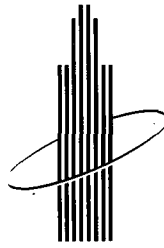


Item 4.1

Withdrawn

10/16/01



4.1

ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO

September 19, 2001

City Council
Sacramento, California

Honorable members in Session:

**SUBJECT: APPROVAL OF THE CITY OF SACRAMENTO ECONOMIC
DEVELOPMENT ASSISTANCE PROGRAM CRITERIA AND PROGRAM
GUIDELINES**

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION:

This report recommends adoption, by resolution, of the Guidelines and Criteria for the City of Sacramento Economic Development Assistance (EDA) Program.

CONTACT PERSON: Kristan Otto, Economic Development Manager, 264-7948
Andrew J. Plescia, Director, Economic Development Dept.,
264-1967

FOR COUNCIL MEETING OF: October 16, 2001

SUMMARY:

The City Council set aside a total of \$1,074,000 in General Funds during the FY 01 Mid Year Review and FY 02 Budget to create an Economic Development Assistance Program. The intent of the EDA program is to serve as tool in the implementation of the adopted Economic Development Strategy.

BACKGROUND INFORMATION

The funds set aside for the Sacramento Economic Development Assistance Program are to be used to promote job creation, business expansion and retention, and business attraction in the City of Sacramento. The Economic Development Department will be responsible for administering the EDA Program.

Although similar to the Focus Area Contingency, the EDA Program is different in that the funding for the program is derived from the General Fund and is more flexible in its use. The funds for the EDA may be used for a wider variety of projects and uses. The Focus Area Contingency funds originate from the Public Works and Utilities Departments and are to be used strictly for public works and infrastructure improvements. Furthermore, unlike the EDA Program, the Focus Area Contingency is part of the City of Sacramento Capital Improvement Program.

The primary purpose of the EDA Program is to promote and implement the adopted Economic Development Department Strategy and the targeted Neighbor Commercial Corridors and Key Development sites included within the strategy.

Attachment One describes the recommended criteria, process and guidelines.

POLICY CONSIDERATIONS

In April 2000 the Sacramento City Council adopted the Economic Development Strategy in order to provide a framework for establishing economic development priorities for the City of Sacramento. Pursuant to the Strategy, Council has approved the following policy mandates and specific economic development strategies for the City's Economic Development Department:

- Promote, market, and facilitate the development of "key" development opportunities.
- Use public funds to facilitate private development and leverage new private sector investment.
- Attract targeted industries. Headquarters, businesses, and commercial/retail uses.
- Retain and expand existing industries and businesses.
- Position the City of Sacramento to effectively compete in regional, national, and international markets.
- Increase employment opportunities for a wide range of skill levels and compensation.
- Capitalize upon the unique historic and cultural resources of the City of Sacramento in promoting citywide economic development.
- Encourage the increase of tourism in the City of Sacramento.

The creation of the EDA Program and approval of the criteria and guidelines recommended herein are consistent with these provisions of the Economic Development Strategy.

The criteria and guidelines recommended herein will allow the EDA Program to play an important role in addressing barriers to development. The recommended criteria and guidelines will allow maximum flexibility to overcome barriers to development depending upon localized circumstances. The City will be able to use these funds in areas of the City not otherwise eligible for other existing tools, including exterior rebates and tax increment funds.

The Sacramento City Council will approve all negotiated agreements in excess of \$100,000.

FINANCIAL CONSIDERATIONS

The funding for the Economic Development Assistance Program is being held in Agency 550 and is separate from the Economic Development Department operating budget. The funds are multi-year in character and the funding level for the Program will be reviewed during the annual budget process.

Funds received by the City of Sacramento from these contracts or projects that specify a repayment schedule will be redeposited back in the EDA Program unless otherwise directed by the Council or City Manager's Office.

ENVIRONMENTAL ISSUES

Each project associated with these credits will need to go through the appropriate environmental process as requested by the Planning Department.

ESBD: As no goods or services are being purchased, ESBD considerations are not applicable.

Respectfully submitted:

APPROVED:


KRISTAN OTTO
Economic Development Manager


ANDREW J. PLESCIA
Economic Development Director

RECOMMENDATION APPROVED:


ROBERT P. THOMAS
City Manager

RECOMMENDED CRITERIA, PROCESS AND GUIDELINES

Program Purpose, Objectives and Eligibility

The primary purpose of the EDA Program is to promote and implement the adopted Economic Development Department Strategy and the targeted Neighbor Commercial Corridors and Key Development sites included within the strategy. Projects that are able to demonstrate identifiable and estimable benefits within a projected time frame will be eligible for EDA Program. The objectives of the program are as follows:

- Retain and expand private sector jobs;
- Leverage private sector investment;
- Increase sales tax, property and other public tax revenue.

Allowed Uses

- Pre-application and pre-development costs including regulatory and permitting costs; market feasibility studies; site and building characterization.
- Land Acquisition.
- Off-site infrastructure improvements, including but not limited to streets, sidewalks, and utilities
- On-site infrastructure improvements, including but not limited to grading, environmental remediation, and utilities.
- Building and tenant improvement construction costs. Tenant improvement costs must be permanent in nature and part of the building.
- Match or leverage other public funds.

Disallowed Uses

- EDA Program funds will not be used to supply capital for business operating expenses
- Furniture, Fixtures, and Equipment (FF&E) and all other removable improvements are ineligible for funds in this program.

Administration

- Origination of projects to be considered for EDA Program assistance will take place within the office of the City Director of Economic Development.
- Preference will be placed upon distributing EDA Program funding as loans versus other forms of disbursement.

-
- The Director or the Department of Economic Development or his/her designate will prepare an analysis to substantiate the use of EDA Program funds.
 - The analysis will include a description of the project, financial analysis demonstrating a funding gap or other financial obstacle that poses an impediment to project development, how much in EDA Program funding is to be recommended by the Director for project assistance, and, as referenced below, information needed for project validation.
 - The Sacramento City Council will approve all negotiated agreements in excess of \$100,000.

Process

- If staff determines that a recommendation for Council approval is justified, staff will draw up a contract stipulating the terms and conditions, projected benefits, penalties for non-performance.
- If approved by Council, Economic Development staff will conclude contract negotiations with the project developer specifying terms and conditions approved by Council.
- Economic Development staff might contract with third-party vendors, either governmental or non-governmental, for administrative assistance when doing so will reduce program administrative costs, (e.g. loan servicing required as part of EDA Program funding).
- The loans will be secured against the project and its property, preferably in first or second position.

Validation

- Staff reports and contracts will include a statement of estimated benefits expected from the use of these funds:
 - Number of jobs retained and created.
 - Diversification of employment levels by salary range.
 - Increase in sales, property or other public taxes.
 - Amount of leveraged private and public capital investment.
- As necessary, loans may incorporate forgiveness provisions that allow recipients to reduce the loan amount they needed to pay back upon reaching pre-specified performance benchmarks.

Reporting to Council

- The EDA Program will be reviewed six months after commencing operation and every six months thereafter. The Economic Development Department will report back to Council at that time on the success of the process, criteria, and program activity.

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

A RESOLUTION ADOPTING THE CITY OF SACRAMENTO ECONOMIC DEVELOPMENT ASSISTANCE PROGRAM CRITERIA AND GUIDELINES

BE IT HEREBY RESOLVED BY THIS CITY COUNCIL THAT:

1. The Sacramento City Council adopts the criteria and guidelines for the Economic Development Assistance Program (EDAP), as set forth in Attachment 1 of the staff report.

MAYOR

Attest:

City Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO: _____

DATE ADOPTED: _____

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