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ECONOMIC DEVELOPMENT
DEPARTMENT

CITY OF SACRAMENTO
CALIFORNIA

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May 11, 2000

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City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: NO COST ECONOMIC DEVELOPMENT CONVEYANCE APPLICATION
FOR THE ARMY DEPOT SITE.**

LOCATION/COUNCIL DISTRICT:

The Sacramento Army Depot is located in Southeast Sacramento in the Florin-Perkins Industrial Area. District 6.

RECOMMENDATION:

This report recommends adoption of the attached resolution authorizing the City Manager to apply to the Department of the Army for a no-cost economic development conveyance for the former Army Depot site.

CONTACT PERSON: Laura Sainz, Senior Management Analyst, 264-2677
Kristan Otto, Economic Development Manager, 264-7948

FOR COUNCIL MEETING OF: May 23, 2000

SUMMARY:

In 1994, the City of Sacramento submitted an Economic Development Conveyance (EDC) application to the Department of the Army for the properties at the Sacramento Army Depot. The EDC was approved and a Memorandum of Agreement was executed on February 27, 1994. Approximately 306 acres of the Army Depot property were deeded to the City.

On October 5, 1999 President Clinton signed the National Defense Authorization Act allowing for no-cost transfers of closed military bases. This Act also allowed for modifying existing EDC agreements, such as the City of Sacramento's agreement for the Depot site.

The City Manager would like to submit an application to modify our original EDC to a no-cost EDC, therefore forgiving the city of the \$7.16 million sales price for the Army Depot site. If the no-cost EDC application is approved, the City would be committed to reinvesting specific revenue received due to Depot activity back into the Depot and surrounding area for a period of seven years. An example of this would be revenue received by the City due to the sale or lease of Depot properties.

COMMITTEE/COMMISSION ACTION: None

BACKGROUND INFORMATION:

In late 1994, the City of Sacramento submitted a successful Economic Development Conveyance application for the Sacramento Army Depot property. The application allowed for the deeding of all available land at the former Depot to the City of Sacramento for economic development purposes. The 306 acres deeded to the City in 1995 were leased to Packard Bell Electronics who used it as their corporate headquarters, as well as a distribution and production facility. However, downsizing efforts forced Packard Bell to relocate to Mountain View late last year. As a result of this, in December 1999, the City Council approved the assignment of the Packard Bell/NEC lease and option to purchase to U.S. National Leasing (Dick Fischer) in order that Mr. Fischer would continue to redevelop the Depot into a viable business park.

To date, there has been substantial leasing activity at the site. The following table shows the leases in place, as well as the leases anticipated within the next 90 days.

Company Name	Type of Use	Lease in Place?	Number of Employees
1. NEC	Distribution	Yes	450
2. Pacific Bell	Administrative Station	Yes	100
3. CLARION	Manufacturer of Cabinets/Shelving	Yes	3
4. CA Department of Motor Vehicles	Call Center	Yes	70
5. Pegg's	Manufacturing	Yes	1
6. Triamid	Construction Storage	Yes	5
7. Depot Business Park Admin	Property Management	Yes	5
8. Technology Distribution Systems	Distribution Center	Expected May 2000	7
9. Love Inc.	Non-profit	Expected May 2000	3

10. Ferguson	Wholesale Plumbing & Distribution	Expected May 2000	20
11. Coach 2000	Bus Company	Expected May 2000	10
TOTAL NUMBER OF EMPLOYEES AT THE DEPOT			634
TOTAL NUMBER OF EMPLOYEES EXPECTED AT DEPOT WITHIN NEXT 90 DAYS			674

According to the Sacramento Employment Training Agency (SETA), out of the original 701 persons that went to the SETA Rapid Response Orientation for dislocated workers at the Depot, 277 took advantage of SETA services. Out of the 277, 116 were identified as "persons needing retraining." 47 of the 116 have graduated and all have successfully been placed in positions paying an average wage of \$12.08/hour. The positions vary from computer programmer, to customer service representative, to systems analyst. SETA believes that many of the others who did not take advantage of its services were able to be placed in other positions, particularly due to the strong, local economy.

As stated above, the City submitted a successful EDC application to purchase the Army Depot site for \$7.16 million from the Department of the Army. The \$7.16 million is due to the Army on March 2, 2005. Due to the National Defense Authorization Act for Fiscal Year 2000, the City now has the opportunity to apply for a modified no-cost EDC for the Army Depot properties. If approved, the City will enter into a Memorandum of Agreement with the Army for a no-cost EDC. This will allow the Army to forgive the City the \$7.16 million sales price for the Depot. However, the City does have to agree to invest back into the Depot and surrounding area, certain revenues received by the City from Depot activities for a period of seven years after the Memorandum of Agreement is executed. An example of this revenue includes revenue received from the sale of the Depot property. The City does not have to specify where or how the revenue is going to be reinvested at this point in time. It is recommended that these decisions be put off until the City's no-cost EDC application is approved.

The City's commitment to invest revenues into the Depot ends after seven years, whether or not we have invested \$7.16 million. In addition, there is no limit as to the amount the City could invest. Therefore, if we receive more than \$7.16 million from Depot activities then the City will need to invest the total amount received.

The no-cost EDC application will also include the conveyance of an additional parcel, Parcel 5, that was not included in the original EDC because California State University, Sacramento (CSUS) had requested it as part of a public benefit conveyance request. CSUS no longer wants the parcel. The application will also include the conveyance of the Emission Reduction Credits (ERCs) that are associated with the Depot property.

POLICY CONSIDERATIONS:

Applying for the no-cost EDC is consistent with the City's approved Economic Development Conveyance application for the Army Depot. It also allows the City to invest any revenue received by the City due to Depot activities, such as the sale or leasing of properties, back into the Depot and surrounding area. In addition, this action is consistent with the City Council's priority of Economic Development.

FINANCIAL CONSIDERATIONS:

The no-cost EDC will allow the Army to forgive the City the \$7.16 million sales price scheduled to be paid March 2, 2005. The City is expected to invest any revenue received by the City for Depot related activities back into the Depot and surrounding area. There are no additional costs associated with the no-cost EDC application. The actual decisions regarding where potential revenue received by the City will be invested will be made at a later date, once the no-cost EDC is approved.

ENVIRONMENTAL CONSIDERATIONS:

The City's application for a no-cost EDC involves the acquisition of real property as envisioned in the Army Depot Project EIR. The EIR included the acquisition of these properties. No additional environmental review is necessary at this time.

ESBD CONSIDERATIONS: Not applicable.

Respectfully submitted:



Kristan Otto
Economic Development Manager

APPROVED:



Andrew J. Flescia
Economic Development Director

RECOMMENDATION APPROVED



ROBERT P. THOMAS
City Manager

APPROVED:



Thomas V. Lee
Deputy City Manager

RESOLUTION NO. 2000-261
ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____



**RESOLUTION AUTHORIZING THE CITY MANAGER TO
SUBMIT A MODIFIED NO-COST ECONOMIC
DEVELOPMENT CONVEYANCE APPLICATION FOR THE
ARMY DEPOT SITE IN THE CITY OF SACRAMENTO**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO

1. The City Manager is authorized to submit a modified economic development conveyance application to the Department of the Army for a No-Cost Economic Development Conveyance for the Army Depot properties.

MAYOR

ATTEST:

City Clerk

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FOR CITY CLERK USE ONLY

RESOLUTION NO: _____

DATE ADOPTED: _____