



# REPORT TO COUNCIL 29

## City of Sacramento

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

Staff Report  
**April 10, 2007**

Honorable Mayor and  
Members of the City Council

**Title:** Capitol Area Development Authority (CADA) 2006 Annual Report

**Location/Council District:** Citywide

**Recommendation:** Receive and file

**Contact:** Tina Lee-Vogt, Finance Department

**Presenters:** Russell Fehr, Finance Department, Paul Schmidt, CADA Executive Director and Todd Leon, R Street Development Manager

**Department:** Finance Department

**Division:** N/A

**Organization No:** 1112

### **Description/Analysis**

**Issue:** CADA is a Joint Powers Authority between the State of California and the City of Sacramento. The CADA Executive Director presents its annual report to the City Council for review each year. The recommendation is for the City Council to receive and file this report.

**Policy Considerations:** N/A

**Environmental Considerations:** N/A

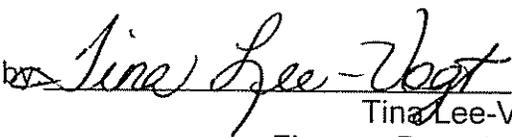
**Commission/Committee Action:** N/A

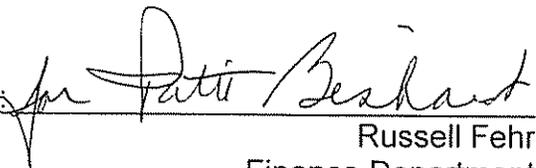
**Rationale for Recommendation:** N/A

**Financial Considerations:** N/A

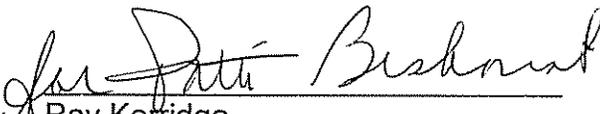
**Emerging Small Business Development (ESBD):** N/A



Respectfully Submitted by   
Tina Lee-Vogt  
Finance Department

Approved by   
Russell Fehr  
Finance Department

Recommendation Approved: ~

  
Ray Kerridge  
City Manager

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*Year in Review*  
2006

# Civic Engagement

Fremont Community Garden: CADA removed and replaced the soil at 14th and Q Streets allowing for the establishment of a garden that addresses multiple community needs. In addition to standard garden plots, the garden includes bocce courts for recreational use, accessible plots, and children plots and fruit orchards. Response to the availability of the plots was astounding, with all reserved in record time. Construction budget challenges were addressed by CADA's work with Paul Kearney, a contractor who discounted his costs, and dedicated gardeners who volunteered to execute elements of the work.

The Fremont Community Garden is a collaborative effort, with land made available by the State Department of General Services, Federal remediation funding, technical assistance provided by the City and County, and in-kind and cash contributions by private citizens and local businesses. Upon completion and following initial start-up operations, the land will be donated to the City of Sacramento Parks Department.

R Street Urban Design Plan: Adoption of the R Street Urban Design Plan by the City Council and adoption of environmental documents by CADA set the course for the CADA R Street Area Implementation Plan. This Implementation Plan will set forth strategies CADA will use to meet inclusionary housing requirements and conduct development programs and activities in the section of the R Street Corridor within the CADA Redevelopment Project Area (10th to 19th Streets). The Implementation Plan will be completed and undergo CEQA review in the coming year.



# Groundwork

R Street Combined Water and Sewer Project (10th to 13th Streets): CADA committed bond funds, facilitated construction staging and provided community outreach services for this project completed on time and in budget with minimal disruption to local businesses.

Additional R Street development activities: CADA worked with the City to secure design services for streetscape improvements and; with Regional Transit to secure design services for the 13th and 16th Street Light Rail Stations. Federal matching funds for these projects were obtained through the joint efforts of CADA and the City. CADA also joined with the City in co-sponsoring a series of public workshops regarding height and massing along R Street.



# Neighborhood Building

In implementing the residential and neighborhood commercial components of the Capitol Area Plan, CADA is charged with returning state-owned lands to the local tax rolls in a manner that contributes to the revitalization of the neighborhood. In the past year, alley improvements, under grounding electrical services, as well as the final close-out of the Capitol Park Homes and the Fremont Mews projects addressed this charge.

CADA also negotiated the early repayment of a loan by the developer of the Fremont Building, providing a funding resource for CADA to invest in new development projects.



1

Fremont Community Garden  
Groundbreaking Ceremony

Volunteer Gardeners  
constructing garden plots

2

R Street Construction and  
Community Meetings

CADA's 16th Street lightbox  
billboard

3

Neighborhood Residents  
Park Mansion  
Don Carlos  
The Dean

2

## Consensus Forming

At the State's request, CADA expanded the scope of the Mixed-Use Master Planning Agreement for Block 222 (12th/13th, O/P Streets). In addition to working with the University of California, the Department of General Services and the Department of Veterans Affairs, CADA also worked with the Department of Food and Agriculture on a feasibility study that addresses state office, parking, housing and UC student intern residence needs. This study sets forth three viable development alternatives on which stakeholder consensus is now being formulated.

## Shovel Ready

**East End Gateway:** CADA appraised, negotiated and purchased four major development sites on 16th Street and completed site clearance and soil remediation on two of these sites. When escalating construction and finance costs resulted in the withdrawal of the development team working on the sites at 16th and O Streets, CADA expedited the issuance of a development offering these sites to developers who have recently completed urban projects in Sacramento.

CADA also undertook efforts to keep the vision of 16th Street as a dynamic urban esplanade moving ahead through the restoration of the historic Mercury Cleaners Neon Sign and the installation of "Time for City Life" signage.

**Capitol Lofts:** CADA and Regis Homes, the project developer, successfully negotiated historic preservation design improvements with the City and completed construction documents. CADA stands committed to overcoming the challenges that increased construction and financing costs pose for this complex and long-awaited project at 12th and R Streets.

**Additional Capitol Area Development Activities:** CADA negotiated a purchase agreement with the State to develop a small (40 x 40 foot) infill parcel on 17th Street. Development of this parcel, surrounded by private property and long neglected, may prove to be one of the most interesting small projects in downtown Sacramento in the coming year.

## Planning in Present Tense

CADA's development plans for the future are enhanced by the fact that CADA's daily property management activities keep it acutely aware of the continuing evolution of the Capitol Park Neighborhood. Through its professional management of both rent-assisted and affordable market rate apartments, CADA provides the neighborhood with the stability that attracts private investment.

Over the years, many people have made important contributions to CADA's efforts. This year we recognize people who have:

### Concluded their work in the Capitol Area and left to pursue other endeavors.

Julie Virga, who pioneered sidewalk dining and downtown night life as the proprietor of Virga's Restaurant at 14th and O Streets.

Aubry Stone, president of the California Black Chamber of Commerce and CADA Board Member from 2002 to 2006, who advocated

making doing business with CADA good business for both emerging and established businesses.

### Continued their commitment

Board Chair Ann Bailey and Members William Ishmael and Page Robbins who, with the support of the State of California and the City of Sacramento, renewed their terms on the CADA Board.

Jerry Uribe, CADA Journeyman Electrician, and recipient of this year's Award of Excellence, who continues to care for CADA buildings after over twenty years of dedicated service.

### Re-committed their service to CADA's efforts.

Ron Alvarado, CADA Executive Director from 1995 through 2000, who returned to serve on the CADA Board as the State's newest appointee.

### Left a legacy of community service.

Margaret Moss, CADA receptionist who welcomed all who came to CADA with respect, cheer and compassion.

Hank Fisher, who in developing multiple apartment projects in the Capitol Area, set a high standard not only in the physical product he produced but in the forthright and concerned manner in which he conducted business.

CADA is committed to meeting its redevelopment mandate and maintains a long term perspective in its planning and decision-making. The care that the State of California and the City of Sacramento took in crafting CADA provides it the flexibility to assume the multiple and varied routes necessary to maintain momentum and implement the Capitol Area Plan through changing economic times.

We look forward to continuing achievements.

*Paul Schmidt*

Paul Schmidt, CADA Executive Director



# Benchmarks 2006

The CADA Redevelopment Project Area established in 1978 was limited to the Capitol Area. In 2002, the CADA Redevelopment Project Area boundaries were amended to include the R Street Area. Progress on the separate benchmarks that have been set forth for both areas are reported.

**Disposition and Development:** In the Capitol Area, CADA serves as a disposition agent for the state-owned properties that are designated for new residential/mixed use development. CADA does not serve a similar function in the R Street Area because the land is not state-owned and is for the most part in private ownership.

Of the 22.53 acres of state-owned lands designated for new residential/ mixed-use development in the Capitol Area, 17.63 acres have been disposed. Of the remaining 4.90 acres, 1.02 acres are impacted by the Mixed-Use Master Planning Study that CADA is conducting for the University of California. In the current reporting period, CADA negotiated the disposition of a small infill site to be concluded in 2007.

**Housing Production:** In the Capitol Area, CADA is tasked with implementing the residential and neighborhood commercial components of the Capitol Area Plan and, through its development of state-owned land, meeting a specific housing production goal. In the R Street Area, CADA is tasked with facilitating mixed-use transit-oriented development by constructing public infrastructure improvements and removing development impediments through such efforts as toxic remediation and providing technical/financial assistance to entities seeking to develop property in the R Street Corridor. CADA is not tasked with meeting a specific housing production goal in the R Street Area.

**Affordable Housing:** In the Capitol Area, 25% of the units located property leased by CADA from the Department of General Services or on property sold to CADA by the Department of General Services must be affordable to low income households from inception.

<b>Capitol Area</b>	Assisted	Market	Total
Units Managed by CADA	204	548	752
Units Managed by Others	136	464	600
<b>Total Units</b>	<b>340</b>	<b>1,012</b>	<b>1,352</b>
Percentage Split	25%	75%	100%

In the R Street Area, CADA is required to assure at least 15% of all units developed by entities other than CADA are affordable to low or moderate income households with not less than 40% of these units affordable to very low income households by build-out. CADA is also required to assure at least 30% of all units that it develops are affordable to low or moderate income households with not less than 50% of these units affordable to very low income households.

<b>R Street Area</b>	Developed by CADA	Developed by Others
Units Produced	0	19
Affordable Units Required by Build Out		
Very Low	0	1
Low/ Moderate	0	2
Total	0	3
Affordable Units Produced To Date		
Very Low	0	0
Low/Moderate	0	0
Total	0	0

<b>Capitol Area</b>	Units
Housing Production Goal	1,471
Completed in Prior Periods	(804)
Completed in Current Period	-
Under construction / In development	(183)
Remaining units to be developed	484



# Financials 2006

CADA is a self-sustaining public agency. While it is a joint powers authority created by the State of California and the City of Sacramento, CADA does not receive on-going operational support from either entity and is responsible for maintaining its own budget.

## Statement of Revenues and Expenses

For Period Ending June 30, 2006

<u>Revenues</u>	
Rental of property and equipment	\$6,992,686
Less: Low income rent-assistance	<u>(808,823)</u>
	6,183,863
Tax Increment revenue	1,630,204
Interest on investments	600,451
Development revenue and grants	750
Other revenue	<u>67,167</u>
<b>Total Revenues</b>	<b>8,482,435</b>
<u>Expenses</u>	
Employee services and benefits	2,665,950
Services and supplies	1,958,334
Development projects	545,408
Repairs and maintenance	1,173,304
Amortization and depreciation	874,249
Interest expense	<u>974,152</u>
<b>Total Expenses</b>	<b>8,191,397</b>
<b>Net Income</b>	<b>\$291,038</b>

CADA's primary revenue stream is the rental revenue it receives from the 752 apartments, 33 commercial properties and 600 parking spaces that it manages. Of the 752 apartments, 548 are rented at market rates and 204 are rent-assisted. In addition to preserving critically needed affordable rental units, CADA's rehabilitation, maintenance and management of the housing stock transferred to its care by the State of California in 1978 provides the neighborhood stability necessary to attract private investment.

CADA's secondary revenue stream is the tax increment revenue generated by privately owned properties in CADA's redevelopment project area. While tax increment revenue is accelerating, the growth in the original Capitol Area is tempered by the predominance of state-office buildings and the fact that the land use designated for the privately owned properties is residential/mixed-use development rather than private commercial development.

Tax increment is expected to continue to grow in the Capitol Area as CADA completes the disposition of state-owned properties designated for residential/mixed use development and as the properties previously disposed and developed appreciate in value. CADA will have a less direct impact on tax increment growth in the R Street Area because CADA does not serve as a land disposition agent as it does for the Capitol Area. CADA will, however, enhance the private development of the R Street Area by the efforts it undertakes to make public infrastructure improvements and provide gap financing assistance to development projects.

Twenty percent (20%) of tax increment funds are designated as Housing Set Aside Funds because they must be used for the purpose of increasing and improving the supply of affordable housing. Eighty percent (80%) of tax increment funds are designated as Unrestricted Funds because they may be used for any purpose consistent with the implementation of CADA's redevelopment mandates. As illustrated below, CADA is required to separately account for its utilization of the tax increment flow by properties located in the Capitol Area and the R Street Area.

## Tax Increment - Source and Use

For Period Ending June 30, 2006

<u>Capitol Area</u>	<u>Unrestricted</u>	<u>Housing Set Aside</u>
<u>Source</u>		
Tax Increment	\$1,075,827	\$268,960
Unexpended Prior		
Year Tax Increment	<u>414,251</u>	<u>28,177</u>
<b>Total</b>	<b>1,490,078</b>	<b>297,137</b>
<u>Use</u>		
Bond Debt Service	620,835	160,800
Direct Expenditure	796,581	123,787
Reserved	<u>72,662</u>	<u>12,550</u>
<b>Total</b>	<b>1,490,078</b>	<b>297,137</b>
<b>Net</b>	<b>\$0</b>	<b>\$0</b>

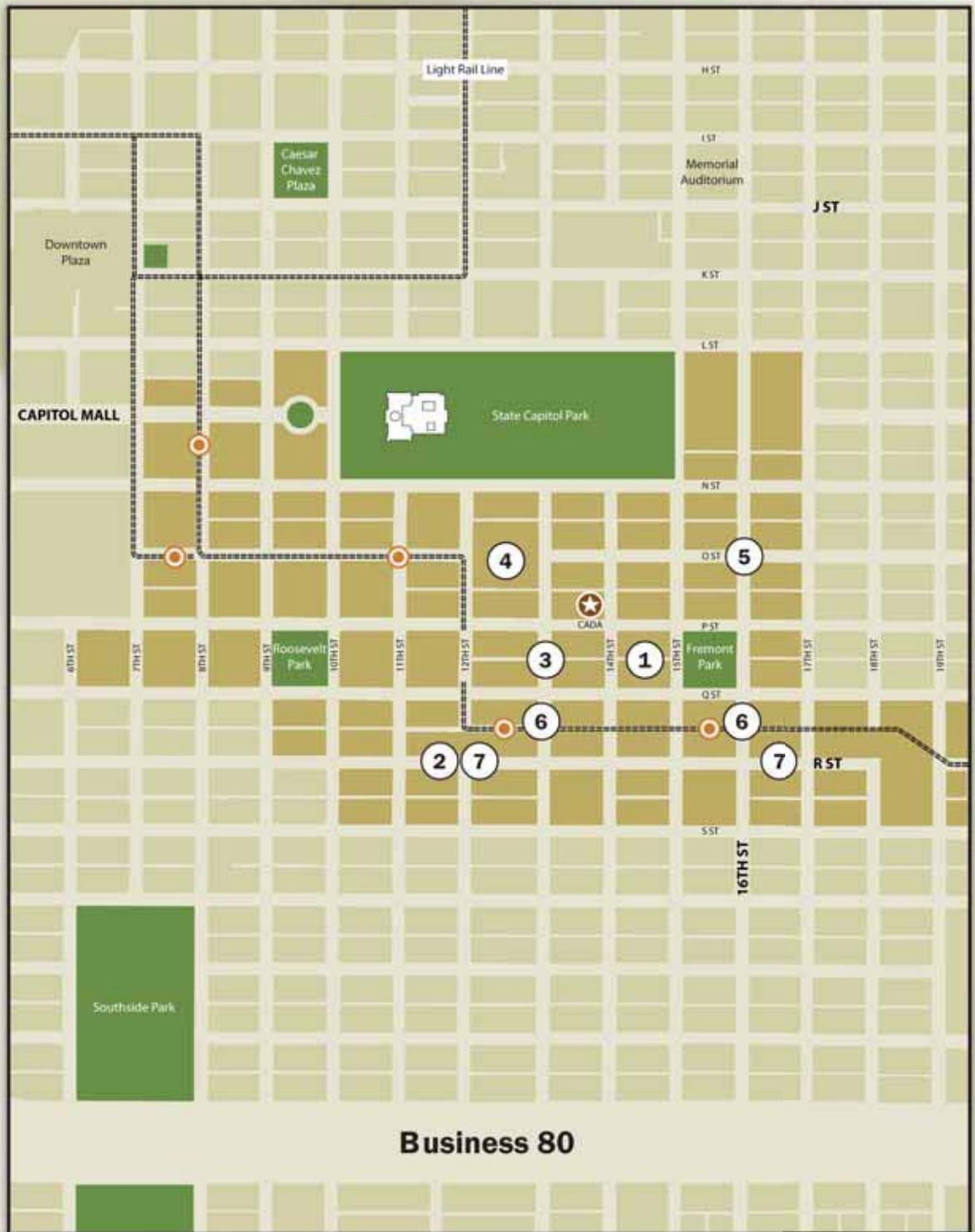
<u>R Street Area</u>	<u>Unrestricted</u>	<u>Housing Set Aside</u>
<u>Source</u>		
Tax Increment	\$228,335	\$57,082
Unexpended Prior		
Year Tax Increment	<u>58,676</u>	<u>18,545</u>
<b>Total</b>	<b>287,011</b>	<b>75,627</b>
<u>Use</u>		
Bond Debt Service	42,257	10,005
Direct Expenditure	93,615	27,850
Reserved	<u>151,139</u>	<u>37,772</u>
<b>Total</b>	<b>287,011</b>	<b>75,627</b>
<b>Net</b>	<b>\$0</b>	<b>\$0</b>

Because development projects require advance funding and the timing of the resulting tax increment is uncertain, CADA maintains an ongoing five year financial forecast that analyses the impact of all development projects on CADA's overall operations. This projection is reviewed annually as part of the upcoming fiscal year's budget preparation process and whenever CADA makes a decision concerning a significant development project.



CAPITOL AREA DEVELOPMENT AUTHORITY

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Chair  
State Appointee



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**Ron Alvarado**  
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**William Ishmael**  
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**Page Robbins**  
Board Appointee



**Paul Schmidt**

**Executive Director**