



REPORT TO DEVELOPMENT OVERSIGHT COMMISSION

City of Sacramento

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915 I Street, Sacramento, CA 95814-2671

STAFF REPORT
January 5, 2009

Honorable Members of the Development Oversight Commission

Title: Shovel-Ready Sites Program Funding

Location/Council District: Citywide/All Districts

Recommendation: Forward with a recommendation to approve to City Council for adoption of a resolution and ordinance amending Sections 17.191.050 and 17.195.060 of the zoning ordinance in order to transfer funding from the Infill Fee Reduction Program (I06000300) and Low Income Fee Waiver/Deferral Program (I06000400) to fund the Shovel-Ready Sites Program (D21001300) with \$876,805.

Contact: Desmond Parrington, AICP, Infill Coordinator, Planning, 916-808-5044; Carol Shearly, Director of Planning, 808-5893; and David Spaur, Economic Development Director, 808-8196

Presenter: Desmond Parrington, AICP, Infill Coordinator

Departments: Planning and Economic Development Departments

Division: Infill

Organization No: 22001311

Description/Analysis

Issue: City staff recommends transferring \$876,805 of funding from two little used Capital Improvement Program projects into the Shovel-Ready Sites Program in order to encourage new job creation and increase General Fund revenue for the City. Staff is seeking Council approval of the attached resolution and ordinance amendments to shift these funds toward economic development efforts.

The Shovel-Ready Sites Program was established in FY2004/2005 with the intent of encouraging economic development at key locations in the City. The goal of the program is to promote economic development by leveraging and attracting private investment. The program works to address and provide solutions to infrastructure, transportation, planning and environmental challenges. By preparing key sites for development, the City can help create new jobs and grow our sales and property tax base, thus increasing General

Fund revenues. The program was originally funded with \$650,000. However, per Council resolutions 2008-424, 2008-496, and 2008-497, those funds have been used for shovel-ready efforts on Florin Road, the River District, and the remainder for the 65th Street Transit Village area. As a result, no funding remains for other economic development and shovel-ready efforts.

In order to continue the critical work of this program, staff recommends the transfer of funds out of the Infill Fee Reduction Program (106000300) and the Low Income Fee Waiver/Deferral Program (106000400). The Infill Fee Reduction Program was designed to reduce up to \$5,000 per unit of building permit fees for small residential infill projects. The Low Income Fee Waiver/Deferral Program was designed to reduce fees for those residential projects that were required to develop affordable housing under the requirements of the City's Mixed Income Ordinance. Though both programs were established before the court rulings on prevailing wages, neither program has been used much over the last four years because each triggers prevailing wage requirements. Prevailing wage requirements can often dramatically increase development costs for projects that use these City funds. SHRA has identified that there are no projects on the horizon that could, or would want to, take advantage of these funds.

These two programs would be defunded and those funds would be transferred into the Shovel-Ready Sites Program (D21001300) with a specific emphasis on preparing areas that can have a near-term return on investment for the City. This type of planning and economic development work is needed now because of the City's current dependence upon revenue from processing development (e.g., building permit fees). With an emphasis on job-creation, retail and office attraction the Shovel-Ready Sites Program efforts can help increase sales tax and property tax revenues thereby growing our General Fund.

The Shovel-Ready Sites Program work is valuable because infill development faces special challenges due to fragmented land ownership, environmental issues, inadequate public facilities and infrastructure, and often the lack of a cohesive vision for how these areas could be developed. Ideally, a large-scale developer might solve these problems in an area. However, in the absence of such a scenario, the City will need to step in and plan to ensure the future success of shovel-ready areas and sites. Without concerted City investment in these areas it will be very difficult for economic development to occur. The City should take advantage of the current economic downturn to position itself to be the first place for new investment to occur as the economy recovers.

Policy Considerations: The Shovel-Ready Sites Program is consistent with the City's Infill Strategy and supports the City's 2005-2008 Strategic Action Plan goal of expanding economic development opportunities throughout the City. Lastly, the work of the program is also consistent with the City's 2030 General Plan vision of being the most livable city in America.


Environmental Considerations: The proposed actions are exempt under CEQA Guidelines section 15262 as a planning activity for possible future action.

Sustainability Considerations: The use of the Shovel Ready Sites Program funds for these projects fosters sustainability by encouraging infill and economic development in these areas. Ultimately, by attracting private investment, these efforts will create additional housing and jobs in close proximity to one another and to transit, thereby reducing vehicle trips and greenhouse gas emissions.

Rationale for Recommendation: The goal behind the funding recommendation is to increase the City's General Fund base by supporting major economic development efforts at key areas of the City.

Financial Considerations: The Infill Program (106000300) has \$188,805 remaining. The Low Income Fee Waiver/Deferral Program (106000400) has \$846,000; however, \$158,000 has been approved for the Copperstone Village I project, so only \$688,000 is available to use. If approved, \$188,805 would be taken from the Infill Program and \$688,000 would be transferred out of the Low Income Fee Waiver Program. These funds would all be allocated to the Shovel-Ready Sites Program (D21001300) for a total of \$876,805. No new General Fund money would be used.

Emerging Small Business Development (ESBD): When available and appropriate, Emerging Small Business Development consultants will be used for consultant work necessary for the Shovel-Ready Sites work.

Respectfully Submitted by: 
Desmond Parrington
Infill Coordinator

Approved by: 
Carol Shearly
Director of Planning

Approved by: 
David Spaur
Director of Economic Development

Table of Contents:

Report	Pgs.	1-4
Attachments		
1 Background	Pg	5
2 Resolution	Pg	9
3 Redline Version of Ordinance Amendment	Pg	10
4 Ordinance Amending Sections 17.191.050 and 17.195.060	Pg	12

Attachment 1

Background

What are “shovel-ready” sites?

The “shovel-ready” sites concept represents a continuum of development opportunities in the City from those sites that are ready to develop now to larger areas that have significant market interest but may have challenges and need to become closer to shovel-ready to attract development. This continuum of sites includes:

- *Shovel-Ready Development Sites:* These sites, typically handled by the Development Services Department, are ready for development now. They have their entitlements and approved development applications and are expected to begin construction shortly. An example would be the Metropolitan high-rise office building in Downtown.
- *Economic Development Sites:* These are vacant shovel-ready or near shovel-ready sites that are available for development that Economic Development staff use to market to businesses, retailers, and developers. These sites would be used to attract business and industries which would like to expand, relocate or start up in Sacramento. An example would be the site for Fulcrum Industries in the Power Inn area or the site for Hartung Glass Industries at the Army Depot area.
- *Shovel-Ready Opportunity Areas:* These are larger areas identified in the General Plan as opportunity areas that have significant potential and market interest in development, but may require planning to address infrastructure, environmental, transportation, and design issues in order to be developable. These areas are typically handled by a team led by Planning, Economic Development, Development Services and SHRA with support from other City departments such as Transportation, Utilities, etc. Examples include the Railyards, the 65th Street area, and the master planning work in the Florin area.

What is the Shovel-Ready Sites Program?

The Shovel-Ready Sites Program was originally conceived in 2004/2005 by Economic Development staff and the previous Infill Coordinator. The program gained significant momentum under our current City Manager. The original purpose of the program was to:

- Make available sites to advance City’s economic development objectives and opportunities
- Foster public-private partnerships to achieve economic development goals
- Spur private investment in the City, especially by businesses

These goals remain a key part of the program. In addition, given the key location of many of the larger sites where there is market interest, placemaking is an equally important goal of the program. This simply means creating great places where people and businesses want to be – where people want to work, live, shop, and play.

In order to achieve these goals, the City needs to identify and find solutions to the obstacles that prevent these areas from being economic development engines, where development fosters new better-paying jobs, higher sales tax revenue, and higher property values. This means tackling planning, design, infrastructure, transportation, and open space issues in advance of development and creating an environment where development is feasible. It also means being strategic about City investments. It does not mean solving all the issues, but it does involve addressing the major challenges so that a developer or a public-private partnership could proceed with economic development in that area.

The program was originally funded with \$650,000; based on detailed analysis, staff identified three areas that, at the time, had the greatest market potential for economic development in the near term:

- Richards Boulevard (River District) Area
- Granite Park/65th Street Area
- Army Depot Area

City Council authorized the use of these funds at additional sites so long as both the Directors of Economic Development and Planning agreed on the site. Additional criteria for the selection of future sites will include potential return on investment, developer or market interest, community support, and land owner interest and participation.

The Florin Road area between Luther Drive and Franklin Boulevard was identified as an additional candidate for the Shovel-Ready Sites Program, based on changes at some of the auto dealerships and the likely availability of significant acreage for development. On June 17, 2008, City Council approved the allocation of \$100,000 from the Shovel Ready Sites Program fund for master planning work for the Florin auto dealer sites (Resolution 2008-424).

On July 15, 2008, Council also authorized the use of \$500,000 for the River District Specific Plan and \$50,000 for initial master planning of the Ramona Avenue sub-area within the 65th Street/University Village area (Resolutions 2008-496 and 2008-497). These funds have been able to leverage additional funding from property owners including \$400,000 from property owners in the River District. As a result, there are no remaining City funds available for Shovel-Ready Sites Program projects. Without new funding, the City will be unable to prepare these areas for economic development opportunities when the economy recovers.

Why assist with shovel-ready efforts and why is this work important?

The reason that development has not happened in some of these areas despite strong market interest is because developers cannot overcome the challenges on their own, especially in infill areas where there may be site contamination, inadequate infrastructure, transportation challenges, preservation issues, and financing difficulties. So rather than fostering the kind of economic development in these areas that might lead to new jobs and increased revenues, the sites either remain undeveloped or limited development of marginal value to the community occurs, such as used car lots with sales trailers, etc.

How do shovel-ready sites promote economic development?

Shovel-ready sites work promotes economic development in two ways. First, it helps grow and attract new businesses to Sacramento, thereby creating new employment opportunities. For example, for every new job in a research park, there is an average of 2.57 new jobs created locally, according to a 2007 study by Battelle Technology Partnership Practice and the Association of University Research Parks.

Second, this work will eventually yield increased sales tax revenues and increased property values not only at the immediate sites, but also in the surrounding area. Through this work, the City can grow its General Fund and this additional revenue can be used to support critical City services such as police, fire and parks and recreation programs, etc.

Why invest in shovel-ready sites work during difficult economic times?

The reason why it is important to do this work now is that with this kind of strategic investment these efforts can yield a significant return on investment to the City. For example, working in the Robla area, the City was able to attract Jackson Laboratory, which resulted in the creation of new higher-paying research jobs in North Sacramento. Similarly, due to the shovel-ready sites work that City staff has been doing in conjunction with the property owners along Florin Road, the Potamkin Auto Group, one of the top-selling auto dealers in our region, located their new Hyundai dealership at 3655 Florin Road, yielding new sales tax revenue for the City. City efforts would be designed to attract development at these potential shovel-ready areas over the next five years or less rather than a longer 20 or 30-year time frame.

What types of areas would benefit from this program?

The new draft 2030 General Plan identifies several key opportunity areas that have market interest and the potential for significant near-term economic development. These include: Arden Fair/Cal Expo/Point West, Downtown, 65th Street Transit Village/Granite Park Area, River District, Florin Subregional Center, Army Depot, the Meadowview Station Area, and the Robla area. These are the likely areas that we would look at for our next program efforts. As noted earlier in the staff report, the selection of these sites would depend on agreement between the Economic

Development and Planning Departments as well as consideration of such criteria as return on investment, developer or market interest, community support and land owner interest and participation. Staff would return to Council for authorization for any significant expenditure in these areas.

Why not use these funds for projects in each Council district?

The City's General Plan identifies over 70 different opportunity areas where growth or redevelopment could occur; however, each of these areas has a different potential for near-term economic growth. Some areas may generate a modest amount of housing and retail jobs associated with smaller stores and mixed-use development, while others may have the potential for major development or redevelopment including new office, retail and housing which could yield an immediate return on investment as well as a substantial return over time.

By concentrating our resources in a few areas, there is a greater opportunity to foster economic development and thus achieve the type of revenue generating opportunities that we are seeking. Successful development in these key opportunity, or "catalyst," areas will result in the attraction of new development. At the same time these will generate new General Fund revenues that will provide benefits citywide. However, if the City spreads its resources across all 70 opportunity areas or even to 10 areas, the City risks diluting the impact of its limited pool of funds and thus the potential for a near-term return on its investment.

Staff's recommendation is to use the Shovel-Ready Sites Program funds in a few (e.g. 1 to 3) key areas for critical pre-development work in order to get development started and to generate a property tax and sales tax revenue and spur job creation. Once we have succeeded in jump-starting development in those initial areas, then staff would move on to the next set of areas.

RESOLUTION NO. 2008-_____

Adopted by the Sacramento City Council

**APPROVE THE TRANSFER OF FUNDING FROM THE
INFILL FEE REDUCTION PROGRAM (I06000300) AND
LOW INCOME FEE WAIVER/DEFERRAL PROGRAM (I06000400)
TO FUND THE SHOVEL-READY SITES PROGRAM (D21001300)**

BACKGROUND

- A. The Shovel-Ready Sites Program was launched in 2004/2005 with the goal of promoting economic development in key areas of Sacramento by addressing major obstacles to development.
- B. The purpose of the Shovel-Ready Sites Program is to leverage and attract private investment in order to encourage economic development.
- C. The program was originally funded with \$650,000, but those funds have been used for shovel-ready efforts in the River District, Florin Road, and in the 65th Street area.
- D. The Infill Fee Reduction Program and the Low Income Fee Waiver/Deferral Program are no longer effective programs since they both trigger prevailing wage requirements and are now rarely used by developers.
- E. The transfer of the funds from these programs to the Shovel-Ready Sites Program would enable City staff to continue this type of pre-development work that is needed to spur job-creation and economic development.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

- Section 1. Authorize the transfer of \$188,805 from the Infill Program (I06000300) and \$688,000 from the Low Income Fee Waiver/Deferral Program (I06000400) to the Shovel-Ready Sites Program (D21001300; also known in the CIP as the Jobs-Housing Grant) for a total of \$876,805 for that program;

**Redlined
ORDINANCE NO.**

Adopted by the Sacramento City Council

Date Adopted

**AMENDING SECTIONS 17.191.050 AND 17.195.060 OF TITLE 17 OF THE
SACRAMENTO CITY CODE (THE ZONING CODE) RELATING TO THE INFILL FEE
REDUCTION FUND AND THE AFFORDABLE HOUSING FEE REDUCTION FUND**

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

SECTION 1. Section 17.191.950 of Title 17 of the Sacramento City Code (the Zoning Code) is amended to read as follows:

A. There is hereby established an infill fee reduction fund, which the council shall fund on an annual basis in such amount(s) as the council determines are reasonable, appropriate and necessary to fund, or assist in funding, small residential infill development in target residential neighborhoods, as defined by the city's general plan. The amount of fee waivers or reductions to be approved in any given fiscal (or calendar) year shall be limited to the amount allocated to the infill fee reduction fund established pursuant to this section.

B. Subject to the annual appropriations and funding process, any funds allocated to the infill fee reduction fund for a particular fiscal year and not appropriated to a project or spent pursuant to the provisions of this chapter during that fiscal year shall be ~~carried over and included in the funds included in the infill fee reduction fund established pursuant to this section~~ returned to the City's General Fund.

SECTION 2. Section 17.195.960 of Title 17 of the Sacramento City Code (the Zoning Code) is amended to read as follows:

17.195.060 Affordable housing fee reduction fund.

A. There is established an affordable housing fee reduction fund (hereinafter "fund"), which the council shall fund on an annual basis in such amount(s) as the council determines are reasonable, appropriate and necessary to fund, or assist in funding, the inclusionary housing obligations established by Chapter 17.190 and by this Chapter 17.195. The amount of fee waivers or reductions to be approved in any given fiscal (or calendar) year shall be limited to the amount allocated to the affordable housing fee reduction account fund established pursuant to this section.

B. Subject to the annual appropriations and funding process, any funds allocated to the affordable housing fee reduction fund for a particular fiscal year and not appropriated to a project or spent pursuant to the provisions of this chapter during that fiscal year shall be ~~carried over and included in the funds included in the affordable housing fee reduction fund established pursuant to this section~~ returned to the City's General Fund.

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B. Subject to the annual appropriations and funding process, any funds allocated to the infill fee reduction fund for a particular fiscal year and not appropriated to a project or spent pursuant to the provisions of this chapter during that fiscal year shall be returned to the City's General Fund.

SECTION 2. Section 17.195.060 of Title 17 of the Sacramento City Code (the Zoning Code) is amended to read as follows:

17.195.060 Affordable housing fee reduction fund.

A. There is established an affordable housing fee reduction fund (hereinafter "fund"), which the council shall fund on an annual basis in such amount(s) as the council determines are reasonable, appropriate and necessary to fund, or assist in funding, the inclusionary housing obligations established by Chapter 17.190 and by this Chapter 17.195. The amount of fee waivers or reductions to be approved in any given fiscal (or calendar) year shall be limited to the amount allocated to the affordable housing fee reduction account fund established pursuant to this section.

B. Subject to the annual appropriations and funding process, any funds allocated to the affordable housing fee reduction fund for a particular fiscal year and not appropriated to a project or spent pursuant to the provisions of this chapter during that fiscal year shall be returned to the City's General Fund.