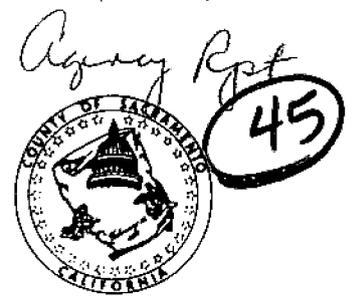




**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



November 1, 1988

CITY MANAGER'S OFFICE

**RECEIVED**

OCT 26 1988

**APPROVED**  
BY THE CITY COUNCIL

NOV 1 1988

City Council and Redevelopment Agency  
of the City of Sacramento  
Sacramento, California

OFFICE OF THE  
CITY CLERK

Honorable Members in Session:

SUBJECT: Authorization to submit three Federal Enterprise Zone Applications to the U.S. Department of Housing and Urban Development.

**APPROVED**  
NOV 1 1988  
SACRAMENTO REDEVELOPMENT AGENCY  
CITY OF SACRAMENTO

SUMMARY

This report requests that the City Council:

1. Authorize the Executive Director to submit three applications to the U.S. Department of Housing and Urban Development (HUD) for designation of the Del Paso Heights, Downtown and Oak Park areas as Federal Enterprise Zones.
2. Authorize the Executive Director to execute a Memorandum of Understanding between the Redevelopment Agency of the City of Sacramento and the California State Department of Commerce.
3. Certify that all requirements of state and local law for the nomination have been fulfilled.
4. Endorse and commit to the provisions of the Course of Action as set forth in the application and agree that said commitments will be carried out during the period specified in the Course of Action.

BACKGROUND

The establishment of Federal Enterprise Zones has been a goal of the Reagan administration since its assumption of office. Numerous bills have been introduced since 1982 defining an Enterprise Zone Program of tax incentives as well as the potential for the waiver of certain federal regulations. Finally, Title VII of The Housing and Community Development Act of 1987 included Enterprise Zone Development as a new program.

11-1-88

D-1-2-5 (1)

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

45

City Council & Redevelopment Agency  
November 1, 1988  
Page 2

The goal of the federal Enterprise Zone Program is to encourage business investment in distressed areas and, by so doing, create new employment opportunities and assist in the overall economic revitalization of these distressed pockets. The program is designed to promote these objectives by encouraging tax incentives at the state and local levels, streamlining governmental regulations at all levels, and increasing the "economic role of Enterprise Zone residents in their own community by fostering greater involvement of private and neighborhood organizations." Unlike earlier versions of the Enterprise Zone legislation, the existing law does not contain any federal tax incentives. Rather, it provides for special assistance to designated Enterprise Zones. This assistance can take the form of expedited HUD grant/loan processing, priority funding for HUD and Economic Development Administration (EDA) programs, program funding set-asides and technical assistance.<sup>1</sup>

Though the federal benefits at this time are rather weak, it has been our experience with the State Enterprise Zone program that designation is a great marketing tool in attracting new businesses, regardless of the actual financial incentives involved. It is believed that federal Enterprise Zone designation will also foster the perception of a supportive environment that is attractive to businesses. In addition, it is our hope that the federal program as currently conceived will be expanded under future administrations, providing a greater range of benefits to Zone residents and businesses as well as the community as a whole and/or that other federal programs will be tied to Zone designation.

Under Title VII, the Department of Housing and Urban Development is authorized to designate 100 Zones, with choice based entirely on rank order of distress. More specifically, an area is eligible for nomination if it meets the following criteria:

<sup>1</sup> EDA and the Small Business Administration (SBA) have already agreed to set-aside some funds though no specific amount has been determined.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

45

City Council & Redevelopment Agency  
November 1, 1988  
Page 3

1. A population of at least 4,000,
2. Eligible for assistance under HUD's Urban Development Action Grant Program, and
3. Economic distress as determined by the following points:
  - a. An unemployment rate of at least 9.3%,
  - b. A minimum of 20% of the population of each of the census tracts within area living below the poverty line, and either
  - c. Evidence of a population loss of at least 20% from 1970 to 1980 (based on census), or
  - d. A minimum of 70% of the households in the proposed Zone with incomes below 80% of the City median income.

These eligibility requirements are the only factors HUD will be considering when ranking the nominations. All of the data used for scoring relies on these indicators of distress, however, each jurisdiction must additionally show a local "Course of Action" which indicates what actions it will take to encourage economic growth within the area. Even if the area qualifies and is competitive under the distress criteria, the "Course of Action" must still be judged adequate.

Based on these tests, following a comprehensive analysis of all census data, it was determined that Sacramento's eligible candidates are the Del Paso Heights, Downtown and Oak Park areas (see maps, Attachment A). These areas meet all the minimum requirements except that of population loss. This will not make them ineligible, but will lower the total score. The statistics are compared in Attachment B.

## APPROVAL PROCESS

Nomination forms have to be submitted to the California Department of Commerce by November 14, 1988; and must be received by HUD in Washington D.C. by November 18, 1988.

Of the 100 designations made, one-third must be in rural areas. The California Enterprise Zone program staff estimate that approximately 10-20 applications will be submitted from California, and according to their sources, HUD expects a maximum of 230 applications will be submitted overall. No target date for approval has been announced, and estimates range anywhere from 90 days to a year.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

City Council & Redevelopment Agency  
November 1, 1988  
Page 4

## APPLICATION

The narrative portion of the application is comprised of the following elements: 1) a description of the area; 2) economic development problems and potentials; 3) course of action; 4) anticipated impact of course of action; and 5) management of Zone-related activities. These elements of the application for Del Paso Heights are summarized in Attachment C. Both the Oak Park and Downtown applications will follow the Del Paso Heights Course of Action very closely. Copies of all the final applications will be available from the Clerk after November 8.

In addition, it is required that the Redevelopment Agency of the City of Sacramento enter into a Memorandum of Understanding (MOU) with the California Department of Commerce, acting as a representative of the State of California. This document, included herein as Attachment D, and attached to the resolution as Exhibit 2, is necessary as evidence to HUD that the State and local nominating government will comply with all program requirements and will carry out the proposed Course of Action if the nomination is approved.

## ENVIRONMENTAL REVIEW

Public comment and the Commission's consideration of those comments on the Del Paso Heights, Downtown and Oak Park Enterprise Zones are included in the Final Environmental Impact Report prepared for the state-designated Del Paso Heights, Downtown and Oak Park Employment and Economic Incentive Area applications. The City and County of Sacramento determined that the projects would not have a significant effect on the environment, and mitigation measures were made a condition of the approval of the project.

The current application for Federal Enterprise Zone designation is within the scope of the project covered by the previously completed EIR, and no new environmental document is required under CEQA Section 15162.

Whereas no federal funding has been identified for this program, the application is exempt from NEPA requirements.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

45

City Council & Redevelopment Agency  
November 1, 1988  
Page 5

## FINANCIAL DATA

The primary financial impact on the City for this program is the targeting or extension of existing programs such as:

- . The Enterprise Zone Job Bank
- . MBE/WBE coordinator
- . Neighborhood clean-up and nuisance abatement program
- . Police Crime Group/Gang Awareness Program
- . Nutrition Program
- . Retired Senior Volunteer Program
- . Gift/Sale of Surplus Land in Enterprise Zone for community projects
- . The Certified Development Corporation business financial assistance
- . Tax increment funded commercial revitalization grant and loan programs

These local incentives are already offered as part of the State Employment and Economic Incentive Area (i.e. Enterprise Zone) Programs for Oak Park and Del Paso Heights. Community Development Block Grant (CDBG) funds (\$100,000) have previously been approved for permit fee reductions for industrial and commercial development in the Zones. Other programs, such as the Job Training Partnership Act (JTPA), the Sacramento Area Commerce and Trade Organization's and City Office of Economic Development resources will also be employed.

No additional administrative costs are anticipated as existing staff will be responsible for the new federal program and their cost has been budgeted with CDBG and tax increment funds.

## POLICY IMPLICATIONS

The action proposed in this staff report is consistent with previously approved policy to encourage economic growth in redevelopment areas, and there is no policy change recommended. Since the main tenets of the proposed course of action are elements of the existing State Enterprise Zone program, little additional cost is involved.

The submission of this application reaffirms the City's commitment to the revitalization of redevelopment areas. As we have discovered with the state designation, businesses are attracted to Enterprise Zones regardless of the financial incentives included. Their decision is aided by the perception of a good business climate stemming from governmental support for the economic viability and future of the areas.

# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

45

City Council & Redevelopment Agency  
November 1, 1988  
Page 6

## VOTE AND RECOMMENDATION OF THE COMMISSION

On October 17, 1988, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Amundson, Moose, Simon, Simpson, Strong, Wiggins, Wooley,

Yew

NOES: None

ABSENT: Pettit, Sheldon

## RECOMMENDATION

The staff recommends that the City Council

1. Authorize the Executive Director to submit an application to the Department of Housing and Urban Development for designation of the Del Paso Heights, Downtown and Oak Park areas as federal Enterprise Zones.
2. Authorize the Executive Director to execute the Memorandum of Understanding between the Sacramento Housing and Redevelopment Agency and the California Department of Commerce included herein for reference as Attachment D.
3. Certify that all requirements of state and local law for the nomination have been fulfilled.
4. Endorse and commit to the provisions of the Course of Action as set forth in the application and agree that said commitments will be carried out during the period specified in the Course of Action.

Respectfully submitted,

*William H. Edgar*

WILLIAM H. EDGAR  
Executive Director

TRANSMITTAL TO COUNCIL:

*Walter J. Slipe*

for: WALTER J. SLIPE  
City Manager

45

# RESOLUTION NO. 88-084

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF



## APPLICATION FOR DEL PASO HEIGHTS FEDERAL ENTERPRISE ZONE DESIGNATION

WHEREAS, the City of Sacramento wishes to promote the economic vitality of the Sacramento area by applying for designation of the Del Paso Heights, Downtown and Oak Park Enterprise Zone Areas, shown on the maps attached as "Exhibit I," under the Department of Housing and Urban Development's Enterprise Zone Program.

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1: The Redevelopment Agency of the City of Sacramento is hereby authorized to act on behalf of the City in all actions related to the Del Paso Heights, Downtown and Oak Park Enterprise Zones as herein defined.

Section 2: The Executive Director of the Redevelopment Agency of the City of Sacramento is hereby authorized to submit an application to the Department of Housing and Urban Development for designation of the described Del Paso Heights, Downtown and Oak Park Enterprise Zone Areas as a federal Enterprise Zones.

Section 3: The Executive Director of the Redevelopment Agency of the City of Sacramento is hereby authorized to execute the Memorandum of Understanding attached hereto as "Exhibit II" between the Redevelopment Agency of the City of Sacramento and the California Department of Commerce.

Section 4: It is hereby certified that requirements of state and local law for the nomination of the area as an Enterprise Zone have been fulfilled.

45

Section 5: The Redevelopment Agency of the City of Sacramento hereby endorses and commits to the provisions of the Course of Action as set forth in the application and agrees that said commitments will be carried out during the period specified in the Course of Action.

---

CHAIR

ATTEST:

---

SECRETARY

1100WPP2(163)

45

# RESOLUTION NO. 88-952

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

APPROVED  
BY THE CITY COUNCIL

NOV 1 1988

OFFICE OF THE  
CITY CLERK

## APPLICATION FOR DEL PASO HEIGHTS FEDERAL ENTERPRISE ZONE DESIGNATION

WHEREAS, the City of Sacramento wishes to promote the economic vitality of the Sacramento area by applying for designation of the Del Paso Heights, Downtown and Oak Park Enterprise Zone Areas, shown on the maps attached as "Exhibit I," under the Department of Housing and Urban Development's Enterprise Zone Program.

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

Section 1: The Redevelopment Agency of the City of Sacramento is hereby designated to act on behalf of the City of Sacramento in all actions related to the Del Paso Heights, Downtown and Oak Park Enterprise Zones, including, without limitation, submission of applications and negotiation and execution of agreements.

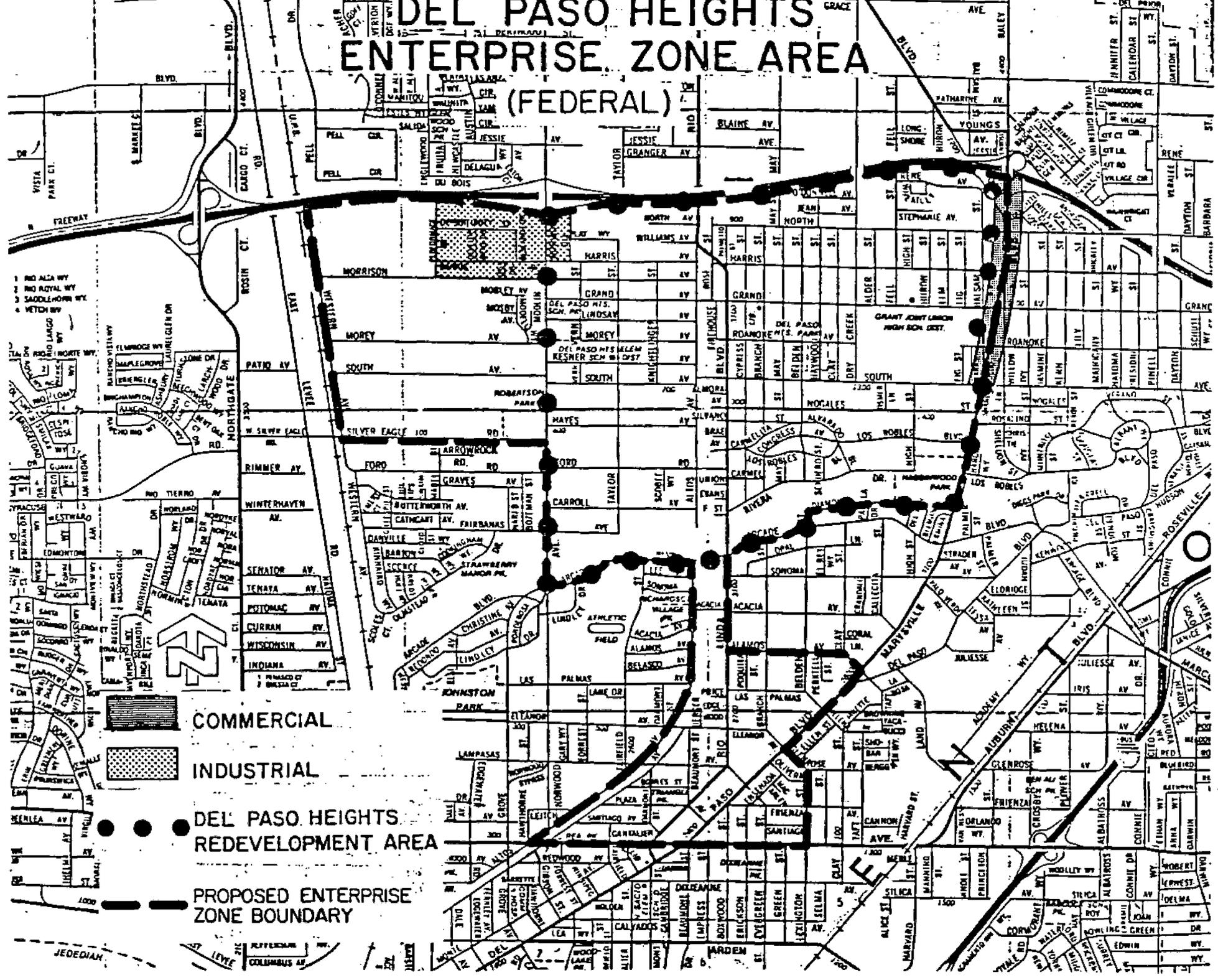
\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

1100WPP2(163)

# DEL PASO HEIGHTS ENTERPRISE ZONE AREA (FEDERAL)



- 1 NO ALCA WY
- 2 NO ADYAL WY
- 3 SADDLEHORN WY
- 4 VETCH WY

COMMERCIAL

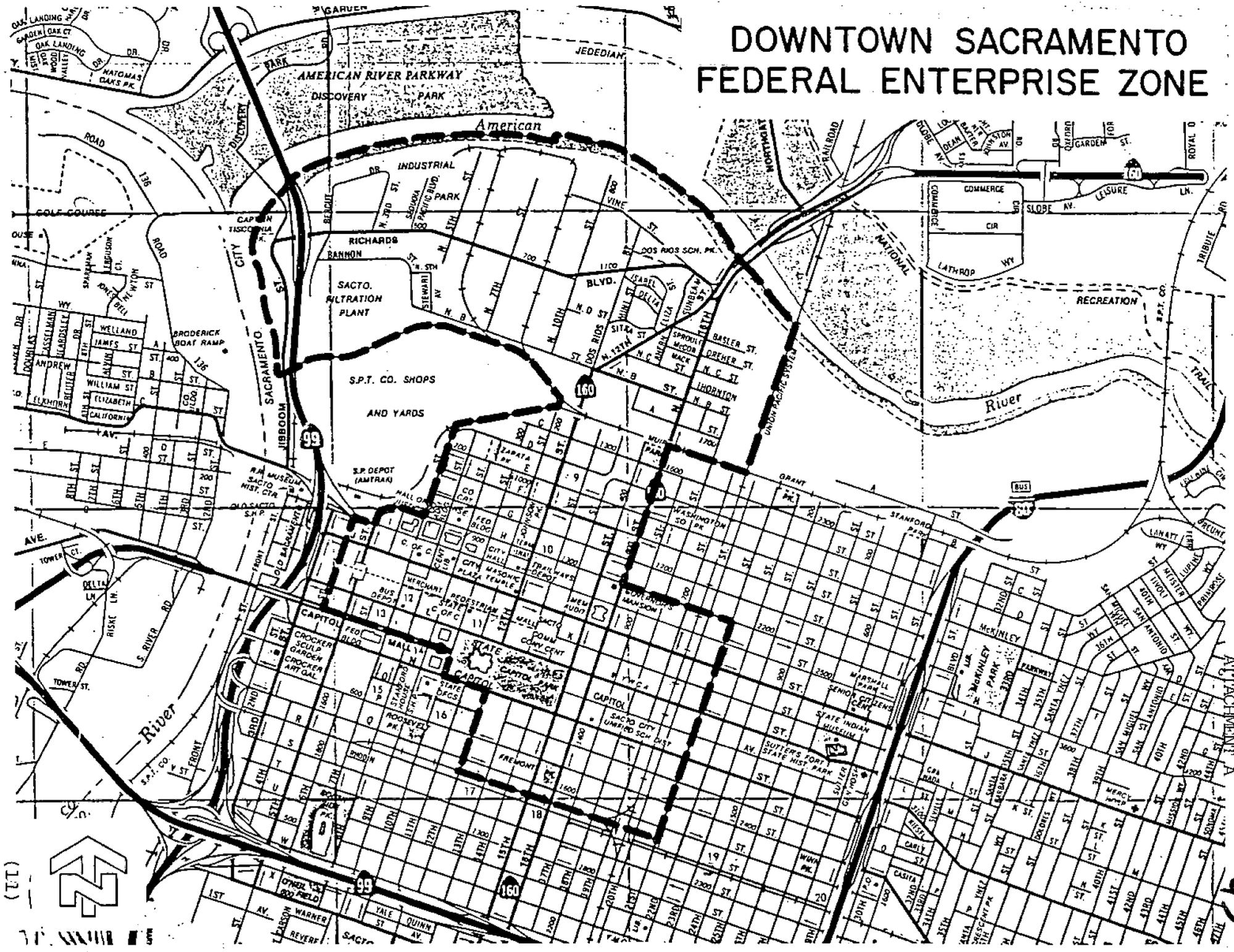
INDUSTRIAL

DEL PASO HEIGHTS  
REDEVELOPMENT AREA

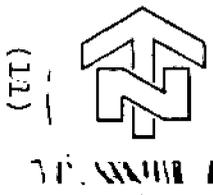
PROPOSED ENTERPRISE  
ZONE BOUNDARY

EXHIBIT I  
(Attachment A)

# DOWNTOWN SACRAMENTO FEDERAL ENTERPRISE ZONE



ATTACHMENT A  
EXHIBIT I  
45



# OAK PARK FEDERAL ENTERPRISE ZONE

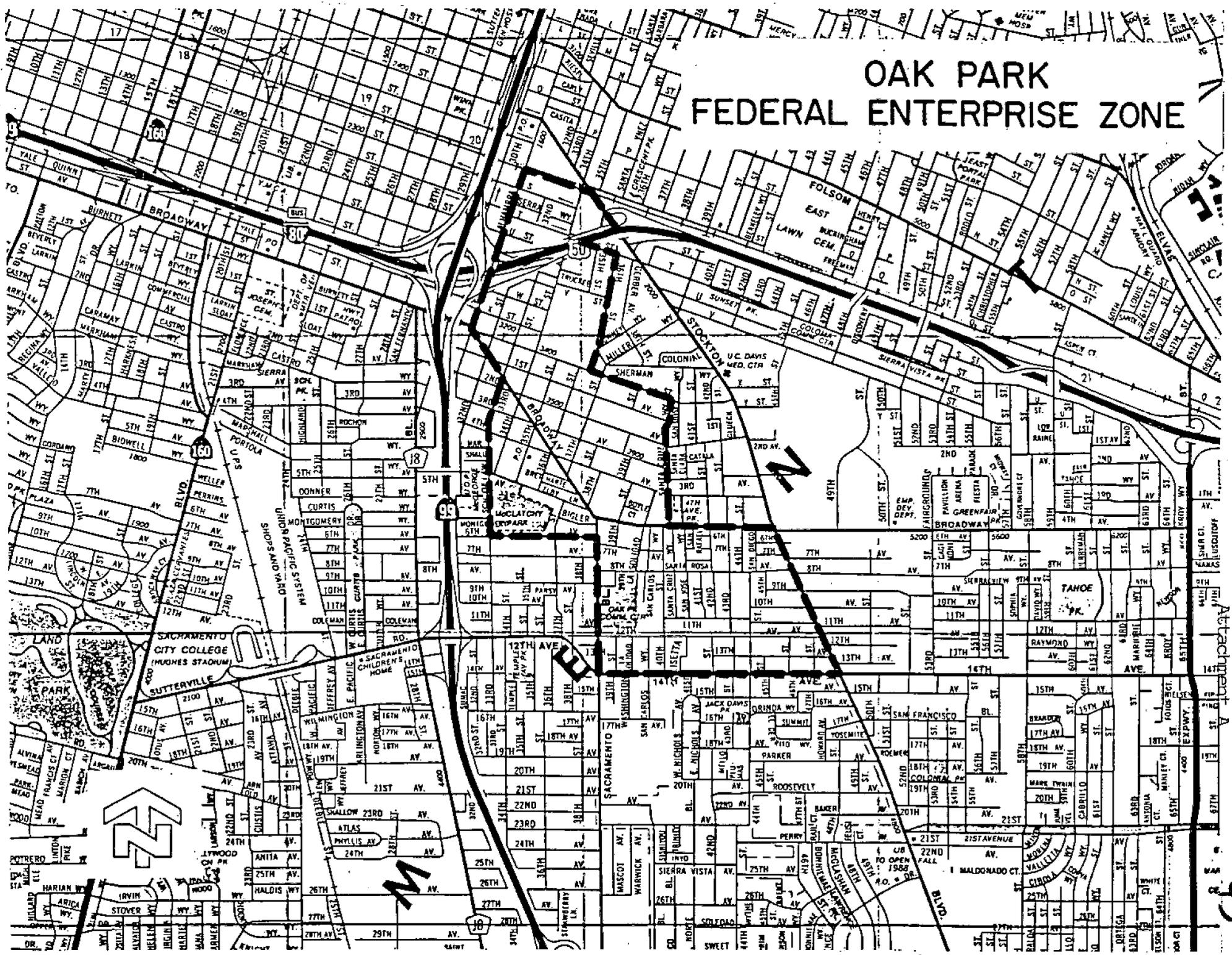


EXHIBIT I  
Attachment A

45

SELECTION CRITERIA

<u>CRITERIA</u>	<u>MINIMUM STANDARD</u>	<u>DEL PASO HEIGHTS</u>	<u>OAK PARK</u>	<u>DOWNTOWN</u>
Population	4,000	8,792	5,911	9,470
Percentage of Households below 80% of City's Median Income	70%	70.2%	72%	82.3%
Percent of the Labor Force Unemployed (in %) (1980)	9.3%	25.4%	15.1%	11.2%
Poverty Rate:	20% below poverty	35.8%	32%	30%
Percent Population Change (1970-80)	20% loss	+2.6%	-16.3%	+3%

Sources: -U.S. Bureau of Labor Statistics - 1987 estimates.  
 -1980 Census of Population and Housing  
 -HUD Tabulation of Poverty Income, and Unemployment Data, 1980

3865J

SUMMARY OF DEL PASO HEIGHTS APPLICATION

General Description of Nominated Area

The proposed Del Paso Heights Zone contains approximately 2200 acres in the northern portion of Sacramento. It is generally bounded by Highway 80 on the north; Marysville Boulevard on the east; El Camino Avenue on the South; and Rio Linda and Western Avenues on the west (see Attachment A) and is the most troubled area in the City of Sacramento.

The area is a study in contrasts. Primarily residential in nature, it does contain a commercial strip along Marysville Boulevard, and a light industrial portion flanking Norwood Avenue south of Interstate 80.

A closer examination reveals the area's diversity. Well-kept single family homes are interspersed among poorly maintained, dilapidated structures and large vacant lots. Evidence of disinvestment is everywhere. The density of development is rather low. According to the North Sacramento Community Plan (March 1984), 10% of the housing structures in the North Sacramento area, which includes Del Paso Heights, exhibited varying degrees of deterioration. The vacancy factor for single family homes was estimated to be 30% and for multiple family rentals 14%.

The commercial area has historically been characterized by strip type one-story commercial structures, most in need of some degree of rehabilitation and/or facade improvements. Most of the structures are 40 to 50 years old. There is a relatively high number of vacant storefronts (12-15%) and relatively little attention has been paid to signage, landscaping, etc. Many of the vacant storefronts are boarded, most of the buildings have peeling paint, and the streets and sidewalks are strewn with litter.

There are approximately 74 businesses located along the strip, most of which are neighborhood serving in scale. There are identifiable concentrations of personal service establishments, such as barber and beauty shops and automobile repair facilities.

The industrial section flanking Norwood is the bright spot amidst this distress. Assisted in part by the recent successes and growth in the Northgate/Norwood area north of Interstate 80, the area has witnessed new business activity and investment. A recent inventory reveals 36 businesses in this area representing an investment of over \$1,200,000 within the past two years.

The Del Paso Heights industrial area has adequate street and public improvements with sidewalks, curbs and gutters. The infrastructure systems throughout the proposed Zone are sound and capable of supporting growth.

Unfortunately, the new employment opportunities that have arisen in the City have not been filled by the area's residents. Del Paso Heights continues to be Sacramento's most distressed residential neighborhood. The residential area is physically dominated by older, dilapidated housing stock; an absence of sidewalks, gutters and other street improvements; and inconsistent lot sizes. Graffiti, refuse and abandoned vehicles mar the area's landscape, and evidence of vandalism is abundant.

The area's residents suffer from poverty, high unemployment, a soaring crime rate and poor educational achievement. Over seventy percent of the households in the area have an income below eighty percent of the citywide median. More than 35 percent of Del Paso Height's 8,792 residents were considered to be living below the poverty level according to the 1980 census.

The estimated unemployment rate for the Zone residents was 14.7 percent in 1987, with the jobless rate climbing to 50 percent for minority youth. Contributing to the prevalence of unemployment is the low education levels of area residents. Only 33.0 percent of Del Paso Heights residents over the age of 25 have high school diplomas, compared to a citywide average of 71.6 percent (1980 Census). Unemployment is also thought to be the chief culprit in the area's crime rate, which is 2.5 times the citywide average.

Since 1970, when it was originally designated as a Redevelopment Project Area, Del Paso Heights has been the city's primary target area for community and economic development efforts, including Model Cities, the Neighborhood Development Program and the Community Development Block Grant. To date, these programs have had very limited success in alleviating the economic, physical and social distress and deterioration in Del Paso Heights. However, it is thought that an intensive job and economic development program - such as that involved in the establishment of an Enterprise Zone - can make a substantial impact on the area.

The concentrated effort at improving the area should have less tangible, but nonetheless important, spin-off effects by renewing pride in the neighborhood. As the program takes effect, business owners and area residents will be more inclined to deal with the area's deterioration. A decrease in the unemployment rate will raise household incomes and should help reduce crime in the Del Paso Heights area.

Together, these steps will help bring vitality back to the Del Paso Heights neighborhood and link a competent, productive labor force with the expanding industrial/commercial area.

In addition, it is our hope that the federal program as currently conceived will be expanded under future administrations, providing a greater range of benefits to Zone residents and businesses as well as the community as a whole.

Economic Development Problems and Potential of Area

Despite serious existing problems, the proposed Zone exhibits excellent development potential. The adjacent Norwood/Northgate area has mushroomed into one of the fastest-growing industrial areas in the Sacramento region. Over 36 companies have located in the 17 acre Norwood industrial area, with an investment of over \$1,200,000 within the past two years. This growth is expected to continue due to the attractive locational factors of low cost land, high quality development and excellent transportation accessibility. Firms are three to five minutes from the freeway, five minutes from the airport and ten minutes from downtown.

Despite this growth, the overall economic viability of the Zone is tainted by the physical and social distress and deterioration of the residential and commercial sector. The numerous vacant commercial parcels average only approximately 2,000 square feet each. Individually too small to support new commercial development of any size, these parcels are scattered throughout the area, making it virtually impossible to combine several parcels into the size of tracts sought by new developers.

The market for the area is generally characterized as weak. The neighborhood is externally perceived as poor with high concentrations of low income households, plagued by crime and social problems. The heavy leakage calculated for neighborhood level goods and services shows neighborhood residents have to go outside the area for many goods and services. While most market analyses completed for the area show a potential for commercial growth, they also suggest the area's negative image must be changed before the area will attract new businesses.

It is anticipated that an intensive job and economic development program which combines both existing state/local incentives with federal benefits can make a substantial impact on the area by providing a linkage between new employment opportunities and residents. This will result in a higher overall income level and hopefully serve to stimulate additional spin-off activity.

Course of Action

In his 1988 Legislative Message, President Reagan stated: "More than half of the states have set up their own enterprise zones, even without Federal incentives. These zones have created new jobs and spurred billions of dollars in capital investment. Their success is testimony to the power of this concept and is just a small indication of how much could be accomplished if Federal incentives were added to those of States and localities. Adding Federal incentives would make existing zones far more economically attractive and successful and would also encourage more State and local zones."

It is just this combination of incentives that is proposed as the Course of Action for the Del Paso Heights Enterprise Zone. As required, a Course of Action has been developed to reduce impediments to development; to provide residents with existing and new employment opportunities; and to promote economic revitalization. (The format below follows that required in the federal application.)

The federal Enterprise Zone program will include the following elements:

1. Reduction of Tax Rates and Fees

Local

- . Reimbursement of building permit and check fees; encroachment permit charges; zoning and land-use related fees; business license fees.
- . Industrial development bond assistance and fee waiver.

State

- . Sales Tax Credit - A qualified business can reduce net state income tax by the amount of sales or use tax paid on certain machinery purchased.
- . Business Expense Deduction - Part of the cost of certain property purchased for exclusive use in the Zone may be deducted as a business expense in the first year it is placed in service.
- . Net Operating Loss Carry-Over - Net operating losses may be carried over to future tax years.
- . Non-taxable Investments - Interest earned on investments in a qualified business is free from California tax.
- . Wage Tax Credit - 12% of wages paid to qualified residents can be used as a state income tax credit.

## 2. Public Services Enhancement Program

- . Del Paso Heights Food Locker
- . Police Crime Group/Gang Awareness Program
- . Nuisance Abatement Project
- . Weed Abatement Project
- . Nutrition Program
- . Retired Senior Volunteer Program
- . Phone Friend

## 3. Reduction/Simplification of Paperwork

- . Environment Impact Review Assistance
- . Information Clearinghouse for Financial Programs
- . Financial Packaging Assistance
- . Permit Trouble-shooting - "Response Team"

## 4. Involvement of Public/Private Entities and Community Organizations.

A. Jobs and Job Training

1. State tax credits for hiring the unemployed residents of Zone.
2. Job Bank - Job placement network for businesses and residents of Zone.
3. Active recruitment and screening of potential employees for Zone businesses.
4. Targeted Job Tax Credits.
5. Training funds for on-the-job training and customized classroom training.

B. Technical Assistance

1. Site inventory information and market data will be available to Zone firms.
2. Marketing Assistance/Commercial Promotions
3. Ongoing relationship with Enterprise Zone Coordinator and businesses to address business needs and problems.
4. Assistance in preparation of financial applications.
5. Assistance in preparation of State Enterprise Zone forms.

C. Financial Assistance

- . Fee reduction programs
- . Industrial development bond/priority
- . Small Business Administration Loans, such as 7A Guarantee, 504, 502
- . Commercial Revitalization Loans (7.5% and 6.0%)
- . Facade improvement rebates of up to \$5,000 per storefront or \$7,500 if roof work is performed.

D. Business Recruitment

1. Industrial Recruitment: The Sacramento Area Commerce and Trade Organization, the City Office of Economic Development, and the Enterprise Zone Coordinator will implement a marketing strategy to contact firms of targeted industries and give priority to attracting them to Sacramento Enterprise Zones.

- 2. Commercial/Retail Development: A feasibility study has been conducted for commercial development along Marysville Boulevard; implementation strategy for a new shopping center is being devised.

6. Gift/Sale of Surplus Land in Enterprise Zone

- . Early 1970's construction of new library
- . 40 units of elderly housing on SHRA acquired property
- . 1979 construction of Robertson Community Center on SHRA acquired property
- . 1988 donation of SHRA owned property for construction of self-help single family housing in conjunction with Rural California Housing Corporation.

Anticipated Impact

The Course of Action outlined above will play an important role in the transformation of the Del Paso Heights residential and commercial areas while strengthening the expanding companies in the industrial sector. Unemployment in Del Paso Heights will be battled in at least three ways:

- 1. The program will eliminate many of the gaps in the existing job training and referral system used by the residents to find work. The expansion of Job Training and Partnership Act (JTPA) funding for the area, in particular, will provide the specialized training residents will need to obtain jobs in the growing industrial sector.
- 2. New jobs will be created because firms will be encouraged to locate and expand in the Enterprise Zone area. Companies often cite the business climate as a critical factor when considering locating or expanding in an area. With Enterprise Zone designation, a supportive, pro-growth environment will be fostered by tax incentives, regulatory relief, and vigorous targeting given to firms by the Enterprise Zone Coordinator, the Private Industry Council (PIC), the Certified Development Corporation (CDC) and the Planning and Building Departments.

3. Finally, the program's major incentives for employers in the Enterprise Zone are linked to the hiring of people residing in low income neighborhoods. This will entice the businesses to employ residents. This will lower unemployment and increase the income level of the households. It is anticipated that this will, in turn, foster new commercial activity as retailers will be attracted to the improved market potential.

The concentrated effort at improving the area should also have less tangible, but nonetheless important, spin-off effects by renewing pride in the neighborhood. As the program takes effect, existing business owners and area residents will be more inclined to deal with the area's deterioration by investing in their properties. Increased income will yield more funds available to devote to physical improvements. This revitalization and the decrease in the unemployment rate should also help reduce crime in the Del Paso Heights area.

Together, these steps will bring vitality back to the Del Paso Heights neighborhood and link a competent, productive labor force with the active expanding industrial area.

EXHIBIT II  
(Attachment D)

MEMORANDUM OF UNDERSTANDING  
BETWEEN  
THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO  
AND THE CALIFORNIA DEPARTMENT OF COMMERCE

The Redevelopment Agency of the City of Sacramento has nominated the area contained in this application for designation as a Federal Enterprise Zone under Title VII of the Housing and Community Development Act of 1987. The California Department of Commerce joins in this nomination as required by the Housing and Urban Development (HUD) final rule published in Volume 53, Number 158 of the Federal Register on August 16, 1988.

The Redevelopment Agency of the City of Sacramento and the California Department of Commerce agree to the following specific provisions of the course of action during the period of designation identified in this application.

The State of California will provide the following elements:

1. Provide tax reduction incentives to businesses located in California's designated enterprise zones and employment incentive areas as called for in California law.
2. Provide technical assistance, job training, financial assistance and marketing assistance through the usual State of California activities and programs.
3. Give special contract preference to minority owned businesses as called for in California law.

The Redevelopment Agency of the City of Sacramento will provide (but not be limited to) one or more of the following elements and will identify each element in the course of action.

1. A reduction of tax rates, fees or user charges applied within the enterprise zone.
2. An increase in the level or efficiency of public services within the enterprise zone.
3. Actions to reduce, remove, simplify or streamline paperwork requirements within the enterprise zone.
4. The gift (or sale at below fair market value) of public surplus land in the enterprise zone to neighborhood organizations agreeing to operate a business on the land.

The Redevelopment Agency of the City of Sacramento will assume all responsibility for reporting, monitoring, auditing and evaluating the Federal program. Boundary identification and maintenance outside of the State designated enterprise zone and employment incentive areas will also be the responsibility of the local jurisdiction.

In witness whereof, the parties agree to have executed this agreement on the day, month and year indicated.

Redevelopment Agency of the  
City of Sacramento

California Department of Commerce

WILLIAM H. EDGAR  
Executive Director

KENNETH L. GIBSON  
Director

Date: \_\_\_\_\_

Date: \_\_\_\_\_