



# REPORT TO COUNCIL

## City of Sacramento

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

CONSENT

October 17, 2006

Honorable Mayor and  
Members of the City Council

**Title:** Amendment to Non-Gateway Project Reimbursement/Credit Agreement for Construction of North Natomas Infrastructure (KSP Arena CorporateCenter)

**Location/Council District:** Arena Corporate Center Project, 4106 East Commerce Way north of Arena Boulevard, (District 1)

**Recommendation:** 1) Adopt a **Resolution** authorizing the City Manager to enter into an agreement with KSP Arena Corporate Center, LLC, amending the City Manager Agreement No. 2006-0750, "Non-Gateway Project Reimbursement/Credit Agreement for Construction of North Natomas Infrastructure (KSP Arena Corporate Center)," to allow an advance of North Natomas Public Facility Fee Credits secured by an irrevocable letter of credit.

**Contact:** Sini Makasini, Administrative Analyst, (916) 808-7967; Mark Griffin, Fiscal Manager, (916) 808-8788

**Presenters:** Not Applicable

**Department:** Planning

**Division:** Public Improvement Financing

**Organization No:** 4915

### Description/Analysis

**Issue:** Under the North Natomas Financing Plan, developers who construct Financing Plan approved public improvements are entitled to credits for use against impact fees at the time building permits are issued. A City Manager Agreement specifies the improvements, credits, and the timing of the use of credits. Because of development timing, permits are sometimes required before the completion of the improvements, which creates a limited opportunity for a landowner to receive and use credits issued according to the provisions of the City Manager Agreement. To address this problem in the case of KSP Arena Corporate Center, this report recommends that Council amend City Manager Agreement 2006-0750 to authorize an advance of credits secured with an Irrevocable Letter of Credit.



**Policy Considerations:** Adoption of the Resolution is consistent with the intention of the North Natomas Financing Plan to construct or acquire public infrastructure in a timely manner and to promote fairness and equity. Adoption is also consistent with the City's Strategic Plan goals to enhance and preserve the neighborhoods, improve and diversify the transportation system and support economic development.

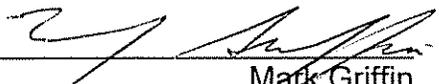
**Environmental Considerations:** The City Council's action in approving this Resolution is solely for the purpose of modifying the method by which credits can be issued and is, therefore, not a project for the purposes of the California Environmental Quality Act.

**Committee/Commission Action:** None

**Rationale for Recommendation:** The actions in the recommended Resolution will provide the Landowner with advanced credits to be used against permit fees. This action will allow the Landowner to begin construction of needed public facilities.

**Financial Considerations:** There is no impact on the General Fund. The credit program of the North Natomas Financing Plan supports the reimbursement of developer costs for building approved public improvements. An advance of credits secured by an Irrevocable Letter of Credit insures that the facilities will be built and built at a cost approved in the Plan. A demand on the Letter of Credit will occur if the facilities are not built or if credits are issued in excess of approved costs.

**Emerging Small Business Development (ESBD):** None. No goods or services are being purchased.

Respectfully Submitted by:   
Mark Griffin  
Fiscal Manager, Planning Department

Approved by:   
Carol Shearly  
Director, Planning Department

Recommendation Approved:

  
Ray Kerridge  
City Manager

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## **Attachment 1**

### **BACKGROUND**

Kelley-Sioukas Properties ("KSP") and the City have entered into a "Non-Gateway Project Reimbursement/Credit Agreement for Construction of North Natomas Infrastructure (KSP Arena Corporate Center)" (City Manager Agreement No. 2006-0750) under which KSP will construct the specified improvements and receive Public Facility Fee Credits ("PFF Credits") when the landscape median improvements are completed.

The City Manager Agreement allows issuance of PFF Credits upon full completion of the facilities. In the case of KSP, permits have been required before the completion of improvements, presenting a limited opportunity for KSP to receive and use PFF Credits issued according to the provisions of the City Manager Agreement.

To address the logistical problem, staff is recommending an amendment to the City Manager Agreement with KSP to allow the advance of credits with an Irrevocable Letter of Credit as security. This approach has been used before in North Natomas for developers in similar situations.

The total amount of credits that can be earned by KSP is \$213,284. With approval of the amendment to the City Manager Agreement, KSP will be able to use \$106,308 in credits in the near term for Public Facility Fees on permits with the balance remaining for future use. The Letter of Credit will be released after the public improvements are constructed and the costs verified.

**Attachment 2**

**RESOLUTION NO.**

Adopted by the Sacramento City Council

**AMENDMENT TO NON-GATEWAY PROJECT REIMBURSEMENT/CREDIT  
AGREEMENT FOR CONSTRUCTION OF NORTH NATOMAS INFRASTRUCTURE  
(KSP ARENA CORPORATE CENTER)**

**BACKGROUND**

- A. Landowner and City have previously entered into a "Non-Gateway Project Reimbursement/Credit Agreement of Construction of North Natomas Infrastructure (KSP Arena Corporate Center)" dated July 11, 2006, and designated as City Manager Agreement No. 2006-0750 ("City Manager Agreement"). The City Manager Agreement provides that Landowner will construct specified public facilities subject to receipt of credits against and/or reimbursement from the North Natomas Public Facilities Fee ("PFF").
- B. The City Manager Agreement permits issuance of credits ("PFF Credits") upon full completion of the facilities. City and Landowner recognize that, because of the development status of Landowner's property, there exists a limited opportunity for Landowner to receive and use PFF Credits issued according to the provisions of the City Manager Agreement.
- C. Therefore, City and Landowner desire to amend the provisions of the City Manager Agreement No. 2006-0750 that relate to the issuance of PFF Credits and the timing of issuance so as to enable Landowner to use PFF Credits that otherwise would be unavailable until after completion of the facilities specified in the City Manager Agreement. It is the intent of City and Landowner that only the provisions of the City Manager Agreement that relate to the issuance of PFF Credits and the timing of issuance are amended by this Agreement. All other provisions of the City Manager Agreement remain in full effect.

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

**SECTION 1:** The City Council hereby finds that the recitals set forth above are true and correct and are incorporated herein by reference as findings.

**SECTION 2:** The City Manager is hereby authorized to execute an amendment to City Manager Agreement No. 2006-0750 to provide for the issuance of PFF Credits under an Irrevocable Letter of Credit.