Sacramento Housing & Redevelopment Agency

REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento

915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Consent
June 26, 2007

Honorable Chair and Members of the Board

Title: Agreement: Approval to Establish a Merged Downtown Acquisition Project Budget and Authority to Enter into an Agreement for a Line of Credit with Bank of America

Location/Council District: Merged Downtown Redevelopment Area, Districts 1, 3 and 4.

Recommendation: Adopt an **Redevelopment Agency Resolution:** 1) approving the Merged Downtown Acquisition Project budget; 2) transferring $5 million from the Docks project to the Merged Downtown Acquisition Project budget; 3) allocating $11,000,000 in Merged Downtown bond funds to the Merged Downtown Acquisition Project budget; and 4) authorizing the Executive Director to execute an agreement with Bank of America for a $20 million line of credit and allocating up to $8 million from the line of credit to the Merged Downtown Acquisition Project budget.

Contact:	Michelle Nelson, Senior Development Project Manager, 808-7064
Presenters:	None
Department:	Economic Development
Division:	Downtown Development
Org. Number:	4451

Description/Analysis

Issue: Fragmented ownership has long been an impediment to effective revitalization efforts in the City's redevelopment areas. The Agency has successfully acquired properties and assembled parcels within the Merged Downtown Redevelopment Area in order to stimulate redevelopment and eliminate blighting conditions. Property acquisition has proven to be a critical element in the accomplishment of such projects as 800 J Street lofts and Library Plaza. This report recommends allocating funds to a Merged Downtown Acquisition Project to help achieve land assembly and other Downtown revitalization goals, plans and policies for the Docks area and the JKL

Corridor. The proposed action will establish one fund that can be used for the acquisition of strategically located sites in the Docks area and in the most blighted blocks of the JKL corridor.

In addition, this report requests authorization to enter into a line of credit with Bank of America. Since the 2005 Merged Downtown tax increment bond issuance, a number of significant projects have been completed or have begun construction in the Downtown project area e.g., 800 J Lofts, Marriott, and US Bank Plaza. These projects will provide sufficient tax increment revenue to allow for another bond issuance of approximately $35 million in 2009. In order to finance some key projects like the property acquisition budget described in this report, staff is recommending entering into a line of credit of up to $20 million with Bank of America. Projects proposed to be financed using these funds would return to the Agency for approval in the same manner as other projects funded using tax increment or other tax increment bond funds.

Policy Considerations: The recommended actions are consistent with policies for redevelopment site assembly, as described in the *Merged Downtown Redevelopment Plan*. These actions are also consistent with the 2005 Downtown Sacramento Redevelopment Strategy and with the California Redevelopment Law.

This report establishes the budget for property acquisition but does not provide authorization for Agency acquisition of any particular parcels. Separate approval steps such as the setting of just compensation would be required prior to Agency acquisition.

Environmental Considerations: The proposed action is in furtherance of the Merged Downtown Redevelopment Plan, as amended. Per California Environmental Quality Act (CEQA) Guidelines Sections 15180, 15162, and 15163, acquisition of parcels for consolidation and development, and actions to encourage redevelopment in a redevelopment area were deemed approved at the time of adoption of the redevelopment plan. The proposed actions do not commit the Agency to a definite course of future development action on properties because future Disposition and Development approvals are expressly contingent upon CEQA compliance per Agency and City environmental procedures. No further environmental documentation is required at this time. NEPA does not apply.

Rationale for Recommendation: One of the primary constraints to redevelopment identified in the *Merged Downtown Redevelopment Plan* is the predominance of small fragmented parcels that do not lend themselves to reuse or redevelopment. Parcel assembly is a critical element for redevelopment of this area and would be in furtherance of the Agency's land consolidation and blight elimination policies.

Financial Considerations: In August 2006, the Agency approved funding for the Docks area property acquisition. Staff is recommending the establishment of one fund for acquisition of properties needed for the Docks area development as well as sites needed to further the redevelopment of the JKL corridor.

Funding for the Merged Downtown Acquisition Project is proposed from the following sources:

- Transfer $5 million from the Docks Project budget;
- Allocate $11 million from Merged Downtown Project Area Bond funds (funds previously set aside for the Towers project);
- Enter into a $20 million line of credit with Bank of America and utilize up to $8 million from the line of credit for Acquisition Project budget to be drawn as needed. The funds used from the line of credit shall be repaid from future redevelopment bond proceeds. Projected tax increment revenues from existing projects completed recently or under construction will be sufficient to leverage redevelopment bond funds to repay the line of credit by 2010.

M/WBE Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by: Leslie Fritzsche
Leslie Fritzsche
Downtown Economic Development Manager
on behalf of the Redevelopment Agency
of the City of Sacramento

Approved by: David L. Spaur
David L. Spaur, CEcD, EDFP
Economic Development Director

Recommendation Approved:

for Ray Kerridge
City Manager

Table of Contents:

Pg 1 Report
Attachments
1 Pg 4 Redevelopment Agency Resolution

RESOLUTION NO. 2007-_____

Adopted by the Redevelopment Agency
of the City of Sacramento

APPROVING THE MERGED DOWNTOWN ACQUISITION PROJECT ALLOCATIONS

BACKGROUND

A. Parcel assembly is a critical element for redevelopment of the Merged Downtown Project area and would be in furtherance of the Agency's land-consolidation and blight elimination policies.

B. The budget established for the Merged Downtown Acquisition Project will enable the Agency to acquire strategically located sites that can potentially be developed in conjunction with other properties in the Docs area and on the most blighted blocks in the JKL corridor.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

Section 1. Executive Director is authorized to execute an agreement with Bank of America for a $20 million line of credit and is authorized to draw down on the line of credit as necessary. The security pledge for the line of credit will be a subordinate pledge of tax increment revenues and a commitment to repay any borrowed funds from the next redevelopment financing in the Merged Downtown Redevelopment Project Area.

Section 2. The Merged Downtown Acquisition Project budget is approved.

Section 3. The budget includes the transfer of $5 million from the Docks Project budget to the Merged Downtown Acquisition Project budget.

Section 4. The budget includes the transfer of $11 million from the Merged Downtown Project Area Bond funds.