



REPORT TO COUNCIL

City of Sacramento

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

CONSENT
September 29, 2009

Honorable Mayor and
Members of the City Council

Title: Shovel-Ready Priority Areas and Program Implementation

Location/Council District: Citywide/All Districts

Recommendation: 1) Review a) a **Resolution** approving the transfer of \$876,805 from the Infill Fee Reduction Program and Low Income Fee Waiver/Deferral Program to the Shovel-Ready Sites Program; approving Tier 1 and Tier 2 opportunity areas; directing staff to initiate a Shovel-Ready MATRIX program; and directing staff to develop a Strategic Investment Plan; and b) an **Ordinance** amending Sections 17.191.050 and 17.195.060 of Title 17 of the Sacramento City Code (Zoning Code) relating to the Infill Fee Reduction Program and Low Income Fee Waiver/Deferral Program; and 2) pass for publication the Ordinance title as required by Sacramento City Charter 32(c) to be adopted October 6, 2009.

Contact: Desmond Parrington, AICP, Infill Coordinator, (916) 808-5044; David Kwong, Planning Director, (916) 808-2691; Leslie Fritzsche, Downtown Redevelopment Manager, (916) 808-5450; and Jim Rinehart, Citywide Economic Development Manager, (916) 808-5054

Presenter: Not Applicable

Departments: Community Development and Economic Development Departments

Division: Infill

Organization No: 21001224

Description/Analysis

Issue: In the attached resolution and ordinance changes, City staff recommends the following actions:

- 1) Approve the transfer of \$876,805 from two rarely used Capital Improvement Program projects into the Shovel-Ready Sites Program for four projects.

- 2) Identify Tier 1 and Tier 2 opportunity areas.
- 3) Approve a new Shovel-Ready MATRIX Pilot Program.
- 4) Direct staff to develop a new Strategic Investment Plan.

At its meeting on January 27, 2009, City Council unanimously approved an intent motion to adopt an ordinance change in support of the Shovel-Ready Sites Program and directed staff to return after the conclusion of the Fiscal Year 2009/10 budget. Council members also asked staff to look at the availability of alternative funding sources to support program efforts.

Staff researched the issue and made modifications to the recommendations based on the results of that research. The new recommendation includes transferring \$876,805 out of two underutilized CIP funds in order to support the following efforts:

• Florin Master Plan Phase 2 Grant Match	\$50,000
• Northeast Line Master Plan	\$100,000
• Technology Village Specific Plan Remaining Funding	\$300,000
• Downtown Development Strategy	\$426,805
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	Total: \$876,805

The use of these funds will leverage other funding sources (e.g., private investment, CDBG, EPA grants, etc.) and will enable City staff to perform the work whenever possible. All of these efforts are designed to create new jobs, spur new development or redevelopment, and increase City revenues (e.g., sales tax, property tax, etc.) in the near to mid-term.

Staff is also recommending that Council identify Tier 1 and Tier 2 opportunity areas. Given the City's limited resources, identifying priority areas for shovel-ready efforts is critical to optimizing limited funds. The 2030 General Plan identifies over 70 different opportunity areas. By focusing on areas with the greatest potential for significant economic growth in the near-term, the City can use resources strategically, helping generate development and revenues to fund efforts in the next tier.

In order to ensure that the Shovel-Ready Sites Program is successful, two additional tools are needed:

1. The Shovel-Ready MATRIX Pilot Program would develop inter-disciplinary teams to tackle the many challenges associated with shovel-ready areas. Based on the successful MATRIX concept, these teams would bring a new focus to readying priority areas for development and jobs.

2. The development of a Strategic Investment Plan would ensure that new infrastructure is funded and built to support job creation and development. Working with Utilities, Transportation, and Parks, this plan would build upon the City's Capital Improvement Plan.

For more information on all of these recommendations, please refer to Attachment 1 – Background.

Policy Considerations: The Shovel-Ready Sites Program is consistent with the City's Infill Strategy and supports the City's 2005-2008 Strategic Action Plan goal of expanding economic development opportunities throughout the City.

Environmental Considerations: The proposed actions are exempt under CEQA Guidelines section 15262 as a planning activity for possible future action.

Sustainability Considerations: The use of the Shovel Ready Sites Program funds for these projects fosters sustainability by encouraging infill and economic development in these areas. Ultimately, by attracting private investment, these efforts will create additional housing and jobs in close proximity to one another and to transit, thereby reducing vehicle trips and greenhouse gas emissions.

Committee/Commission Action: This report was presented to the Law and Legislation Committee of the City Council on December 2, 2008. The Committee approved staff's recommendation unanimously; however, the Chair and other members of the Committee asked that a detailed list of where and how these funds would be used should be presented to Council prior to approval. This was done and presented to Council on January 27, 2009. This report was also presented to the Planning Commission on December 18, 2008 and was recommended unanimously to Council for adoption. This report was then presented to the Development Oversight Commission on January 5, 2009. The members of the DOC expressed unanimous support for staff's recommendation.

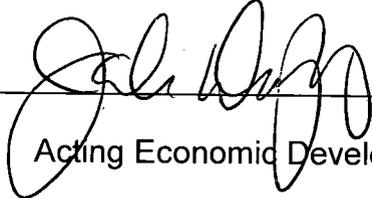
Rationale for Recommendation: The goal behind the funding recommendation is to increase the City's General Fund base by supporting major economic development efforts at key areas of the City.

Financial Considerations: A total of \$876,805 would all be allocated to the Shovel-Ready Sites Program (D21001300), consisting of \$188,805 transferred from the Infill Program (I06000300) and \$688,000 transferred from the Low Income Fee Waiver /Deferral Program (I06000400). No new General Fund money would be used.

Emerging Small Business Development (ESBD): When available and appropriate, Emerging Small Business Development consultants will be used for consultant work necessary for the Shovel-Ready Sites work.

Respectfully Submitted by: 
David Kwong
Planning Director

Approved by: 
William A. Thomas
Community Development Director

Approved by: 
John Dangberg
Acting Economic Development Director

Recommendation Approved:


Ray Kerridge
City Manager

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Attachment 1**Background****Program History**

The Shovel-Ready Sites Program was established in FY2004/05 with the intent of encouraging economic development at key locations in the City. Specifically, the program goals are to:

- Make available sites to advance City's economic development objectives and opportunities
- Foster public-private partnerships to achieve economic development goals
- Spur private investment in the City, especially by businesses

The program works to address and provide solutions to infrastructure, transportation, planning, environmental and regulatory challenges. By preparing key sites for development, the City can help create new jobs and grow the City's sales and property tax base, thus increasing General Fund revenues. The program was originally funded with \$650,000. Per Council resolutions 2008-424, 2008-496, and 2008-497, those funds have been used for shovel-ready efforts on Florin Road, the River District, and the remainder for the 65th Street Transit Village area. As a result, no funding remains for other economic development and shovel-ready efforts.

Proposed Actions

In order to continue the critical work of this program, staff recommends the transfer of funds out of the Infill Fee Reduction Program (I06000300) and the Low Income Fee Waiver/Deferral Program (I06000400). The Infill Program (I06000300) has \$188,805 remaining. The Low Income Fee Waiver/Deferral Program (I06000400) has \$846,000; however, \$158,000 was approved for the Copperstone Village I project, so only \$688,000 is available to use.

The Infill Fee Reduction Program was designed to reduce building permit fees up to \$5,000 per unit for small residential infill projects. The Low Income Fee Waiver/Deferral Program was designed to reduce fees for those residential projects that were required to develop affordable housing under the requirements of the City's Mixed Income Ordinance.

Though both programs were established before the court rulings on prevailing wages, neither program has been used much over the last four years because each triggers prevailing wage requirements. Prevailing wage requirements can often dramatically increase development costs for projects that use these City funds. The Sacramento Housing and Redevelopment Agency (SHRA) has identified that there are no projects on the horizon that could, or would want to, take advantage of these funds.

These two programs would be defunded and those funds would be transferred into the Shovel-Ready Sites Program (D21001300) with a specific emphasis on preparing areas that can have a near-term return on investment for the City. This type of planning and economic development work is needed now because of the City's current dependence upon revenue from processing development (e.g., building permit fees). With an emphasis on job-creation, retail and office attraction, the Shovel-Ready Sites Program efforts can help increase sales tax and property tax revenues thereby growing the General Fund. Work funded through the program would include land use planning, entitlement, design work; environmental analysis and remediation; transportation planning and engineering; infrastructure analysis, improvement, and financing; feasibility and market studies; outreach and marketing materials; and other types of project assistance.

The Shovel-Ready Sites Program work is valuable because infill development faces special challenges due to fragmented land ownership, environmental issues, inadequate public facilities and infrastructure, and often the lack of a cohesive vision for how these areas could be developed. Ideally, a large-scale developer might solve these problems in an area. However, in the absence of such a scenario, the City will need to step in and plan to ensure the future success of shovel-ready areas and sites. Without concerted City investment in these areas it will be very difficult for economic development to occur. The City should take advantage of the current economic downturn to position itself to be the first place for new investment to occur as the economy recovers.

Priority Shovel-Ready Areas

City staff reviewed all the areas identified in the 2030 General Plan as "opportunity areas" for future development. Based on the potential for near-term development staff developed a Tier 1 list and a Tier 2 (refer to Attachment 2, Exhibit A) list based on the following criteria:

- Identification as an opportunity area in the new 2030 General Plan;
- Expected area of significant economic growth;
- Return on investment;
- Developer or market interest;
- Community support; and
- Land owner interest and participation.

Tier 1 opportunity areas are areas where development was either more likely to occur in the near-term or had a greater potential for return on investment. Based on this analysis, staff recommends the following Tier 1 areas as priorities for the Shovel-Ready Program:

- Expanded Downtown Area (including the Central Business District, Railyards, River District, the Docks and waterfront area, and the R Street Corridor);

- 65th Street/University/Technology Village/Granite Park Area;
- Arden Fair/Cal Expo/Swanston Station/Point West Area;
- Florin Road Corridor Area; and
- Delta Shores.

Identifying these priority shovel-ready areas is important because of the City's limited resources. Concentrating resources in a few strategic areas increases the likelihood of success and the potential to generate new revenues and jobs in those areas.

Proposed Projects to be Funded

Staff is proposing to use these funds for four projects: 1) Technology Village Specific Plan; 2) Downtown Development Strategy; 3) Northeast Line Master Plan; and 4) Florin Road Master Plan.

- Technology Village Specific Plan: This is an effort in conjunction with the Power Inn Alliance, property owners, SMUD, and Sacramento State University, which is focused on preparing a large under-utilized infill area for future development to serve as a center for green and bio-technology as well as other research and development related businesses. The area is located south of Highway 50 near 65th Street and east of the railroad tracks. By utilizing existing assets in this infill area such as light rail, educational facilities, proximity to businesses and the Capitol, the project will promote business attraction and development by tackling the access, transportation, land use and infrastructure issues there. In conjunction with 2009 CDBG funding from SHRA, these funds will cover the entire costs of the project and will enable SHRA to use its 2010 CDBG funds for other planning efforts in low-income areas.
- Downtown Development Strategy: Development in the Downtown area faces a number of challenges including a lengthy approval process that usually requires special permits and variances as well as multiple hearings. Furthermore, projects often face unknown obstacles such as hidden infrastructure improvement costs. This effort will assist economic development projects in the J-K-L Corridor in Downtown. The J-K-L Corridor is the heart of the Central Business District. If the City can reduce the uncertainty and expedite the approval process for infill projects in this area, it will be well-positioned for growth as the economy improves. While past efforts have generated momentum for economic growth on the J-K-L Corridor, the recent shift of tax increment funding from the City to the State means that the proposed funding is one of the few sources available to help the City pursue its economic development objectives for the corridor.

Tasks for the Downtown Development Strategy include, but are not limited to: 1) an infrastructure study to identify infrastructure needs and improvement costs for the area which will serve to remove unknown costs that are barriers to downtown

development as well as to queue up the J-K-L corridor to take advantage of other funding sources for infrastructure projects as they become available; 2) a development streamlining pilot program for development projects in the J-K-L Corridor; 3) implementation of the recommendations from the Downtown Sacramento Partnership's Development Activation Strategy; and 4) an environmental analysis of remaining development issues. The goal is to reduce the time, cost and uncertainty associated with development in order to promote residential and commercial development on the corridor. If successful, this pilot program could be expanded to other areas of the Central Business District. The last part of the strategy includes close coordination with the Downtown Sacramento Partnership to implement the recommendations from their forthcoming Development Activation Strategy.

- Northeast Line Master Plan: This project would develop a plan consistent with the urban, mixed use land use designations adopted for this corridor in the 2030 General Plan. The plan would cover the following station areas: Globe, Arden Del Paso, and Royal Oaks. The work products for this plan would include: rezoning of properties to promote mixed use with expedited review; environmental clearance for mixed use transit-oriented development; amendments to the North Sacramento Special Planning District to define the project area as a "Transit Village"; application of Transit Overlay (TO) zoning; identification of critical infrastructure needs; and infrastructure financing recommendations. The objective is to ready catalyst sites along the corridor to encourage transit oriented development as the economy improves.
- Florin Master Plan: This area was identified as a key subregional center in the 2030 General Plan. Most of the auto dealers have closed or are likely to cease operations in the near future. This has resulted in the loss of sales tax dollars and quality jobs in a key part of the south area. The City has completed a Memorandum of Understanding (MOU) with the property owners in that area to address the obstacles to development and to attract new uses to those sites. New uses will generate sales and property tax revenue and new jobs. Though funding was allocated to the Florin area for master planning and environmental efforts, the results of that effort have revealed more potential toxic contamination than anticipated. The City was awarded a grant from the EPA for site assessment. However, the portion of the grant available for the Florin auto dealer sites only covers a portion of the contaminated sites. Additional funding is needed to prepare a thorough Phase 2 site assessment. This information is critical if the City hopes to attract developers to this area and foster redevelopment of the sites.

Shovel-Ready MATRIX Program Concept

The Shovel-Ready MATRIX Program is a pilot program that would develop interdisciplinary teams of City staff which would be responsible for preparing Tier 1 shovel-ready areas for development. The focus would be on catalyst sites within Tier 1 opportunity areas that can generate a return on investment. Specifically, teams would

address planning, design, infrastructure, transportation, and open space issues in advance of development, creating an environment where development is feasible. A MATRIX-like approach for these areas would ensure that all the key staff is involved in a team that can make decisions and take the project from the beginning to when shovels break ground. This approach would save time and money compared to our current process.

Strategic Investment Plan

The Strategic Investment Plan is an important piece of the shovel-ready effort because it would ensure that new infrastructure is placed in priority shovel-ready areas which would help promote development and job creation. This would lead to new revenues for the City. The benefit of this approach to the City is that it: 1) focuses City resources; 2) increases our return on investment (i.e., jobs and revenues); 3) aligns City investment with General Plan priorities; and 4) improves City's competitiveness for current and future Federal stimulus funding.

The Strategic Investment Plan would likely mean changes to various programming guides, master plans, and the Capital Improvement Program (CIP) for new infrastructure projects. In coordination with Utilities, Transportation and Parks, new ranking criteria would be put into effect to align them with the priority shovel-ready areas and with the goals of the new 2030 General Plan to promote economic development. In some cases this might result in higher or lower rankings for some projects based on their location in priority shovel-ready areas and their linkage to revenue generating activities.

RESOLUTION NO. 2009-_____

Adopted by the Sacramento City Council

**APPROVING THE TRANSFER OF FUNDING FROM THE
INFILL FEE REDUCTION PROGRAM (I06000300) AND
LOW INCOME FEE WAIVER/DEFERRAL PROGRAM (I06000400)
TO FUND THE SHOVEL-READY SITES PROGRAM (D21001300);
IDENTIFYING PRIORITY SHOVEL READY AREAS; AND DIRECTING
STAFF TO DEVELOP AN IMPLEMENTATION STRATEGY**

BACKGROUND

- A. The Shovel-Ready Sites Program was launched in 2004/05 with the goal of promoting economic development in key areas of Sacramento by addressing major obstacles to infill development.
- B. The purpose of the Shovel-Ready Sites Program is to leverage and attract private investment in order to encourage economic development.
- C. Identifying priority shovel-ready areas is necessary to ensure that the City's limited resources are directed to areas with the greatest potential for jobs and revenue.
- D. Providing new infrastructure and the necessary staff is essential to the success of these shovel-ready areas.
- E. Due to the complexity of the challenges facing many shovel-ready areas, a new coordinated approach by the City is needed.
- F. The Shovel-Ready Sites Program was originally funded with \$650,000, but those funds have been used for shovel-ready efforts in the River District, Florin Road, and in the 65th Street area.
- G. The Infill Fee Reduction Program and the Low Income Fee Waiver/Deferral Program are no longer effective programs since they both trigger prevailing wage requirements and are now rarely used by developers.
- H. The transfer of the funds from these programs to the Shovel-Ready Sites Program would enable City staff to do the pre-development work needed to spur job-creation and economic development.

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

- Section 1. Authorize the transfer of \$188,805 from the Infill Program (I06000300) and \$688,000 from the Low Income Fee Waiver/Deferral Program (I06000400) to the Shovel-Ready Sites Program (D21001300; also known in the CIP as the Jobs-Housing Grant) for a total of \$876,805 for that program; and
- Section 2. Authorize the use of \$426,805 for the Downtown Development Strategy, \$300,000 for the Technology Village Specific Plan, \$100,000 for the Northeast Line Master Plan, and \$50,000 for the Florin area out of the Shovel-Ready Sites Program Fund (D21001300).
- Section 3. Approve the 2030 General Plan opportunity areas as Tier 1 and Tier 2 priority shovel-ready areas shown in Exhibit A.
- Section 4. Direct staff to develop a new Strategic Investment Plan to re-align programming guide criteria and CIP funding to focus new infrastructure projects in priority shovel-ready areas.
- Section 5. Authorize the development of a new Shovel-Ready MATRIX Pilot Program in order to align staff resources with the needs of priority shovel-ready areas.

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Exhibit A – Priority Shovel-Ready Areas

**Redlined
ORDINANCE NO.**

Adopted by the Sacramento City Council

Date Adopted

**AMENDING SECTIONS 17.191.050 AND 17.195.060 OF TITLE 17 OF THE
SACRAMENTO CITY CODE (THE ZONING CODE) RELATING TO THE INFILL FEE
REDUCTION FUND AND THE AFFORDABLE HOUSING FEE REDUCTION FUND**

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1. Section 17.191.050 of Title 17 of the Sacramento City Code (the Zoning Code) is amended to read as follows:

17.191.050 Infill fee reduction fund.

A. There is hereby established an infill fee reduction fund, which the council shall fund on an annual basis in such amount(s) as the council determines are reasonable, appropriate and necessary to fund, or assist in funding, small residential infill development in target residential neighborhoods, as defined by the city's general plan. The amount of fee waivers or reductions to be approved in any given fiscal (or calendar) year shall be limited to the amount allocated to the infill fee reduction fund established pursuant to this section.

B. Subject to the annual appropriations and funding process, any funds allocated to the infill fee reduction fund for a particular fiscal year and not appropriated to a project ~~allocated or spent pursuant to the provisions of this chapter during that fiscal year shall be carried over and included in the funds included in the infill fee reduction fund established pursuant to this section~~ returned to the city's general fund.

SECTION 2. Section 17.195.060 of Title 17 of the Sacramento City Code (the Zoning Code) is amended to read as follows:

17.195.060 Affordable housing fee reduction fund.

A. There is established an affordable housing fee reduction fund (hereinafter "fund"), which the council shall fund on an annual basis in such amount(s) as the council determines are reasonable, appropriate and necessary to fund, or assist in funding, the inclusionary housing obligations established by Chapter 17.190 and by this Chapter 17.195. The amount of fee waivers or reductions to be approved in any given fiscal (or

calendar) year shall be limited to the amount allocated to the affordable housing fee reduction account fund established pursuant to this section.

B. Subject to the annual appropriations and funding process, any funds allocated to the affordable housing fee reduction fund for a particular fiscal year and not appropriated to a project ~~allocated or spent pursuant to the provisions of this chapter during that fiscal year shall be carried over and included in the funds included in the affordable housing fee reduction fund established pursuant to this section~~ returned to the city's general fund.

ORDINANCE NO.

Adopted by the Sacramento City Council

Date Adopted

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calendar) year shall be limited to the amount allocated to the affordable housing fee reduction account fund established pursuant to this section.

B. Subject to the annual appropriations and funding process, any funds allocated to the affordable housing fee reduction fund for a particular fiscal year and not appropriated to a project or spent pursuant to the provisions of this chapter during that fiscal year shall be returned to the City's General Fund.