



**Sacramento  
Housing &  
Redevelopment  
Agency**

December 4, 2002

5.3

Redevelopment Agency of the City of Sacramento  
Sacramento, California

Honorable Members in Session:



**SUBJECT: EXPANSION OF ARMY DEPOT REDEVELOPMENT AREA**

**LOCATION & COUNCIL DISTRICT – District 6**

**RECOMMENDATION**

Staff recommends adoption of the attached resolution, which authorizes the Executive Director or her designee to:

1. proceed with the process to adopt a second amendment to the Army Depot Redevelopment Plan in order to expand the project area;
2. enter into all contracts related to the plan amendment process for the Army Depot Redevelopment project area and for the preparation of an Environmental Impact Report for the area; and
3. amend the Agency budget to appropriate \$250,000 in Army Depot tax increments previously allocated for developer assistance to fund the Army Depot Plan Amendment.

**CONTACT PERSONS**

Lisa Bates, Community Development Director, 440-1316.

Kim J. King, Community Development Management Analyst, 440-1399, extension 1400.

**FOR COUNCIL MEETING OF** - December 17, 2002

**SUMMARY**

The report recommends that staff initiate the process to adopt the second amendment to the Army Depot Redevelopment Plan to expand the project area.

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### COMMISSION ACTION

At its meeting December 4, 2002, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Burns, Burruss, Castello, Cespedes, Faust, Hoag, Piatkowski, Simon

NOES: None

ABSENT: Amundson, Harland, McCarty

### BACKGROUND

On June 27, 1995, the City Council adopted Ordinance No. 95-034 establishing the redevelopment plan for the Army Depot Redevelopment Project. Subsequently, on October 20, 1998, the Council adopted Ordinance 98-043, the first amendment to the redevelopment plan for the Project.

The purpose of the 1998 plan amendment was to exclude seven parcels (of Proctor and Gamble Company and W. E. Hall Company), whose assessed values declined since the time of the plan adoption. Those declining values reduced the overall generation of tax increments for the implementation of redevelopment projects. The amendment addressed this problem by excluding these parcels from the original project area.

Since the first amendment tax increment revenue growth has continued to drag. Due to assessment appeals, the Project Area's 2001-2002 value is only slightly above its 1994-1995 base year value. As a result, the seven-year old Project Area will generate less than \$12,000 of gross tax increment (housing and non-housing revenue) this year. For the duration of the redevelopment area, less than \$24.5 million in gross tax increment is estimated. These projections indicate that a \$4 million bond issue could not be issued until 2014-2015.

Various options to increase gross tax increment revenue have been examined, including (1) removing all of the parcels that contribute to negative tax increment flow, including the Army Depot site itself; (2) removing parcels excluding the Army Depot site; and (3) expanding the area. Tax increment projections were made for each option and financial implications are highlighted below.

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	<b>Existing Plan</b>	<b>Remove Parcels, including Army Depot</b>	<b>Remove Parcels, except Army Depot</b>	<b>Add Property, excluding no parcels</b>
Tax Increment Revenue to Agency ( 2001-2039)	\$24.5 million	\$23.7 million	\$27.5 million	\$60.3 million
Year \$4 million bond can be issued	2014-2015	2011-2012	2010-2011	2007-2008

### Removing Parcels, including Army Depot

Currently 45 parcels have a negative incremental value and would be candidates for deletion. While cumulative tax increment revenues are projected to increase in the short-term if all these parcels are removed from the redevelopment area, the long-term forecast revenues would be less than if the Agency took no action at all.

### Remove Parcels, except Army Depot

This option only increases cumulative 39-year tax increment revenues by \$3 million more than the Agency could earn without an amendment. Bonding capacity is enhanced slightly.

### Add Property

This option could generate additional tax increments over the long-term. Depending on sufficient findings of blight as required by state redevelopment law, an expansion of the area could include portions of Colonial Manor, Avondale, and Glen Elder neighborhoods, increasing the amount of the tax increment revenues to the greater Project Area by as much as 240 percent. Most of these areas are residential in character with little opportunity for substantial new development. The majority of tax increment growth assumed in the chart above will be reliant on increasing property values of existing residential as opposed to new construction activity.

### Conclusion

These findings above point out the financial advantages of adding property to the redevelopment project area. While the financial projections are appealing, it is important to recognize the following issues:

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1. The findings of blight and urbanization (i.e., that the area is generally integral part of the urban area) must still be made as part of the proposed redevelopment adoption process;
2. The interests of a sizable residential community must be balanced with those of the existing industrial areas. The expansion of Army Depot will require the election of a Project Advisory Committee for the new area;
3. The tax increment revenue estimates are, in fact, relatively modest given the length of the redevelopment plan and the time that it will take before the Agency can expect to bond.

Given this, staff recommends that the process to adopt a second amendment to the Redevelopment Plan to expand the project area be initiated. Following is a summary of actions required to complete the plan amendment as well as the estimated schedule for completion.

<u>Action</u>	<u>Estimated Date</u>
Issue Request for Proposals from Consultants	December, 2002
Execute Consultant Contracts	February, 2003
Adopt Survey Area	April, 2003
Elect Project Area Committee	June, 2003
EIR available for public review	September, 2003
Approval of Preliminary Report	August, 2003
Adoption of Report to City Council	December, 2003
Joint Public Hearings	December, 2003
Adoption of Ordinance	December, 2003

### FINANCIAL CONSIDERATIONS

This report recommends the appropriation of a total of \$250,000 previously allocated for Army Depot developer assistance for the plan amendment process. A total of \$51,979 would remain for developer assistance activities.

### POLICY CONSIDERATIONS

This action is consistent with Agency policy to assist blighted and deteriorating areas. The Redevelopment Agency, in a staff report, dated November 14, 2001, adopted 11 "Principles and Strategies for Redevelopment Area Designation". Staff was initially concerned that sufficient blight exists within the adjoining areas considered for expansion. Staff has contracted with two independent consultants on the evaluation of physical, social and economic blight within these neighborhoods. The conclusion from both consultants is that there appears to be sufficient blight

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to accommodate expansion of the Army Depot Redevelopment Area. In addition, the proposed action to expand the area will address a policy consideration that projected tax increment generation from the area be adequate to support a successful redevelopment program

**ENVIRONMENTAL REVIEW**

The proposed action does not constitute a project under CEQA per Guidelines Section 15378(b)(2). An Environmental Impact Report will be prepared for adoption of the redevelopment plan.

**M/WBE CONSIDERATIONS**

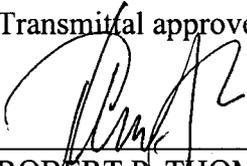
The Agency's M/WBE policy will be implemented to the extent that funding sources requires it.

Respectfully submitted,



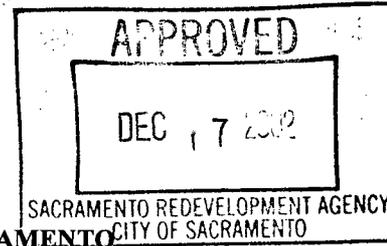
ANNE M. MOORE  
Executive Director

Transmittal approved,



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ROBERT P. THOMAS  
City Manager



**RESOLUTION NO. RA-065**

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

ON DATE OF

**AUTHORIZATION TO PROCURE CONSULTANTS FOR ADOPTION OF SECOND AMENDMENT TO THE ARMY DEPOT REDEVELOPMENT AREA AND RELATED BUDGET REALLOCATIONS**

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

Section 1. The Executive Director, or her designee, is authorized to amend the Agency budget to reappropriate \$250,000 from Army Depot Developer Assistance to fund the Army Depot Plan Second Amendment.

Section 2. The Executive Director, or her designee, is authorized to enter into agreements and execute related documents to procure consultants for adoption of the second amendment of the Army Depot Redevelopment Project Area and related environmental review.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

\_\_\_\_\_  
FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_