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APPROVED  
BY THE CITY COUNCIL

DEC 2 1997

OFFICE OF THE  
CITY CLERK

November 19, 1997

Redevelopment Agency of  
the City of Sacramento  
Sacramento, California

Redevelopment Agency of  
the County of Sacramento  
Sacramento, California

Honorable Members in Session:

SUBJECT: APPROVAL OF CAMPBELL SOUP COMPANY OWNER  
PARTICIPATION AGREEMENT (OPA)

LOCATION & COUNCIL DISTRICT:

Franklin Redevelopment Area, District #5

RECOMMENDATION

Staff recommends approval of the Owner Participation Agreement with Campbell Soup Company.

CONTACT PERSONS:

Cassandra Jennings, Director, Economic Development, 440-1312  
Greg Wessel, Program Manager, Economic Development, 440-1346

FOR COUNCIL MEETING OF: December 2, 1997

## **SACRAMENTO HOUSING & REDEVELOPMENT AGENCY**

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### **SUMMARY**

The recommended action to approve the Owner Participation Agreement (OPA) with Campbell Soup Company finalizes negotiations spanning five years to assure that Campbell Soup Company remain in Sacramento for the immediate future and retain over 1,600 jobs at the plant.

### **PAC ACTION**

At its meeting of November 12, 1997, the Franklin Project Area Committee recommended approval of the attached resolution. The votes were as follows:

AYES: Jack Brown, Bob Rich, Virginia Colla, Seann Rooney

NOES: Florence Biel, Ralph Palmer, Ruth Anne Rose

ABSENT: Laurel Decker, Bruce Booher

### **COMMISSION ACTION**

At its meeting of November 19, 1997, the Sacramento Housing and Redevelopment Commission recommended approval of the attached resolution. The votes were as follows:

AYES: Castello, Dobbins, Hoag, Holloway, Newsome, Rotz,  
Simon, Taylor, Harland

NOES: None

NOT PRESENT TO VOTE: Amundson

ABSENT: Cespedes

### **BACKGROUND**

For almost five years, the County of Sacramento, the Sacramento Housing and Redevelopment Agency (Agency), and the City of Sacramento staff have been working in concert with the Sacramento Municipal Utility District, the State of California, the Sacramento Area Commerce

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and Trade Organization, and Campbell Soup Company (Campbell) officials to ensure that the Campbell facility at 47th Avenue and Franklin Boulevard, which employs approximately 1,600 employees, will remain open.

In January 1994, after the first two years of negotiations, Campbell announced an ambitious capital improvement plan that has resulted in an investment of over \$107 million dollars in new machinery and equipment, including a brand new canning facility and a new warehouse. Further, Campbell officials are currently investing even more for additional upgrades at the facility.

At the time of the 1994 announcement, local officials and Campbell had agreed upon several points as part of an incentive package, which were conditioned on Campbell making this investment. Unfortunately, and for a variety of reasons, the incentive package was never completed. For the last several years, the package has languished, although all parties shared the expectation that negotiations would be finalized to the satisfaction of all parties.

As a result of a variety of activities at Campbell regarding their long term marketing plans worldwide, the issues of the operation of the Sacramento plant were again reviewed by Campbell, and the prospect of closure became very real once again. This development resulted in an intense effort to complete the incentive negotiations that had been stalled for two years.

As a result of these negotiations, staff announced, and the City Council and Board of Supervisors approved on October 1, 1996, agreement terms with Campbell. This agreement, while not guaranteeing that Campbell will remain in Sacramento for any set period of time, goes a long way toward assuring Campbell workers and the community that Campbell will continue to include Sacramento in its long-term plans and finalized over five years of negotiations.

At the time these terms were approved, the Council and Board instructed County staff and the Agency to work with Campbell representatives to prepare the appropriate documents consistent with the agreed-to business points. This document is now ready for approval.

### Owner Participation Agreement:

The Owner Participation Agreement (OPA), on file with the Agency Clerk, provides for reimbursement of all legally allowable tax increment moneys, net of housing set asides and other pass-throughs agreement to affected tax entities, that is generated by the Campbell site. The total amount is dependent upon Campbell's investment; the more Campbell invests, the more they

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receive in benefits. Benefits will cease if Campbell closes the Sacramento plant.

Payment of tax increment will be consistent with prior approvals by the Board and Council and the existing understanding among the County, the City and Campbell. Campbell has invested approximately \$107 million in improvements over the last two and a half years with over 90 percent in fixtures and equipment. Staff estimates that this would yield a tax increment flow of approximately \$528,843 for the 1996-97 year. This amount may decrease over time unless additional investment or equipment replacement is completed.

The proposed agreement does not require that Campbell make future capital investments in the Sacramento facility. Instead the agreement provides incentive for them to do so. While staff certainly hopes that future expansion and investment may take place, there is no commitment by Campbell for additional expansion at the plant.

Campbell is a critical employer in the South Sacramento area. It is by far the largest employer in the vicinity, and the loss of plans would be a major blow to the surrounding businesses and neighborhoods. Therefore, the price to keep this employer is justified, and is consistent with the purpose of redevelopment. In return for this agreement, Campbell has announced that it will keep the plant in operation for the immediate future, although there is no guarantee on how long this arrangement will last. Campbell only receives the benefit of the incentive if it remains open and operating and/or investing in the plant.

## FINANCIAL CONSIDERATIONS

Campbell may receive as much as 70 percent of the tax increment revenues, adjusting for pass-through agreements and property tax administration cost, generated by the Campbell plant site, for the life of the project. The actual amount of the incentive is dependent upon the type, timing, and amount of any investment and reinvestment made by Campbell at the Sacramento site. The estimated payment is \$15 million for the life of the project, in 1996 dollars. The payment for the first three fiscal years are estimated to be:

1994-95	\$ 72,862
1995-96	\$391,872
1996-97	\$528,843

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## POLICY CONSIDERATIONS

The action recommended in this report is consistent with the Franklin Boulevard Redevelopment Plan and approved Agency redevelopment policy. No policy changes are recommended.


## ENVIRONMENTAL REVIEW


The proposed action is in furtherance of the Franklin Boulevard Redevelopment Plan and was deemed approved at the time of plan adoption. The Franklin Boulevard Redevelopment Plan EIR considered the Campbell Soup improvements and there are no changes to the original project. Per CEQA Section 15061 and 15062, no further environmental review is required.

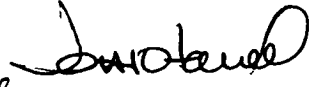
## M/WBE CONSIDERATIONS

The Agency does not award contracts under this OPA, therefore, M/WBE considerations do not apply.

Respectfully submitted,

  
ANNE M. MOORE  
Acting Executive Director  
SHRA

  
WILLIAM H. EDGAR  
City Manager  
City of Sacramento

  
ROBERT P. THOMAS  
County Executive  
County of Sacramento

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**RESOLUTION NO. 97-042**

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF \_\_\_\_\_

**CAMPBELL SOUP COMPANY  
OWNER PARTICIPATION AGREEMENT**

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

Section 1. The Executive Director is authorized to execute the Owner Participation Agreement (OPA) with the Campbell Soup Company in substantially the form on file with the Agency Clerk, subject to modification as approved by Agency Counsel.

Section 2. The Executive Director is authorized to amend the budget to transfer funds due under the OPA from the Franklin Boulevard Project Area Developer Assistance account to a Campbell Soup project account.

Section 3. This resolution shall take effect upon the adoption of a corresponding resolution of the Redevelopment Agency of the County of Sacramento.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
SECRETARY

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**FOR CITY CLERK USE ONLY**

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

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