



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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Public Hearing
May 23, 2006

Honorable Mayor and
Members of the City Council

Subject: FY2006/07 Proposed Budget Strategic Plan Focus Area: Economic
Development

Location/Council District: Citywide (All)

Recommendation:

The City Manager recommends that Council defer action on funding for Economic Development strategic initiatives until there is an opportunity for a focused planning session related to a comprehensive Economic Development strategic plan and the appropriate use of the \$ 3.0 million previously designated by Council in the FY2004/05 Comprehensive Annual Financial Report (CAFR) to implement that plan.

Contact: Leyne Milstein, Budget Manager, 808-8491; Jim Rinehart, Economic Development Citywide Manager, 808-5054; Tom Zeidner, Senior Economic Development Project Manager, 808-1931

Presenters: John Dangberg, Assistant City Manager

Department: City Manager's Office

Division:

Organization No: 0300

Description/Analysis:

Issue: During the Strategic Planning Workshop on February 21, 2006, the City Council identified five focus areas: Public Safety; Sustainability and Livability; Safe and Affordable Housing; Economic Development; and Culture and Entertainment as the "Vision for 2007." Through this Strategic Planning approach, the Mayor and Council identified high priority programs and services based on the theme that Sacramento will be the most livable city in America.

In the Economic Development focus area, the City Council identified three areas of focus:

Partnerships with Higher Education

City Council identified a need to:

- Better partner the economic development demand for job-filling and entrepreneurial creation in the private sector with that of the supply side through training by educational institutions, trade and vocational schools (ie: having graduates with the necessary skills matched to employer's job requirements or having graduates start their own firms as entrepreneurs),
- Continue SHRA effort to partner with educational institutions to provide affordable housing choices for faculty and staff,
- Continue/initiate City Fire and Police Department training and research relationships by partnering with students registered at Los Rios, UCD, CSUS and other educational institutions,
- Improve access to venture capital and working capital needs of Sacramento business by working with UCD, CSUS, etc. to help identify types of talent and financing projects through and with local venture capital firms, and
- Continue partnership among Parks, housing/commercial developers and the higher education community to further develop job skills.

Attachment A outlines in detail the City's current efforts on Partnerships with Higher Education.

Façade Grants Outside Redevelopment Areas, Beautification Efforts, and Commercial Corridors

Develop programs to go beyond those currently administered by SHRA that improve commercial façades primarily within redevelopment areas. In particular, expand façade grant programs to areas outside of existing redevelopment areas and expand the streetscape program in conjunction with the façade grants for purposes of beautifying all 19 commercial corridors.

Attachment B outlines in detail the City's current efforts on Façade Grants outside Redevelopment Areas, Beautification Efforts and Commercial Corridors.

Sales Tax: Additional Tax Generation Opportunities, Revenue Sharing with the County, and Bolster Existing Opportunities

Look at ways to generate additional sales tax and increase or initiate all possible sources of revenue generation to the City, that commensurate with the City Council's larger vision of "making Sacramento the most livable City in America".

Attachment C outlines in detail the City's current efforts on Sales Tax: Additional Tax Generation Opportunities, Revenue Sharing with the County, and Bolster Existing Opportunities.

Policy Considerations: The Strategic Planning - Strategic Budgeting process allows the Mayor and City Council to focus funding on specific, priority programs and services. Strategic Planning - Strategic Budgeting will help the City of Sacramento to:

- (1) Determine Council's citywide priorities, align the resources necessary to successfully accomplish these priorities and determine what actions need to be taken today to assure that the Mayor and City Council's vision becomes reality;
- (2) Ensure the future growth and livability of our community by proactively addressing significant challenges and issues; and
- (3) Work across City departments to coordinate with other regional resources to improve services and quality of life for City residents.

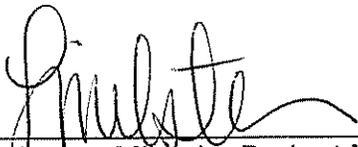
Environmental Considerations: This report concerns administrative activities that will not have a significant effect on the environment, and that do not constitute a "project" as defined by the California Environmental Quality Act (CEQA) [CEQA Guidelines Sections 15061(b)(3); 15378(b)(2)].

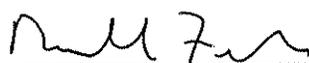
Rationale for Recommendation: The City Manager recommends that Council defer action on the use of the \$ 3.0 million Economic Development reserve designated with the FY2004/05 CAFR until the Economic Development strategic planning session.

Financial Considerations:

In February 2006, City Council designated \$3.0 million for economic development initiatives. Council will have the opportunity to consider funding these initiatives at the Economic Development planning session.

Emerging Small Business Development (ESBD): None.

Respectfully Submitted by: 
Leyne Milstein, Budget Manager

Approved by: 
Russell Fehr, Finance Director

Recommendation Approved:


Ray Kerridge
City Manager

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Attachment A**PARTNERSHIPS WITH HIGHER EDUCATION****CURRENT EFFORTS**

- Economic Development Department meets with the demand side institutions - - businesses, Chambers, PBIDs, SARTA, SACTO, etc. regularly, learning of their specific job requirements immediately and in the near future. Econ Dev also distills down their more general employee requirements (eg: show up on time, know basic math, apply reasoning skills to business situations, etc.) As well, the Supply side providers are also met with routinely to assess programs. Organizations include UCD, CSUS, ARC, Sac City College, Los Rios, SETA, ETP, EDD, etc. The Econ Dev Dept also serves on Partnership for Prosperity creating 2 of the 5 established Outcomes - - partnering for post High School achievement and with the Higher Education teams. Additionally, because entrepreneurs, as well as established businesses require access to capital, the City (chiefly the Treasurer's Office, Finance and Economic Development departments) and SHRA closely monitor the financial scene, both private and public (from banks, other lending institutions, VCs, etc. to State and local Financial Authorities). Another agency advancing these Council goals is SHRA which currently works with CSUS, UC Davis and McGeorge School of Law to provide affordable housing choices for faculty and staff. The Sacramento Fire Department also works to accomplish these goals and efforts partnering with CSUS and Adult Protective Services to educate the elderly and adult care facilities on falls prevention, including the education of the older adult population on social services available to the elderly. The fire department has partnered with SUSD and Adult Education and ARC in providing training in EMT and paramedic education that provides employment opportunities to the community.
- Many departments presently administer employment development programs that concentrate on general employee requirements including showing up on time, dressing, positive relationships, basic math and writing and self esteem skills. Such programs include the work investment act and work/recreation. The Department of Parks and Recreation is one of the major providers of employment for part -time work for the age group 14- 21 years. Presently, there are over 1200 employees represented in this group.

Attachment B**FAÇADE GRANTS OUTSIDE REDEVELOPMENT AREAS, BEAUTIFICATION EFFORTS, AND COMMERCIAL CORRIDORS****CURRENT EFFORTS**

- The Sacramento Housing and Redevelopment Agency (SHRA) has maintained a Façade Grant (or similar commercial assistance) Program since 1985. In that time, more than 500 individual commercial properties have been assisted in improving the appearance of their businesses. These efforts have traditionally been funded with CDBG or redevelopment tax increment funds, which have limited their applicability to specific eligible areas. Currently, those are: Alkali Flat, Del Paso Heights, Merged Downtown Area, North Sacramento, Oak Park, Old Sacramento, Franklin Boulevard, Stockton Boulevard. Generally, the program provides funds to match those committed by property owners for their façade improvements.
- The Economic Development Department's annual budget includes \$350,000 in Transportation CIP funds for streetscape planning and design along the 19 commercial corridors identified in the 2000 Economic Development Strategy Framework. Within the last few years, these funds along with over \$20 million of redevelopment, CDBG, private, local, and state/federal grant funds have also been allocated toward streetscape improvements on those commercial corridors.
- As with the existing façade program, the corridors with significant improvements to date are located in areas eligible for CDBG or redevelopment tax increment funds. Additionally some corridors have benefited by way of streetscape work that has occurred in conjunction with other planning efforts (ie, 65th Street's Transit Village Plan and R Street Corridor) or private development.

Attachment C

SALES TAX: ADDITIONAL TAX GENERATION OPPORTUNITIES, REVENUE SHARING WITH THE COUNTY, AND BOLSTER EXISTING OPPORTUNITIES**CURRENT EFFORTS**

- Currently, the efforts of the Economic Development Department, in conjunction with other appropriate city departments, revolve around three major activities supporting the City Council's goals of revenue generation. In no particular order of priority, the first activity is business retention. Existing businesses pay property or possessory interest taxes, pay and employ Sacramento employees, provide goods and services to Sacramento citizens, generate sales and use taxes, pay permit fees, and provide numerous other benefits - - both monetary and otherwise. It is a fairly widely known maxim that it costs a whole lot more to attract a business than it does to keep an existing one.
- The second activity is business expansion. Most business expansion occurs within the existing sphere of influence of the parent company. Expansion creates more jobs, more products or services, and more revenues to the City coffers. Many existing efforts in support of this activity are conducted by different City-government organs: eg: tax credits that encourage development in undeveloped parts of the city, redevelopment activities to encourage private-sector involvement and capital-attraction in less desirable areas too, etc.
- The third major activity engaged in by the department in this Focus Area is business attraction. Like the business expansion effort, business attraction is an activity that leads to more businesses, a greater tax base, employment opportunities and goods/services for our citizens.
- In aggregate, however, all three efforts help promote a healthy business climate that contributes to the economic well being of the city and her residents.
- It is abundantly clear, however, that to achieve the above three efforts that allows business to occur (and the attendant revenue generation it spawns), the business community needs to have a reasonable degree of certainty that development applications will be processed in a predictable and timely manner. The Development Services Department is in a critical supportive role for business expansion, attraction, and expansion. A community that has a reputation for slow and unpredictable development process can effectively stifle or negate other affirmative efforts to promote economic development that in turns yields increased tax returns.
- To address the development application process in a timely manner, MATRIX, the new business model first implemented in DSD in Fall 2005, was initiated to provide a concept to completion approach to project processing that brings all necessary disciplines together that are necessary for review. Initially started in the pilot area in the Central City, it was well received and is proposed to go "citywide." The department has held extensive outreach process to over 200 groups with both internal and external stakeholders. Reviewed and approved by

Planning Commission, Development Oversight Commission, and Design Review and Preservation Board. Expansion of MATRIX presented informally to Council on Dec. 13, 2005. The department and the City have received extremely positive feedback from our customers as well as the staff internally.

- DSD is presently using existing staff to implement a pilot project area.
- The Sacramento Housing and Redevelopment Agency (SHRA) currently administers façade, commercial loan, Grow Sacramento Loan, and Enterprise Zone programs on behalf of the City.

