasons for including tax increment financing.

The Plan Amendment will allow taxes attributable to the Project Area, which are allocated to the Agency pursuant to Section 33670(b) of Redevelopment Law, to be used within the Project Area.

The Agency intends to finance redevelopment of the Project Area from the following resources:

- Tax Increment Revenues;
- Bonded Debt;
- Financial Assistance from the City, County, State of California and/or Federal Government;
- Proceeds from lease or sale of Agency-owned property;
- Loans from private financial institutions; and
- Any other legally available source.

The more typical sources of redevelopment financing may be employed as described below.

### **Financial Assistance from City, State and/or the Federal Government**

The Agency may obtain loans and advances from the City for planning, construction, and operating capital. The City may also defer payments on the Agency loans for land purchases, benefiting the Agency's cash flow. Such assistance may be employed to meet short term cash flow needs.

As available, other funds such as state-apportioned road funds, state housing and infrastructure bond funds, state and federal transportation funds, and federal Community Development Block Grants will be appropriately utilized in conjunction with the Agency funds for costs of project implementation.

### **Lease or Sale of Agency-Owned Property**

Under the proposed Redevelopment Plan, the Agency may sell, lease, or otherwise encumber its property holdings to pay the costs of project implementation.

### **Participation in Development**

If the Agency enters into agreements with property owners, tenants, and/or other developers that provide for revenues to be paid or repaid to the Agency, such revenues may be used to pay project implementation costs.

**Property Tax Increment**

The Agency will continue to collect property tax increment as provided for in Section 33670(b) of Redevelopment Law, and as authorized in the Redevelopment Plan, to employ tax increment financing to fund redevelopment activities. Tax increment revenue is intended to fund ongoing redevelopment activities and to pay indebtedness incurred by the Agency. Indebtedness includes principal and interest on loans, monies advanced, or debts (whether funded, refunded, assumed, or otherwise) incurred by the Agency to finance or refinance, in whole or in part, redevelopment activities.

The current Redevelopment Plan allows the Agency to collect \$131 million in tax increment for the Project Area. Based on revenue projections provided in Table D-1, this limit will be reached nine years prior to the time limit of when the Agency may collect tax increment, which will preclude the Agency from funding proposed projects necessary for the elimination of blight. The proposed Plan Amendment would increase the tax increment collection limit to \$250 million.

Tax increment revenues are distributed to address an array of obligations. As required by Section 33333.10(g)(1) of Redevelopment Law, a minimum of thirty (30) percent of the Project Area's tax increment revenue will be deposited into the Agency's Low and Moderate Income Housing Fund for the purposes of increasing, improving, and preserving the community's supply of low and moderate income housing and debt service related to funding housing projects.

The remaining seventy (70) percent of the tax increment revenue will be used to pay for pre-existing and future Agency obligations to taxing entities, debt service related to funding non-housing projects, and other program expenditures such as infrastructure, capital facilities, and economic development programs within the Project Area.

Consistent with Redevelopment Law, the Redevelopment Plan incorporates certain time limits that affect the Agency's ability to use and collect tax increment revenue. The first of these is the time limit to incur debt, which is currently May 2010. The proposed plan amendment would eliminate this time limit as permitted by Section 33333.6(e)(2)(B) of Redevelopment Law. The second time limit regulates how long the Agency may collect tax increment revenue, which is currently 10 years after the termination of the effectiveness of the redevelopment plan, or May 2033. The proposed Plan Amendment would not alter this limit.

**Bonded Debt**

Under the proposed Redevelopment Plan, the Agency would continue to have the capacity to issue bonds and/or notes for any of its corporate purposes, payable in whole or in part from tax increment revenue generated from the Project Area. Any bonds issued by the Agency are the responsibility of the Agency, and neither the City nor its taxpayers are liable for debt service on the bonds. Redevelopment bonds are typically issued based on current cash flows, without regard to the potential increase in revenues that may lie ahead.

The current Redevelopment Plan includes a \$41 million limit on the amount of bonded debt that may be outstanding at any one time. The Plan Amendment proposes increasing this limit to \$100 million to increase the Agency's financial capacity to fund redevelopment projects in a timely matter.

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### Other Available Sources

Any other loans, grants, or financial assistance from the federal government, or any other public or private source will be utilized, as available and appropriate. The Agency will also consider use of the powers provided by Redevelopment Law to provide construction and other funds for appropriate projects. Where feasible and appropriate, the Agency may use assessment district and/or Mello-Roos bond financing to pay for the costs of public infrastructure, facilities, and operations.

### Tax Increment Revenue Projections

The primary source of project financing for the Project Area is the collection of tax increment revenues. Table D-1 presents a detailed preliminary forecast of tax increment revenues for the Project Area based on the assumptions noted below:

- *1969-70 Base Year Value:* the Agency receives property tax increment revenue from Project Area assessed value growth in excess of the 1969-70 base year value of \$27,064,022, established when the Project Area was adopted.
- *Assessed Value Growth Rates:* Projections constructed for the Project Area have conservatively applied a 5.0 percent annual growth rate on secured assessed values within the Project Area.
- *County Administrative Fees:* The County Auditor-Controller levies a charge for apportioning property taxes to the Agency. Based on past fees on the Project Area, the Agency staff estimates these administrative fees will equal approximately 1.7 percent of gross tax increment revenue annually.
- *Taxing Agency Statutory Payments:* Consistent with Section 33607.7, the Agency remits payments to affected taxing agencies in the Project Area. These payments commenced in Fiscal Year 2000-01 and will continue for the remaining 24 additional years the Agency has to collect tax increment revenue.

For the first 10 years since statutory payments commenced (Fiscal Years 2000-01 to 2009-10), the Statutory Payments are equal to 25 percent of the Project Area's annual non-housing tax increment revenue (for only the tax increment generated above the 1999-00 adjusted base year). Subsequently, these Statutory Payments are subject to two increases. Beginning in the eleventh year (2010-11), in addition to the first 25 percent share, the Agency would be required to pay an additional 21 percent of the incremental increase in non-housing tax increment revenues exceeding amounts in the tenth payment year (2009-10). Then, beginning in the thirty-first year (2030-31), Redevelopment Law further provides for a second increase in the Statutory Payments of 14 percent of the incremental increase in non-housing tax increment revenues in excess of the thirtieth year (2029-30).

A forecast of Statutory Payments has been included in Table D-1. Should actual tax increment revenues exceed or fall below these projections, actual Statutory Payments would be higher or lower.

- *Housing Set-Aside Revenues:* As required by Section 33333.10(g)(1) of Redevelopment Law, the Agency would deposit not less than 30 percent of Project Area tax increment revenues into the Agency's Housing Fund for the

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purposes of increasing, improving, and preserving the community's supply of affordable housing.

- *Nonhousing Revenues:* Finally, the tax increment revenue remaining after County administrative fees, taxing agency payments, and housing set aside deposits, would be available for eligible redevelopment projects, such as infrastructure improvements, seismic retrofitting, development incentives, remediation costs, and other non-housing uses.

**PRELIMINARY REPORT**

**Redevelopment Agency of the City of Sacramento**

**Table D-1**  
**Tax Increment Projections 2008-09**  
**Del Paso Heights Redevelopment Project Area**

Year	Secured 5.0%	Assessed Value Forecast Unsecured 0.0%	Total	Incremental	Gross Tax Increment 1.0%	Cumulative Tax Increment	County Admin Fee 1.7%	Taxing Agency Payments /1	Housing Debt Service	Nonhousing Debt Service	Debt Service Total /2	Housing /3 30.0%	Revenue to Agency Nonhousing /3	Total
BY			\$ 27,064,022			34,204,780	<Received thru 6/30/08							
40	2008-09	420,443,282	431,519,724	404,455,702	4,044,557	38,249,337	(66,735)	(386,864)	(604,204)	(1,132,271)	(1,738,476)	609,163	1,245,519	1,854,682
41	2009-10	441,465,425	452,541,867	425,477,865	4,254,779	42,504,116	(70,204)	(415,394)	(605,374)	(1,236,366)	(1,844,762)	671,060	1,253,360	1,924,419
42	2010-11	463,538,698	474,615,153	447,551,136	4,475,511	46,979,627	(73,846)	(470,899)	(606,509)	(1,241,260)	(1,847,760)	736,144	1,346,863	2,085,007
43	2011-12	486,715,631	497,792,093	470,728,071	4,707,281	51,686,908	(77,670)	(529,179)	(604,405)	(1,243,327)	(1,847,733)	807,779	1,444,920	2,252,699
44	2012-13	511,051,412	522,127,874	495,083,852	4,950,639	56,637,546	(81,666)	(590,374)	(602,461)	(1,243,079)	(1,845,819)	882,731	1,500,309	2,435,040
45	2013-14	536,603,983	547,680,445	520,616,423	5,206,154	61,843,710	(85,902)	(654,628)	(603,562)	(1,237,257)	(1,840,819)	958,288	1,666,529	2,624,816
46	2014-15	563,434,182	574,510,644	547,446,622	5,474,466	67,318,177	(90,328)	(722,095)	(600,516)	(1,233,766)	(1,834,282)	1,041,824	1,785,937	2,827,761
47	2015-16	591,805,891	602,692,353	575,618,331	5,756,183	73,074,360	(94,877)	(752,935)	(600,705)	(1,235,001)	(1,835,707)	1,126,150	1,906,415	3,032,565
48	2016-17	621,186,188	632,262,648	605,198,626	6,051,998	79,128,348	(99,856)	(867,317)	(601,440)	(1,232,498)	(1,833,938)	1,214,156	2,036,718	3,250,874
49	2017-18	652,245,495	663,321,957	636,257,935	6,362,579	85,488,928	(104,983)	(945,418)	(601,297)	(1,232,653)	(1,833,950)	1,307,477	2,170,752	3,478,229
50	2018-19	684,857,770	695,934,232	668,870,210	6,688,702	92,177,628	(110,364)	(1,027,425)	(601,366)	(1,232,352)	(1,833,760)	1,405,245	2,309,910	3,715,154
51	2019-20	718,100,658	730,177,120	703,113,098	7,031,131	99,208,759	(116,014)	(1,113,531)	(601,983)	(1,232,552)	(1,834,535)	1,507,356	2,459,695	3,967,052
52	2020-21	755,055,691	766,132,153	739,068,131	7,390,681	106,599,440	(121,946)	(1,203,943)	(600,373)	(1,019,317)	(1,619,690)	1,616,831	2,828,270	4,445,102
53	2021-22	792,808,476	803,884,938	776,820,916	7,768,209	114,367,649	(128,175)	(1,288,876)	(599,017)	(1,028,865)	(1,627,902)	1,731,446	2,981,810	4,713,256
54	2022-23	832,448,900	843,525,362	816,481,340	8,164,613	122,532,263	(134,716)	(1,388,555)	(601,126)	(1,028,663)	(1,628,789)	1,848,259	3,153,295	5,001,554
55	2023-24	874,071,345	885,147,807	858,083,785	8,580,838	131,113,100	(141,564)	(1,503,218)	(607,815)	(1,033,042)	(1,640,857)	1,966,437	3,328,743	5,295,179
56	2024-25	917,774,912	928,851,374	901,787,352	9,017,874	140,133,974	(148,785)	(1,613,115)	(598,673)	(1,032,050)	(1,630,723)	2,106,689	3,518,552	5,825,241
57	2025-26	963,663,657	974,740,119	947,676,097	9,476,761	149,607,735	(156,367)	(1,728,506)	(597,423)	(1,030,789)	(1,628,214)	2,245,604	3,718,071	5,963,675
58	2026-27	1,011,846,840	1,022,923,302	995,859,280	9,958,593	159,566,328	(164,317)	(1,849,668)	(600,015)	(1,029,225)	(1,629,240)	2,387,563	3,927,807	6,315,370
59	2027-28	1,062,439,182	1,073,515,644	1,046,451,622	10,464,516	170,030,844	(172,665)	(1,976,885)	(596,415)	(1,027,378)	(1,623,793)	2,542,940	4,148,234	6,661,174
60	2028-29	1,115,961,141	1,126,637,603	1,099,573,581	10,995,736	181,026,580	(181,430)	(2,110,465)	(597,363)	(1,030,413)	(1,627,776)	2,701,358	4,374,708	7,076,065
61	2029-30	1,171,339,198	1,182,415,660	1,155,351,638	11,553,516	192,580,096	(190,633)	(2,250,723)	(598,464)	(1,028,325)	(1,625,750)	2,867,591	4,617,779	7,485,370
62	2030-31	1,229,906,158	1,240,982,620	1,213,918,598	12,139,186	204,719,282	(200,297)	(2,442,817)	(599,092)	(1,030,901)	(1,625,933)	3,042,724	4,823,416	7,868,139
63	2031-32	1,291,401,466	1,302,477,928	1,275,413,906	12,754,139	217,473,421	(210,443)	(2,599,693)	(598,926)	(1,010,813)	(1,609,739)	3,227,316	5,106,948	8,334,264
64	2032-33	1,355,971,540	1,367,048,002	1,339,983,980	13,392,840	230,873,261	(221,057)	(2,811,476)	(599,163)	(1,012,275)	(1,610,438)	3,421,789	5,335,039	8,756,828
Total		20,066,537,089	20,343,448,649	19,868,848,089	196,668,481	230,873,261	(3,245,030)	(39,303,798)	(15,026,626)	(28,079,512)	(43,106,138)	43,973,919	73,039,599	117,013,517
NPV @ 6.0%		8,870,677,437	9,012,271,736	8,866,302,764	86,663,028		(1,429,940)	(13,489,970)	(7,694,763)	(14,792,986)	(22,487,749)	18,304,146	30,947,224	49,251,369

1/ Based on the City's methodology, statutory payments net of the City's share of payments to go directly to the Agency.  
 2/ Debt service payments include tax allocation bonds and payments required under a 1999 Del Paso Master Lease and Refunding Loan, and assume a worst case scenario where no CDBG funds are available to make Agency payments under the Master Lease and Refunding Loan.  
 3/ Applicable debt service payments have been deducted from Housing Fund and Nonhousing Fund deposit totals.  
 Source: Sacramento County Auditor/Controller, SHRA, RSG



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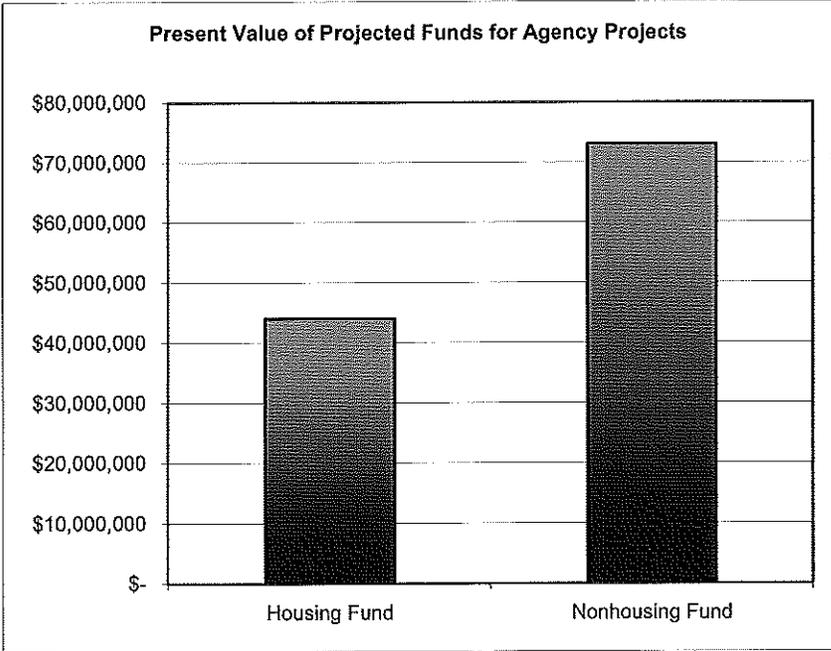
Table D-1 presents annual estimates of assessed values, new development, gross tax increment revenue, County administrative fees, taxing agency payments, and net revenues to the Agency's housing and non-housing funds. A summary of these annual projections delineating the cumulative total of these figures is presented in Table D-2 below.

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**Summary of Projected Tax Increment Revenues** Table D-2

**Del Paso Heights Redevelopment Project Area**

<b>Assumptions</b>	
Base Year Value (2007-08)	\$ 27,064,022
Annual Assessed Value Growth Rate (Exclusive of New Value)	5.0%
Time Limit on Receipt of Tax Increment	5/11/2033
<b>Forecast</b>	<b>Cumulative</b>
<hr/>	
Gross Tax Increment Revenue	\$ 230,873,261
Less: Tax Increment Received up to 6/30/08	(34,204,780)
Less: 30% Gross Tax Increment Revenue to Housing Fund	(59,000,544)
<b>Nonhousing Fund</b>	
Total Revenue to be Deposited into the Nonhousing Fund	137,667,937
Less: County Administrative Fee	(3,245,030)
Less: Taxing Agency Payments (HSC 33607.5)	(33,303,796)
Less: Nonhousing Debt Service	(28,079,512)
<b>Housing Fund</b>	
Total Revenue to be Deposited into the Housing Fund	59,000,544
Less: Housing Debt Service	(15,026,626)
<b>Total to Agency for Future Projects</b>	<b>117,013,517</b>
<b>Housing Fund</b>	<b>43,973,919</b>
<b>Nonhousing Fund</b>	<b>73,039,598</b>



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The total projected revenue that may be available to the Agency to fund project costs is approximately \$117 million, consisting of \$44 million for affordable housing purposes, and \$73 million for non-housing purposes. These projected revenues are compared to total project costs in the following section.

**Economic Feasibility Analysis**

Redevelopment of the Project Area may involve hundreds of millions of dollars of public investment in order to stimulate private investment and remove blight in the Project Area. Section E of this Report includes a proposed list of the potential range of projects associated with this effort, based on the information available at this time.

Table D-3 below documents the projected sources and uses of tax increment revenue projected from the Project Area.

<b>Sources and Uses</b>		<b>Table D-3</b>		
<b>Del Paso Heights Redevelopment Project Area</b>				
	Housing	Nonhousing	Total	
<b>Sources /1</b>				
Tax Increment Revenue /2	\$ 43,973,919	\$ 73,039,598	\$ 117,013,517	
<b>Total Sources</b>	<b>43,973,919</b>	<b>73,039,598</b>	<b>117,013,517</b>	
<b>Uses</b>				
Affordable Housing Projects/Programs	43,973,919	-	43,973,919	
Development & Environmental Remediation	-	32,194,667	32,194,667	
Public Facilities & Infrastructure	-	37,158,511	37,158,511	
Miscellaneous Revitalization Programs	-	21,780,594	21,780,594	
<b>Total Uses</b>	<b>43,973,919</b>	<b>91,133,771</b>	<b>135,107,690</b>	

- 1/ Excludes funding from other potential sources, City of Sacramento funds and other regional, state and federal funds
- 2/ Cumulative tax increment revenue projected to be received from 2008-09 to 2032-33 in current dollars (not adjusted for net present value)

The amount of funds expended on projects would exceed the \$117 million of revenue expected to be generated by the Project Area, but would not exceed the amount of revenue generated if tax increment revenue were to reach its \$250 million limit. Project costs will be adjusted depending on available revenue over time. Nonhousing projects totaling more than \$91 million are anticipated to fall into three general categories: 1) development and environmental remediation, 2) public facilities and infrastructure, and 3) miscellaneous revitalization programs.

**Reasons for the Allocation of the Tax Increment**

Section B provides evidence that significant blight remains in the Project Area. Tax increment is necessary to fund redevelopment projects to address blight because the government and private sector cannot be expected to alleviate blighting conditions on their own. As discussed in Section A, residents have lower incomes and the cost of maintaining property could be a challenge for many. Tax increment is a financial tool



that enables the government to assist residents with property improvements, as well as provide more opportunities for homeownership to increase the number of owner occupied homes and encourage neighborhood pride. Tax increment is also used to provide incentives for the private sector to invest in the area and revitalize the local economy. Developers and businesses currently have minimal interest in locating in the Project Area, and developers investing in the Project Area have trouble finding tenants and securing funding for their projects. Other public funds are unavailable for the Project Area. The City's General Fund was estimated to have a \$58 million deficit for Fiscal Year 2008-09, and the City had to close this gap by reducing expenditures, implementing new fees, and tapping into reserve funds. The Plan Amendment is necessary to fund redevelopment projects that the City cannot fund without tax increment. Three redevelopment projects within the Project Area receive State and Federal funding, however these outside funding sources are contingent upon State and Federal Budget constraints and political willingness, and are not a secure source of funding for future projects. Tax increment gives the Agency the financial resources to foster new development by improving infrastructure, reconfiguring lots, negotiating with property owners, providing assistance to developers, building and rehabilitating property, and soliciting new development. The projects proposed to alleviate blight within the Project Area are discussed in the next section.

### Summary

The current financial limits of the Redevelopment Plan result in a shortfall in revenue that leaves the Agency without the financial resources to fund proposed projects necessary to alleviate blight. The Plan Amendment will increase the limit on tax increment that may be collected by the Agency from \$131 million to \$250 million to address this shortfall. Without the Plan Amendment, the Agency would reach its tax increment limit in fiscal year 2023-24 instead of 2032-33 as allowed by the Redevelopment Plan. The Plan Amendment also increases the limit on amount of bonded indebtedness that may be collected from \$41 million to \$100 million and repeals the time limit to incur debt in order to ensure that advanced funding can be secured to implement redevelopment projects in a timely matter.

## SECTION E

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A Description of Specific Projects the Agency May Pursue and a Description of How the Proposed Projects Will Improve or Alleviate Blighting Conditions in the Project Area

The following section identifies and discusses unfunded projects the Agency may consider to complete as a part of the revitalization efforts of the Project Area. Specific projects and programs anticipated from 2008 to 2012 are also identified in an Amended Five Year Implementation Plan contained in Section F of this Report.

### **Non-Housing Fund**

Proposed projects need \$40.5 million in funding out of the non-housing fund, or \$91 million after accounting for interest and administrative costs. These projects will revitalize commercial development, remediate environmental hazards preventing development, improve pedestrian and vehicular circulation, provide new public facilities, improve unsafe and unhealthy buildings, and prevent crime. The projects will result in an increase in Project Area property values and lease rates by fostering new development and making property improvements, thereby increasing future tax increment for the Project Area. Proposed projects are described below; the cost listed next to each project is the amount anticipated before interest and administrative costs are added.

#### **Development and Environmental Remediation**

##### Rio Linda Superblock (\$1.6 million)

The Agency owns all but three parcels on Rio Linda Boulevard between Roanoke Avenue and South and Altos Avenues. The site has fractured ownership and suffers contamination from many years as a debris field and a former gas station on the southeast corner. The private sector will not clean the site and the Agency completed a cost analysis for clean up, which is estimated to cost \$600,000 to \$800,000. Acquisition of the three remaining parcels will cost \$800,000, totaling \$1.6 million to purchase and clean up the properties. Once the sites are deemed clean for development, additional costs will be incurred related to the disposition and development of the proposed housing project.

##### Grand Avenue Superblock (\$1.6 million)

The area bound by Rio Linda Boulevard, Grand Avenue, Cypress Street and Roanoke Avenue will be redeveloped for mixed-use or residential use. The Agency has the budget authority to make purchase offers on three vacant parcels on the southwest corner of Rio Linda Boulevard and Roanoke Avenue. These properties are targets for illegal dumping and drug dealing. They are adjacent to a 40-unit senior multifamily housing project owned by the Housing Authority and are near a library on Grand Avenue and Cypress Street. Staff will work with the Housing Authority and Library, who currently occupy the block, on a comprehensive redevelopment strategy, including possible reconfiguration of properties. An architectural consultant is developing conceptual development scenarios. This site may also require funding for environmental remediation.

##### Marysville Boulevard Town Center (\$2 million)

The Agency is focusing on redeveloping a commercial node on Marysville Boulevard between Grand and Roanoke Avenues. As part of these efforts, the Agency assisted in the development of the Urban League building to the northwest corner of Marysville Boulevard and Grand Avenue. The Agency is acquiring properties that have environmental contamination (an old dry cleaner) and is in the process of cleaning a former gas station site located on the southeast corner of Marysville Boulevard and Grand Avenue. A recent parking and circulation plan recommended widening Marysville Boulevard for on-street parking and the Agency may implement a land use program for the new town center. The focus on the town center at Marysville Boulevard and Grand Avenue is meant to encourage the establishment of neighborhood-serving businesses, provide housing opportunities in the area, and create a sense of place in the Project Area.

Del Paso Center (\$2 million)

The Agency has a Development and Disposition Agreement with a local developer to build "Del Paso Center," a two-story office with ground floor retail, however it cannot find tenants and thus cannot get financing. The Agency will continue to concentrate efforts and resources to redevelopment this vacant property.

Del Paso Nuevo Town Center (\$500,000)

The Agency will facilitate neighborhood-serving, civic and/or retail development adjacent to the Del Paso Nuevo housing development. This project may require Agency funding for environmental remediation.

Del Paso Nuevo Housing Development (\$5 million)

The Agency will use \$5 million of non-housing funds to pay for infrastructure and other supporting components related to the Del Paso Nuevo housing development.

Marysville and Los Robles Development Site (\$500,000)

The Agency will facilitate development of three vacant parcels (two Agency-owned and one privately owned) into a mixed-use or residential development project. One of the goals of the project is to build an environmentally sustainable "green" project.

Development of Agency Owned Vacant Parcels (\$500,000)

The Agency owns one acre of land on the southwest corner of Norwood and Fairbanks Avenues and will issue a Request for Proposals ("RFP") for single and multifamily residential units. The Agency also owns five vacant residential parcels located on Altos, Grand and Carroll Avenues and will issue an RFP for single family residential development in the Fall of 2008.

**Public Facilities and Infrastructure**

Marysville Boulevard Urban Design Plan (\$1.5 million)

A Streetscape and Circulation Enhancement Plan is being prepared to determine ways to improve pedestrian circulation and examine traffic patterns on the corridor between Interstate 80 and Arcade Creek. It focuses on the feasibility of diagonal and/or parallel parking on Marysville Boulevard from Harris to Roanoke Avenues, examines the potential closure or limited access to Balsam Street to accommodate parking needs, and examines circulation patterns for the future Marysville Town Center. The Agency will

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identify and allocate appropriate funds for the implementation of specific improvement projects once the plan is complete.

Hagginwood, Robertson and Mama Marks Park Improvements (\$1.5 million)

The Agency, in partnership with the City's Department of Parks and Recreation, will undertake improvements at Hagginwood Park to increase safety and address high crime in the area. As discussed in Section B, Hagginwood and Robertson Parks have high drug activity and the addition of expanded community facilities will encourage residents and youth to use the new facilities with the intention of discouraging negative behavior.

Public Facilities and Infrastructure (\$12.5 million)

The Agency will work with the City and County to fund public facility improvements that advance the quality of life for area residents such as development of a teen center or multicultural events center, enlarging the library branch, and adding more street lights on Marysville Boulevard to improve public safety and increase beautification.

**Ongoing Programs**

Commercial Revitalization/Exterior Rebate Program (\$4 million)

This program helps businesses and property owners invest in improvements to outdated and/or dilapidated storefronts and other commercial properties. Future development and exterior revitalization efforts are to be compatible with new and existing development.

Developer Assistance (\$7.25 million)

This program provides gap financing to commercial and mixed use projects that revitalize the Project Area. Special focus is given to Marysville Boulevard, Norwood Avenue and Rio Linda Boulevard at Grand Avenue. Assistance is given to new property owners who plan to develop and improve neighborhood-serving businesses such as restaurants, grocery stores, banks, food-coops, a movie theater, mini-mall, or hotel.

**Housing Fund**

Proposed projects and programs require \$44 million in funding out of the housing fund. Projects include developing affordable ownership and rental units for families and seniors and providing assistance to homebuyers, developers and property owners to develop and rehabilitate property. Housing projects will alleviate conditions of unsafe and unhealthy buildings and residential overcrowding by providing more affordable homeownership and rental opportunities, assisting residents with home improvements, and increasing new housing stock. Proposed projects are described below; the cost listed next to each project includes interest and administrative costs.

**Development**

Del Paso Nuevo Phases IV-VII (\$10 million)

Del Paso Nuevo is a 154-acre residential neighborhood located in the southwest portion of the Project Area, bound by Norwood, Altos, South and Carroll Avenues. The Agency has a contractual obligation with HUD to construct 300 single family owner occupied housing units; however current market conditions have limited the production of the remaining units. The Agency is currently overseeing three phases of development and will issue debt in 2009 primarily to support this project. Del Paso Nuevo is planned as a mixed-income community, enabling the Agency to utilize housing and non-housing

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funds. The Agency will use \$10 million out of the housing fund and \$5 million out of the non-housing fund to pay for this project. As of June 2008, 81 homes, two parks, and the majority of off-site infrastructure have been completed. The Agency needs additional funding for Phases IV to VI, which are currently underway. A seventh phase may be implemented in the future depending on available funding.

Phase IV (\$4 million): Located between Taylor Street and Norwood, South and Hayes Avenues. The developer, New American Communities, is actively building homes. Four model homes have been framed and are nearing completion. The production of ten new homes began in April 2008 (pictured below). Phase IV will consist of 81 single family homes, 41 of which will be sold to low-income buyers.



Photo E-1: Del Paso Nuevo Phase 4 under construction

Phase V (\$3-4 million): Located between Taylor Street, Ford Road, and Altos and Carroll Avenues. The developer, New Faze Development, has built roads, infrastructure, and four model homes. Total improvements are worth \$3-4 million. In mid-October 2008, the developer declared bankruptcy and next steps related to this project are currently being determined. It is the Agency's intention to hold off working on other redevelopment projects until Del Paso Nuevo is completed as this project is a priority of the City, the Agency, and the community. There are a total of 95 single-family lots, 48 of which will be sold to low income buyers. The site is pictured below.

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Photo E-2: Site for Del Paso Nuevo Phase 5

Phase VI (\$6.7 million): Located on Hayes Avenue between Taylor Street and Altos Avenue. The Agency has been acquiring property and needs to acquire four more parcels. An \$800,000 budget has been approved for acquisition, which is estimated to cost \$200,000 to \$500,000. The Agency also needs to invest \$7 million into roadway improvements to get the area ready for development. Phase VI is anticipated to consist of at least 68 units.

A DDA for Phases IV and V is anticipated to return \$10,000 to \$12,000 per lot to the Agency. The Agency has secured down payment assistance from the State of California that provides a 20 percent down payment of up to \$30,000 per home for all 89 low income units in Phases IV and V. The loans have a 3% interest rate and there is no payment for 30 years.

#### Rio Linda Superblock Housing Development (\$750,000)

A nearly vacant city block on the west side of Rio Linda Boulevard between Roanoke and South Avenues will be improved with affordable single-family owner occupied homes or senior residential opportunities. At least eight affordable units could be created by this project.

#### Grand Avenue Superblock Housing Development (\$1 million)

A block that currently consists of a large Housing Authority complex, a branch of the library, a small cluster of commercial buildings, a former church that is vacant and boarded, and a vacant lot may be reconfigured to build a new residential and limited mixed use development project.

#### Development of Agency Owned Vacant Parcels (\$500,000)

The Agency owns one acre of land on the southwest corner of Norwood and Fairbanks Avenues and will issue a Request for Proposals ("RFP") for single and multifamily residential units. The Agency also owns five vacant residential parcels located on Altos, Grand and Carroll Avenues and will issue an RFP for single family residential development in the Fall of 2008.

#### Marysville and Los Robles Housing Development (\$500,000)

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Three vacant parcels at Marysville and Los Robles Boulevards will be sold and developed with a housing project.

**Ongoing Programs**

Homebuyer, Development and Rehabilitation Assistance (\$31 million)

The Amended Implementation Plan in Section F of this Report describes several programs that offer financial assistance to homebuyers, developers, and property owners, for which the Agency anticipates spending approximately \$2.9 million over the next five years. Total costs are expected to be \$31 million over the remaining life of the Redevelopment Plan.

**Projects Costs & Outcomes**

The Agency’s unfunded projects will require an estimated \$135 million in funding. They are summarized in Table E-1 below.

Unfunded Projects		Table E-1			
Del Paso Helghts Redevelopment Project Area					
Project	Direct Cost	Financing Interest	Administrative Cost	Total Cost	
<b>Non-Housing Funds</b>	<b>\$ 40,450,000</b>	<b>\$ 46,638,771</b>	<b>\$ 4,045,000</b>	<b>\$ 91,133,771</b>	
<i>Development &amp; Environmental Remediation</i>					
Rio Linda Superblock	1,600,000	2,075,717	160,000	3,835,717	
Grand Avenue Superblock	1,800,000	2,075,717	160,000	3,835,717	
Marysville Blvd Town Center and Del Paso Center	2,000,000	2,594,647	200,000	4,794,647	
Del Paso Town Center	2,000,000	2,594,647	200,000	4,794,647	
Del Paso Nuevo Town Center	500,000	-	50,000	550,000	
Del Paso Nuevo Housing Development Funding	5,000,000	6,486,616	500,000	11,986,616	
Marysville & Los Robles Development Site	500,000	648,662	50,000	1,198,662	
Development of Agency Owned Vacant Parcels	500,000	648,662	50,000	1,198,662	
<i>Public Facilities &amp; Infrastructure</i>					
Marysville Blvd Urban Design Plan	1,500,000	1,945,985	150,000	3,595,985	
Hagginwood, Robertson & Mama Marks Parks	1,500,000	1,945,985	150,000	3,595,985	
Public Facilities & Infrastructure	12,500,000	16,216,541	1,250,000	29,966,541	
<i>Ongoing Programs</i>					
Commercial Revitalization/Exterior Rebate Program	4,000,000	-	400,000	4,400,000	
Developer Assistance	7,250,000	9,405,594	725,000	17,380,594	
<b>Housing Funds</b>	<b>\$ 43,973,919</b>				
<i>Development</i>					
Del Paso Nuevo Phases IV-VII	10,000,000				
Rio Linda Superblock Housing Development	750,000				
Grand Avenue Superblock Housing Development	1,000,000				
Development of Agency Owned Vacant Parcels	500,000				
Marysville & Los Robles Housing Development	500,000				
<i>Ongoing Programs</i>					
Homebuyer, Development & Rehabilitation Assistance	31,223,919				
<b>Total Unfunded Projects</b>	<b>\$ 135,107,690</b>				

**Summary**

Proposed non-housing projects require \$91 million in funding, after accounting for financing interest and administrative costs, and housing projects require \$44 million. The proposed projects will alleviate physical blight by improving or replacing unsafe and unhealthy buildings, consolidating lots or facilitating development on properties that have conditions hindering viable use, and creating defined commercial corridors to prevent incompatible uses. They will also alleviate economic blight by increasing new building stock and making property improvements to increase property values and lease rates, acquiring and replacing or facilitating improvements on abandoned buildings, providing more affordable housing stock and increasing homeownership opportunities to alleviate overcrowding, and making improvements to streets and parks to prevent crime. New homeownership opportunities will also help alleviate physical blight by creating more neighborhood pride and incentive to maintain properties.

# SECTION F

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## Amended Implementation Plan

An Amended Implementation Plan describing proposed projects from 2008 to 2012 is included as Appendix A.

## SECTION G

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### Neighborhood Impact Report

Redevelopment Law requires that a Neighborhood Impact Report discuss the impact the Plan Amendment will have on low and moderate persons or families in the following areas: relocation, traffic circulation, environmental quality, availability of community facilities and services, effect on school population and quality of education, property assessments and taxes, and other matters affecting the physical and social quality of the neighborhood.

Additional issues that the neighborhood impact report must address include: the number of low or moderate-income dwelling units to be removed or destroyed; the number of low or moderate income persons or families expected to be displaced; the general location of housing to be rehabilitated, developed or constructed; the number of dwelling units planned for construction or rehabilitation to house persons and families of low or moderate income (other than replacement housing); the projected means of financing the aforementioned dwelling units; and the projected timetable for meeting a redevelopment plan's relocation, rehabilitation, and replacement housing objectives.

#### **Relocation**

The proposed Plan Amendment would extend the time in which the Agency may commence eminent domain activity on property that is not occupied as a residence. If relocation activities are undertaken, the Agency will handle those activities on a case-by-case basis, in accordance with its Method of Relocation, which will be included in a Report to the City Council in February 2009. As a public agency formed under the provisions of state law, the Agency is required to adhere to the State Relocation Law (Government Code Sections 7260 through 7277) and follow the California Relocation Assistance and Real Property Acquisition Guidelines ("State Guidelines") as established in the California Code of Regulations, Title 25, Chapter 6. The Agency is also required to adhere to Federal relocation requirements, as defined in Title 49, Part 24 of the Code of Federal Regulations, on properties that receive federal funding, such as Del Paso Nuevo. If the state and federal requirements conflict on any point, the Agency is required to adhere to the stricter of the two requirements, which often is the case with state requirements.

Prior to commencement of any acquisition activity that may cause substantial displacement, the Agency will adopt a specific relocation plan in conformance with the State Guidelines. To the extent appropriate, the Agency may supplement those provisions provided in the State Guidelines to meet particular relocation needs of a specific project. Such supplemental policies, if adopted, are based on the Agency's sole discretion, and will not involve reduction, but instead enhancement of the relocation benefits required by State Law.

#### **Traffic Circulation**

The Redevelopment Plan permits the Agency to implement projects to improve traffic circulation, some of which are mentioned in Section E of this Report. The proposed Plan Amendment will allow the Agency to fund improvements such as widening roads, adding parking, closing roads to improve circulation and parking in surrounding areas, and creating roads and sidewalks for housing developments, among other things. The projects proposed by the Agency will improve circulation, mitigate traffic deficiencies, and provide general benefits to the Project Area consistent with the circulation element of the General Plan and other related documents.

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A Negative Declaration for the Plan Amendment will be prepared and reviewed by the Agency and City Council in April 2009. It will explain traffic circulation impacts in more detail.

### **Environmental Quality**

The Redevelopment Plan does not propose uses or intensities beyond the General Plan or other related land use policy documents. The Plan Amendment would not change this. Adherence to adopted land use policies will ensure that implementation of the Redevelopment Plan will lessen or avoid potential impacts. Future development will be reviewed by the City and the Agency to ensure that architectural, landscaping, and urban design principles are adhered to and that compatibility in land uses is maintained. If required, more specific environmental analysis will take place for future development as required by the California Environmental Quality Act ("CEQA").

The Negative Declaration for the Plan Amendment will give greater detail on the Plan Amendment's impacts on environmental quality.

### **Availability of Community Facilities and Services**

The Redevelopment Plan provides that any redevelopment activity shall be subject to, and consistent with, the policies set forth in the City's General Plan, Zoning Ordinance, and local codes and ordinances, as they now exist or are hereafter amended. The General Plan incorporates policies to mitigate impacts on public services and facilities. Implementation of the Redevelopment Plan and its proposed projects are expected to improve the City's existing community facilities and services. The Plan Amendment will allow the Agency to utilize increased tax increment revenues to provide for the upgrading of existing, and construction of new, community facilities, which will be of benefit to the Project Area.

### **Affect on School Population and Quality of Education**

The Project Area is served by the Twin Rivers Unified School District, Sacramento City Unified School District, and the Robla School District.

Future redevelopment in the Project Area would be consistent with the City's General Plan and could result in the generation of additional school-age children and raise demand for educational services. Pursuant to existing California law, any future development, including non-residential uses, will be required to pay statutory fees, which fully mitigate potential impacts on school facilities. Therefore, no significant impacts are anticipated and no mitigation measures are required.

Redevelopment Law also provides statutory payments from generated tax increment to any affected school districts, irrespective of whether the district suffers impacts from the Redevelopment Plan. This revenue may be used for capital and operational purposes, including school facilities.

### **Property Taxes and Assessments**

The Redevelopment Plan calls for various methods of financing its implementation. Because redevelopment agencies do not have the constitutional authority to impose taxes, implementation of the Redevelopment Plan does not cause an increase in property tax rates. Rather, the principal method of financing redevelopment is the utilization of tax increment revenues generated by the Project Area. Tax increment financing reallocates property tax revenues generated by increases in the assessed

value of property in the Project Area. Improvement to Project Area property may result in higher assessed valuation in the same way that improving property in any area may result in increased assessed value.

**Low and Moderate Income Housing Program**

- A. *Number of Dwelling Units Housing Low and Moderate Income Households Expected to be Destroyed or Removed Over the Remaining Life of the Redevelopment Plan*

The Agency currently does not have any plans to destroy or remove dwelling units housing low and moderate income households over the remaining life of the Redevelopment Plan.

- B. *Number of Persons and Families of Low and Moderate Income Expected to be Displaced Over the Remaining Life of the Redevelopment Plan*

The Agency currently does not have any plans to displace low and moderate income individuals over the remaining life of the Redevelopment Plan.

- C. *General Location of Replacement Low and Moderate Income Housing to be Rehabilitated, Developed and Constructed*

The Agency currently does not have any plans that would remove or destroy any housing units as a result of implementation of the Redevelopment Plan. However, if any destruction or removal occurs as a result of an Agency project pursuant to applicable sections of Redevelopment Law, it is the Agency's intention that any replacement housing units be located within the Project Area or in nearby areas that permit residential uses. Any new units may be constructed in areas within the Project Area where such uses are permitted.

- D. *Number of Dwelling Units Housing Persons of Low and Moderate Income Planned for Construction or Rehabilitation Other than Replacement Housing*

The Agency is required to allocate 30% of the tax increment generated by the Project Area to increase, improve and preserve the community's supply of low and moderate income housing. The Agency intends to use these funds to construct, rehabilitate and improve low and moderate income housing within the Project Area. The exact number of dwelling units that will be constructed or rehabilitated cannot be estimated at this time; however the Agency will implement a housing program that addresses the housing needs and problems of the Project Area pursuant to the housing element of the City's General Plan. The Amended Implementation Plan contained in Section E of this Report lists specific affordable housing activities proposed from 2008-2012.

- E. *Projected Means of Financing Rehabilitation and New Construction of Housing for Low and Moderate Income Households*

The Agency intends to utilize not less than 30 percent of its tax increment revenues to finance the rehabilitation, construction and purchase of, and mortgage assistance to, housing for low and moderate income households, in accordance with the provisions of Redevelopment Law as it now exists or may hereafter be amended. The Agency will also cooperate with the City to pool funds and resources beyond the tax increment set aside funds if it is determined to be necessary by both legislative bodies in order to improve the City's affordable housing stock.

Redevelopment Agency of the City of Sacramento

*F. Projected Timetable for Meeting the Redevelopment Plans' Relocation, Rehabilitation and Replacement Housing Objectives*

The Agency has no plans to remove any housing units at this time. However, if any units are destroyed or removed as a result of an Agency project, pursuant to applicable sections of Redevelopment Law, replacement housing would be completed within four years following the demolition of any occupied affordable unit.

The time frame for rehabilitating units pursuant to the Redevelopment Plan will be subject to the availability of housing fund revenues. Rehabilitation activities will be gradually phased over the duration of the Redevelopment Plan.

# APPENDIX A

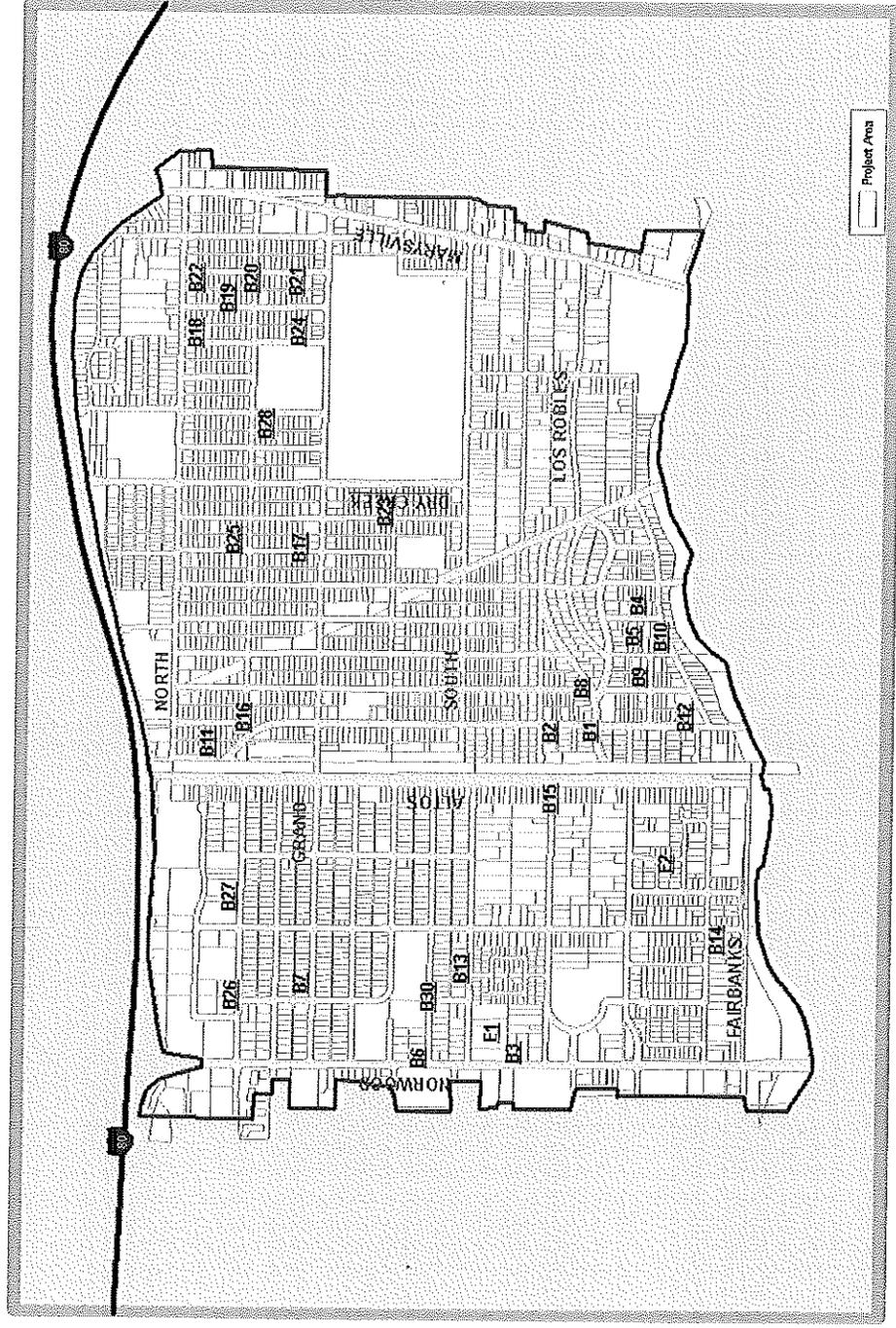
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## Amended Implementation Plan

**\*\*Attached as a separate document\*\***

# APPENDIX B

## Photo Locator Map



### Appendix B: Photo Locator Map

Source: City of Sacramento GIS, RSG



**RESOLUTION NO. 2008-\_\_\_\_\_**

**Adopted by the Sacramento City Council**

on date of

CONSENTING TO AND CALLING A JOINT PUBLIC HEARING WITH THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO TO CONSIDER THE PROPOSED ELEVENTH AMENDMENT TO THE REDEVELOPMENT PLAN FOR THE DEL PASO HEIGHTS REDEVELOPMENT PROJECT

**BACKGROUND**

- A. Pursuant to the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 *et seq.*; the "CRL"), the Redevelopment Agency of the City of Sacramento (the "Agency") has prepared a proposed eleventh amendment to the Redevelopment Plan for the Del Paso Heights Redevelopment Project (the "Eleventh Amendment") for the purpose of amending certain financial limitations and extending eminent domain authority.
- B. CRL Section 33354.6 provides that, in connection with the proposed Eleventh Amendment, the Agency must follow the same procedure, and the City Council is subject to the same restrictions, as provided for the initial adoption of a redevelopment plan.
- C. CRL Sections 33355 and 33458 of the CRL authorize a joint public hearing between the Agency and City Council of the City of Sacramento (the "City Council") to consider the adoption of the proposed Eleventh Amendment with the consent of the Agency and the City Council.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The City Council hereby consents to and calls a joint public hearing of the Agency and the City Council on April 21, 2009, at 6:00 p.m. or as soon thereafter as possible, in the City Council Chambers, 915 I Street, Sacramento, California, to consider and act upon the proposed Eleventh Amendment and all documents and evidence pertaining thereto.
- Section 2. The City Clerk of the City of Sacramento shall, in cooperation with the Secretary of the Agency, prepare, publish and mail such notices and documents and do all other acts as may be necessary to carry out the purposes of this resolution.

## **RESOLUTION NO. 2008-\_\_\_\_\_**

**Adopted by the Redevelopment Agency of the City of Sacramento**

on date of

APPROVING THE PRELIMINARY REPORT ON THE PROPOSED ELEVENTH AMENDMENT TO THE REDEVELOPMENT PLAN FOR THE DEL PASO HEIGHTS REDEVELOPMENT PROJECT, REFERRING SAID PROPOSED ELEVENTH AMENDMENT TO THE PLANNING COMMISSION OF THE CITY OF SACRAMENTO AND TO THE DEL PASO HEIGHTS REDEVELOPMENT ADVISORY COMMITTEE FOR REPORT AND RECOMMENDATION, AND CONSENTING TO AND REQUESTING THE CITY COUNCIL OF THE CITY OF SACRAMENTO TO CALL A JOINT PUBLIC HEARING WITH THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO TO CONSIDER SAID PROPOSED ELEVENTH AMENDMENT

### **BACKGROUND**

- A. Pursuant to the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 *et seq.*; the "CRL"), the Redevelopment Agency of the City of Sacramento (the "Agency") has prepared a proposed eleventh amendment to the Redevelopment Plan for the Del Paso Heights Redevelopment Project (the "Eleventh Amendment") for the purpose of amending certain financial limitations and extending eminent domain authority.
- B. CRL Section 33354.6 provides that, in connection with the proposed Eleventh Amendment, the Agency must follow the same procedure, and the City Council is subject to the same restrictions, as provided for the initial adoption of a redevelopment plan.
- C. CRL Section 33344.5 provides that before the proposed Eleventh Amendment is submitted to the City Council for adoption, a preliminary report shall be prepared for the proposed redevelopment plan and transmitted to affected taxing entities.
- D. CRL Sections 33360.5 and 33451.5 provide that no later than 45 days prior to the public hearing on the proposed Eleventh Amendment, the Agency shall deliver the preliminary report to the State of California Department of Finance and the State of California Department of Housing and Community Development.
- E. The Agency has prepared the Preliminary Report on the Proposed Eleventh Amendment to the Redevelopment Plan for the Del Paso Heights Redevelopment Project, containing the information required by CRL Sections 33344.5 and 33451.5.

## Preliminary Report: Del Paso Heights Redevelopment Plan Amendment

- F. CRL Sections 33346 and 33453 provide that before the proposed Eleventh Amendment is submitted to the City Council for adoption, the Agency shall submit it to the Planning Commission for its report and recommendation, including a determination whether the proposed Eleventh Amendment is in conformity with the City's General Plan.
- G. The Del Paso Heights Redevelopment Advisory Committee provides information and advice to the Agency and to the City Council of the City of Sacramento concerning policy matters of interest to and affecting the residents and businesses within the Del Paso Heights Redevelopment Project Area.
- H. CRL Sections 33355 and 33458 of the CRL authorize a joint public hearing between the Agency and City Council of the City of Sacramento (the "City Council") to consider the adoption of the proposed Eleventh Amendment with the consent of the Agency and the City Council.

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

- Section 1. The Preliminary Report on the Proposed Eleventh Amendment to the Redevelopment Plan for the Del Paso Heights Redevelopment Project, is hereby approved. The Executive Director, or designee, is authorized and directed to transmit the Preliminary Report to each affected taxing entity, the State of California Department of Finance and the State of California Department of Housing and Community Development.
- Section 2. The proposed Eleventh Amendment to the Redevelopment Plan for the Del Paso Heights Redevelopment Project is hereby referred to the Planning Commission of the City of Sacramento and to the Del Paso Heights Redevelopment Advisory Committee for report and recommendation. The Executive Director, or designee, is authorized and directed to transmit the Proposed Eleventh Amendment to the Planning Commission of the City of Sacramento and to the Del Paso Heights Redevelopment Advisory Committee.
- Section 3. The Agency hereby consents to a joint public hearing on the proposed Eleventh Amendment and requests that the City Council call a joint public hearing of the Agency and the City Council on April 21, 2009, at 6:00 p.m., in the City Council Chambers, 915 I Street, Sacramento, California, to consider and act upon the proposed Eleventh Amendment and all documents and evidence pertaining thereto.

Preliminary Report: Del Paso Heights Redevelopment Plan Amendment

Section 4. The Secretary of the Agency shall, in cooperation with the City Clerk of the City of Sacramento, prepare, publish and mail such notices and documents and do all other acts as may be necessary to carry out the purposes of this resolution.