

**Meeting Date:** 5/27/2014

**Report Type:** Staff/Discussion

**Report ID:** 2014-00425

**Title:** Economic Development Fund Policy and Guidelines

**Location:** Citywide

**Recommendation:** Pass a Resolution 1) approving the Economic Development Fund Policy and Guidelines and 2) authorizing the City Manager or the City Manager's designee to take such necessary administrative actions and develop such necessary procedures to implement the ED Fund Policy and Guidelines, and 3) the repayment of the \$303,070 loan from the 1012-1022 K Street property will be appropriated to the ED Fund, Fund 2031.

**Contact:** Jim Rinehart, Director, (916) 808-5054; Melissa Anguiano, Manager, (916) 808-5864, Economic Development Department

**Presenter:** Jim Rinehart, Director, (916) 808-5054; Melissa Anguiano, Manager, (916) 808-5864, Economic Development Department

**Department:** Economic Development Dept

**Division:** Citywide Development

**Dept ID:**

**Attachments:**

1-Description/Analysis

2-Resolution

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### **City Attorney Review**

Approved as to Form

Michael Sparks

5/19/2014 2:29:04 PM

### **Approvals/Acknowledgements**

Department Director or Designee: Jim Rinehart - 5/16/2014 1:14:20 PM

## Description/Analysis

**Issue Detail:** The dissolution of Redevelopment in 2011 resulted in the loss of an important source of funding for economic development projects within the city of Sacramento. Recognizing this loss and its impact on job creation and private investment, the City Council authorized establishment of an Economic Development Fund (ED Fund) (Resolution 2013-0198) consisting of the net property tax revenues received by the City as a result of the dissolution of Redevelopment. The Fiscal Year (FY) 2013/14 budget resolution also directed staff to return to City Council for approval of policies and guidelines governing the ED Fund. The proposed ED Fund Policy and Guidelines is attached to this report as Exhibit A to the resolution.

In addition to revenues generated from the dissolution of Redevelopment, the ED Fund could also be augmented with unobligated proceeds from land sales, lease revenues, loan repayments and interest income. Three such funding sources, described in more detail in the Financial Considerations section below, are the proceeds from the sale of the City-owned building at 921 10<sup>th</sup> Street, a loan repayment from the sale of 1012-1022 K Street, and interest earnings on the Sheraton Sale proceeds (also known as the Master Owner Participation Agreement (MOPA), Fund 2030).

The ED Fund Policy and Guidelines identifies five goals which are consistent with the City's adopted Economic Development Strategy. Projects benefiting from fund resources must achieve all of the following goals:

- 1) Result in creating or retaining private sector jobs,
- 2) Leverage other private or public funds,
- 3) Increase revenues to the City,
- 4) Catalyze commercial development, and
- 5) Result in a completed project.

**Policy Considerations:** The ED Fund Policy and Guidelines are consistent with the adopted 2013 Economic Development Strategy goal to invest in building Sacramento and the objective to "Encourage strategic investments and initiatives that lead to economic development, job growth and enhance the quality of life in Sacramento." It is also consistent with adopted 2030 General Plan Goal 3.1 from the Economic Development Element, "Provide opportunities for expansion and development of businesses by ensuring availability of suitable sites, appropriate zoning, and access to infrastructure and amenities." ED Fund Process and Procedures to implement the fund will be brought to Council for consideration at a future meeting.

**Economic Impacts:** None at this time. Economic impact will be measured with each approved project.

**Environmental Considerations:** The recommendations are administrative, organizational and fiscal matters that do not constitute a "project" under the California Environmental Quality Act (CEQA) Guidelines section 15061(b)(3). The activity is covered by the general rule that CEQA applies only to only to projects which have the potential to cause significant effect on the environment.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** The ED Fund Policy and Guidelines, as presented, will allow the City to leverage resources with other private and public investment to achieve key development projects. By leveraging resources, this fund will encourage strategic investments that lead to

furthering initiatives and goals outlined in the City's Economic Development Strategy. By establishing a distinct fund to support economic development projects, the City limits investment risk and protects the General Fund. This Fund will also provide a long term source of revenue for City priority projects focused on economic development and job growth in Sacramento.

**Financial Considerations:** To date, the City has received three property tax payments from former Redevelopment areas from the County Assessor totaling \$2.8 million.<sup>1</sup> At this time, it is difficult to estimate the amount of annual contribution the ED Fund will receive, due to fluctuations in tax receipts and ongoing obligations of the former Redevelopment areas.

Staff is also recommending unobligated proceeds from land sales, lease revenues, and loan repayments augment the ED Fund. The proceeds of \$600,000 from the sale of the City-owned building at 921 10<sup>th</sup> Street (if approved by Council on May 27, 2014) and the repayment of a \$303,070 MOPA loan, due to the City by year-end, from the sale of 1012-1022 K Street are two potential sources of revenue for the ED Fund. If approved, the available fund balance will be \$3.7 million. Additionally, staff is recommending any future interest earned on the MOPA fund, Fund 2030, be transferred annually to the ED Fund at the end of each fiscal year.

**Local Business Enterprise (LBE):** No goods or services are being procured under this report.

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<sup>1</sup> Should the Powerhouse Funding Agreement, also being considered on May 27, 2014, be approved by Council, that amount would be reduced by \$200,000.

**RESOLUTION NO. 2014-\_\_\_**

Adopted by Sacramento City Council

May 27, 2014

**ADOPT ECONOMIC DEVELOPMENT FUND POLICY AND GUIDELINES**

**BACKGROUND:**

- A. The dissolution of Redevelopment in 2011 resulted in the loss of an important source of funding for economic development projects within the city of Sacramento.
- B. In recognition of the critical nature of these projects to job creation and private investment, on June 11, 2013 by Council Resolution 2013-0198, the City Council established the Economic Development Fund (ED Fund, Fund 2031) to be funded with property tax revenues received as a result of the dissolution of Redevelopment.
- C. Additional unobligated revenues such as proceeds from land sales, lease revenues, loan repayments and interest income would supplement the ED Fund for economic development purposes.
- D. The Council resolution directed staff to return to City Council for approval of the policies and guidelines governing the ED Fund.

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

- Section 1. The above findings are true and correct.
- Section 2. The Economic Development Fund Policy and Guidelines as attached as Exhibit A are hereby approved.
- Section 3. The City Manager or the City Manager's designee is hereby authorized to take such necessary administrative actions and develop such necessary procedures to implement the ED Fund Policy and Guidelines.
- Section 4. Pursuant to the ED Fund Policy and Guidelines, the repayment of the \$303,070 loan from the 1012-1022 K Street property will be deposited to the ED Fund, Fund 2031.

**Table of Contents:**

Exhibit A - Economic Development Fund Policy and Guidelines

**CITY OF SACRAMENTO**  
**ECONOMIC DEVELOPMENT FUND**  
**Policy and Guidelines**

**Background and Fund Goals**

As part of the City of Sacramento's Fiscal Year (FY) 2013/14 budget (Resolution 2013-0198), the City Council authorized establishment of the Economic Development Fund (ED Fund) to be funded with net property tax revenues received by the City as a result of the dissolution of Redevelopment. The Economic Development Fund (Fund 2031) will further the City's Economic Development Strategy by making investments in Economic Development Projects (ED Projects) using former Redevelopment area funds as well as unobligated revenues from sources such as land sales, lease revenues, loan repayments and interest income. The ED Fund will be managed and administered by the Economic Development Department.

The ED Fund will allow the City to leverage resources with other private and public investment to achieve key development projects. By leveraging resources, this fund will encourage strategic investments that lead to furthering initiatives and goals outlined in the City's Economic Development Strategy. This Fund will also provide a long term source of revenue for City priority projects focused on economic development and job growth in Sacramento.

The ED Fund goals are to advance economic development projects that result in achieving **all** of the following:

- 1) Create or retain private sector jobs,
- 2) Leverage other private or public funds,
- 3) Increase revenues to the City,
- 4) Catalyze commercial development, and
- 5) Result in a completed project.

Funds will be awarded in accordance with the ED Fund Process and Procedures, as approved by City Council.

**Eligible Uses**

To be eligible, funding must meet the economic development goals listed above and fall into one of the following categories.

- Provide grant match for construction projects,
- Fill a funding gap or shortfall for public infrastructure improvements,
- Fill a funding gap or shortfall for a City/private partnership development project,
- Provide funding to support debt service for a City/private partnership construction project, or
- Loans for private development projects.

**Ineligible Uses**

- Land acquisitions,
- Environmental remediation,
- Pre-application and pre-development costs,
- Program, staffing or operating costs (except for debt service).