



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



9

March 29, 1988

Budget & Finance Committee of
the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: 1988 Del Paso Heights Project Area Tax Increment
Project Budget

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the attached resolutions approving the proposed budget amendments.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:

Jack R. Crist

JACK R. CRIST
Deputy City Manager

Attachment



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



March 28, 1988

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

Honorable Members in Session:

SUBJECT: 1988 Del Paso Heights Project Area Tax Increment
Project Budget

SUMMARY

This report amends the 1988 Agency Budget to establish line item budget allocations for recommended capital projects in the Del Paso Heights Redevelopment Project Area. The attached resolutions approve tax increment funding for the following new 1988 projects: 1) Del Paso Heights Street Improvement Project #9 (Design); 2) Del Paso Heights Street Improvement Project #10A (Construction); 3) Good Neighbors Child Care Center Renovation Funds, and 4) Job Bank Operating funds.

In addition, the attached resolutions request the Agency and City to research and develop possible methods for joint financing of street improvements in Del Paso Heights as part of the development of the City's Capital Improvement Plan.

BACKGROUND

Each year the Redevelopment Agency receives tax increment proceeds to be budgeted for redevelopment programs in specific project areas. For the Del Paso Heights Project Area, a total of \$814,000 in new tax increment proceeds and interest earnings is projected to be received for 1988:

1988 Tax Increment Revenue	\$680,000
Interest Earnings	<u>\$134,000</u>
Total 1988 Revenue	<u>814,000</u>

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Out of this total revenue, debt service on the 1985 Del Paso Heights Tax Allocation bond, State-mandated replacement housing costs and Agency operating costs are deducted. The balance remaining after debt service and operating costs can be allocated to new projects and programs. For 1988, \$286,864.00 is available for new projects:

Revenue	+\$ 814,000
Debt Service Payment	-\$ 329,000
Replacement Housing Fund	-\$ 13,000*
Operating Costs	<u>-\$ 185,136</u>
Balance for New Projects	\$ 286,864

*Pursuant to state law, the Agency is required to devote 20 percent of its annual tax increment flow to housing projects. The portion of debt service payment going toward amortizing bonds the proceeds of which were used on housing projects can count toward that 20 percent. In the case of Del Paso Heights, the 1988 "20 percent" requirement is being met as explained in Attachment A, an excerpt from a Memorandum from William H. Edgar, Executive Director, on compliance with the "20 percent Housing Set-Aside" (November 17, 1987).

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The above deductions (debt service, operations, etc.) were approved in the 1988 Agency Operating Budget approved by the City Council on December 15, 1987.

New 1988 redevelopment projects recommended by Agency staff and the Del Paso Heights Redevelopment Advisory Committee (RAC) are:

Good Neighbors Child Care Center	
Replacement and Expansion.....	\$ 72,000
Job Bank Operating Costs.....	\$ 17,000
Street Project #10 (Construction).....	\$164,357
Street Project #10 (Design).....	\$ 33,507
	TOTAL
	\$286,864

Good Neighbors Child Care Center: Staff is recommending an additional \$72,000 in 1988 tax increment funds to supplement the 1987 carryover allocation for this project of \$194,000. This will create a project budget of \$266,000 which is needed to cover the estimated design and development costs for the project. The proposed project involves the removal of older portable classrooms at the current Good Neighbors Child Care site and the construction of a new facility to house 40 pre-school children.

Job Bank: This program, sponsored by the Agency, is designed to provide a critical link between persons seeking work in Del Paso Heights and employers in the North Sacramento Enterprise Zone. Job preparation assistance and placement referrals are provided.

Street Project #10: This project involves the construction of full street and drainage improvements in the area bounded by Fell Street, North Avenue, Balsam Street, and I-80. The total project is estimated to cost \$414,357 of which \$250,000 is allocated from previously approved Community Development Block Grant funds and the balance or shortfall of \$164,357 from 1988 tax increment funds. Design on this project is already substantially underway and the project should be ready to bid in 1988/89.

Street Project #9 (Design): An amount of \$33,507 is recommended to initiate design of street project #9 which involves full street improvements to Jean Avenue west of Dry Creek Road.

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Estimated costs to construct these improvements is estimated to be \$325,000 which substantially exceeds current and projected tax increment fund availability. However, because of the severely deteriorated state of these improvements, staff is recommending design funding at this time in order to expedite implementation of the project and is further recommending that all efforts be made to develop a project financing plan using City funding, CDBG and tax increment funds to complete the construction of this project next year. As you may recall, Jean Avenue received recent attention from the press when the Postal Service refused to deliver mail on the street because of the poor condition of the road.

As you know, Del Paso Heights is one of the City's most deteriorated areas and the magnitude of need greatly exceeds redevelopment resources. For example, Agency staff estimates that close to \$20 million dollars would be needed to complete the most basic and essential housing and street work in the Del Paso Heights area. Clearly, with only \$250,000-\$300,000 generated in tax increment funds for new projects, it is necessary for the City and the Agency to mutually finance projects. As a result, Agency staff and the Del Paso Heights Redevelopment Advisory Committee (RAC) strongly recommend that bypassed and unassisted areas such as Del Paso Heights receive priority attention in the 1988/89 City Capital Improvement Budget.

FINANCIAL DATA

The attached resolution approves a new project budget for the Del Paso Heights Redevelopment Project Area tax increment fund in accordance with the revenue and expense projections as approved in the Agency 1988 Budget. The resolution does not alter the total funds available to the project area, but rather provides project level detail based on public hearings held in the project area and the recommendations of the Del Paso Heights Redevelopment Advisory Committee (RAC).

ENVIRONMENTAL REVIEW

The recommended projects have been reviewed under the California Environmental Quality Act (CEQA). Determinations are as follows:

Del Paso Heights Street Project #10 and #9

CEQA: Negative Declaration/Initial Study

NEPA: CAT. Exc. 58.35 (a)(i)(ii); Exempt 58.34(a)(10)

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Good Neighbors Child Care Expansion and Replacement

CEQA: The first phase of this project, planning and design, is exempt under Section 15262. A CEQA review will be initiated by the City at the time entitlements are applied for by the project manager.

NEPA: Not applicable, no federal funding involved.

Job Bank

CEQA: Ministerial exemption Section 153378 (b)(3).

NEPA: Not applicable, no federal funds involved.

POLICY IMPLICATIONS

The attached resolutions program tax increment funds for uses which are consistent with the Del Paso Heights Redevelopment Plan.

The resolution does however, recommend that the Agency and the City coordinate more closely in capital improvement budgeting in order to leverage scarce resources more effectively and ensure that tax increment funds are not being used to supplement funding for project which should be the City's obligation.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of March 28, 1988, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES:

NOES:

ABSENT:

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VOTE AND RECOMMENDATION OF DEL PASO HEIGHTS REDEVELOPMENT ADVISORY COMMITTEE (RAC)

At their regular February 11, 1988, meeting, the Del Paso Heights Redevelopment Advisory Committee (RAC) voted to approve the projects listed in the resolution with the condition that the City of Sacramento work with the Agency and the RAC in the development of a financing plan to complete critical street and drainage improvements in the project area, most particularly Street Project No. 9. The votes were as follows:

AYES: Arnold, Burney, Fry,
Mayhand, Vinson

NOES: Cunningham

ABSENT: Roseman

RECOMMENDATION

The staff recommends adoption of the attached resolutions regarding the 1988 Del Paso Heights Project Area budget.

Respectfully submitted

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL

WALTER J. SLIPE
City Manager

Contact Person: Trish Davey
440-1322

0862Q

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

DEL PASO HEIGHTS REDEVELOPMENT BUDGET AMENDMENT AND RELATED MATTERS

BE IT RESOLVED BY THE CITY COUNCIL OF SACRAMENTO:

Section 1: Council approves an amendment to the City's 1987/88 Capital Improvement Budget to add \$164,357 in 1988 Project Area No. 5 Tax Increment funds to Del Paso Heights Street Improvement Project No. 10 and to add \$33,507 in 1988 Project Area No. 5 Tax Increment funds to Del Paso Heights Street Project No. 9 (Design).

Section 2: Council directs the City Manager's Office to research methods of assisting the Agency in financing street improvements in Del Paso Heights in 1988/89 Capital Improvement Plan and in particular to report to the Council on methods of financing Street Project No. 9 prior to the adoption of the 1988/89 Capital Improvement Plan.

MAYOR

ATTEST:

CITY CLERK

1100WPP2(109)

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
ON DATE OF

RELATING TO ALLOCATION OF DEL PASO HEIGHTS TAX INCREMENT

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

Section 1: The Agency hereby amends the 1988 Agency budget to allocate \$299,864 in 1988 Tax Increment funds (Project Area No. 5) to the following projects in the following amounts:

Del Paso Heights Replacement Housing.....	\$ 13,000
Good Neighbors Child Care Center.....	\$ 72,000
Job Bank.....	\$ 17,000
Del Paso Heights Street Improvements No. 9 (Design).....	\$ 33,507
Del Paso Heights Street Improvements No. 10 (Construction).....	\$164,357

Section 2: The Executive Director is authorized to enter into Memorandums of Understanding with the City of Sacramento to allow the City Public Works Department to implement Street Projects Nos. 9 and 10.

Section 3: The Executive Director is further authorized to work with the City Manager's office in developing a financing plan for Street Project No. 9.

CHAIR

ATTEST:

SECRETARY

1100WPP2(109)

1988-89. Planned housing-related expenditures for 1988-89 are presented in Table 6. The table shows that 1988-89 "housing-related" TAB-85 and TAB-87 debt service payments are \$356,421 and \$214,743, respectively. Adding the annual \$655,000 Riverview Plaza mortgage payment to these TAB-payments yields a total of \$1.2 million in projected housing-related payments. Consequently, in order to comply with the annual "20-percent housing set-aside requirement" (\$1.8 million in 1988-89), the Agency will allocate during 1988-89 an additional \$588,836 for housing-related activities. Given projected 1988-89 gross TI revenues of \$9 million, and anticipated Special Subvention payments of \$301,000, the Agency anticipates it will be able to fund the additional \$588,836 for housing purposes.

1989-90. Table 7 summarizes the Agency's planned housing-related expenditures for 1989-90. As indicated, the projected \$1.2 million in TI expenditures for housing consist of (1) \$355,283 for TAB-85 debt service (housing portion); (2) 187,632 for TAB-87 debt service (housing portion); and (3) \$655,000 for Riverview Plaza annual mortgage payments. In order to fully satisfy the \$1.8 million housing set-aside target figure for 1989-90, the Agency intends to allocate a minimum of \$647,486 more than the indentified expenditures. Given \$9.2 million in projected gross TI revenues and \$8.1 million in total debt service payment, this additional \$647,486 is financially feasible.

1990-91. Table 8 shows that the Agency has identified approximately \$1.2 million of the \$1.86 million that must be reserved for housing-related expenditures during 1990-91. The remaining \$658,833 needed to satisfy the 20 percent housing set-aside requirement will be funded out of the \$1,174,000 in anticipated tax increment revenues not needed for debt service payments.

Conclusion. Tables 1-8 demonstrate the Agency's capacity in the Downtown Redevelopment Project to satisfactorily comply from 1985-86 through 1990-91 with the "20 percent housing set-aside requirement" while meeting its other non-housing financing obligations. Agency staff anticipates as future gross tax increment revenues increase, the Agency will clearly be capable of undertaking additional redevelopment and housing projects.

II. Del Paso Heights Redevelopment Project Area

The Del Paso Heights (DPH) Redevelopment Project Area was established in 1970 and thus was not subject to the 20 percent housing set-aside requirement prior to the 1985-86 fiscal year. However, in November 1985, \$2.63 million in tax allocation bonds (TAB) was issued, pledging as security the annual tax increment revenues from DPH. Of the nine projects selected for funding out of the TAB-DPH-85, three projects (totalling approximately \$800,000) involved the construction, replacement or rehabilitation of housing. These projects were as follows:

Special Housing Rehabilitation Fund	\$150,000
Senior Housing Development	380,187
Housing Development (Rio Linda Blvd.)	285,000
Total TAB-DPH-85 Funding	<u>\$815,187</u>

This amount (\$815,187) represents approximately 38.5 percent of the total net proceeds made available through TAB-DPH-85. Table 8 presents a fiscal summary from 1985-86 through 1990-91 of the TI revenues received and the TI funds dedicated to housing (under "Housing Payment on TAB-85"). As evidenced by the table, because \$815,000 was made available for housing through the TAB-DPH-85, the Agency has satisfied all but \$13,000 of its obligation under the housing set-aside requirement for 1987-88. This is because the annual debt service payments (for housing) on the TAB nearly equal the annual housing set-aside target figure. When the additional housing contributions are made, the Del Paso Heights Project Area will be in compliance with the statutory housing set-aside requirement. In order to maintain compliance in future years, the Agency will set-aside the additional minor amounts as shown in Table 9.

III. Alkali Flat Redevelopment Project Area

Similar to the Del Paso Heights Project, the Alkali Flat Redevelopment Project area was, prior to 1985-86, exempt from the 20 percent housing set-aside requirement. The Alkali Flat Redevelopment Plan, originally adopted in 1972, was subsequently amended in 1980 and 1984. Table 10 presents a summary of the past (and future projected) gross tax increment revenues for Alkali Flat from 1985-86 through 1990-91.

In November 1985, the Agency issued \$2,585,000 in tax allocation bonds (TAB-AF-85) to support various redevelopment projects in Alkali Flat. Among the funded activities were the following housing projects:

Ownership Housing	\$977,000
Housing Rehabilitation	300,000
Housing Infill Program	63,000
Total	<u>\$1,340,000</u>

This \$1.34 million in bond proceeds represents approximately 64 percent of the net available proceeds from the bond issue. Consequently, 64 percent of the annual debt service payments on this TAB-AF-85 are attributable to financing these capitalized housing funds. Staff has calculated these amounts as shown in Table 10 ("Housing Payment on TAB-85"). Table 10 shows, for example, that in 1986-87, the Agency made \$225,000 in debt service payments to pay off the \$1.34 million in housing funds.

TABLE B

MERGED DOWNTOWN REDEVELOPMENT PROJECT AREA
SUMMARY OF HOUSING SET-ASIDE PAYMENTS

1990-91 HOUSING SET-ASIDE FUNDS	Amount Contributed
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1. 1985 TAB PROCEEDS	

Northeast Neighborhood Acquisition Account	
--As portion of 1990-91 Debt Service Payment	
0.169 x 2,103,000 = 355,452	355,452
2. 1987 TAB PROCEEDS	

Replacement Housing Account and Emergency Shelter Account	
--As portion of 1990-91 Debt Service Payment	
0.057 x 3,251,051 = 186,716	186,716
3. RIVERVIEW PLAZA PAYMENTS	

Debt Service Payment on Permanent Loan	655,000 655,000
Total Housing-Related Expenditures From Tax-Increment Funds	1,197,167
Housing Set-Aside Target Figure	1,856,000

ADDITIONAL HOUSING SET-ASIDE AMOUNT NEEDED TO SATISFY REQUIREMENT	(658,833)

1985-86 through 1990-91
(000s Omitted)

YEAR	GROSS TAX INCREMENT	HOUSING SET- ASIDE TARGET	DEBT SERVICE ON TAB-85	HOUSING PAYMENT ON TAB-85	AMOUNT OVER (UNDER) TARGET
1985-86	544	109	0	*	*
1986-87	673	135	430	166	31
1987-88	680	136	320	123	(13)
1988-89	693	139	322	124	(15)
1989-90	707	141	323	124	(17)
1990-91	722	144	329	127	(18)

TABLE 10

ALKALI FLAT REDEVELOPMENT PROJECT AREA
FISCAL SUMMARY
1985-86 through 1990-91
(000s Omitted)

YEAR	GROSS TAX INCREMENT	HOUSING SET- ASIDE TARGET	DEBT SERVICE ON TAB-85	HOUSING PAYMENT ON TAB-85	1-TIME HSG. EXPENDITURES	TOTAL ANN. HSG. PYMTS	AMOUNT OVER (UNDER) TARGET
1985-86	501	100	0	*	0	*	*
1986-87	617	123	353	225	60	285	162
1987-88	621	124	297	189	0	189	65
1988-89	633	127	300	191	0	191	65
1989-90	646	129	303	193	0	193	64
1990-91	659	132	300	191	0	191	60

TABLE 11

OAK PARK REDEVELOPMENT PROJECT AREA
FISCAL SUMMARY
1985-86 through 1990-91
(000s Omitted)

YEAR	GROSS TAX INCREMENT	HOUSING SET- ASIDE TARGET	DEBT SERVICE ON TAB-85	HOUSING PAYMENT ON TAB-85	1-TIME HSG. EXPENDITURES	TOTAL ANN. HSG. PYMTS	AMOUNT OVER (UNDER) TARGET
1985-86	757	151	0	*	0	*	*
1986-87	933	187	849	195	0	195	9
1987-88	1,028	206	611	141	360	501	295
1988-89	1,049	210	614	141	0	141	(68)
1989-90	1,070	214	616	142	0	142	(72)
1990-91	1,091	218	622	143	0	143	(75)

* Although no debt service payments were made during this year, the tax allocation bond issue did provide funds for housing during this period.