



REPORT TO COUNCIL

City of Sacramento

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Staff Report
November 10, 2009

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

Title: Economic Development Strategy Annual Report

Location/Council District: Citywide

Recommendation: Receive and File.

Contact: Diana Sasser, Project Manager, 808-5519, Maurice Chaney, Public Information Officer, 808-7948, Leslie Fritzsche, Downtown Division Manager, 808-5450 and Jim Rinehart, Citywide Division Manager, 808-5054

Presenter: Jim Rinehart, Citywide Division Manager

Department: Economic Development

Division: Citywide

Organization No: 18001031

Description/Analysis

Issue: In March 2007, City Council approved the Economic Development Strategy (ED Strategy). The overall intent of the strategy is to develop a framework that strategically organize economic development activities in a way that best supports and strengthens the City's economy overall.

As part of the strategy, it was identified that the Economic Development Department (EDD) would report back on an annual basis. This is the first annual report reflecting on the previous year of accomplishments, changes and new programs.

Policy Considerations: The recommendations contained in this report are consistent with the strategy outlined in the Economic Development Department Action Plan.

Environmental Considerations: There are no environmental considerations affiliated with this action.

California Environmental Quality Act (CEQA): Not applicable.

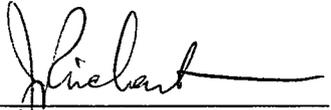
Sustainability Considerations: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Not applicable.

Financial Considerations: There are no financial considerations affiliated with this action.

M/WBE: Minority/Women Business Enterprise requirements are not applicable as no federal funding is involved in this action.

Respectfully Submitted by: 
Jim Rinehart
Citywide Division Manager

Approved by: 
John Dangberg
Interim Director, Economic Development Department

Recommendation Approved:

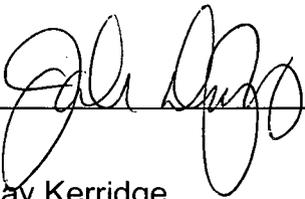

For Ray Kerridge
City Manager

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Attachment 1**ECONOMIC DEVELOPMENT DEPARTMENT
STRATEGY ANNUAL REPORT****BACKGROUND**

In March 2007, the City Council approved the City of Sacramento's Economic Development Strategy (ED Strategy). The strategy organizes economic development activities to support and strengthen the city's overall economy. The strategy is built upon four co-equal objectives: strengthening the City's business climate; linking residents to the economy; making Sacramento a place of strong communities; and leveraging resources by establishing strategic partnerships with regional entities to assist in activities to bolster the local economy.

The Economic Development Department is comprised of the following functions:

- **Business retention, expansion and attraction** – focuses on retaining and growing Sacramento's existing businesses, and attracting high-value companies that bring jobs to the city.
- **Development** – facilitates the development and redevelopment of buildings and infrastructure to breathe new life into areas of the City, particularly those areas that have experienced blight or deterioration.
- **Support programs** – implements administrative functions for grants, incentives, studies and marketing and communications.

As part of the strategy, it was identified that the Economic Development Department (EDD) would report its progress on an annual basis. Accordingly, this annual update reflects past accomplishments, changes and new programs.

STATE OF THE ECONOMY AND ECONOMIC DEVELOPMENT

Over the last several years, the state of the worldwide economy has experienced a drastic downturn. Since mid- to late- 2005, the Sacramento region has been increasingly impacted by the slumping economy, due largely to the downturn in the housing market and Sacramento's dependence on the government sector, with a large decrease in its share of public sector employment.

Despite the fiscal impediments, EDD has continued to facilitate business development, attract a diversified economic base and assist in financing and facilitating notable development projects. The result of these efforts has been momentous in increasing the City's tax base, per capita income, investments and jobs.

BUSINESS RETENTION, EXPANSION AND ATTRACTION

EDD's business retention and expansion (BRE) programs continue to expand to reflect the additional needs associated with the worldwide recession and economic downturn. The purpose of the BRE program is to conduct outreach and identify barriers as businesses try to grow and expand in the current economy.

Another component of the City's economic development efforts includes the need to attract new industries and businesses for the purpose of diversifying and strengthening the local economy. EDD works closely with the Sacramento Area Trade and Commerce Organization (SACTO), the area's economic development attraction corporation, to attract high-value companies and associated jobs. This is done by effectively marketing the region and promoting the city as an attractive location for business and industry.

Highlights

- **Reached more than 250 businesses as part of the business walk and seminar programs.** The purpose of the business walk program is to check in with businesses to determine their health and learn what can be done to help. To date, two walks were conducted. In March 2008, EDD and the Power Inn Alliance reached out to over 150 businesses in the Power Inn area. In August 2009, EDD, North Franklin Business Association and the Hispanic Chamber of Commerce organized the North Franklin Business Walk, targeting 100 businesses on Franklin Boulevard between Broadway and Fruitridge.
- **Awarded Enterprise Zone Designation in August 2009 from the State of California.** Partnering with the County of Sacramento, City of Rancho Cordova and the Sacramento Employment and Training Agency (SETA), this new zone designation consolidates four enterprise zones within the county of Sacramento into one unified zone. The new Enterprise Zone will focus primarily on industrial/commercial areas within these jurisdictions and will help to encourage expansion and continued investment by offering businesses that locate within the zone boundaries tax advantages, hiring credits, and other incentives.
- **Awarded \$26,000 grant funding from SETA** to further provide business retention and expansion services to businesses located in Sacramento's Enterprise Zone. Specific programs include additional business walks and seminars, and expanded Internet-based resources.
- **Conducted more than 100 one-on-one site visits to businesses within key industry sectors.** Key highlights of this effort culminated in the successful preservation of C & S Wholesale Grocers, Inc., the nation's third largest privately held company with over 100 Sacramento-area jobs and Corti Brothers, a nearly 40 year old grocery store in East Sacramento.
- **Attracted more than 620 jobs from January 2007 to July 2009**, including: Etime Solar USA; Propel Fuel; Enfinity Corporation; AEE Solar; Drexel University; Titan Worldwide; Frontier Wind; Gregory Mountain Products, Inc.; Andersen Corporation; The Art Institute of California; Pacific Ethanol, Inc.; Jackson Laboratories; and Kitchen Academy.

DEVELOPMENT

EDD works with strategic partners to invest in projects that create economic opportunities and improve the quality of life for Sacramentans. EDD's project list and successes include building and developing commercial and industrial sites, making public improvements, and assisting with mixed use developments.

Highlights

- **The Cosmopolitan Cabaret and Restaurant** – In January 2007, City Council approved a Disposition and Development Agreement (DDA) with 1000 K Street, LLC, for the renovation

of the former Woolworth's building at 1000 K Street for a cabaret theatre, restaurant, lounge, office and parking. The Cosmopolitan total cost estimate was \$18.2 million, of that amount, an estimated \$6.75 million was provided by the Agency. The Cosmopolitan had its grand opening in September 2008 and will generate an estimated \$375,000 in annual sales tax; approximately \$150,000 in additional property tax increment (the 30% set-aside for affordable housing); and over 130 new jobs for the restaurant and theatre operations.

- **Citizen Hotel** – In April 2006, City Council approved an Owner Participation Agreement with Rubicon Partners, LLC for the renovation of the historic 926 J building for a boutique hotel. The Citizen consists of renovating the existing 14-story office building to accommodate a 197-room boutique hotel operated by Joie de Vivre Hospitality (JDV); approximately 11,000 square feet of meeting space, 3,500 of which would be located on the outdoor patio on the 7th floor; a ground-floor restaurants; and fitness center. The Citizen total cost estimate was \$55.5 million to renovate of which \$9.85 million is from Agency funding. The Citizen opened in November 2008 and will generate a number of benefits to the Agency and to the City including approximately \$1 million in additional TOT tax annually; an estimated \$330,000 in annual sales tax; approximately \$125,000 in additional property tax increment (the 30% set-aside for affordable housing); and over 100 new jobs for the hotel operation and an estimated 30 new jobs for the ground floor restaurant.
- **Curtis Park Village** – The City Council approved a \$900,000 Brownfields bridge loan from the Brownfield Revolving Loan Fund (BRLF) on August 18, 2009 to Calvine and Elk Grove-Florin, LLC. These funds will assist with the remediation of the Curtis Park Village site, allowing for a future mixed-use development on this site.
- **California Highway Patrol (CHP) Headquarters** -- EDD helped make the relocation of CHP's headquarters to the Continental Plaza development on North 7th Street in the River District possible by addressing CHP's issues and concerns. CHP required additional parking for their police vehicles, a dedicated area on North 7th Street for press events, a heliport for emergency landings and a realignment of Signature Street. This project consolidated nearly 1,000 jobs from throughout the Sacramento region into the new headquarters. CHP will be moving into the new headquarters in the Fall 2009.
- **Greyhound Relocation** – EDD was successful in reaching agreement to relocate the downtown Greyhound station to an interim location at 420 Richards Boulevard in the River District. This location will provide Greyhound with improved access to Interstates 5 and 80 and enable the company to implement current design standards improving efficiency and safety at the new terminal. The City of Sacramento's General Services is managing construction of the Greyhound Terminal at 420 Richards Blvd., which is scheduled to open in early 2012.
- **Orleans** – Construction of the Orleans Hotel in Old Sacramento was completed in September of 2008. This project rebuilt the hotel with the 1853 facade and provided 24 beautiful apartment units over ground floor space for a 6,300 square feet restaurant with an amazing patio at the back. The total project cost was \$14.9 million. The Agency loaned \$6 million which leveraged \$8.9 million in private investment.
- **Ten 22 Restaurant** – Construction began on the Orleans Hotel Restaurant in May 2009. This restaurant is at the ground floor of the newly reconstructed Orleans Hotel and will provide a continuous retail experience in our City's primary tourist destination. It is scheduled to open in Fall 2009 and will provide an estimated 50 new jobs. In November 2008, the

Council approved a loan of \$650,000 for tenant improvements, which leveraged an additional \$1.2 million in private investment.

- **Ebner/Empire Hotel** – Construction began on the Ebner Hotel in Old Sacramento on August 25, 2009. This project reconstructs the historic façade of both the Ebner and Empire Hotels and is a 26,000 square foot building with offices over 6,500 square feet of ground floor retail. The Total project cost is an estimated \$5.9 million. The Agency issued a loan of \$3.3 million which leveraged an additional \$2.6 million in private investment.
- **K Street Streetscape and St Rose of Lima Park** – In May 2009, construction began on the first phase of the K Street Streetscape project and St Rose of Lima Park renovation. The key objectives are to: aesthetically improve the corridor, increase safety, enhance pedestrian lighting, build connectivity, improve pedestrian mobility, and create a safe and inviting public space. The project will include new and consistent paving materials, street furniture, trash receptacles, landscaping, lighting, enhanced intersection treatments and gateway elements. St. Rose of Lima Park's turf will be replaced with hardscape paving and will feature an interactive water element. The park renovation will be completed in November 2009 and the Streetscape will be complete in January 2010.
- **Newsracks** – In May 2009, City Council amended the Newsrack Ordinance for K Street from 7th t to 13th streets. Under the revised ordinance, the existing individual newsracks will no longer be allowed and will be removed and replaced by consistent, City-owned modular racks. The ordinance reduces visual blight and meets the City's aesthetic and safety needs while continuing to allow publishers to disseminate information to their audiences along K Street. In June 2009, a bid was released and a manufacturer was selected to produce the modular newsrack. The new modular newsracks will be installed in late 2009.
- **1012-1022 K Street** – In March 2009, City Council approved a DDA with 1012 K Street, LLC for the 1012-1022 K Street Building Renovation Project. The proposed uses at 1016-1022 K Street are designed specifically for Sacramento's emerging nightlife market and include two high-end nightclubs and one restaurant. The project is estimated to cost \$12.09 million of which \$5.6 is from the Merged Downtown Funds (Sheraton Proceeds). Tenant improvements for the three venues are anticipated to be completed within 9 months of the shell and core permits and all work is expected to be completed by early 2010. The proposed uses will generate a number of benefits to the Agency and to the City including, an estimated \$447,000 in revenue (annual sales tax and property tax increment), approximately 100 jobs, and more than 4,000-5,000 patrons to the Downtown area per week.
- **700/800 Acquisition** – In October 2008, the City of Sacramento's Redevelopment Agency reached a settlement agreement on both 700 and 800 blocks of K Street. The City now maintains ownership of nine properties, which will undergo improvements to make the sites shovel-ready for retail development opportunities.
- **Discovery Centre Hotel** – EDD issued a Request for Proposals for a hotel to be constructed at Richards Boulevard and North 3rd Street. The proposal was awarded to Twin Rivers Development and an Exclusive Right to Negotiate was executed. Planning is in progress for the hotel.
- **Mel Rapton Honda** – On February 2008, the Mel Rapton Honda auto dealership opened on the site of the former Sacramento Trapshooting Club near Haggin Oaks Complex. The \$23 million public-private investment translated into a 77,000 square foot facility and service area, 125 jobs, and about \$900,000 in annual sales tax and lease payments. The City of

Sacramento provided \$9.3 million in bond financing to facilitate remediation and site improvements.

- **Docks Promenade** – In October 2007, the City Council approved the design for the Docks Promenade Parkway. When built in its entirety, it will extend approximately 4,300 linear feet (0.8 miles) from O Street to the Marina/Miller Park, just south of Broadway. In September 2008, Docks Promenade Phase I (O Street to R Street) started construction and will be completed in early February 2010. Phase I will include the construction an approximately 20-foot wide pedestrian and bicycle pathway along the waterfront and a new .4 acre park, which will be known as Pioneer Landing.
- **Township 9** – EDD projected facilitated the award of \$1.1 million to Township 9 in CDBG Economic Recovery funds to be used for infrastructure supporting the development of affordable housing in this mixed use, infill development project.
- **Powerhouse Science Center** – EDD continues to work with the Sacramento Museum of History, Science and Technology for the development of the Powerhouse Science Center in the old shuttered PG&E building on Jibboom Street. EDD and the development team are working to address development issues including those relating to environmental, planning and regulatory.
- **Crest Theater Marquee Improvements** – The Crest Theater Marquee was relit on September 21, 2009 after four months of renovation to the historic neon sign. In November 2008 Council approved funding of \$373,000 to restore the marquee and make upgrades to the interior and theater equipment. This project ensures the Crest will continue to operate as a theater and entertainment venue in the future and remain an iconic asset to the City of Sacramento.
- **8th and K Hotel** – As part of the property settlement on the 700 and 800 blocks of K Street, the Redevelopment Agency entered into an Exclusive Right to Negotiate Agreement with USA Hospitality, Inc. USA Hospitality has proposed a 409 room full service hotel on the K Street site and a public parking garage on the L Street site.
- **Maydestone** – The Redevelopment Agency approved funding for the renovation of the historic Maydestone at the key corner, 15th and J streets directly across from the Memorial Auditorium. The \$4.5 million loan of affordable housing funds will be used to renovate the 32 residential units that will revitalize this key corner.
- **Railyards** - In May 2008, City Council amended the Richards Boulevard Redevelopment Project Area and removed 298 acres from the southern portion of the project area. The 298 acres that were removed from the Richards Boulevard area became its own redevelopment area, the Railyards Redevelopment Project Area. Last year the Agency also entered into a Master Owner Participation Agreement (OPA) and the Initial Phase Owner Participation Agreement. The Master OPA established parameters for Agency assistance throughout the Railyards property, including funding for affordable housing. The Initial Phase OPA commits up to \$50 million in tax increment as a reimbursement to the developer for development of specific infrastructure improvements. In Spring 2009, construction began on the infrastructure improvements.
- **Cars on K** – In June 2008, the Department of Transportation and EDD partnered to study the feasibility of reintroducing cars to K Street to enhance K Street as a vibrant part of Downtown and support its economic activity. More specifically, they will look at options for incorporating vehicular and bicycle traffic to the current pedestrian and light rail activities on K Street between 8th and 12th streets. It will analyze circulation and traffic, pedestrian and bicyclist patterns, and

Owner Participation Agreement. The Master OPA established parameters for Agency assistance throughout the Railyards property, including funding for affordable housing. The Initial Phase OPA commits up to \$50 million in tax increment as a reimbursement to the developer for development of specific infrastructure improvements.

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SUPPORT PROGRAMS

In addition to working with businesses and developers, EDD is responsible for administrative functions which support larger economic development activities and programs, such as administering grants, incentives, studies and marketing and communications.

Highlights

- **Sacramento Downtown Revitalization Corporation** – EDD has targeted its first transaction with the Revit. A property management agreement for the new Greyhound Terminal on Richards Boulevard is to be consummated to provide for on-going funding to support the Revit's operations, projects and programs.
- **SEED Corp** – Sacramento Economic and Employment Development (SEED) Corporation was formed after two years of effort on the part of staff drafting Articles of Incorporation and Bylaws, with the advice of the City's bond counsel, Orrick Herrington. Successfully applied to IRS for 501(c)(3) status. City Council approved \$400K in start-up funding.
- **River District Specific Plan** – EDD, in partnership with the Community Development Department, continued to work on the River District Specific Plan, a community plan for the 1,000 acre River District. The plan will include a financing plan, zoning update and program-level Environmental Impact Report.
- **Property Business Improvement District (PBID) Formations** – EDD surveyed the Mack Road business community to determine if there was PBID interest. EDD worked with Council District 8 in identifying parcels, property owners and identifying district's preliminary boundaries and formulated an initial outreach plan to business and property owners along commercial corridor.
- **Digital billboards** – EDD released a Request for Proposals (RFP) on July 1, 2009 seeking proposals from the advertising industry for electronic digital billboards on City-owned sites. Two firms responded, and a selection committee recommended awarding the contract to Clear Channel Communication, Inc. The City Council approved an Exclusive Right to Negotiate (ERN) on September 1, 2009.
- **Brownfields Program** – EDD has set up a Brownfields Program to assist with the redevelopment of contaminated sites, preparing them for economic development

examine existing planning policies and design guidelines to address barriers to solar technology.

- **Downtown Activation Strategy** – In June of 2009 the EDD and the Downtown Sacramento Partnership initiated a Downtown Activation Strategy. They contracted with Downtown Works to provide an analysis of the existing retail in the JKL corridor, a determination of what is needed on a block by block basis and an implementation plan so that the corridor will be poised to take advantage of opportunities as the economy rebounds.
- **Florin Road** – The City has been working closely with the Florin Road Partnership and the auto dealers in an effort to prepare a master plan and lay the groundwork for the successful redevelopment of the area. This effort would ensure that the 43-acre area, which includes all the auto dealer sites, could be redeveloped in a comprehensive manner and would include development that would benefit the City, the community, and the property owners. Economic Development and Planning staff are packaging a market study, environmental and infrastructure analysis, finance strategy and development concepts in order to issue a developer solicitation packet. The goal is to attract a developer in order to revitalize the former auto dealer sites with a mix of retail, residential, and office uses to serve the South area and the region.
- **Sewer Credits** – EDD administers the Treatment Capacity Bank Program (Sewer Credits) to assist commercial and industrial users in reducing their sewer connection fees. This incentive can cut connection fee costs up to 88 percent. Since July 2008, 58 applications were approved and processed.
- **Fee-Deferral Program** – To induce development during these economically challenging times, EDD and Community Development established a fee-deferral program that allows developers to defer development impact fees until certificate of occupancy, final inspection or close of escrow. Traditionally, fees are collected when building permits are issued adding significant up-front cost and sometimes creating barriers to development. To date, six fee deferrals were made, totaling \$1.2 million.
- **Auto Tax Sharing Agreement** – The City Council and County Board of Supervisors approved an agreement to share in net new auto sales tax revenue in August 2008. The agreement will help stabilize and expand existing dealerships and effectively enable the city and county to cooperate toward the attraction of new auto dealerships within the region. The economic partnership will also help auto dealers operate and thrive in a time of significant consolidation and change in the industry.
- **Solar Farm RFQ** – In August 2009 the EDD partnered with the Department of Utilities Solid Waste Division to issue an RFQ for the development of a solar farm on the 170 acre Sutters Landing Regional Park(aka former Sutter’s Landing Landfill). Following a review of the responses, staff will select a limited number of teams to submit formal proposals for the development of a solar farm. It is anticipated that the site could generate four to six megawatts of electricity, which could be sold directly to SMUD.
- **Recovery Zone** – The City Council approved the designation of the entire City as a Recovery Zone in August 2009. This allows the City to issue two different types of bonds to aid with development.
- **Small Business Efforts** – EDD provides small business services to aid and assist businesses in taking advantage of city bid and procurement opportunities. This is done through small business certification, education and outreach.

- **Certification** – The City provides certification for small businesses, a five percent business preference benefit on bid and contract opportunities. Over the last 18 months, EDD has certified more than 700 small businesses.
- **Roundtable** – Along with other departments and agencies, EDD assisted in producing the first City of Sacramento small business roundtable. Taking place May 2009, the goal was to address contracting policies and procedures affecting the abilities for small business and the City to do business together. Over 60 people participated in this event. A follow up roundtable took place in late September.
- **Alliance Contract with Ethnic Chambers** – During FY 2009, EDD entered into a contract with the Alliance Chambers (Asian, Black and Hispanic Chambers) for the purpose of outreach to their constituency. Through this effort, more than 160 individuals and/or organizations were contacted through educational workshops on small business certification and contracting opportunities, development of a PBID, and how to gain more effective access to city hall.
- **Marketing and communications** – EDD has continued to develop materials and employ communication strategies to effectively reach target audiences on programs, projects and other noteworthy economic development efforts. This was done through the use of media relations, development of materials, sponsorship events, and more.
 - **Media Relations** – EDD has proactively pitched, coordinated and supported news media efforts and events for the purposes of generating media. Key highlights include groundbreaking for the K Street Streetscape, Promenade and Ebner/Empire projects; coordination of news interviews; and pitching stories to all media outlets regarding projects and programs of interest.
 - **Events** – EDD has sponsored events through key organizations, including the Chambers of Commerce, business improvement districts, and others. Also, EDD convened networking events at the River Cats games to reach strategic partners. EDD also participates in the International Conference of Shopping Centers, a convention focusing on retail attraction.
 - **Collateral materials and Website** – EDD has developed an array of marketing materials for dissemination at events, business walks and other outreach endeavors. Materials include: small business information, brochures, fact sheets, annual reports, advertisements, etc. A quarterly electronic newsletter was implemented mid-2008 and reaches more than 2000 contacts. In late October 2009, EDD launched a new department website.