



**Sacramento  
Housing &  
Redevelopment  
Agency**

# **REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento**

**915 I Street, Sacramento, CA 95814-2671**

Staff Report  
October 11, 2005

Honorable Chair and Members of the Board:

**Subject:** Debt Financing: Merged Downtown Redevelopment Project Area Funding Allocation Guidelines

Location/Council District: Merged Downtown Redevelopment Project Area, Central Business District, Council Districts 1, 3 and 4

**Recommendation:**

Adopt a Resolution which reaffirms previously approved guidelines for the focus of redevelopment efforts, including:

1. Focus areas established in the Merged Downtown Redevelopment Project Area Five-Year Implementation Plan; and
2. New project screening and funding guidelines established by the Redevelopment Agency in late 2001, to remedy blighting conditions.

**Contact:** Traci Michel, Downtown Development Manager, 808-8645  
Wendy Saunders, Economic Development Director, 808-7223

**Presenter:** Traci Michel, Sr. Project Manager

**Department:** Economic Development

**Division:** Downtown Development Group

**Organization No:** 4451

**Summary:**

Earlier this year, the Merged Downtown Redevelopment Project Area (Project Area) was amended to extend both the time limit of the effectiveness of the Project Area and the receipt of tax increment. As a result of the amendment, the Redevelopment Agency (Agency) is preparing to issue a bond for implementation of additional redevelopment projects.

This report provides information on previously approved guidelines for the focus of redevelopment efforts and resources and recommends the continued use of those guidelines as they relate to the upcoming project investments.

Additionally, planning for the Agency bond issuance is being done in conjunction with the City's General Fund borrowing in an effort to leverage significant public investments, where feasible.

### **Committee/Commission Action:**

The information provided in this staff report was presented to the Downtown Sacramento Partnership Board on September 21, 2005.

### **Background Information:**

#### Merged Downtown Project Area Five-Year Implementation Plan and Plan Amendment

Earlier this year, the City Council and Agency approved an amendment to the Merged Downtown Sacramento Redevelopment Plan (Plan Amendment) to extend both the time limit of the effectiveness of the Redevelopment Project Area (Project Area) and the receipt of tax increment. The extension of these limits allows the Agency to continue investing in projects and programs that eliminate blight in the Project Area and collect tax increment to pay for needed improvements.

In addition to the Plan Amendment, a Five-Year Implementation Plan (Implementation Plan) was adopted by the Agency which outlined the programs, projects and expenditures proposed to take place over the next five years and how they would meet the redevelopment objectives for the Project Area. Key focus areas of the Implementation Plan include:

1. **Creating Places and Destinations – Retail, Entertainment and Tourism.** Projects and programs listed under this category include:
  - Supporting PBID Renewal (*completed*)
  - Old Sacramento Development Sites (*underway*)
  - REA building renovation (*underway*)
  - 10<sup>th</sup>/K catalyst project (*underway*)
  - JKL mixed-use projects (*underway*)
  - Exterior Rebate Program (*ongoing*)
  - Supporting the arts, including the Crocker Art Museum expansion and existing venue renovations
2. **Living Downtown – New Downtown Housing Initiatives.** Projects and programs listed under this category include:
  - Plaza Lofts (*underway*)
  - Capitol Lofts (*underway*)
  - Fremont Mews (*underway*)
  - St. Anton Building at 21<sup>st</sup>/L streets (*underway*)
  - 800 K (*underway*)
3. **The Urban Waterfront.** Projects and programs listed under this category include:
  - Implementation of the Riverfront Master Plan

- Implementation of the Docks Area Master Plan (*underway*)

#### 4. **Making Connections and Places – Downtown Streets and Open Spaces.**

Projects and programs listed under this category include:

- K Street streetscape (*underway*)
- Tower Bridge sidewalk enhancement (*underway*)
- I-5 Decking

#### 2001 Redevelopment Project Screening and Expenditure Guidelines

In late 2001, in anticipation of an Agency bond issuance which occurred in 2002, a series of workshops on retail and entertainment, urban housing, waterfront development and public open spaces and streetscape were held to provide direction on future redevelopment efforts. As a result of the workshops, the Agency adopted the following guidelines for the screening of new projects and the expenditure of tax increment funds (Screening and Expenditure Guidelines) (Exhibit A):

#### 1. **New Project Screening**

Proposed new projects will be screened by the following criteria:

- **Baseline Evaluation** - Projects must meet all or a majority of the following criteria:
  - Contribute to achieving the vision of adopted 5-year Implementation Plan;
  - Remove blight;
  - Leverage significant private or public investment;
  - Spur additional private investment in the vicinity;
  - Contribute to City revenues; and
  - Create jobs.
- **Project Premiums** - Projects that meet some or all of the following criteria shall be given priority:
  - Achieve multiple redevelopment goals;
  - Take advantage of an existing asset or investment;
  - Appeal to a large group of users;
  - Contribute significantly to the aesthetic environment; and
  - Employ smart growth principles and infill development strategies.

#### 2. **Expenditure of Tax Increment Funds**

- Approximately 40 to 50% of projected resources devoted to retail, entertainment and other similar development that will activate street life and attract new shoppers, visitors and businesses to the downtown core. Specifically, resources should be focused within the JKL Corridor (J, K and L Streets from 4<sup>th</sup> to 15<sup>th</sup> streets) and the remaining Old Sacramento redevelopment sites, especially in areas of significant blight.
- Approximately 40 to 50% of projected resources devoted to urban residential development, including the 20% allocation for low- and moderate-income

housing required by California law (*the allocation for low- and moderate-income housing required by California law is now 30%*). Residential projects shall support the overall objectives for downtown revitalization, shall address the full spectrum of housing needs, and be located within or in proximity to the Project Area. Priority shall be given to projects that support multiple redevelopment goals, such as blight removal and retail revitalization, particularly within the JKL Corridor (J, K and L Streets from 4th to 15th streets).

- Approximately 10 to 20% of projected resources devoted to public improvements and open space. Public improvements should specifically support urban residential, retail and entertainment projects that are consistent with redevelopment efforts. Public improvements should also be aimed at filling in gaps in the streetscape environment, creating clear and safe pathways for pedestrians between destination points, improving view corridors and celebrating City assets (the Capitol, City Hall, waterfront, parks, etc.). The Sacramento urban riverfront should be the primary candidate location for a major new open space venue. In addition to tax increment funds, the City should seek state and federal monies to support improvement of streets and to fund major new open spaces.

#### 2002 Bond Issuance Completed Projects

In 2002, an Agency bond was issued for \$52 million. Based on the Screening and Expenditure Guidelines, the Agency invested a significant amount of resources into commercial, residential, cultural and public improvement projects. The following highlights projects funded with the 2002 bond funds that have been completed or are currently under construction. A complete list, including actual percentage allocations based on the adopted expenditure guidelines, is provided as Attachment 1.

- **Urban Residential:** 946 units
  - East End Lofts at 16<sup>th</sup>/J  
*Historic rehab for 18 loft-style units, offices, Mikuni and PF Chang's*
  - Plaza Lofts at 9<sup>th</sup>/J  
*Seven stories, 225 mixed-income units/ground-floor retail*
  - Capitol Lofts (CADA Warehouse)  
*Rehab and new construction for 120 loft-style units*
  - Fremont Mews  
*New construction of 119 mixed-income residential units/ground-floor retail*
  - Phoenix Park  
*Acquisition, renovation, reconfiguration of 464 four-plex units in the former Franklin Villa*
- **Retail and Entertainment/Cultural:**
  - Land acquisition at 10<sup>th</sup>/K streets
  - Façade Rebate Program  
*Façade renovations completed for the following:*
    - *Chops Restaurant, 11<sup>th</sup>/K streets*

- *Marilyn's Bar and Grill, 9<sup>th</sup>/K streets (currently underway)*
- *K Bar, K Street between 12<sup>th</sup>/13<sup>th</sup> streets*
- *Osteria, K Street between 9<sup>th</sup>/10<sup>th</sup> streets*
- *Golden Rice Bowl, K Street between 9<sup>th</sup>/10<sup>th</sup> streets*
- *Ransahoff Building (Smith Gallery), 11th/K streets*
- *Fresh Cut Florist, 10<sup>th</sup>/K streets*
- *Ambrosia, 11<sup>th</sup>/K streets*
- Crocker Art Museum expansion design
- Waterfront restaurant development (Joe's Crab Shack)
- **Public Improvements and Open Space**
  - Land acquisition on Capitol Mall
  - Tower Bridge Widening  
*Conceptual design and environmental analysis for sidewalk expansion*
  - Waterfront Reconnection  
*Planning and analysis for I-5 Decking Project*
  - JKL Streetscape  
*Initial analysis of light rail usage, hollow sidewalks, programming needs*

### Recent Planning Efforts

Over the past two years, several planning efforts were completed which informed the Implementation Plan and reinforced the Screening and Expenditure Guidelines including:

- Sacramento Riverfront Master Plan, 2003;
- Docks Area Master Plan, 2005; and
- JKL Corridor Workshops, 2004.

A brief description of these planning efforts and resulting guiding principles follows.

#### **Sacramento Riverfront Master Plan**

In 2003, the cities of Sacramento and West Sacramento, along with Yolo and Sacramento counties, collaborated on an extensive planning and community outreach process to update the original Sacramento Riverfront Master Plan, which was completed in 1994. The new master plan outlines a number of strategies to realize four guiding principles:

- Creating riverfront neighborhoods and districts;
- Establishing a web of connectivity;
- Strengthening the green backbone of the community; and
- Making places for celebration.

#### **Docks Area Master Plan**

The Docks Area planning process was built on the concepts developed during the 2003 Riverfront Master Plan and through a series of community workshops, refined concepts for the Docks Area to include:

- A mixed-use neighborhood with heavy emphasis on residential development;
- Pedestrian and bicycle access integrated throughout the plan area;
- Public and open space including parks and a riverfront promenade; and
- Medium- to high-density development with building heights designed to maximize views.

### **JKL Corridor Workshops**

In October 2004, the Economic Development Department in conjunction with the Mayor's Office hosted the "JKL Corridor Workshop" in an effort to receive community and stakeholder input on a new vision/strategic direction for the area. The results of the workshop reinforced current redevelopment direction, including:

- Emphasis on housing on J, K, and L streets;
- Unique commercial development;
- Historic preservation;
- Streetscape improvements to encourage outdoor dining and shopping; and
- Additional attention focused on the 700, 800 and 1000 blocks of K Street.

### Staff Recommendation

The Implementation Plan focus areas and the Screening and Expenditure Guidelines have resulted in substantial progress in achieving the development goals established in the Riverfront and Docks Area master plans and the JKL Corridor Workshops as described above.

While market conditions have changed and in most cases, improved, staff believes that the Implementation Plan focus areas and Screening and Expenditure Guidelines remain appropriate for future spending to enable fulfillment of the Agency's redevelopment goals of remedying the physical and economic conditions causing blight.

Additionally, planning for the Agency bond issuance is being done in conjunction with the City's General Fund borrowing planning in an effort to leverage significant public investments, where feasible. Individual projects being brought back to the Agency and City Council from the two debt issues will reflect the integrated planning process.

Staff therefore recommends the Agency reaffirm the Implementation Plan focus areas and Screening and Allocation Guidelines for future investments.

### **Financial Considerations:**

The actions recommended herein reaffirm previously approved policy and guidelines for the expenditure of redevelopment funds over the next several years. All redevelopment expenditures are subject to Agency approval on a project-by-project basis. The total amount of tax increment bond proceeds depends upon a number of factors, including whether bonds are issued on a taxable or tax-exempt basis, and what pledges are made to secure the bonds. Decisions regarding those matters will be brought

separately to the Agency. The estimate of projected bond proceeds is approximately \$100 million. When combined with the remaining balance of 2002 bond fund proceeds, additional annual tax increment received, and revenue from other sources such as loan repayments, land acquisitions, etc., the amount of funds available for projects is anticipated to be approximately \$120 million.

**Environmental Considerations:**

Since the proposed action to reaffirm funding guidelines does not involve a commitment to any specific project, it is exempt from environmental review per CEQA Guidelines Section 15378(b)(4). Projects that may be funded in the future will be subject to environmental review prior to approval.

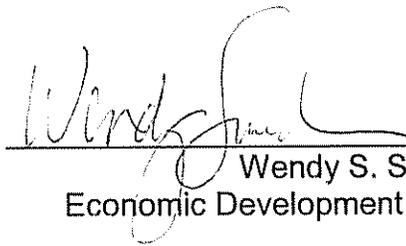
**Policy Considerations:**

The action recommended herein reaffirms previously adopted policy and guidelines for the expenditure of downtown redevelopment funds over the next several years.

**Emerging Small Business Development (ESBD):**

There are no ESBD considerations contemplated with the requested action.

Respectfully submitted by:



Wendy S. Saunders  
Economic Development Director

Recommendation Approved:

  
ROBERT P. THOMAS  
City Manager

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**RESOLUTION No. \_\_\_\_\_**

**ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO**

**ON DATE OF \_\_\_\_\_**

**MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT AREA:  
APPROVAL FUNDING ALLOCATIONS AND GUIDELINES**

**BACKGROUND**

- A. On December 11, 2001, the Agency approved guidelines for new project screening and the expenditure of tax increment funds (Screening and Expenditure Guidelines) (Exhibit A).
- B. On March 15, 2005, the Agency adopted the third amendment to the Redevelopment Plan (Plan Amendment). The Plan Amendment extends both the time limit of the effectiveness of the Project Area and the receipt of tax increment.
- C. In December 2004, the Agency adopted the Five-Year Implementation Plan (Implementation Plan), which outlined projects and programs in the following focus areas to fulfill the Agency's redevelopment goals of remedying physical and economic conditions causing blight:
  - 1. Creating Places and Destinations – Retail, Entertainment and Tourism.
  - 2. Living Downtown – New Downtown Housing Initiatives
  - 3. The Urban Waterfront
  - 4. Making Connections and Places – Downtown Streets and Open Spaces.

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

Section 1: The above statements are true and correct.

Section 2: The Agency reaffirms the Implementation Plan focus areas and Screening and Expenditure Guidelines for the use of tax increment funds and debt proceeds anticipated from the date of this action through 2010, with the following modifications:

- a) The allocation for low- and moderate-income housing required by law has been increased from 20% to 30%; and
- b) Efforts to leverage significant public investments in conjunction with the City's General Fund borrowing are encouraged, where feasible.

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Exhibit A: Agency Resolution Approving the Allocation and Expenditure Guidelines for the Merged Downtown Sacramento Redevelopment Project Area, December 11, 2001 – 2 Pages

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CHAIR

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SECRETARY

**Exhibit A**

**RESOLUTION NO. 2001-062**

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF DEC 11 2001

**MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT AREA:  
ALLOCATION AND EXPENDITURE GUIDELINES  
FOR THE MERGED DOWNTOWN REDEVELOPMENT PROJECT AREA**

WHEREAS, the Amended Redevelopment Plan for the Merged Downtown Sacramento Redevelopment Project Area was prepared by the Redevelopment Agency of the City of Sacramento ("Agency") and approved and adopted on June 17, 1986, by Ordinance Nos. 86-063, -064, -065, -066, and -067 of the City Council of the City of Sacramento and subsequently amended;

WHEREAS, goals of the Redevelopment Plan for the Project Area include the following:

- a) To eliminate blighted and blighting conditions;
- b) To increase and develop economic activity in the area by attracting new business, assisting existing business and enhancing property values;
- c) To expand and improve the community's housing supply; and
- d) To strengthen retail and other commercial functions.

WHEREAS, the Agency adopted the Merged Downtown Five-Year Strategic Plan and Implementation Plan for the Project Area on February 29, 2000;

WHEREAS, the Agency now desires to provide guidelines for expenditure of tax increment funds.

NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1: The above statements are true and correct.

Section 2: Consistent with the Five Year Merged Downtown Redevelopment Project Area Implementation Strategy and Action Plan, the following guidelines are hereby established for the use of tax increment funds and debt proceeds anticipated from the date of this action through 2003:

- (a) 40 to 50% of projected resources shall be devoted to urban residential development, which includes the 20% allocation for low- and moderate-income housing required by law. Residential projects shall support the overall objectives for downtown revitalization, shall address the full spectrum of housing needs, and be located within or in proximity to the Redevelopment Project Area. Priority

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RESOLUTION NO.: 2001-062

DATE ADOPTED: DEC 11 2001

shall be given to projects that support multiple redevelopment goals, such as blight removal and retail revitalization, particularly within the K Street District.

(b) 40 to 50% of projected resources shall be devoted to retail, entertainment and other similar development that will activate street life and attract new shoppers, visitors and businesses to the downtown core. Resources shall be focused on the K Street District (J, K and L Streets from 4<sup>th</sup> Street to 15<sup>th</sup> Street) and the remaining Old Sacramento redevelopment sites.

(c) 10 to 20% of projected resources shall be devoted to public improvements and open space. Public improvements shall support housing and retail and entertainment projects that are consistent with redevelopment efforts. Public improvements shall also be employed to fill in gaps in the streetscape environment, create clear and safe pathways for pedestrians between destination points, improve view corridors and enhance City assets. New public open spaces shall be pursued, especially in the Sacramento urban riverfront.

(d) Proposed projects shall be further screened by the following criteria:

i. Baseline evaluation: Projects must meet all or a majority of the following criteria:

- The project will contribute to achieving the vision of adopted 5-year Redevelopment Strategy
- The project will remove blight
- The project will leverage significant private or public investment
- The project will spur additional private investment in the vicinity
- The project will contribute to City revenues
- The project will create jobs

ii. Project premiums: Projects that meet some or all of the following criteria shall be given priority

- The project will achieve multiple redevelopment goals
- The project will take advantage of an existing asset or investment
- The project will appeal to a large group of users
- The project will contribute significantly to the aesthetic environment
- The project employs smart growth principles and infill development strategies

Debbie Fargo  
CHAIR

Shirley A. Burrows  
SECRETARY

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RESOLUTION NO: 2001-062

DATE ADOPTED: DEC 1 1 2001

**2002 Bond Funded Projects**

<b>Type of Project</b>		<b>Agency Investment</b>	
<b>Residential/Mixed-Use</b>			
East End Lofts	\$	3,097,189	
Plaza Lofts	\$	5,855,326	
CADA Warehouse	\$	3,650,000	
Fremont Mews	\$	1,500,000	
Phoenix Park	\$	3,000,000*	
<b>Subtotal</b>	<b>\$</b>	<b>17,102,515</b>	
	Target Allocation		40-50%
	Actual Allocation		<b>53.6%</b>
<b>Retail and Entertainment/Cultural</b>			
10th/K Property Acquisition	\$	695,000	
10th/K Site Preparation	\$	150,000	
Façade Rebate Program	\$	800,000	
Old Sac Devt. Sites Preparation	\$	50,000	
Crocker Art Expansion Design	\$	2,000,000	
Waterfront Restaurant	\$	994,060	
<b>Subtotal</b>	<b>\$</b>	<b>4,689,060</b>	
	Target Allocation		40-50%
	Actual Allocation		<b>14.7%</b>
<b>Public Improvements/Open Space</b>			
Tower Bridge Widening	\$	159,571	
Downtown Streetscape	\$	500,000	
Waterfront Reconnection	\$	537,500	
Old Sac Façade Lighting	\$	547,661	
Old Sac Barge Project	\$	380,000	
Capitol Mall Improvements	\$	185,000	
Capitol Mall Property Acquisition	\$	7,000,000	
Pioneer Bridge/Docks Area	\$	792,805	
<b>Subtotal</b>	<b>\$</b>	<b>10,102,537</b>	
	Target Allocation		10-20%
	Actual Allocation		<b>31.7%</b>
<b>Total Investment</b>	<b>\$</b>	<b>31,894,112</b>	
<b>2002 Bond Issuance</b>	<b>\$</b>	<b>52,200,821</b>	
<b>Balance**</b>	<b>\$</b>	<b>20,306,709</b>	

\* Loan to be repaid

\*\*Projects currently underway that will impact the balance and % allocations:

10th/K - significant retail, entertainment and residential

700/800 K - significant retail, entertainment and residential

Docks Area - significant public improvements