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OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO

CALIFORNIA

APPROVED
BY THE CITY COUNCIL

CITY HALL
ROOM 101
915 I STREET
SACRAMENTO, CA
95814-2684

May 11, 1998

MAY 19 1998

PH 916-264-5704
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OFFICE OF THE
CITY CLERK

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



Honorable Members in Session:

**SUBJECT: ALLOCATION OF 1998 MERGED SACRAMENTO DOWNTOWN
REDEVELOPMENT TAX ALLOCATION BOND REFUNDING PROCEEDS**

LOCATION AND COUNCIL DISTRICT: Council District One

RECOMMENDATION:

This report recommends that the City Council and the Redevelopment Agency of the City of Sacramento adopt the attached Resolution which:

- 1) Amends the 1997-98 Agency and 1998-99 City budget;
- 2) Allocates tax increment bond proceeds generally to the new convention center hotel, Esquire Plaza, housing and waterfront improvements; and
- 3) Recognize the City Manager, or the City Manager's designee, as an authorized signature for the Redevelopment Agency of the City of Sacramento.

CONTACT PERSON: Thomas V. Lee, Deputy City Manager, 264-8888

FOR COUNCIL MEETING OF: May 19, 1998

SUMMARY:

On March 31, 1998, the City Council and the Redevelopment Agency of the City of Sacramento approved the issuance of approximately \$90 million in debt financing necessary to advance refund the 1990 Tax Allocation Bonds and new bonds to make available approximately \$19 million in new project funds. The first phase of the bond refinance has been completed and resulted in \$19.2 million available for projects. This staff report recommends the allocation of these funds for the new convention center hotel, Esquire Plaza, Housing projects and waterfront improvements. Additionally, the City Manager of his designee is authorized as a signature for the Redevelopment Agency of the City of Sacramento.

COMMITTEE/COMMISSION ACTION: None

BACKGROUND:

The City Council and the Redevelopment Agency of the City of Sacramento previously approved the issuance of approximately \$90 million in debt, the majority of which was for advanced refunding of 1990 Tax Allocation Bonds. Additionally, the refinancing was projected to result in approximately \$19 million for new projects. The first phase of the refinancing is now complete, making \$ 19,272,620 available for new projects. The second phase of the refinancing is now in progress and when completed, may result in some debt service savings in the future. As discussed in the staff report approved by the City Council and the Redevelopment Agency on March 31, 1998, staff is now recommending allocation of the proceeds to the projects listed below and described in Attachment I.

<u>Item Description</u>	<u>Amount</u>	<u>Total</u>
AVAILABLE BOND PROCEEDS		\$ 19,272,620
Previously Approved Projects:		
Esquire Plaza	\$ 6,000,000	\$ 13, 272,620
Current Commitments:		
Convention Center Hotel	\$ 6,500,000	\$ 6,772,620
Housing Projects	\$ 6,000,000	\$ 772,620
Waterfront Improvements	\$ 772,620	- 0 -

On September 30, 1997 the City Council approved establishment of the Downtown Enterprise Department. This action included transferring staff and funding associated with Downtown economic development from the Sacramento Housing and Redevelopment Agency. The Development Division is now responsible for redevelopment/economic development and management of projects in the merged Downtown and Richards Boulevard Redevelopment areas.

Currently, the Executive Director of SHRA, or her designee, has the authority to approve expenditures and general signature for these projects. The attached Resolution will add the City Manager, or his designee, to the list of authorized individuals to reflect the transfer of operating responsibility to the City. This will provide more efficient administration of these projects.

FINANCIAL CONSIDERATIONS:

Katz Hollis, the redevelopment consultant retained by the Agency to provide tax increment revenue projections, estimates the annual net tax increments for 1997-98 to be \$ 14,062,000. A debt service schedule for the 1998 bond issue was previously reviewed and approved by the City Council and Redevelopment Agency of the City of Sacramento.

POLICY CONSIDERATIONS:

The projects proposed within this report comport with prior City Council and Redevelopment Agency objectives to pursue economic development and revitalization activities within the

Merged Redevelopment Area. Additionally, these projects are consistent with the previously authorized capital expenditures plan; the Merged Downtown Sacramento Redevelopment Plan; the Merged Downtown Sacramento Implementation Plan; and are in furtherance of the Sacramento Riverfront Masterplan.

Funding recommended for housing projects is approximately 32% of the bond proceeds. This exceeds the California Redevelopment Law housing set aside requirement of 20%. This recommendation is made to strengthen the residential core of the City and provide attractive opportunities for the return of the middle class to Sacramento's historic neighborhoods. A strong Downtown residential core maintains and expands the City's retail, arts, and entertainment venues.

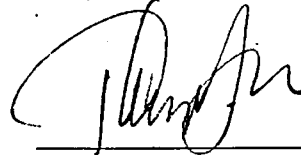
ENVIRONMENTAL REVIEW:

Projects undertaken within the project areas are subject to environmental review individually.

M/WBE CONSIDERATIONS:

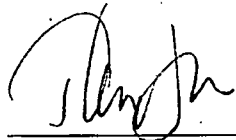
The Agency's M/WBE policy will apply to any future contracts discussed in this report; specifically those listed on Attachment I.

Respectfully submitted,



THOMAS V. LEE
Deputy City Manager

RECOMMENDATION APPROVED:



WILLIAM H. EDGAR
City Manager

ATTACHMENT I

RECOMMENDED PROJECT DESCRIPTION AND BUDGET ALLOCATIONS

Esquire Plaza

\$ 6,000,000

Previously approved Owner Participation Agreement for public improvements related to the 13th street offsite improvements, entertainment element and historic theater façade and parking.

Convention Center Hotel

\$ 6,500,000

Approximately \$2.0 million, has previously been allocated to this project. Based upon available project cost estimates and the status of current negotiations, it is estimated that additional funds must be identified for public investment in this project.

Housing Projects

\$ 6,000,000

Adaptive Reuse

\$ 2,500,000

Outdated commercial structures will be converted to residential mixed-use property and distinctive, different styles of urban housing. Catalyst projects will include the vacant and underutilized second stories of commercial buildings ringing K Street Mall, Cesar Chavez Plaza and the conversion of warehouses along the R Street corridor, including the CADA warehouse.

New Ownership Housing

\$ 1,500,000

Ownership housing in Downtown's rich historic neighborhoods is in high demand, but the infill sites available present design and development challenges vastly different and more costly than suburban tract development, resulting in the need for gap financing.

Rebuilding an Ethnic Neighborhood

\$ 2,000,000

The Ping Yuen apartments, located in the historic Chinese commercial section of Sacramento were purchased by the City's Public Housing Authority more than twenty years ago out of a HUD foreclosure. They are slated for demolition in 1998 due to plumbing, electrical and other building system problems. SHRA is collaborating with Chinese family associations and the Chinese community organizations to redevelop the sites as a commercial mixed-use area including the possibility of a Chinese cultural center.

Waterfront Improvements

\$ 772,620

Continued public improvements associated with the promenade and riverfront restaurant improvements in the area of the Tower Bridge.

APPROVED
BY THE CITY COUNCIL

MAY 19 1998

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 98-195

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

A RESOLUTION APPROVING THE ALLOCATION OF
PROCEEDS FROM SALE OF THE 1998 MERGED SACRAMENTO
DOWNTOWN REDEVELOPMENT PROJECT AREA BONDS
TO THE ESQUIRE PLAZA, CONVENTION CENTER HOTEL,
WATERFRONT IMPROVEMENTS AND HOUSING PROJECTS.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

Section 1. The 1997-98 City Budget is amended to allocate funding, made available from the sale of the 1998 Downtown Sacramento Redevelopment Project Area Bond proceeds, as set out in Exhibit A to this Resolution.

Section 2. The City Manager, or the City Manager's designee, is added to the list of authorized signatures for the Redevelopment Agency of the City of Sacramento.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO: _____ 5

DATE ADOPTED: _____

EXHIBIT A

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Rebuilding an Ethnic Neighborhood

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The City's Public Housing Authority purchased the Ping Yuen apartments, located in the historic Chinese commercial section of Sacramento more than twenty years ago out of a HUD foreclosure. They are slated for demolition in 1998 due to plumbing, electrical and other building system problems. SHRA is collaborating with Chinese family associations and the Chinese community organizations to redevelop the sites as a commercial mixed-use area including the possibility of a Chinese cultural center.

Waterfront Improvements

\$ 772,620

Continued public improvements associated with the promenade and riverfront restaurant improvements in the area of the Tower Bridge.



RESOLUTION NO. 98-024

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

A RESOLUTION OF THE REDEVELOPMENT AGENCY
OF THE CITY OF SACRAMENTO
APPROVING THE ALLOCATION OF PROCEEDS
FROM SALE OF THE 1998 MERGED SACRAMENTO
DOWNTOWN REDEVELOPMENT PROJECT AREA BONDS
TO THE ESQUIRE PLAZA, CONVENTION CENTER HOTEL,
WATERFRONT IMPROVEMENTS AND HOUSING PROJECTS.

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

Section 1. The 1998-99 Agency Budget is amended to allocate funding, made available from the sale of the 1998 Downtown Sacramento Redevelopment Project Area Bond proceeds, as set out in Exhibit A to this Resolution.

Section 2. The City Manager, or the City Manager's designee, is added to the list of authorized signatures for the Redevelopment Agency of the City of Sacramento.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ 7 _____

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Waterfront Improvements

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

MEMORANDUM

REC. DATE 5.19.98 FILE NO. 4.4
FROM: CITY CLERK'S OFFICE

DATE: May 19, 1998
TO: City Council of the City of Sacramento
FROM: Anne M. Moore, Acting Executive Director
SUBJECT: Quinn Cottages and Metro Square

As you consider today the allocation of new Downtown Bond funds for housing development, I'd like to draw your attention to two very different Central City projects where high lighted in the press. On Saturday, Quinn Cottages was dedicated to the people whose faith and hard work created a community where formerly homeless people could rebuild their lives, get back on their feet, and train for jobs. Just one day earlier, the Business Journal captured the public's enthusiasm for Metro Square - the trend-setting home ownership development in Midtown for moderate income people, built on the belief that there was a growing demand for quality residential living in walking distance to work, the arts, entertainment, and great restaurants downtown.

Though very different developments, both involved working with private sector partners to take investment and market risks when there was no certainty of success. At Quinn Cottages' dedication, representatives of Wells Fargo and Sanwa Banks retold the struggles of inherently conservative lenders in becoming comfortable with "visionaries" and new nonprofit corporations. Similarly when Metro Square's experienced and financially strong developers searched for construction lenders, there were no takers until U.S. Bank stepped up to share the risk to develop a niche market for ownership housing in Midtown.

In the case of Metro Square, the demand for high quality ownership housing in one of the Central City's finest neighborhoods surpassed everyone's dreams. We do, however, believe that in many sub-markets of the Central City, subsidies will continue to be needed to reduce the downside risk to developers and filling construction financing gaps. We look forward to the day when public funds will not be needed to fill the gap between the development costs and the sales prices of the market rate homes in all City neighborhoods, but that day is yet to come.

City Council of the City of Sacramento

May 19, 1998

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For persons at the lowest steps of the economic ladder, public funds will continue to be needed along with those of the private sector to create basic living units, measuring the value of the investment in the changed lives of residents. Toward that end, we believe the Quinn Cottages is an example of a good use of public dollars to address issues of homelessness.



ANNE M. MOORE

Acting Executive Director

AMM:jf

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