Supplemental Material

For

City of Sacramento

City Council
Housing Authority
Redevelopment Agency
Economic Development Commission
Sacramento City Financing Authority

Agenda Packet

Submitted: July 20, 2007

For the Meeting of: July 24, 2007 (afternoon)

☐ Additional Material
☒ Revised Material

Subject: **Establishment of the Sacramento Employment and Economic Development Corporation (SEEDCorp)**

Approved By: Dave Harzoff

Dave Harzoff, Economic Development Manager, 808-5385

Please include this supplemental material in your agenda packet. This material will also be published to the City=s Intranet
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REPORT TO COUNCIL
City of Sacramento

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

Staff Report
July 24, 2007

Honorable Mayor and
Members of the City Council

Title: Establishment of the Sacramento Employment and Economic Development Corporation (SEEDCorp)

Location/Council District: Citywide

Recommendation: Adopt a **Resolution:** 1) Establishing the Sacramento Employment and Economic Development Corporation; 2) Authorizing the Mayor to appoint two Interim Board Members with limited powers to establish the Corporation; 3) Directing staff to file the Articles of Incorporation; 4) Directing staff to work with the Interim Board to complete the establishment of the Corporation; and 5) Directing staff to work with the P & PE Committee and Mayor's Office to identify qualified appointees for permanent Board candidates and return to the Council for confirmation of those appointees.

Contact: John Dangberg, Assistant City Manager, 808-5704
David Spaur, Economic Development Director, 808-7223
Dave Harzoff, Economic Development Manager, 808-5385

Presenters: John Dangberg and Dave Harzoff

Department: City Manager's Office

Division: Economic Development

Organization No: 0310

Description/Analysis

Issue: In January, 2005 at its planning retreat the City Council identified as one of its three-year goals: "Spreading economic development throughout the City". In 2006, the City Treasurer's Office researched and presented information on establishing an economic development corporation. The corporation would provide a financing and facilitation tool that could help build and sustain a strong economy for the City. At that time, Council directed the Economic Development

Department to proceed with the development of a nonprofit development corporation. Establishment of the corporation was recommended to help implement the Five-Year Economic Development Strategy adopted by the Council on May 29, 2007 under Objective 4: Participation – "Alignment of Internal and Regional Resources".

Establishing the corporation will require filing Articles of Incorporation (attached) with the Secretary of State, having the Mayor appoint an Interim Board of Directors (two directors) that would adopt the Bylaws (proposed, attached) and direct the filing of applications with the IRS and Franchise Tax Board for tax-exempt status. The filings would be as a charitable organization described in Section 501(c)(3) of the Internal Revenue Code and corresponding provision of the California Revenue and Taxation Code. A regular Board of five members would be appointed by the Mayor and confirmed by the City Council (utilizing the Council P & PE Committee process) prior to the initiation of Corporation activities. Two City Council members are proposed to serve as nonvoting ex-officio members who would attend Board meetings and participate in deliberations.

The Corporation will provide a vehicle for investing in economic development projects and programs, including outside of established redevelopment areas. The goals for the Corporation are to direct resources that promote economic vitality throughout the City, including fostering private investment, and assisting with business attraction and retention activities and job creation.

Policy Considerations: The actions recommended in this report are consistent with the goal adopted by the City Council planning retreat in January 2005 and the four objectives included in the Five-Year Economic Development Strategy approved by the City Council on May 29, 2007.

Environmental Considerations: The requested actions are exempt under CEQA Guidelines Section 15262 as a planning activity for possible further action. Environmental review will be performed as required in conjunction with specific projects that may result from the requested actions.

Rationale for Recommendation: These actions are supported by the strategic goals adopted by the City Council in 2005, Council direction in 2006, and the Five-Year Economic Development Strategy adopted on May 29, 2007.

Financial Considerations: Establishment and initiation of the actions of the Corporation will require ongoing City staff time and the services of special corporate legal counsel, both of which are already funded on an interim basis. Many individual projects and programs pursued by the Corporation will require future Council or Redevelopment Agency actions, including approval of agreements for the use of any City or Agency resources.

Emerging Small Business Development (ESBD): No goods or services are being purchased under this report. Ultimately, small businesses within the City of Sacramento stand to benefit from the enhanced resources, services, incentives and assistance proposed within the 2007 Five-Year Economic Development Strategy.

Respectfully Submitted by: _____

John Dangberg
Assistant City Manager

Recommendation Approved:

_____

Ray Kerridge
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

APPROVAL OF THE SACRAMENTO ECONOMIC AND EMPLOYMENT DEVELOPMENT CORPORATION (SEEDCorp)

BACKGROUND

A. In 2005, the City Council adopted a strategic goal of spreading economic development throughout the City of Sacramento (City).

B. In 2006, the City Council directed the Economic Development Department (Department) to develop a nonprofit development corporation and return to Council for consideration.

C. On May 29, 2007 the City Council adopted a comprehensive update of the City's Five-Year Economic Development Strategy (Strategy) which included the establishment of an Economic Development Corporation as one of its implementation actions.

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

Section 1. The Sacramento Employment and Economic Development Corporation is hereby established.

Section 2. The Mayor is authorized to appoint an Interim Board of Directors with powers limited to the establishment of the Corporation.

Section 3. Staff is directed to file the Articles of Incorporation with the Secretary of State's Office.

Section 4. Staff is directed to work with the Interim Board to complete the establishment of the Corporation, including adopting the proposed Bylaws and filing the tax exemption applications with the IRS and Franchise Tax Board.

Section 5. Staff is directed to work with the Council P&PE Committee and Mayor's office to identify qualified candidates for appointment of a permanent Board of Directors and to return to the City Council for confirmation of those appointees..

ATTACHMENT 1

ARTICLES OF INCORPORATION

OF

THE SACRAMENTO ECONOMIC AND EMPLOYMENT DEVELOPMENT CORPORATION

I.

The name of this corporation is: THE SACRAMENTO ECONOMIC AND EMPLOYMENT DEVELOPMENT CORPORATION

II.

A. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes.

B. The specific purpose of this corporation is to lessen the burdens of government by assisting the City of Sacramento, California (the "City") and the Redevelopment Agency of the City of Sacramento ("the RDA") to revitalize areas within the City and assist in economic growth within the City by: (i) owning, acquiring and disposing of, developing, financing (including but not limited to loaning money in connection with), assisting, leasing and managing projects in areas within the City; (ii) providing amenities or improvements associated with any projects undertaken by this corporation; (iii) providing financial support and other assistance to businesses and individuals within the City for the purpose of promoting economic growth within the City; (iv) assisting businesses within the City to encourage, attract, retain and expand job opportunities and private investment in the City; (v) assisting the City and RDA in its efforts to promote economic growth and otherwise revitalize areas within the City; and (vi) conducting or performing any ancillary or related activity in furtherance of the foregoing. Subject to Article IV.B of these articles, this corporation shall be permitted to conduct other lawful activities permitted under the California Nonprofit Public Benefit Corporation Law.

C. This corporation is formed for the benefit of, and to carry out the purposes of, the City and the RDA by helping the City and RDA revitalize areas within the City and assist in economic growth within the City and thereby lessening the burdens of government within the meaning of Section 1.501(c)(3)-1(d)(2) of the Treasury Regulations.

D. This corporation shall have no members.

III

The name in the State of California of this corporation's initial agent for service of

process is:

CT Corporation System

IV.

A. This corporation is organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

B. Notwithstanding any other provision of these articles, this corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

C. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and this corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of or in opposition to any candidate for public office.

V.

A. The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net earnings or assets of this corporation shall inure to the benefit of (or be distributable to) any director or officer of this corporation or other private person, except that this corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its charitable purposes. The corporation shall be authorized and empowered to provide excess revenue to the City or the RDA for public purposes, including economic development purposes.

B. Upon the dissolution or winding up of this corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to the City for public purposes, including economic development. In the event that the City does not accept any asset of this corporation on dissolution then any such asset shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

Dated: _____, 2007.

_____

Heather Fargo, Incorporator

ATTACHMENT 2

BYLAWS OF
THE SACRAMENTO ECONOMIC AND EMPLOYMENT DEVELOPMENT CORPORATION

a California Nonprofit Public Benefit Corporation

ARTICLE I
NAME

The name of this corporation shall be: The Sacramento Economic and Employment Development Corporation (the "Corporation").

ARTICLE II
PRINCIPAL OFFICE

Section 1. Principal Office. The principal office for the transaction of the business of the Corporation ("principal executive office") shall be fixed and located at Sacramento, California, or at such other place as the Board of Directors ("Board") shall determine. The directors may change the principal office from one location to another. Any change of this location shall be noted by the Secretary on these bylaws opposite this section, or this section may be amended to state the new location.

Section 2. Other Offices. The Board may at any time establish branch or subordinate offices at any place or places where the Corporation is qualified to do business.

ARTICLE III
MEMBERSHIP

Section 1. Members. The Corporation shall have no members. Any action which would otherwise require approval by a majority of all members or approval by the members shall require only approval of the Board. All rights which would otherwise vest in the members shall vest in the Board.

Section 2. Associates. Nothing in this Article III shall be construed as limiting the right of the Corporation to refer to persons associated with it as "members" even though such persons are not members, and no such reference shall constitute anyone a member, within the meaning of Section 5056 of the California Nonprofit Corporation Law. The Corporation may confer by amendment of its articles or of these bylaws some or all of the rights of a member, as set forth in the California Nonprofit Corporation Law, upon any person or persons who do not have the right to vote for the election of directors or on a disposition of substantially all of the assets of the Corporation or on a merger or on a dissolution or on changes to the Corporation's articles or bylaws, but no such person shall be a member within the meaning of said Section 5056.

ARTICLE IV
DIRECTORS

Section 1. Powers. Subject to limitations of the articles and these bylaws, the activities and affairs of the Corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of the Corporation to any person or persons, a management company, or committees, however composed, provided that the activities and affairs of the Corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these bylaws or statute:

(a) To select and remove all the other officers, agents, and employees of the Corporation, prescribe powers and duties for them as may not be inconsistent with law, the articles, or these bylaws, fix their compensation, and require from them security for faithful service.

(b) To conduct, manage, and control the affairs and activities of the Corporation and to make such rules and regulations therefor not inconsistent with law, the articles, or these bylaws, as they may deem best.

(c) To adopt, make, and use a corporate seal and to alter the form of such seal from time to time as they may deem best.

(d) To borrow money and incur indebtedness for the purposes of the Corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidences of debt and securities therefor.

(e) To carry on a business at a profit and apply any such profit that results from the business activity to any activity in which it may lawfully engage as a tax exempt Corporation. No part of the earnings or profits of this Corporation shall inure to the benefit of any of its directors, trustees, officers, members, or to individuals.

(f) The Incorporator appointed two (2) interim directors (the "Interim Directors") who may only perform actions necessary or appropriate to perfect the organization of the Corporation (e.g., adopt Bylaws, appoint Officers, select tax year, and file applications for recognition of tax-exempt status with the relevant taxing authorities), and shall be replaced by the City when it appoints the regular Board of Directors pursuant to Sections 3 and 4 of this Article IV.

Section 2. Number of Directors. The Board shall consist of five members.

Section 3. Selection and Term of Office. The Incorporator shall appoint the initial directors, referred to as Interim Directors. Thereafter, the directors shall be appointed and removed as provided in Sections 3 and 4 of this Article IV. The directors shall be designated and appointed by the City of

Sacramento (the "City") through action of the City Council, and each director shall hold office until a successor has been designated and appointed by the City. Such designation and appointment may be evidenced by the delivery to this corporation of written notification from the City Clerk of the City (the "Appointment Notice") which shall be filed in the minute books of this corporation and such appointment shall be effective as of the specified future date in the Appointment Notice or if no date is specified the date of receipt by this corporation of the Appointment Notice. In selecting the individuals to serve as the directors of the Corporation, the City may take into account the individual's requisite experience in financial and real estate matters as well as experience in economic development. Two City Council members may serve as non-voting ex-officio members of the Board in addition to the five regular Board members.

Section 4. Vacancies. Subject to the provisions of Section 5226 of the California Nonprofit Public Benefit Corporation Law, any director may resign effective upon giving written notice to either the President, the Secretary, or the Board. In addition, any director may be removed at any time, with or without cause, by the City. The removal of a director may be evidenced by the delivery to this corporation of written notification from the City Clerk of the City (the "Removal Notice") which shall be filed in the minute books of this corporation, and such removal shall be effective as of the specified future date in the Removal Notice or if no date is specified the date of receipt by this corporation of the Removal Notice.

A vacancy or vacancies in the board shall be deemed to exist in case of the death, resignation, or removal of any director. The Board may declare vacant the office of a director who has been declared of unsound mind by a final order of court, or convicted of a felony, or found by a final order of judgment of any court to have breached any duty arising under Article 3 of Chapter 2 of the California Nonprofit Public Benefit Corporation Law. Vacancies in the board shall be filled by the City designating and appointing a director to fill the vacancy. Such designation and appointment may be evidenced by the delivery to this corporation of the Appointment Notice which shall be filed in the minute books of this corporation and such appointment shall be effective as of the date of receipt by this corporation of the Appointment Notice.

No reduction of the authorized number of directors shall have the effect of removing any director before that director has been removed by the City or resigns.

Section 5. Place of Meetings. Meetings of the Board shall be held at the principal office of the Corporation unless a different place is designated in the notice of such meeting.

Section 6. Ralph M. Brown Act. All meetings of the Board and its appointed Committees of the Board, including, without limitation, regular, adjourned regular, emergency, special, and adjourned special meetings shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act (commencing with Section 54950 of the Government Code of the State of California), or any successor legislation hereinafter enacted (the "Brown Act").

Section 7. Regular Meetings. The Board shall provide for its regular meetings; provided, however, it shall hold at least one regular meeting each year. The date, hour and place of the holding of the regular meetings shall be fixed by resolution of the Board. To the extent permitted by the Brown Act, such meetings may be held by telephone conference.

Section 8. Special Meetings. Special meetings of the Board or its Committees of the Board may be called in accordance with the provisions of Section 54956 of the Government Code of the State of California. To the extent permitted by the Brown Act, such meetings may be held by telephone conference.

Section 9. Quorum. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 11 of this Article IV. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number is required by law or by the articles, except as provided in the next sentence. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 10. Waiver of Notice. Subject to Section 6 of this Article IV, notice of a meeting need not be given to any director who signs a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting, without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 11. Adjournment. Subject to Section 6 of this Article IV, a majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place is fixed at the meeting adjourned, except as provided in the next sentence. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment and others requesting notification of the Board meetings in writing to the Corporation.

Section 12. Rights of Inspection. Every director shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents of every kind and to inspect the physical properties of the Corporation of which such person is a director.

Section 13. Fees and Compensation. Except with respect to directors who are employees of the City or other governmental body, directors and members of committees may receive reasonable compensation for their services as determined by the Board, in amounts fixed or determined by the Board; provided, however, that all directors may receive reimbursement for reasonable expenses incurred in performance of duties as may be fixed or determined by the Board.

Section 14. Conflict of Interest. Members of the Board shall be subject to the State of California conflict of interest laws including the The Political Reform Act (Gov. Code sections 81000 et seq.) and the City's conflict of interest code adopted pursuant to that Act; and the City's supplemental conflict of interest, set forth in City code Chapter 2.16. For purposes of this provision, directors shall be considered to be members of an appointed board or commission subject to Chapter 2.16.

ARTICLE V
COMMITTEES

Section 1. Committees of the Board. The Board may appoint one or more committees, each consisting of two (2) or more directors and no persons who are not directors, and delegate to such committees any of the authority of the Board except with respect to:

(a) the taking of any final action on matters which, under the Nonprofit Corporation Law of California, also requires members' approval or approval of a majority of all the members;

(b) the filling of vacancies on the Board or in any committee;

(c) the fixing of compensation of the directors for serving on the Board or on any committee;

(d) the amendment or repeal of bylaws or adoption of new bylaws;

(e) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;

(f) the appointment of any other committees of the Board or the members of these committees.

(g) the expenditure of corporate funds to support a nominee for director after there are more people nominated for director than can be elected; or

(h) the approval of any self-dealing transaction, as such transactions are defined in Section 5233(a) of the California Nonprofit Public Benefit Corporation Law.

Any such committee must be created, and the members thereof appointed, by resolution adopted by a majority of the authorized number of directors then in office, provided a quorum is present, and any such committee may be designated by such name as the Board shall specify. The Board may appoint, in the same manner, alternate members of any committee who may replace any absent member at any meeting of the committee. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings be conducted. Unless the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any such committee shall be governed by the provisions of Article IV applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of each committee.

Section 2. Advisory Committees. Other committees may be appointed from time to time by the Board. These committees' membership may consist of both directors and non-directors or non-directors only. These committees have no legal authority to act for the Corporation but shall report their findings and recommendations to the Board.

Section 3. Fees and Compensation. Except with respect to members of committees who are employees of the City or other governmental body, members of committees may receive nominal compensation of up to an amount to be determined by the Board; provided, however, that all members of committees may receive reimbursement for reasonable expenses incurred in performance of duties as may be fixed or determined by the Board;

ARTICLE VI
OFFICERS

Section 1. Officers. The officers of the Corporation shall be a President, Secretary, and Chief Financial Officer. Members of the Board may serve as officers of the Corporation. The Corporation may also have, at the discretion of the Board, a chairman of the board, an executive director, one or more vice presidents, one or more assistant secretaries, one or more assistant chief financial officers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article VI. Any number of offices may be held by the same person, except as provided in the articles or in these bylaws and except that neither the Secretary nor the Chief Financial Officer may serve concurrently as the President.

Section 2. Election. The officers of the Corporation shall be chosen annually by the Board, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

Section 3. Subordinate Officers. The Board may appoint, and may authorize the President or another officer to appoint, any other officers the business of the Corporation may require, each of whom shall have the title, hold office for the period, have the authority, and perform the duties specified in the bylaws or determined from time to time by the Board.

Section 4. Removal and Resignation. Any officer may be removed, with or without cause, by the Board at any time or, except in the case of an officer chosen by the Board, by an officer on whom such power of removal may be conferred by the Board. Any such removal shall be without prejudice to the rights, if any, of the officer under any contract of employment of the officer.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 5. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled only in the manner prescribed in these bylaws for

regular election or appointment to that office, provided that such vacancies shall be filled as they occur and not on an annual basis.

Section 6. President. The President shall preside at meetings of the Board and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board or prescribed by the bylaws. In the absence of the President, another officer or a director of the Corporation may preside at a meeting of the Board.

Section 7. Secretary. The Secretary shall attend to the following:

(a) Book of minutes. The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board may direct, a book of minutes of all meetings and actions of directors, and committees of directors, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at such meetings, and the proceedings of such meetings.

(b) Notices, seal and other duties. The Secretary shall give, or cause to be given, notice of all meetings of the Board required by the bylaws to be given. The Secretary shall keep the seal of the Corporation in safe custody. The Secretary shall have such other powers and perform such other duties as may be prescribed by the Board or the bylaws.

Section 8. Chief Financial Officer. The Chief Financial Officer shall attend to the following:

(a) Books of account. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books of account shall be open to inspection by any director at all reasonable times.

(b) Deposit and disbursement of money and valuables. The Chief Financial Officer shall deposit all money and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board; shall disburse the funds of the Corporation as may be ordered by the Board; shall render to the directors, whenever they request it, an account of all transactions as Chief Financial Officer and of the financial condition of the Corporation; and shall have such other powers and perform such other duties as may be prescribed by the Board or the bylaws.

Section 9. Compensation. Except with respect to officers who are employees of the City or other governmental body, officers may receive such reasonable compensation, if any, for their services as may be fixed or determined by the board; provided, however, that all officers may receive reimbursement for reasonable expenses incurred in performing their officer duties.

ARTICLE VII
RECORDS AND REPORTS

Section 1. Corporate Records. The Corporation shall keep:

(a) Adequate and correct books and records of accounts;

(b) Written minutes of the proceedings of its Board and committees of the Board; and

(c) The original or a copy of the articles of incorporation and bylaws, as amended, to date.

Section 2. Public Records Act. The records of the Corporation shall be available to the public as required by the California Public Records Act (commencing with Section 6250 of the Government Code of the State of California)

Section 3. Annual Report.

(a) Financial statements shall be prepared as soon as reasonably practicable after the close of the fiscal year. The financial statements shall contain in appropriate detail the following:

(1) The assets and liabilities, including trust funds, of this Corporation as of the end of the fiscal year;

(2) The principal changes in assets and liabilities, including trust funds, during the fiscal year;

(3) The revenue or receipts of this Corporation, both unrestricted and restricted to particular purposes, for the fiscal year;

(4) The expenses or disbursements of this Corporation, for both general and restricted purposes during the fiscal year;

(5) Any transaction during the previous fiscal year involving Forty Thousand Dollars ($40,000.00) or more to which this Corporation or a subsidiary was a party and in which any directors or officers of the Corporation or subsidiary had or has a direct or indirect material financial interest. The report must disclose the names of the interested persons involved in such transaction, stating such person's relationship to the Corporation, the nature of such person's interest in the transaction and, where practicable, the amount of such interest; and

(6) The amount and circumstances of any indemnification or advances aggregating more than Ten Thousand Dollars ($10,000.00) paid during the fiscal year to any officer or director of the Corporation.

(b) Such financial statements shall be accompanied by any report thereon of independent accountants, or, if there is no such report, the certificate of an authorized officer of the Corporation that such statements were prepared without audit from the books and records of the Corporation.

(c) A report including the financial statements prescribed above shall be furnished annually to all directors of the Corporation and the City of Sacramento.

ARTICLE VIII
OTHER PROVISIONS

Section 1. Endorsement of Documents; Contracts. Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, conveyance, or other instrument in writing and any assignment or endorsement thereof executed or entered into between the Corporation and any other person, when signed by the President, the Secretary or the Chief Financial Officer must be authorized by the Board to be valid and binding on the Corporation. Any such instruments may be signed by any other person or persons and in such manner as from time to time shall be authorized by the Board, and, unless so authorized by the Board, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

Section 2. Representation of Shares of Other Corporations. The President or any other officer or officers authorized by the Board or such other persons as authorized by the board and permitted by law, are each authorized to vote, represent, and exercise on behalf of the Corporation all rights incident to the ownership of any equity interests held by this Corporation in another entity.

Section 3. Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction, and definitions contained in the General Provisions of the California Nonprofit Corporation Law and in the California Nonprofit Public Benefit Corporation Law shall govern the construction of these bylaws.

Section 4. Amendments. These bylaws may be amended or repealed by the vote of a majority of the Board, except that neither Article IV nor Article VIII, Section 7 may be amended or repealed without the written consent of the City Council.

Section 5. Fiscal Year. The fiscal year of this Corporation shall be determined by resolution of the Board.

Section 6. Corporate Seal. This Corporation may have a seal which shall be specified by resolution of the Board of Directors.

Section 7. City Review of Annual Budget. The annual budget of this Corporation shall be delivered to the City Manager of the City for review before the budget is adopted by the Corporation. The City Manager shall have no legal authority to act for this Corporation, but the Board shall in good faith review any recommendations made by the City Manager regarding the annual budget to be adopted by this Corporation.

Section 8. Excess Revenues. This Corporation may distribute its excess revenues to the City or the Redevelopment Agency of the City of Sacramento (the "Agency") for purposes related to public purposes, including economic development. For this purpose, excess revenues shall mean an amount of money which the Board considers to be available after taking into account all debts, liabilities, and obligations of this Corporation and other amounts which the Board considers necessary for this Corporation's operations (including but not limited to debt service and additions to any reserves for bond commitments, and any other set-asides necessary to comply with financial

covenants or for debt retirement). A representative of the City shall be permitted to examine the books and records and financial reports of this Corporation.

Section 9. Materials Provided by the City. The City shall have a right to deliver any material or other information to the Corporation for consideration by the Board, which material or information the Board shall review and consider in good faith.

ARTICLE IX
INDEMNIFICATION

Section 1. Right of Indemnity. To the fullest extent permitted by law, this Corporation shall indemnify its directors, officers, employees, and other persons described in Section 5238(a) of the California Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person described in that Section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 5238(a) of the California Corporations Code.

Section 2. Approval of Indemnity. On written request to the Board by any person seeking indemnification under Section 5238(b) or Section 5238(c) of the California Corporations Code, the Board shall promptly determine under Section 5238(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to that proceeding, the court in which such proceeding is or was pending upon application made by the Corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney, or other person is opposed by the Corporation, shall determine under Section 5238(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the court shall authorize indemnification.

Section 3. Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under Sections 1 and 2 of this Article IX in defending any proceeding covered by those sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of a promise by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 4. Insurance. The Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, directors, employees, and other agents, against any liability asserted or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer's, director's, employee's, or agent's status as such

ARTICLE X
CERTIFICATE OF SECRETARY

I, the undersigned, certify that I am the presently elected and acting Secretary of THE SACRAMENTO ECONOMIC AND EMPLOYMENT DEVELOPMENT CORPORATION, a California nonprofit corporation, and the above bylaws, consisting of 11 pages (including this page) are the bylaws of this Corporation as adopted at a meeting of the Board held on _____ __, 2007.

DATED: _____ __, 2007

_____
Secretary

ATTACHMENT 3

SACRAMENTO ECONOMIC AND EMPLOYMENT DEVELOPMENT CORPORATION (SEEDCORP)

Fact Sheet and Summary

Benefits

- Creates private business entity to engage in transactions to facilitate economic development
- Separate funds and resources (from City) specifically for economic development
- Privately finance or invest in economic development projects, small business loans and programs
- Provides financing tool outside of redevelopment areas
- Own or develop real estate and facilities for economic development purposes
- May generate financial returns from economic development activities that can be reapplied to additional economic development activities (except from tax-exempt funds)
- Can lease to for-profit or nonprofit entities
- Engage in transactions or partnerships with public or private sector
- Can receive charitable donations
- Eventually will have dedicated staff

Purpose and Structure

- Relieves burdens of government by assisting the City and Agency in carrying out economic development activities
- Five-member Board appointed by Mayor and ratified by City Council per City Charter (Council can remove the Board)
- Expenditures must be consistent with established public economic development purposes and objectives
- City and Agency define what are public economic development purposes
- City Council has ability to submit policies and strategies for consideration
- Corporation must submit annual budget to City for review and comment
- Corporation must prepare an annual report and submit to City
- Corporation is subject to Brown Act, Public Records Act and economic disclosure rules
- Mayor serves as Incorporator and appoints two Interim Board Members to initiate corporation, Council ratifies Interim Board

ATTACHMENT 4

SACRAMENTO ECONOMIC AND EMPLOYMENT DEVELOPMENT CORPORATION (SEEDCORP)

Questions and Answers Concerning the Proposed Nonprofit Corporation

1. What can the new corporation do?

It can serve as a tool for stimulating and implementing economic development benefiting the City of Sacramento, such as:

- developing and operating new parking facilities
- participating in real estate development projects (including contributing equity) as a joint venturer or independently
- leasing developed properties to commercial operators
- leasing developed properties to public and nonprofit entities
- making small business loans
- create and administer programs for economic development purposes
- produce events to assist revitalization projects
- provide excess revenue to the City for economic development and other purposes
- issue bonds or incur other debt to finance economic development activities or projects (utilizing tax-exempt debt will require greater limits on the corporation's activities)
- invest capital that generates returns specifically for economic development purposes
- receive charitable donations for economic development purposes
- acquire and dispose of real estate for economic development purposes

2. What can the new corporation NOT do?

- cannot operate commercial facilities (such as retail stores, restaurants or other commercial enterprises) facilities must have economic development purpose
- cannot participate or expend any of its funds or resources for any activity that does not have a confirmed and substantial public purpose as approved by the City Council or Agency Board
- cannot lend out or otherwise receive financial returns from tax exempt funds

3. Why is SEEDCorp different than the Downtown Sacramento Revitalization Corporation (DSRC)?

- SEEDCorp is controlled by the City; the DSRC is an independent corporation with an independent board of directors
- SEEDCorp cannot lend out or receive financial returns from tax exempt funds; DSRC is an independent corporation and may receive financial returns from tax exempt funds granted to it by the City or Agency
- financial returns of the DSRC are retained by the corporation; financial returns of the SEEDCorp may be shared with the City and Agency

4. What types of assets might the new corporation control?

- long-term leases with the City for parking facilities and similar assets; long term leaseholds in parking facilities could be used by the corporation as "seed money and assets" for economic development projects and the City could continue to own the parking facilities
- real estate for economic development and administrative purposes
- loans and loan proceeds for economic development purposes
- eventually its own staff

4. Why would the new corporation qualify as a not for profit?

It would be expressly established to assist the City and Agency with economic development programs and thereby lessen the burdens of government by promoting and implementing economic development programs of benefit to the City and its residents.

5. Would the City Council control the new corporation?

Yes. The Board of Directors of the new corporation would be appointed by the Mayor, ratified by the City Council, and serve at the pleasure of the City Council. The new corporation would undertake economic development activities that are consistent with goals established by the City Council and would be required to report periodically to the City Council on its activities. This would include transmitting its annual budget and annual report to the City and consulting with and seeking policy direction from the City Council.