

# REPORT TO COUNCIL

## City of Sacramento

915 I Street, Sacramento, CA 95814-2604  
[www. CityofSacramento.org](http://www.CityofSacramento.org)

Workshop  
 January 27, 2009

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

**Title:** Workshop on Economic Stimulus Initiatives and Strategies

**Location/Council District:** Citywide

**Recommendation:** Review the stimulus initiatives and identify which ones staff should pursue for subsequent Council action for each program strategy.

**Contact:** David Spaur, Economic Development Director, 808-8196

**Presenters:** John Dangberg and David Spaur

**Department:** Economic Development

**Division:** Citywide and Downtown

**Organization No:** 18001021 and 18001031

### **Description/Analysis**

**Issue:** The Federal Government is in the process of developing an Economic Stimulus Fund that could provide needed project funding directly to the City, or to be delivered through State and/or other Federal Agencies with the intent to stimulate local, regional and national economies. The City of Sacramento desires to stimulate jobs, revenue and projects that benefit the economy of the City, County, Region and the State. In doing so, several departments have worked together to provide a detailed list of projects that are ready for funding based on a 90 day, 180 day bid process or in some instances could be approved by your Council today under separate items. This call to action has prompted all departments to look at how we can work more effectively and expeditiously to deliver desired results that hopefully will save jobs, create jobs and restore or generate revenue sources for our City and its residents and business community.

In response to difficult economic times and conditions facing the City of Sacramento, the Economic Development Department is teaming with Development Services Department, the Planning Department and several other departments to determine priority projects that may accelerate jobs and revenue for our residents, businesses and public services. Some projects may have an

immediate effect while we realize most projects will help reduce the long-term effects of an economic set back.

This Strategy will focus on four specific decision areas:

- 1.0 Initiatives
- 2.0 Programs
- 3.0 Projects
- 4.0 Funding Sources

The Goal is to run each policy, program and project through a matrix of return-on-investment analysis and a project/department alignment with Opportunity Areas and the goals of the new General Plan. The goals of this strategy are to:

- Prioritize projects
- Streamline delivery
- Working "smarter" through a Matrix type alignment
- Maximize infill sites and opportunities

The result is a program of initiatives that the City can focus on resources to bring about swifter implementation of projects that will yield new revenue, jobs and economic benefits to the local economy. This program covers the stimulus policy actions and projects that may stimulate the local market and various programs to help local businesses. The alignment of projects, programs and policies designed to stimulate private sector investment activity in Sacramento over the next several months which will in turn assist the City in saving jobs. Alignment of resources to facilitate projects that may stimulate additional private sector activity and result in new revenue sources. This program will help the City with the private sector involvement to restore jobs and investment activity.

#### Examples of Enhancing Resources to Assist Development

- Tax Breaks/Incentives - Utility, Enterprise Zone Expansion
- Grants (e.g. Proposition 1C, 1B)
- Enhanced Lobbying Efforts
- Revisiting Use of TOT
- Project Financial Assistance - Fee Deferral, SCIP, IRB's, Brownfield RLF, CDBG
- Redevelopment
- Business Assistance - Small Business BID preference; Promote Business Partnerships

**Policy Considerations:** Review the proposed list of projects to be finalized and sent to our Legislative representatives in response to the Federal Economic Stimulus proposal. In addition, Council is requested to consider the following changes to current City Policies, Programs and Local project areas in order to

expedite delivery of the projects as outlined to stimulate the Sacramento economy and jobs.

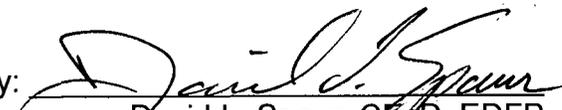
**Environmental Considerations:** The Strategic Plan is a planning activity for possible future action that is exempt from environmental review under CEQA Guidelines Section 15262. Environmental review for each program and project will occur as part of the Plan implementation effort and prior to a funding commitment for an activity that may have an effect on the physical environment.

**Rationale for Recommendation:** There is urgency to stimulate the economy and to prepare our infill sites and development opportunities to be aligned with Federal, State and Local funding opportunities that may maximize jobs and revenue.

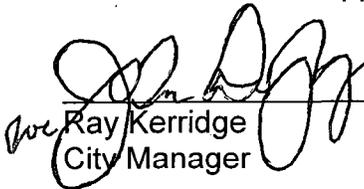
**Financial Considerations:** Many of the strategies included in this report may result in financial impacts to the City. A detailed analysis of the financial impacts will be included in future reports for Council's consideration related to the adoption of these strategies and initiatives.

**Emerging Small Business Development (ESBD):** The actions outlined in the City of Sacramento Economic Development Strategy is complementary to the goals of the ESBD and may directly and indirectly accelerate the positive outcomes of the ESBD.

Respectfully Submitted by:

  
David L. Spaur, CEO, EDFP  
Economic Development Director

Recommendation Approved:

  
Ray Kerridge  
City Manager

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**Attachment 1****Background****1.0 INITIATIVES**

**California Communities Joint Powers Authority-** Several options could be pursued that may be beneficial for small and large builders doing business in the City of Sacramento. One such option would require the City to enter in to a Joint Powers Agreement (JPA) with California Communities Statewide California Infrastructure Program, which is sponsored by the League of California Cities and California State Association of Counties and referred to as the SCIP program, to allow developers to access low cost financing for their project costs.

SCIP provides bond funding which is pooled and sold for the purpose of funding permit fees, infrastructure, architecture & engineering or soft costs associated with a project based on loan agreements with private developers. The debt liability for repayment is pledged by California Communities. Therefore the City is protected and has no responsibility for carrying the cost or burden for repayment as a member of the JPA. The City is paid its development and permitting fees by the developer up front on the project and the developer obtains financing for those fees and the project's infrastructure costs and soft costs over a period of time at a fixed interest rate. At the time of this report the interest rate was set at 6.5% for a term of up to 20 years.

This same structure allows the City to issue tax-exempt and taxable bonds through the JPA for City infrastructure projects. The bond program is structured similarly to the State of California Infrastructure Bond program and requires the City to hold one public hearing for each project. The City is not directly held responsible for the debt because the City does not issue the bonds. The bond funding is provided by a pool established by California Communities. However, the City would have to identify and pledge a source for repayment of the funds provided by California Communities.

**Local Bid Preference for Small Business-** The City of Sacramento should consider a ten percent (10%) local preference for small business for bids and proposals received from businesses located and operating within the City limits for City contracts.

**Sacramento Enterprise & Economic Development Corporation-** Utilize the non-profit corporation formed by the City to dispose of surplus land and assets for business development. This would require appointments to be made to the Board of Directors of the SEED Corporation and review of City owned land categorized by City staff as underperforming assets. The City could either transfer the properties to the SEED Corporation for a joint venture development with a private sector partner, or determine an alternative disposition strategy to stimulate business development and revenues.

**Executive Airport Area-** Consider modifying the current lease between the City and County of Sacramento for the operation of Executive Airport to provide a market rate return on the leasehold improvements, as well as receipt of a portion of the revenues from fuel sales, hangar space rental and possible new operations and development

opportunities on excess airport land. The County would have to be agreeable to such a lease amendment. Also consider asset utilization for surrounding properties and complimentary land use of existing airport properties. The new development program may best be carried out under the control of the SEED Corporation as the controlling entity to contract with a business enterprise.

**Re-apply for State Enterprise Zone Designation-** The current Florin-Perkins and Army Depot Enterprise Zone (EZ) expires in September 2009. In order for the City to continue offering State incentives to businesses located at the Army Depot and surrounding areas, the State requires a new and expanded application to compete with other cities and counties who desire to be selected from a competitive process to operate a State Enterprise Zone. Businesses receive state tax credits for employee wages under this program. The application should include opportunity areas currently identified as priority project areas by the City Council that may qualify. The other areas could include the Executive Airport and other industrial, business and job producing areas that are not contiguous to Army Depot.

**Project Entitlement Fees** - Extension of the term of the entitlements for development projects previously approved and with one year remaining before expiration for three years is scheduled for approval under a separate item. In addition, the City could offer to reduce the fees for new applications thereafter equal to 50% of the original development entitlement fees. Since the project was previously approved, the staff time to process the same entitlements should be much shorter. This program would create induce the development project to start construction in a short timeframe with reduced fees even after the original permits expire.

**Project Processing Re-Alignment** – Reallocate staff from the appropriate departments to work under a “project manager” for specific priority and infill projects that can be accelerated during these difficult economic conditions. The priority is to generate new development, new fees, jobs and revenue for the City. Each project will require a return-on-investment analysis and approval of all Assistant City Managers and their respective departments that staff members have been allocated to work under this new model.

Typically, most departments charge staff time to a specific Capital Improvement Project or CIP for City projects and to the applicant for private projects. When CIP funds are not available, tracking could be allowed through the use of E-CAPS accounting and coding to track the associated staff costs that can then be charged back to an identified revenue source upon completion of the project and realization of a new source of revenue.

**Electric Utility Tax Credit-** The City should consider amending the existing Electric User Utility Tax for projects larger than one mega watt of consumption and looking to locate within the City limits. Each applicant would be required to create more than 100 net new jobs. Reimbursement of the City portion of the electric utility billing would require City Council action on a case-by-case basis and approval of a rebate agreement. This incentive could reduce the current 7.5% utility user tax (UUT) to 2.5%

by rebating 5% of the tax to business and would be restricted to new and existing businesses that have some combination of the following:

1. The business uses one (1) megawatt (MW), or greater of electricity Annually;
2. The business provides at least 100 net new jobs;
3. The employees earn a minimum of \$45,000 per year; or 10% above the City's current Average Household Income; and
4. Total net new investment exceeds \$1 million.

## **2.0 PROGRAMS**

**Community Development Block Grant Funds-** Reallocate CDBG funds to priority infill projects for infrastructure funding to lower the costs for new development that would ordinarily be responsible for infrastructure improvements based on a gap financing analysis in order to accelerate construction of such projects. Projects must meet one of the following national objectives for the CDBG program, including Economic Development, Neighborhood Revitalization, Infrastructure, Community Facilities and services targeted to benefit of low-to-moderate income persons.

### **Grant Funds:**

**Prop. 1 B funds-** Apply for transportation funds to assist development projects that may be eligible for such funding for street and rail improvements.

**Prop. 1 C funds-** Apply for infrastructure funds to assist housing and mixed use projects which include affordable housing that may be eligible for such funding.

**Industrial Revenue Bonds-** Utilize the California Communities by becoming entering into the Joint Powers Agreement as the structure to issue Industrial Revenue/Development Bonds (IDB), both tax exempt and taxable for public and private projects. IDBs would provide a stable and long-term financing program for projects the City would like accelerated during difficult economic times. IDBs are typically used to fund new capital projects of private manufacturers including acquiring and rehabilitating industrial properties, construction of new manufacturing (CleanTech) and the purchase of new equipment to facilitate business and job expansion opportunities.

**Capital Improvement Projects-** Align CIP projects under specific high priority projects and infill opportunity areas that can be accelerated during the next 6-24 months. This will induce appropriately planned projects to proceed if they are consistent with the new General Plan.

**Shovel-Ready Sites-** Re-prioritize and allocate funds to the Shovel-Ready Sites program to those sites and projects that can be started within the next 6-24 months. This action is the subject of a separate staff report.

**Brownfield Program-** Work with SHRA, BEREC and CADA to evaluate brownfields sites through the current inventory that BEREC created in 2003. In addition, the City has an EPA Revolving Loan Fund grant that allows for loans to be issued at a lower interest

rate to other agencies, non-profit organizations and developers to clean-up sites that will be developed. Market this program and prioritize loans to the most beneficial areas.

**Redevelopment Funds-** Continue priority projects in the Downtown, Railyards, and River District areas as currently programmed. Review and realign infrastructure, utilities and programs complimentary to these projects that will assist to accelerate economic activity during the next 6-24 months.

**Business Retention & Expansion-** Promotes and provides access to small business loan and work-out programs to small businesses owners throughout the City. Through the Cities Metro-Pulse BR&E program connect small business owners to programs that may provide a “leg-up” in these challenging economic times.

### 3.0 PROJECTS

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In addition to the list of projects under development for the Federal Stimulus Funding, several key opportunity areas identified in the 2030 General Plan have risen to the top of the list with individual projects to be brought forward to Council as they are further analyzed and developed for approved steps requiring Council approval. These opportunity areas include:

- Downtown/Central City
  - Downtown
  - Railyards
  - River District
  - R Street Corridor
  - Midtown
- Point West/Arden Fair/Cal Expo
- 65<sup>th</sup> Street/University Village/Ramona Avenue Area
- Florin Road

Staff is seeking Council authorization to designate these areas as “priority shovel-ready areas” which would help guide City efforts to create jobs and foster economic development in these critical areas.

### 4.0 Funding Sources

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Funding sources will be aligned and additional screening to match with Federally Funded programs as soon as the criteria has been fully established by Congress. A list below of typical funding programs and sources will be aligned and matched with the appropriate projects as they become prioritized.

#### Potential Funding Sources

- Federal Stimulus dollars
- InFill and Shovel Ready Sites program
- CIP and CRCIP
- Tax Breaks/Incentives - Utility, Enterprise Zone Expansion

- Grants e.g. 1C, 1B
- Revisiting Use of TOT
- Project Financial Assistance - Fee Deferral, SCIP, IRB's, Brownfield RLF, CDBG,
- Redevelopment Tax Increment
- Transportation Funds
- Business Assistance - Small Business BID preference

## **FEDERAL FUNDING - "American Recovery and Reinvestment Act of 2009" Federal American Recovery and Reinvestment Plan**

President-elect Obama's team is working on an Economic Stimulus/Infrastructure Program that they hope to have unveiled and approved right after his inauguration. House Democrats have put forward a blueprint of their economic stimulus package that contains a mix of new spending and tax cuts totaling \$825 billion. Spending accounts for \$550 billion while tax cuts for individuals and businesses over a two-year period make up the remaining \$275 billion. On January 15, 2009 Appropriations Committee Chairman, Dave Obey, released the following figures detailing the various spending contained in the Economic Recovery and Reinvestment Plan.

- Key to the stimulus package is infrastructure investment totaling \$98 billion, including \$30 billion for highway and bridge construction; \$3 billion for airport improvement; \$10 billion for transit and rail to reduce traffic congestion and gas consumption; \$19 billion for clean water, flood control, and environmental restoration investments (includes \$4.5 billion to the Corps of Engineers for flood protection and other projects); \$32 billion to transform the nation's energy transmission, distribution, and production systems by allowing for a smarter and better grid and focusing investment in renewable technology; and \$4 billion for state and local law enforcement funding.
- Business incentives include a five-year net operating loss carry-back period, up from two years in current law, enabling companies to claim refunds on back taxes. Other aspects are aimed at spurring hiring and job retention as well as capital investments.

### **What staff is doing to be ready:**

City staff has created a comprehensive list of projects which include projects with a readiness of 90 days, six months, one year, and beyond. Staff has met with Council members to identify potential projects. Staff is collaborating with partner agencies such as RT, SACOG, SACTO, SMUD, SARTO, County of Sacramento and Metro Chamber to determine individual agency funding needs and participating in a regional effort to formulate key messages for communicating these needs and concerns to Congress. In addition to the regional and citywide efforts, a working group of staff lead by the City Manager's Office is reviewing existing bid and procurement policies, procedures, and practices to ensure absolute project readiness when stimulus funding becomes available at the local level. Staff will come to Council with information and a recommendation as detail becomes available or the legislation is enacted.