



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



7

November 14, 1989

Budget and Finance Committee
of the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Funding for Enterprise Zone Business Permit
Reimbursement

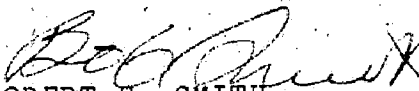
SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the Redevelopment Agency and City Council of the City of Sacramento.

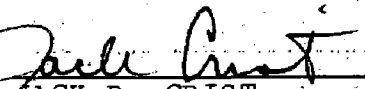
RECOMMENDATION

The staff recommends approval of the attached resolution approving the funding.

Respectfully submitted,


ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COMMITTEE:


JACK R. CRIST
Deputy City Manager

Attachment



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



7

November 21, 1989

Redevelopment Agency and
City Council of the
City of Sacramento

Honorable Members in Session:

SUBJECT: Funding for Enterprise Zone Business Permit Reimbursement

SUMMARY

This report recommends changing the source of funds used to reimburse Enterprise Zone businesses for permit fees from City/County Community Development Block Grant (CDBG) funds to parking facility funds. In addition, the CDBG funds originally allocated for this activity would be redirected for City/County Economic Development Loans and Grants.

BACKGROUND

In 1986, the Sacramento Housing and Redevelopment Agency applied and received approval for a California Enterprise Zone designation for the Northgate/Norwood area. In 1988, a second application was made by the Agency for the Oak Park/Florin-Perkins area. This received designation in 1989.

Both of the Enterprise Zone applications stated that the Redevelopment Agency of the City/County of Sacramento would reimburse to Enterprise Zone businesses which had qualified for Zone benefits based on their successful hiring of employees from our High Density Unemployment Areas and expenditures they had incurred for permit related expenditures involved in constructing, rehabilitating or expanding businesses in the Enterprise Zone. Eligible expenses include the following:

- . Building permits and Plan Check fees;
- . Encroachment Permit Charges;
- . Zoning and Land Use related fees charged by the City/County such as those for Use Permits, Variances, etc; and
- . Business License fees.

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Following the initial designation, \$50,000 from City CDBG and \$50,000 from County CDBG dollars was set aside to fund this activity. Approval for this action was given in the form of resolutions passed by the Sacramento Housing and Redevelopment Commission, Sacramento City Council and Sacramento County Board of Supervisors.

On June 27-28, 1989, Housing and Urban Development conducted a monitoring visit to review the Agency's performance in complying with statutory and regulatory requirements for economic development activities.

A finding resulted stating that reimbursing businesses located in the Enterprise Zone, for their payment of fees was an ineligible use of CDBG funds in the absence of making a written "necessary and appropriate" determination in each case. This determination requires the grantee to conduct and document a financial analysis to determine the businesses' financial needs and justify the CDBG assistance.

This process would be a lengthy and complicated process, involving a substantial amount of staff time. Given the very small magnitude of the typical fee reimbursement, it simply does not make sense. In addition, it is possible that the private businesses may not wish to provide its financial statements to the Agency for scrutiny for such a small amount.

In order to avoid this laborious task and still provide this incentive to Enterprise Zone businesses, staff recommends that parking facility funds be used to finance this activity. The Northgate/ Norwood businesses' fees could be reimbursed utilizing parking facility funds.

Since only \$1,824.15 has been spent to date for Enterprise Zone fees, it is envisioned that \$10,000 would adequately fund the reimbursement requests the Agency receives.

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FINANCIAL DATA

This report involves transferring \$50,000 of City CDBG funds from the Enterprise Zone Permit Fee (A04612) to City Economic Development Loans and Grants (L04931) and \$50,000 of County CDBG funds from the Enterprise Zone Permit Fee (A08628) to County Economic Development Loans and Grants (L08931).

Since the amounts necessary to fund the Enterprise Zone program are much smaller than originally estimated (\$1,824 has been spent to date), the funding source will come from the parking facility fund balance. It is anticipated that a total of \$10,000 will be used from this fund.

MBE/WBE

This action does not involve the provision of contractual services, therefore, there is no impact.

ENVIRONMENTAL REVIEW

NEPA: This is an exempt activity under the National Environmental Policy Act per 24 CFR Part 58.34(a)(2).

CEQA: This action is not a "project" under the California Environmental Quality Act Guidelines, per 15378(b)(3), and is exempt from environmental review.

POLICY IMPLICATIONS

The provision of a funding source for Enterprise Zone permit fee reimbursement would reinforce the relationship between the Enterprise Zones and the High Density Unemployment Areas from which they must draw a percentage of their work force in order to qualify for Zone benefits (e.g. State tax credits).

In addition, this change increases the amount available for Economic Development loans and grants, allowing staff additional resources to use for commercial revitalization activities.

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VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of November 6, 1989, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

RECOMMENDATION

The staff recommends changing the source of funds used to reimburse Enterprise Zone businesses for permit fees from City/County CDBG funds to parking facility funds. In addition, the CDBG funds originally allocated for this would be redirected for City/County Economic Development Loans and Grants.

Respectfully submitted,



ROBERT E. SMITH
Executive Director

Contact Person: Ted Scott
440-1318

TRANSMITTAL TO COUNCIL

WALTER J. SLIPE
City Manager

LF:jann
4842J
11/07/89

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

CHANGING THE SOURCE OF FUNDS USED TO REIMBURSE ENTERPRISE ZONE BUSINESSES FOR PERMIT FEES AND REDIRECTING THE FUNDS ORIGINALLY ALLOCATED FOR THIS ACTIVITY

BE IT RESOLVED BY THE SACRAMENTO CITY COUNCIL:

Section 1: Enterprise Zone permit fee reimbursements will be funded from parking facility funds.

Section 2: The \$50,000 originally allocated from the City of Sacramento Community Development Block Grant funds be redirected to City Economic Development loans and grants.

MAYOR

ATTEST:

CITY CLERK

1100WPP2(477)

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

CHANGING THE SOURCE OF FUNDS USED TO
REIMBURSE ENTERPRISE ZONE BUSINESSES FOR
PERMIT FEES AND REDIRECTING THE
FUNDS ORIGINALLY ALLOCATED FOR THIS ACTIVITY

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

Section 1: Enterprise Zone permit fee reimbursements
will be funded from parking facility funds.

Section 2: The \$50,000 originally allocated from the
City of Sacramento Community Development Block Grant funds be
redirected to City Economic Development loans and grants.

CHAIR

ATTEST:

SECRETARY

1100WPP(477)

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____