



REPORT TO COUNCIL

City of Sacramento

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STAFF REPORT
August 9, 2009

Honorable Mayor and
Members of the City Council

Subject: Strategic Public Investment/Capital Improvement Approach

Location/Council District: Citywide

Recommendation:

Adopt a Resolution directing staff to outline criteria and potential funding sources to develop strategic public investment program to promote key economic and infill development.

Contact: Lucinda Willcox, Infill Coordinator, (916) 808-5052

Micah Runner, Senior Economic Development Project Manager, (916) 808-5448

Presenters: Lucinda Willcox, Infill Coordinator

Department: Development Services Department

Division: Process Management Division

Organization No: 4813

Summary:

In order to better leverage strategic private investment, staff proposes that the City Council consider an approach to ready areas for development.

Committee/Commission Action: None.

Background Information:

Issue

The City has substantial opportunities within existing areas for development and redevelopment, including residential infill and economic development. The land use approval process and the infrastructure and service requirements required by individual projects adds to the time and costs for development activities and can deter or slow levels of private investment. As a result, redevelopment or other direct public assistance is often needed to facilitate private infill and economic development, further adding to the costs and time associated with individual projects. If key areas were more ready for development, the City would be more successful in achieving its economic development, redevelopment, and infill goals.

In new areas, development and the process of providing the necessary infrastructure and services can be effectively and efficiently accomplished. Land use approvals can be processed in large pieces. Financing necessary infrastructure and services is feasible as bond financing and assessment districts can be used and can be approved through the vote of a few large landowners. Reimbursement agreements can be put in place if larger developments directly install infrastructure that serves the larger area, and development is relatively predictable.

In areas planned for infill, reuse or redevelopment, these kinds of financing mechanisms are generally not feasible. The number of landowners and scale of development makes approval of bond financing and assessment districts extremely difficult. Development is less predictable and smaller in scale. Individual projects may be required to install infrastructure improvements that serve a greater areawide benefit, but reimbursement mechanisms are difficult and development is not usually of a size and scale to facilitate individual projects fronting major costs.

The existing process of programming the City's Capital Improvement Program focuses on existing deficiencies and other priorities identified through various methods and programming guides within each Department or operational area. With the numerous needs within the City and limited funding sources, supporting infrastructure and service improvements for areas prior to development generally is not comprehensively reflected in the capital improvement planning process. As a result, key economic development and infill opportunity areas don't usually receive identified funding to effectively ready an area for development.

As a result of all these factors, the City is not as effective in leveraging private investment and being competitive to attract key economic development and infill opportunities as could be realized with some critical efforts.

In cases where the City has pursued strategies on ad hoc basis by coordinating economic development, redevelopment, and public improvement efforts, the City has been more successful in leveraging new investment. Some examples include investment in infrastructure studies on R Street Corridor, which was followed by pursuit of federal and local transportation funds for streetscape improvements, application of state grant funds for sewer upgrades and park development, and other efforts that ready the area for development in a manner that individual projects could not accomplish.

Another example is the 65th Street Transit Village, where the City also invested in infrastructure analysis, is installing streetscape enhancements, developing a joint detention basin/park, and using local funds to leverage state infrastructure bank funds to develop underground infrastructure.

While these ad hoc efforts have been successful, a more focused approach could be even more effective.

Concept

In order to better leverage private investment, staff is proposing an approach whereby the City strategically focuses public funds to ready an area in advance of development. There may be opportunities to recoup these costs over time through added fees. The public investment could include a range of facilities or investments, including the following:

- Infrastructure and public services (e.g., water, sewer, parks, streetlighting, drainage)
- Private facilities (e.g., parking structure)
- Master environmental review
- Pre-entitling of key sites. Under this concept, the City would complete the necessary land use and environmental review, including community input regarding design principles and prototypical development layouts. Combined with the necessary infrastructure and services, these sites would be “shovel-ready” and consistent development would only require building permits to begin construction.

Benefits

There are many potential benefits to this approach, including the following:

- Opportunities to leverage additional funds (e.g., grant funds, state infrastructure bank loans)
- Opportunities to develop alternative funding strategies for collect some or all the costs associated with the infrastructure and services.
- Higher levels of private development and associated tax revenues
- Greater opportunities to take advantage and compete for high quality private development
- Overall lower costs associated with earlier investments for infrastructure and facilities before land costs escalate, resulting in lower costs for development

Next Steps

Staff proposes to return to City Council with potential details for the concept, including:

- Potential criteria for selecting areas or areas for the initial phase
- Potential sources of funding to apply in this area, along with limitations associated with those funding sources, and implications related to reprogramming those funds
- Implementation approach, including changes to the Capital Improvement Programming process, and necessary actions to carry out this approach

Financial Considerations:

This report proposes that staff further outline a concept to focus public investment funds, which could include a variety of redevelopment, transportation, planning, development fees, grant funds, and other funding. As most of these funds are traditionally programmed in other ways, it would alter the approach to preparing the Capital Improvement Program and other sources.

Environmental Considerations:

City Council's action in approving this resolution directs staff to further define a program concept, and is itself therefore, not a project for the purposes of the California Environmental Quality Act.

Policy Considerations:

The overall intent of this concept is consistent with the City's Strategic Plan in promoting and supporting economic vitality. The implications are that this program would affect the way the City programs its FY06-07 Capital Improvement Plan.

Emerging Small Business Development (ESBD):

City Council adoption of the attached resolution is not affected by City policy related to ESBD.

Respectfully Submitted by: Art Gee
Art Gee
Manager, Process Management Division

Recommendation Approved:

Robert P. Thomas
ROBERT P. THOMAS
City Manager

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RESOLUTION NO

Adopted by the Sacramento City Council

August 9, 2005

**DIRECTING STAFF TO DEVELOP AN APPROACH FOR A
STRATEGIC PUBLIC INVESTMENT STRATEGY FOR
COUNCIL CONSIDERATION**

BACKGROUND

- A. The City has adopted policy to promote economic vitality and livability, which includes effective economic development, infill and redevelopment.
- B. Traditional public finance approaches are challenging in existing areas and make it difficult to anticipate and support opportunities for economic development, redevelopment and infill development;
- C. Through the City's land use and capital improvement planning and implementation efforts, the City has the opportunity to pro-actively invest public funds to better spur private investment.
- D. These investments could make development more efficient and lower cost, allow for alternative funding approaches, and enable the City to better leverage alternative funds.

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

- Section 1. The City Council directs staff to further refine an approach to strategic public investment by identifying potential criteria, redirection of funding sources, and implementation implications.
- Section 2. The City Council directs staff to report back within 60 days on this concept in order to allow for consideration of this approach in preparation of the Capital Improvement Program for FY 2006-07.