



## City Council Report

915 I Street, 1<sup>st</sup> Floor  
Sacramento, CA 95814

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**File #:** 2016-01391

December 6, 2016

**Consent Item 05**

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**Title: Approval of Funding Agreement for the Sacramento Employment and Economic Development (SEED) Corporation**

**Recommendation:** Pass a Resolution 1) establishing a Multi-Year Operating Project (MYOP) #18000200 and expenditure budget in the amount of \$150,000 for the Sacramento Employment and Economic Development Corporation and Transfer of \$150,000 from the Economic Development Department Operating Budget to the Seed Corporation; and 2) authorizing the City Manager or the City Manager's designee to execute a \$150,000 funding agreement with the Sacramento Employment and Economic Development Corporation.

**Location:** Citywide

**Contact:** Veronica Smith, Senior Project Manager, (916) 808-1046, Economic Development Department

**Presenter:** None

**Department:** Economic Development

**Attachments:**

- 1-Description/Analysis
- 2-SEED Corporation Funding Agreement
- 3-Resolution

## Description/Analysis

**Issue Detail:** On July 24, 2007, the City Council adopted a resolution establishing the Sacramento Employment and Economic Development (SEED) Corporation. The Corporation was established with the intent of being a vehicle for investing in economic development projects and programs with the goal of directing resources that promote economic vitality throughout the City. Due to challenging economic conditions, lack of staff capacity associated with the recession, and staff's inability to recruit private sector board members, the SEED Corp was never officially activated. In the summer of 2016, staff began recruiting board members in an effort to fully activate the SEED Corp.

On August 9, 2016, the City Council passed a resolution confirming the SEED Corporation board of director appointments. The Board has since held its first meeting and determined immediate priorities for the activation of the SEED Corporation. Initial priorities include identifying and hiring staff and developing a strategic business plan which will include a funding and fundraising strategy. As the SEED Corporation moves forward, it will provide a vehicle for attracting investment in economic development and revitalization projects and programs. The SEED Corporation's goals are to direct resources that promote economic vitality, in underserved and disadvantaged neighborhoods including fostering private investment and creation of employment opportunities for citizens of the City. While the SEED Corporation can span citywide, the initial geographic area of focus will be on Del Paso Heights.

As a part of the City's fiscal year (FY) 2016/2017 budget, City Council approved \$150,000 for expenses related to the reactivation of the SEED Corporation. Reactivation activities will include items such as opening a bank account, obtaining legal counsel, hiring an accountant, recruiting and hiring operational staff, etc., as further defined in the attached agreement. The SEED Corporation will become self-sustaining through revenue streams that will accrue over time as it participates in and/or develops projects and programs. Staff will report in the future concerning SEED Corporation's progress in implementing the goals outlined above.

**Policy Considerations:** Support of the SEED Corporation is consistent with the goals spelled out in the Five-Year Economic Development Strategy adopted by City Council in 2013. The Strategy includes direction to identify options to leverage and maximize the SEED Corporation.

**Economic Impacts:** The SEED Corporation can facilitate providing significant employment opportunities and increasing the tax base for the City. The SEED Corporation will focus on coordinating and facilitating economic development and revitalization in disadvantaged and under-resourced neighborhoods that have significantly suffered from the dissolution of Redevelopment and increased disinvestment by developing programs and projects that create jobs, opportunities, and build community health and wealth.

**Environmental Considerations:** This report concerns administrative activities and government fiscal activities that do not constitute a “project” as defined by the CEQA Guidelines Sections 15378(b)(2) and 15378(b)(4) and are not subject to the provisions of CEQA (CEQA Guidelines, §15060(c)(3)).

**Sustainability:** SEED Corporation projects and programs will be in direct alignment with the City’s goal of supporting sustainable growth and change through orderly and well-planned development that provides for the needs of existing and future residents and businesses.

**Commission/Committee Action:** N/A

**Rationale for Recommendation:** This action is supported by the Five-Year Economic Development Strategy adopted by City Council in 2013 and the Mayor’s 2016 Economic Development 3.0 Initiative.

**Financial Considerations:** One-time funds in the amount of \$150,000 were approved by City Council in the FY2016/17 Economic Development operating budget to support the reactivation of the SEED Corporation. Specifics of the financial reporting requirements can be found in the funding agreement.

**Local Business Enterprise (LBE):** N/A

## FUNDING AGREEMENT

This agreement, dated 11/21/16, 2016, for purposes of identification, is between the **City of Sacramento** (the "City"), a California municipal corporation, and **The Sacramento Economic and Employment Development Corporation** ("SEED Corp."), a California nonprofit corporation.

### Background

The SEED Corp. is a nonprofit public benefit corporation that was established by the City Council in 2007 (Resolution 2007-561) to serve as a vehicle for investing in economic development projects and programs with the goal of directing resources that promote economic vitality throughout the City, including fostering private investment, and assisting with business attraction and retention activities and job creation.

The SEED Corp.'s articles of incorporation state that its purpose is to lessen the burdens of government by assisting the City and the Redevelopment Agency of the City to revitalize areas within the City. Ways in which the SEED Corp. may accomplish this purpose include: (i) providing financial support and other assistance to businesses and individuals within the City for the purpose of promoting economic growth within the City, (ii) assisting businesses within the City to encourage, attract, retain, and expand job opportunities and private investment within the City, and (iii) assisting the City in its efforts to promote economic growth and revitalize areas within the City.

While the SEED Corp. was established in 2007, it was never officially activated due to recession-related factors. As part of the 2016-2017 budget, the City Council appropriated one-time funding of \$150,000 for expenses related to the reactivation of the SEED Corp. This funding will help the SEED Corp. fulfill its purpose, which is to assist the City to revitalize areas within the City.

***With these background facts in mind, the City and the SEED Corp. agree as follows:***

- 1. Term.** This agreement takes effect as described in section 15 and terminates on June 30, 2017.
- 2. Disbursement of Funds.** The City shall disburse to the SEED Corp. during the term of this agreement one disbursement of \$50,000 and up to four disbursements of up to \$25,000, resulting in a total disbursement not to exceed \$150,000. The first disbursement of \$50,000 is to be made no more than 15 days after the effective date of this agreement, and the remaining disbursements are to be made no more than 10 business days after the City reviews and approves the funding requests submitted under section 4.
- 3. Eligible Use of Funds.** The SEED Corp. may expend funds received under this agreement only for expenses related to the reactivation of the SEED Corp., including banking services, office rent, reimbursement of personnel costs incurred by using City Economic Development staff to provide consulting services, purchase of office equipment, purchase of insurance, legal services, recruitment of an executive director and other necessary staff, website development, logo design, printing services associated with the production of stationary, letterhead, and marketing materials. Any expense that is not related to the reactivation of the SEED Corp. is an ineligible use.
- 4. Funding Requests.** To receive funding after the initial disbursement of \$50,000, the SEED Corp. must submit funding requests to the City as provided in this section 4.



- (a) Each funding request must be in writing and must include:
    - (i) The amount of the requested funding (up to \$25,000);
    - (ii) An itemized statement of all expenditures of funds provided under this agreement as of the date of the funding request, including for each expenditure the date of the expenditure, the amount of the expenditure, the purpose of the expenditure, and the name of the payee; and
    - (iii) A statement of the purpose for which the SEED Corp. anticipates using the requested funding.
  - (b) The City shall review and approve the full amount of a funding request within a reasonable time of receiving the request unless the City determines, in its sole discretion, that:
    - (i) The funding request does not contain sufficient information for the City to determine whether the SEED Corp. has expended funds received under this agreement for only eligible uses. The City shall notify the SEED Corp. of the additional information that is needed to evaluate the funding request; or
    - (ii) The SEED Corp. has expended funds received under this agreement for an ineligible use. If the SEED Corp. has expended funds for an ineligible use, the City will approve the funding request, but may, in its sole discretion, reduce the amount of the approved funding by the amount of the expenditure for an ineligible use.
- 5. Reports.** Not more than 30 days after the end of each quarter during which the SEED Corp. expends funds provided under this agreement, the SEED Corp. shall provide the City with a written report that explains how the funds were used for reactivation of the SEED Corp. At a minimum, the report must include an itemized statement of all expenditures of funds provided under this agreement during the quarter. For the purposes of this agreement, the four quarters that make up the year are January, February, and March (first quarter); April, May, and June (second quarter); July, August, and September (third quarter); and, October, November, and December (fourth quarter).
- 6. Notices.** Any notice or other communication under this agreement must be in writing and is considered properly given and effective only when mailed or delivered in the manner provided by this section 4 to the persons identified below. A notice or other communication that is mailed is effective or considered to have been given on the third day after it is deposited in the U.S. Mail (certified mail and return receipt requested), addressed as set forth below, with postage prepaid. A notice or other communication sent in any other manner will be effective or will be considered properly given when actually delivered. A party may change its address for these purposes by giving written notice of the change to the other party in the manner provided in this section 6.

*If to the City:*

City of Sacramento  
Economic Development Department  
915 I Street, 4th Floor  
Sacramento, California 95814  
Attention:

Larry Burkhardt  
Director of Economic Development

*If to the SEED Corp.:*

SEED Corporation  
915 I. Street, 4<sup>th</sup> Floor  
Attention:  
Veronica Smith  
Senior Project Manager

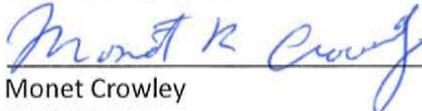
7. **Assignments.** A party may not assign or otherwise transfer this agreement or any interest in it without the other party's prior written consent, which the other party may withhold in its sole discretion. An assignment or other transfer made contrary to this section 7 is void.
8. **Binding effect.** This agreement binds and inures to the benefit of the parties' successors and assigns.
9. **Time of Essence.** Time is of the essence in performing this agreement.
10. **Severability.** If a court with jurisdiction rules that any nonmaterial part of this agreement is invalid, unenforceable, or contrary to law or public policy, then the rest of this agreement remains valid and fully enforceable.
11. **Waiver.** A party's failure to insist on strict performance of this agreement or to exercise any right or remedy upon breach of this agreement will not constitute a waiver of the performance, right, or remedy. A party's waiver of another party's breach of any provision in this agreement is not a continuing waiver or a waiver of any later breach of the same or any other provision. A waiver is binding only if set forth in a writing signed by the waiving party.
12. **Interpretation.** This agreement is to be interpreted and applied in accordance with California law, except that that the rule of interpretation in California Civil Code section 1654 will not apply.
13. **Attorneys' fees.** The parties must bear their own costs and attorneys' fees incurred in connection with this agreement.
14. **No Third-Party Beneficiaries.** This agreement is solely for the benefit of the City and the SEED Corp. It is not intended to benefit any third parties.
15. **Effective date.** This agreement is effective on the date both parties have signed it, as indicated by the dates in the signature blocks below.
16. **Counterparts.** The parties may sign this agreement in counterparts, each of which is considered an original, but all of which constitute the same agreement. Facsimiles, pdfs, and photocopies of signature pages of the agreement have the same binding effect as originals.
17. **Integration and modification.** This agreement sets forth the parties' entire understanding regarding the matters set forth above and is intended to be their final, complete, and exclusive expression of those matters. It supersedes all prior or contemporaneous agreements, representations, and

negotiations—written, oral, express, or implied—and may be modified only by another written agreement signed by both parties.

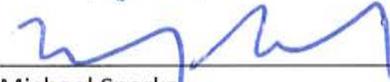
**City of Sacramento**

By: \_\_\_\_\_  
John F. Shirey  
City Manager  
Date: \_\_\_\_\_, 2016

**The Sacramento Economic and Employment  
Development Corporation**

By:   
Monet Crowley  
President  
Date: October 27, 2016

Approved as to Form  
Sacramento City Attorney

By:   
Michael Sparks  
Senior Deputy City Attorney

Attest:

By: \_\_\_\_\_  
Assistant City Clerk

## **RESOLUTION NO. 2016-**

Adopted by the Sacramento City Council

Date Adopted

### **ESTABLISHING A MULTI-YEAR OPERATING PROJECT (MYOP) #118000200 AND EXPENDITURE BUDGET IN THE AMOUNT OF \$150,000 FOR THE SACRAMENTO EMPLOYMENT AND ECONOMIC DEVELOPMENT (SEED) CORPORATION, TRANSFERRING \$150,000 FROM THE ECONOMIC DEVELOPMENT DEPARTMENT OPERATING BUDGET TO THE SEED CORPORATION, AND APPROVING A \$150,000 FUNDING AGREEMENT WITH THE SEED CORPORATION**

#### **BACKGROUND**

- A.** On July 24, 2007, the City Council adopted Resolution 2007-561, which established the Sacramento Employment and Economic Development (SEED) Corporation. The SEED Corporation was established to be a vehicle for investing in economic development projects and programs with the goal of directing resources that promote economic vitality throughout the City.
- B.** Shortly after the establishment of the SEED Corporation, efforts to move forward were halted due to challenging economic conditions, lack of staff capacity associated with the recession, and staff's inability to recruit private sector board members.
- C.** In late 2015, consistent with the goals and objectives identified in the Five-Year Economic Development Strategy, City Council directed the City Manager to explore the viability and activation of the SEED Corporation.
- D.** On August 9, 2016, the City Council passed Resolution 2016-0281, which confirmed the SEED Corporation board of directors appointments.
- E.** As part of the 2016-2017 budget, the City Council appropriated one-time funding of \$150,000 for expenses related to the reactivation of the SEED Corporation.
- F.** The SEED Corporation, prior to becoming self-sustaining, requires working capital to fund its start-up and initial operations.

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

- Section 1. Establish a Multi-Year Operating Project (MYOP), I18000200 for the Sacramento Employment and Economic Development (SEED) Corporation.
- Section 2. Establish an expenditure budget in MYOP I18000200 in the amount of \$150,000.

Section 3. Transfer \$150,000 from the Economic Development operating budget to the SEED Corporation MYOP I180002000.

Section 4. The City Manager or the City Manager's designee is authorized to execute the \$150,000 funding agreement with the SEED Corporation attached as exhibit A.

Table of Contents:

Exhibit A: \$150,000 funding agreement between City and the SEED Corporation

Adopted by the City of Sacramento City Council on \_\_\_\_\_ by the following vote:

Ayes:

Noes:

Abstain:

Attest: