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ECONOMIC DEVELOPMENT
DEPARTMENT

CITY OF SACRAMENTO
CALIFORNIA

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DOWNTOWN DEVELOPMENT
DIVISION

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October 18, 2004

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

Honorable Members in Session:

**SUBJECT: WORKSHOP ON THE DOWNTOWN SACRAMENTO REVITALIZATION
CORPORATION FOR COUNCIL/BOARD DISCUSSION AND DIRECTION
TO STAFF**

LOCATION & COUNCIL DISTRICT: Council Districts 1, 3 and 4

RECOMMENDATION:

Consider the staff presentation and provide direction on the establishment of the
Downtown Sacramento Revitalization Corporation.

CONTACT PERSONS: Dave Harzoff, Senior Project Manager, 808-8646
Wendy Saunders, Economic Development Director, 808-8196
David Levin, SHRA Legal Counsel, 440-1330

FOR COUNCIL MEETING OF: October 26, 2004

SUMMARY:

This report summarizes the objectives and structure for the proposed Downtown Sacramento Revitalization Corporation (DSRC). The DSRC is proposed to be a private non-profit, public benefit corporation established to assist the City and Agency in Downtown and Richards Boulevard Area redevelopment activities by providing additional capabilities in development financing and real estate asset ownership.

COMMITTEE/COMMISSION ACTION: None

BACKGROUND INFORMATION:

In 2003 the Agency issued tax-exempt Certificates of Participation (bonds) supported by tax increment to fund Downtown redevelopment projects. Tax-exempt bonds were issued because the proceeds yielded by tax-exempt bonds are always significantly higher (generally 20 percent) than proceeds yielded by taxable bonds. However, the Agency's flexibility for use of tax-exempt bonds is greatly constrained by the Internal Revenue Code. The Code permits only a small fraction of tax-exempt bond proceeds to be used in a manner that will generate financial returns. This restriction generally precludes the Agency from lending money or participating in projects with the expectation of a financial return.¹

In order to allow more flexibility in the use of redevelopment funds, staff is proposing the establishment of a non-profit corporation to serve as a financing vehicle for future redevelopment projects. The Downtown Sacramento Revitalization Corporation (DSRC) would be a flexible public benefit corporation, strictly for redevelopment purposes in the Merged Downtown and Richards Boulevard Redevelopment Project Areas. In future redevelopment projects, the Agency would approve a project, but instead of granting funds directly to a developer, the Agency would grant the funds to DSRC, which could then loan the funds to the developer or participate in the proposed project on an equity basis. The terms of the relationship between the DSRC and the developer would be specified as a part of the Agency's approval of the project.

In addition, by statute, the Agency cannot own real estate assets long term. In contrast, DSRC could own real estate and thus retain revenue producing assets for the long term. This means that DSRC would survive the life of the redevelopment project areas and offer the opportunity for an ongoing source of revenue to fund redevelopment efforts beyond the life of the redevelopment project areas.

DSRC is proposed to have a five-member Board: two City Council members; and the Executive Directors of the Downtown Sacramento Partnership, the Capitol Station District, and the Capitol Area Development Authority, or their designees. In the early years, staffing is proposed to be provided under a contract with the City. As described above, projects would initially be funded by entering into individual project agreements with the Agency and then DSRC would enter into agreements with the project developers. In later years, DSRC could own assets and generate funds through loan repayments, equity returns, and real estate assets, sufficient to fund operations and redevelopment projects on its own. A summary of the structure for the proposed corporation is included in Attachment 1. The proposed Articles of Incorporation and Bylaws are included as Attachments 2 and 3.

¹ The exception to this rule is that five percent of any tax-exempt issuance may be used for "private activity" purposes. Because the 2003 Certificates of Participation were issued in combination with a larger City debt issuance, the Agency was able to use a greater portion of the proceeds in a more flexible manner. This enabled the Agency to enter into the Plaza Lofts DDA (9th and J), wherein the Agency will receive a portion of the project returns.

FINANCIAL CONSIDERATIONS:

Start up funds for DSRC are proposed to come from the Agency in the form of a forgivable loan of \$350,000 from the 2003 Certificates of Participation, supported by Downtown property tax increment. Following the start up period, the DSRC would accumulate assets or generate funds sufficient to cover ongoing operational and project financing costs.

ENVIRONMENTAL CONSIDERATIONS:

The proposed action is exempt from environmental review pursuant to CEQA Guidelines Section 15378(b)(4), which excludes government fiscal activities which do not involve commitment to any specific project. NEPA does not apply to this action.

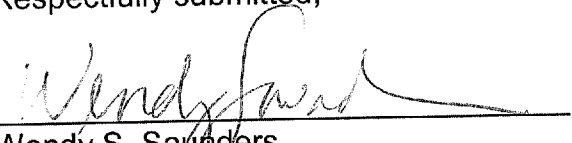
POLICY CONSIDERATIONS:

DSRC would be established specifically for redevelopment purposes in the Downtown and Richards Boulevard areas. It provides a more flexible tool to carry out the redevelopment objectives of the Merged Downtown Sacramento and Richards Boulevard Redevelopment Plans and the specific strategies included in the respective Five-Year Implementation Plans. The purposes of DSRC are consistent with the City's Strategic Plan which calls for enhancing existing neighborhoods and promoting economic vitality and the City's Infill and Smart Growth Policies. The structure of the DSRC may be useful for consideration in other areas of the City where there is a desire to provide more flexibility for use of redevelopment funds, and to perpetuate the long-term redevelopment effort.

ESBD CONSIDERATIONS:

There are no ESBD considerations associated with actions recommended in this report.

Respectfully submitted,



Wendy S. Saunders
Economic Development Director

RECOMMENDATION APPROVED:



ROBERT P. THOMAS, City Manager

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ATTACHMENT 1

DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION FACT SHEET

PROPOSED PURPOSES

- DSRC can receive financial returns on redevelopment financing using funds that originated as tax exempt bond proceeds, whereas the Redevelopment Agency may not under the Internal Revenue Code.
- Agency would enter into agreements for projects with DSRC dictating the business terms. DSRC would enter into financing agreements with developers or develop projects itself.
- Maximizes Agency resources by issuing tax exempt bonds with 20% greater proceeds than taxable bonds.
- Funds can revolve through DSRC for future Downtown and Richards Blvd. redevelopment projects and to create revolving loan funds.
- DSRC has more flexibility than the Redevelopment Agency and can outlive the life of the redevelopment project areas.
- DSRC provides a non-profit that can own and manage assets long term (Agency cannot by statute) while channeling profits for redevelopment purposes. It also could receive charitable donations for Downtown area redevelopment purposes.

DSRC FACTS

- Established strictly for "Downtown area" redevelopment purposes, defined in Bylaws as the Merged Downtown and Richards Blvd Redevelopment Areas.
- Proposed to be established as a 501(c)3 non-profit, public benefit corporation.
- In early years the Redevelopment Agency Board (Council) dictates deal structures and business terms in financing pass-through agreements with DSRC. In later years DSRC will be able to program its own proceeds received from financing development and owning property.
- DSRC's initial assets will be limited but will receive loan payoffs and other revenues long term.
- DSRC will have a 5-member Board of Directors with 2-year terms.
- Initial DSRC Board of Directors: two Councilmembers; and Executive Directors of Downtown Sacramento Partnership, Capitol Area Development Authority and Capitol Station District.
- City is successor in interest if DSRC is dissolved

SUMMARY OF CHECKS AND BALANCES

(Citations refer to sections of the bylaws)

- The DSRC Articles of Incorporation establish the purpose as redevelopment activities in the "Downtown Area". For the purposes of the Articles "Downtown Area" is intended to be the Central City (river to river, freeway to freeway).
- The Bylaws specify areas of activity as the Downtown and Richards Blvd. Redevelopment Areas and activities must be consistent with those redevelopment plans and 5-year Implementation Plans (Article X., Sec. 1.)
- The purposes for which DSRC is being created cannot be violated without having to modify the Articles of Incorporation and reapplying to the IRS to maintain the tax exempt status.
- Two Councilmembers serve on the DSRC Board. If at least one Councilmember Director approves a DSRC redevelopment project then it can proceed. If both Councilmember Directors object to the project it cannot proceed. (Article IV., Sec. 3. and Article VIII., Sec. 7.)
- Any deal using Agency funds will have terms approved by the Agency Board (City Council) in its agreement with DSRC.
- All DSRC projects will be subject to the City of Sacramento General Plan, entitlement and permitting processes, and CEQA.
- The City Manager will receive the DSRC annual budget and has the right to make recommendations prior to adoption (Article VIII., Sec. 8.).
- An annual report with compiled financial statements is required that will go to Board members, including the two Councilmembers, the City of Sacramento and the Redevelopment Agency of Sacramento. (Article VII., Sec. 2.)
- The bylaws allow the City to modify the membership of the DSRC Board if it feels that DSRC is not being operated according to its intended purposes. However, at least three Board members must remain from organizations or people independent of the City. (Article X., Sec. 2.)
- The sections of the Bylaws relating to the Board of Directors (Article IV., and Article X., Sec. 2) may not be amended or repealed without the written consent of the City Council. (Article VIII., Sec. 4.)

- A representative of the City shall be permitted to examine the books and records and financial reports of the Corporation. (Article VIII., Sec. 9.)

Other Non-Profit Examples

Phoenix Park Development Corporation,
Sacramento Hotel Corporation
Gifts to Share
Sacramento Zoological Society

ATTACHMENT 2

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ARTICLES OF INCORPORATION

OF

DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION

I.

The name of this corporation is: DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION.

II.

A. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes.

B. The specific purpose of this corporation is to lessen the burdens of government by assisting the City of Sacramento, California (the "City") and the Redevelopment Agency of the City of Sacramento (the "Agency") to revitalize redevelopment areas within the Downtown Area by (i) owning, acquiring, developing, financing (including but not limited to loaning money in connection with), assisting, leasing and managing projects in the redevelopment areas of the City (the "Projects"); (ii) providing amenities associated with the Projects; and (iii) conducting or performing any ancillary or related activity in furtherance of the foregoing. Subject to Article IV.B of these articles, this corporation shall be permitted to conduct other lawful activities permitted under the California Nonprofit Public Benefit Corporation Law.

C. This corporation is formed for the benefit of, and to carry out the purposes of, the City and the Agency by helping the City and the Agency revitalize redevelopment areas within the Downtown Area and thereby lessening the burdens of government within the meaning of Section 1.501(c)(3)-1(d)(2) of the Treasury Regulations.

III.

The name in the State of California of this corporation's initial agent for service of process is:

CT Corporation System

IV.

A. This corporation is organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

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B. Notwithstanding any other provision of these articles, this corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

C. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and this corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of or in opposition to any candidate for public office.

V.

A. The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net earnings or assets of this corporation shall inure to the benefit of (or be distributable to) any director or officer of this corporation or other private person, except that this corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its charitable purposes.

B. Upon the dissolution or winding up of this corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to the City for public purposes. In the event that the City does not accept any asset of this corporation on dissolution then any such asset shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

Dated: _____, 2004.

Deborah A. Moore, Incorporator

ATTACHMENT 3

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BYLAWS OF
DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION

a California Nonprofit Public Benefit Corporation

ARTICLE I
NAME

The name of this corporation shall be: Downtown Sacramento Revitalization Corporation (the "Corporation").

ARTICLE II
PRINCIPAL OFFICE

Section 1. Principal Office. The principal office for the transaction of the business of the Corporation ("principal executive office") shall be fixed and located at Sacramento, California, or at such other place as the Board of Directors ("Board") shall determine. The directors may change the principal office from one location to another. Any change of this location shall be noted by the Secretary on these bylaws opposite this section, or this section may be amended to state the new location.

Section 2. Other Offices. The Board may at any time establish branch or subordinate offices at any place or places where the Corporation is qualified to do business.

ARTICLE III
MEMBERSHIP

Section 1. Members. The Corporation shall have no members. Any action which would otherwise require approval by a majority of all members or approval by the members shall require only approval of the Board. All rights which would otherwise vest in the members shall vest in the Board.

Section 2. Associates. Nothing in this Article III shall be construed as limiting the right of the Corporation to refer to persons associated with it as "members" even though such persons are not members, and no such reference shall constitute anyone a member, within the meaning of Section 5056 of the California Nonprofit Corporation Law. The Corporation may confer by amendment of its articles or of these bylaws some or all of the rights of a member, as set forth in the California Nonprofit Corporation Law, upon any person or persons who do not have the right to vote for the election of directors or on a disposition of substantially all of the assets of the Corporation or on a merger or on a dissolution or on changes to the Corporation's articles or bylaws, but no such person shall be a member within the meaning of said Section 5056.

ARTICLE IV
DIRECTORS

Section 1. Powers. Subject to limitations of the articles and these bylaws, the activities and affairs of the Corporation shall be conducted and all corporate powers shall be

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exercised by or under the direction of the Board. The Board may delegate the management of the activities of the Corporation to any person or persons, a management company, or committees, however composed, provided that the activities and affairs of the Corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these bylaws or statute:

(a) To select and remove all the other officers, agents, and employees of the Corporation, prescribe powers and duties for them as may not be inconsistent with law, the articles, or these bylaws, fix their compensation, and require from them security for faithful service.

(b) To conduct, manage, and control the affairs and activities of the Corporation and to make such rules and regulations therefor not inconsistent with law, the articles, or these bylaws, as they may deem best.

(c) To adopt, make, and use a corporate seal and to alter the form of such seal from time to time as they may deem best.

(d) To borrow money and incur indebtedness for the purposes of the Corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidences of debt and securities therefor.

(e) To carry on a business at a profit and apply any profit that results from the business activity to any activity in which it may lawfully engage as a tax exempt Corporation. No part of such profits shall inure to the benefit of any of its directors, trustees, officers, members, or to individuals.

Section 2. Number of Directors. The Board shall consist of five members.

Section 3. Selection and Term of Office. The Incorporator shall appoint the initial five directors. Thereafter, the Board shall be selected as follows, subject to Article X, Section 2. Two directors shall be members of the City Council or Mayor of the City of Sacramento, California (the "City Council") and shall be appointed by the Mayor (the "City Directors"). One director shall be appointed by the Downtown Sacramento Partnership, Inc. (the "DSP Director"). One director shall be appointed by the Capital Area Development Authority (the "CADA Director"). One director shall be appointed by the Capitol Station District, Inc. (the "CSD Director"). The appointment of a director may be accomplished by the delivery of written notice from the organization with the power to appoint that director (the "Appointment Notice"), which notice shall be filed in the minute books of the Corporation. Such appointment shall be effective as of the specified future date in the Appointment Notice or if no date is specified the date of receipt by the Corporation of the Appointment Notice. Unless earlier removed as provided hereunder, each director shall hold office for two (2) years or until a successor has been appointed. There shall be no limits on the number of consecutive full or partial terms a director may serve on the board.

Section 4. Vacancies. Subject to the provisions of Section 5226 of the California Nonprofit Public Benefit Corporation Law, any director may resign effective upon giving written notice to either the President, the Secretary, or the Board, unless the notice specified a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be selected before such time, to take office when the resignation becomes effective.

Vacancies in the Board shall be filled in the same manner as the director(s) whose office is vacant was selected. Each director so selected shall hold office until the expiration of the term of the replaced director and until a successor has been selected and qualified.

A vacancy or vacancies in the Board shall be deemed to exist in case of the death, resignation, or removal of any director or if the authorized number of directors is increased.

The Board may declare vacant the office of a director who has been declared of unsound mind by a final order of court, or convicted of a felony, or found by a final order of judgment of any court to have breached any duty arising under Article 3 of the California Nonprofit Public Benefit Corporation Law. A director may be removed at any time, with or without cause, by the organization with the power to appoint such director. Such removal may be accomplished by the delivery of written notification from the organization with the power to appoint such director (the "Removal Notice"), which shall be filed in the minute books of the Corporation. Such removal shall be effective as of the specified future date in the Removal Notice or if no date is specified the date of receipt by the Corporation of the Removal Notice. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

Section 5. Place of Meetings. Meetings of the Board may be held at any place within or outside the State of California that has been designated from time to time by resolution of the Board. In the absence of such designation, regular meetings shall be held at the principal executive office of the Corporation.

Section 6. Annual Meetings. The Board shall hold an annual meeting for the purpose of organization, selection of directors and officers, and the transaction of other business. Annual meetings of the Board shall be held during the fourth quarter of each year.

Section 7. Other Regular Meetings. Other regular meetings of the Board shall be held on such dates and at such times as may be fixed by the Board.

Section 8. Special Meetings. Special meetings of the Board for any purpose or purposes may be called at any time by the President, or any three (3) directors acting together. Special meetings of the Board shall be held upon four days' notice by first-class mail or 48 hours' notice given personally or by telephone, including a voice messaging system or other system of technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means. Any such notice shall be addressed or delivered to each director at such director's address as it is shown upon the records of the Corporation by the director for purposes of notice or, if such address is not shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held.

Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the receiver.

Section 9. Quorum. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 13 of this Article IV. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number is required by law or by the articles, except as provided in the next sentence. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 10. Participation in Meetings by Conference Telephone. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another.

Section 11. Waiver of Notice. Notice of a meeting need not be given to any director who signs a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting, without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 12. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place is fixed at the meeting adjourned, except as provided in the next sentence. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 13. Action Without Meeting. To the extent permitted by law, any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action; provided, however, that the consent of any director who has a material financial interest in a transaction to which the Corporation is a party and who is an "interested director" as defined in Section 5233 of the California Corporations Code shall not be required for approval of that transaction. Such action by written consent shall have the same force and effect as a unanimous vote of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

Section 14. Rights of Inspection. Every director shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents of every kind and to inspect the physical properties of the Corporation of which such person is a director.

Section 15. Fees and Compensation. Directors and members of committees may receive reasonable compensation for their services as determined by the Board, in amounts fixed or determined by the Board. Reimbursement for expenses incurred in performance of duties may be fixed or determined by the Board.

ARTICLE V
COMMITTEES

Section 1. Committees of the Board. The Board may appoint one or more committees, each consisting of two (2) or more directors and no persons who are not directors, and delegate to such committees any of the authority of the Board except with respect to:

- (a) the taking of any final action on matters which, under the Nonprofit Corporation Law of California, also requires members' approval or approval of a majority of all the members;
- (b) the filling of vacancies on the Board or in any committee;
- (c) the fixing of compensation of the directors for serving on the Board or on any committee;
- (d) the amendment or repeal of bylaws or adoption of new bylaws;
- (e) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;
- (f) the appointment of any other committees of the Board or the members of these committees.
- (g) the expenditure of corporate funds to support a nominee for director after there are more people nominated for director than can be elected; or
- (h) the approval of any self-dealing transaction, as such transactions are defined in Section 5233(a) of the California Nonprofit Public Benefit Corporation Law.

Any such committee must be created, and the members thereof appointed, by resolution adopted by a majority of the authorized number of directors then in office, provided a quorum is present, and any such committee may be designated by such name as the Board shall specify. The Board may appoint, in the same manner, alternate members of any committee who may replace any absent member at any meeting of the committee. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings be conducted. Unless the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any such committee

shall be governed by the provisions of Article IV applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of each committee.

Section 2. Advisory Committees. Other committees may be appointed from time to time by the Board. These committees' membership may consist of both directors and non-directors or non-directors only. These committees have no legal authority to act for the Corporation but shall report their findings and recommendations to the Board.

Section 3. Fees and Compensation. Members of committees may receive nominal compensation of up to an amount to be determined by the Board. Reimbursement for expenses incurred in performance of duties may be fixed or determined by the Board.

ARTICLE VI OFFICERS

Section 1. Officers. The officers of the Corporation shall be a President, Secretary, and Chief Financial Officer. The Corporation may also have, at the discretion of the Board, a chairman of the board, an executive director, one or more vice presidents, one or more assistant secretaries, one or more assistant chief financial officers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article VI. Any number of offices may be held by the same person, except as provided in the articles or in these bylaws and except that neither the Secretary nor the Chief Financial Officer may serve concurrently as the President.

Section 2. Election. The officers of the Corporation shall be chosen annually by the Board, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

Section 3. Subordinate Officers. The Board may appoint, and may authorize the President or another officer to appoint, any other officers the business of the Corporation may require, each of whom shall have the title, hold office for the period, have the authority, and perform the duties specified in the bylaws or determined from time to time by the Board.

Section 4. Removal and Resignation. Any officer may be removed, with or without cause, by the Board at any time or, except in the case of an officer chosen by the Board, by an officer on whom such power of removal may be conferred by the Board. Any such removal shall be without prejudice to the rights, if any, of the officer under any contract of employment of the officer.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 5. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled only in the manner prescribed in

these bylaws for regular election or appointment to that office, provided that such vacancies shall be filled as they occur and not on an annual basis.

Section 6. President. The President shall preside at meetings of the Board and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board or prescribed by the bylaws. In the absence of the President, another officer or a director of the Corporation may preside at a meeting of the Board.

Section 7. Secretary. The Secretary shall attend to the following:

(a) Book of minutes. The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board may direct, a book of minutes of all meetings and actions of directors, and committees of directors, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at such meetings, and the proceedings of such meetings.

(b) Notices, seal and other duties. The Secretary shall give, or cause to be given, notice of all meetings of the Board required by the bylaws to be given. The Secretary shall keep the seal of the Corporation in safe custody. The Secretary shall have such other powers and perform such other duties as may be prescribed by the Board or the bylaws.

Section 8. Chief Financial Officer. The Chief Financial Officer shall attend to the following:

(a) Books of account. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books of account shall be open to inspection by any director at all reasonable times.

(b) Deposit and disbursement of money and valuables. The Chief Financial Officer shall deposit all money and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board; shall disburse the funds of the Corporation as may be ordered by the Board; shall render to the directors, whenever they request it, an account of all transactions as Chief Financial Officer and of the financial condition of the Corporation; and shall have such other powers and perform such other duties as may be prescribed by the Board or the bylaws.

Section 9. Compensation. Officers may receive such reasonable compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by the board.

ARTICLE VII RECORDS AND REPORTS

Section 1. Corporate Records. The Corporation shall keep:

- (a) Adequate and correct books and records of accounts;
- (b) Written minutes of the proceedings of its Board and committees of the Board; and
- (c) The original or a copy of the articles of incorporation and bylaws, as amended, to date.

Section 2. Annual Report.

(a) Financial statements shall be prepared as soon as reasonably practicable after the close of the fiscal year. The financial statements shall contain in appropriate detail the following:

(1) The assets and liabilities, including trust funds, of this Corporation as of the end of the fiscal year;

(2) The principal changes in assets and liabilities, including trust funds, during the fiscal year;

(3) The revenue or receipts of this Corporation, both unrestricted and restricted to particular purposes, for the fiscal year;

(4) The expenses or disbursements of this Corporation, for both general and restricted purposes during the fiscal year;

(5) Any transaction during the previous fiscal year involving Forty Thousand Dollars (\$40,000.00) or more to which this Corporation or a subsidiary was a party and in which any directors or officers of the Corporation or subsidiary had or has a direct or indirect material financial interest. The report must disclose the names of the interested persons involved in such transaction, stating such person's relationship to the Corporation, the nature of such person's interest in the transaction and, where practicable, the amount of such interest; and

(6) The amount and circumstances of any indemnification or advances aggregating more than Ten Thousand Dollars (\$10,000.00) paid during the fiscal year to any officer or director of the Corporation.

(b) Such financial statements shall be accompanied by any report thereon of independent accountants, or, if there is no such report, the certificate of an authorized officer of the Corporation that such statements were prepared without audit from the books and records of the Corporation.

(c) A report including the financial statements prescribed above shall be furnished annually to all directors of the Corporation, the City of Sacramento, and the Redevelopment Agency of the City of Sacramento.

ARTICLE VIII
OTHER PROVISIONS

Section 1. Endorsement of Documents; Contracts. Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, conveyance, or other instrument in writing and any assignment or endorsement thereof executed or entered into between the Corporation and any other person, when signed by the President, the Secretary or the Chief Financial Officer shall be valid and binding on the Corporation in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instruments may be signed by any other person or persons and in such manner as from time to time shall be determined by the Board, and, unless so authorized by the Board, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

Section 2. Representation of Shares of Other Corporations. The President or any other officer or officers authorized by the Board are each authorized to vote, represent, and exercise on behalf of the Corporation all rights incident to any and all shares of any other Corporation or Corporations standing in the name of the Corporation. The authority herein granted may be exercised either by any such officer in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officer.

Section 3. Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction, and definitions contained in the General Provisions of the California Nonprofit Corporation Law and in the California Nonprofit Public Benefit Corporation Law shall govern the construction of these bylaws.

Section 4. Amendments. These bylaws may be amended or repealed by the vote of a majority of the Board, except that neither Article IV nor Article X, Section 2 may be amended or repealed without the written consent of the City Council.

Section 5. Fiscal Year. The fiscal year of this Corporation shall be determined by resolution of the Board.

Section 6. Corporate Seal. This Corporation may have a seal which shall be specified by resolution of the Board of Directors.

Section 7. City Approval of Redevelopment Project. Prior to approval of any proposed redevelopment project by the Corporation, the Corporation shall circulate a notice to the City Directors of the Corporation providing a description of the proposed project. If at least one City Director informs the Corporation that he or she approves the proposed project, the Corporation may, if it chooses, undertake and complete the proposed project. The Corporation shall not undertake a proposed project without the approval of at least one City Director. If a City Director communicates his or her decision in writing to the Corporation, the Corporation shall keep a record of the decision. If a City Director verbally communicates his or her decision to the Corporation, the Corporation shall confirm such communication in writing to the City Director and keep a record of the written confirmation.

Section 8. City Review of Annual Budget. The annual budget of this Corporation shall be delivered to the City Manager of the City of Sacramento, California (the "City") for

review before the budget is adopted by the Corporation. The City Manager shall have no legal authority to act for this Corporation, but the Board shall in good faith review any recommendations made by the City Manager regarding the annual budget to be adopted by this Corporation.

Section 9. Excess Revenues. This Corporation may pay its excess revenues to the City or the Redevelopment Agency of the City of Sacramento (the "Agency") for purposes related to redevelopment. For this purpose, excess revenues shall mean an amount of money which the Board considers to be available after taking into account all debts, liabilities, and obligations of this Corporation and other amounts which the Board considers necessary for this Corporation's operations (including but not limited to debt service and additions to any reserves for bond commitments, and any other set-asides necessary to comply with financial covenants or for debt retirement). A representative of the City shall be permitted to examine the books and records and financial reports of this Corporation.

ARTICLE IX INDEMNIFICATION

Section 1. Right of Indemnity. To the fullest extent permitted by law, this Corporation shall indemnify its directors, officers, employees, and other persons described in Section 5238(a) of the California Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person described in that Section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 5238(a) of the California Corporations Code.

Section 2. Approval of Indemnity. On written request to the Board by any person seeking indemnification under Section 5238(b) or Section 5238(c) of the California Corporations Code, the Board shall promptly determine under Section 5238(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to that proceeding, the court in which such proceeding is or was pending upon application made by the Corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney, or other person is opposed by the Corporation, shall determine under Section 5238(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the court shall authorize indemnification.

Section 3. Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under Sections 1 and 2 of this Article IX in defending any proceeding covered by those sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of

that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 4. Insurance. The Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, directors, employees, and other agents, against any liability asserted or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer's, director's, employee's, or agent's status as such.

ARTICLE X
PURPOSES

Section 1. The specific purpose of the Corporation is to lessen the burdens of government by assisting the City and the Agency to revitalize the following benefited regions of the City: the Merged Downtown Redevelopment Project Area and the Richards Boulevard Redevelopment Project Area. All of the Corporation's revitalization activities shall be consistent with any redevelopment plans and related 5-year implementation plans for the areas if they exist. The directors may change the benefited regions by resolution or by amendment of these bylaws.

Section 2. If the City Council determines that the Corporation is no longer organized or operated in accordance with its intended charitable purposes, then upon the delivery of a written notice to the Corporation ("Designation Notice"), the City may designate the people or organizations who shall have the power to appoint directors of the Corporation, provided, however, that at all times at least three of the five director positions shall be appointed by people or organizations that are independent of the City. The Designation Notice shall state that the City Council determines that the Corporation is no longer organized or is no longer operated in accordance with its intended purposes and shall provide the names of the people or organizations who shall have the power to appoint directors of the Corporation. Whether the Corporation is organized or operated in accordance with its intended purposes shall be determinable by the City Council, in its sole discretion.

DRAFT

ARTICLE XI
CERTIFICATE OF SECRETARY

I, the undersigned, certify that I am the presently elected and acting Secretary of DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION, a California nonprofit corporation, and the above bylaws, consisting of __ pages (including this page) are the bylaws of this Corporation as adopted at a meeting of the Board held on _____, 2004.

DATED: _____, 2004

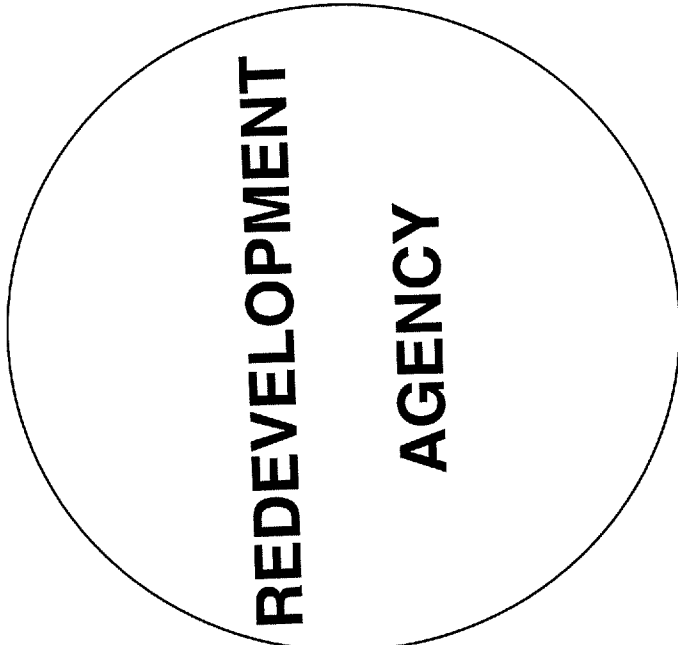
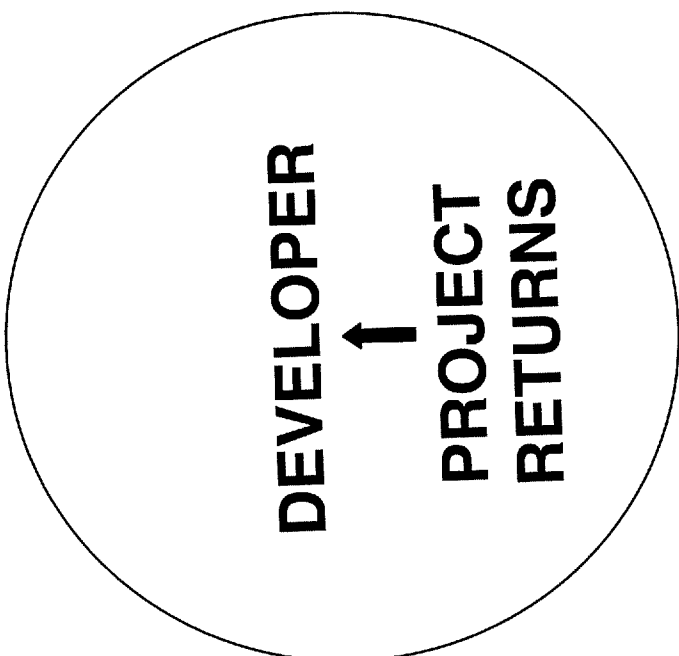
_____, Secretary

DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION

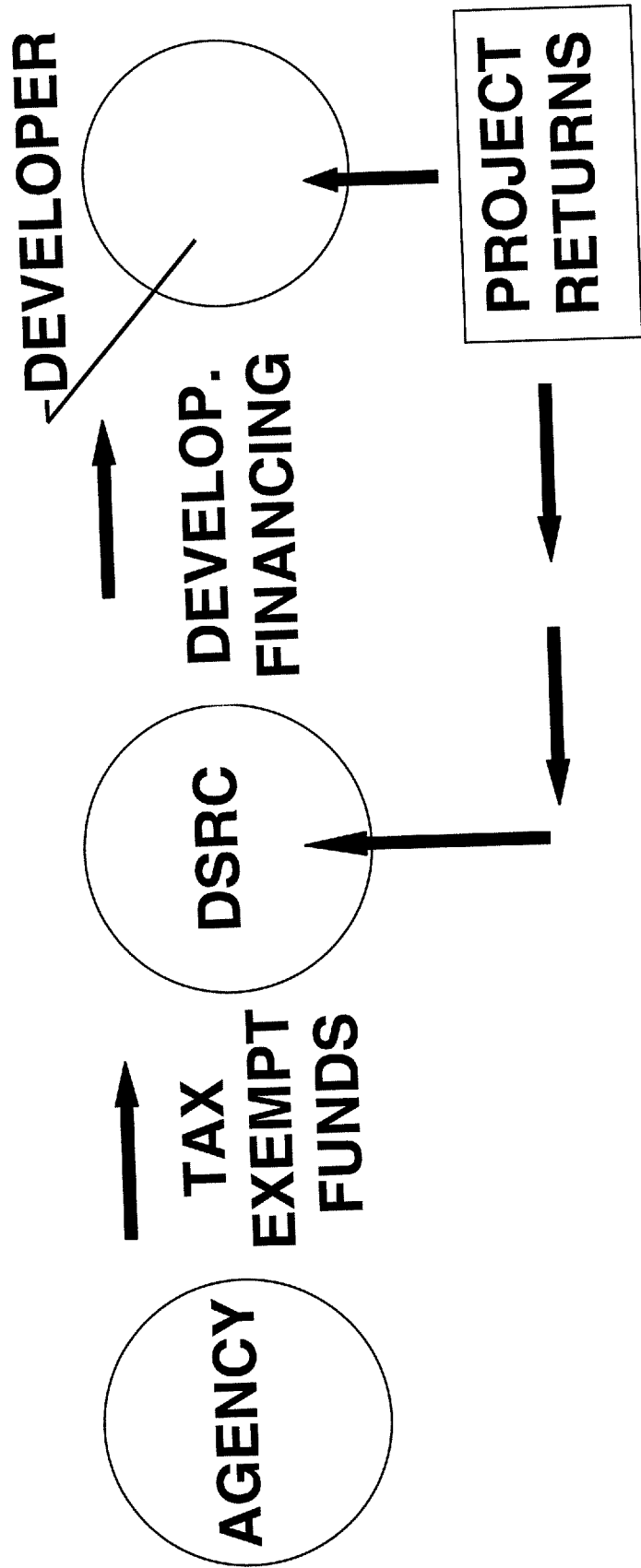
- DSRC can receive financial returns on funds originated from Agency tax exempt bonds
- Agency cannot receive return on funds originated from Agency tax exempt bonds
- Tax exempt bonds = 20% greater proceeds than taxable bonds
- Agency enters into agreements for projects with DSRC dictating business terms
- DSRC enters into financing agreements with developers or develops projects itself
- Funds revolve through DSRC for future Downtown and Richards Blvd projects

**CURRENT
SITUATION**

**TAX
EXEMPT
FUNDS**



**PROPOSED
SITUATION**



DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION

- DSRC more flexible than Agency and outlives the redevelopment project areas
- DSRC can own and manage assets long term (Agency cannot) while channeling profits for redevelopment purposes.
- DSRC can loan funds or be equity partner
- For Downtown and Richards Blvd Area redevelopment purposes
- Established as a 501(c)3 non-profit, public benefit corporation

DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION

- Early years Agency Board (Council) dictates deal structures and business terms
- Later years DSRC programs own funds from financing projects and owning property
- 5-member Board with 2-year terms
 - Two Councilmembers
 - Executive Directors of:
 - Downtown Sacramento Partnership
 - Capitol Station District
 - Capitol Area Development Authority

DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION CHECKS AND BALANCES

- City is successor in interest if dissolved
- Activities must be consistent with redevelopment and 5-year plans (bylaws)
- Cannot modify the Articles of Incorporation without reapplying to the IRS
- If both Councilmembers disapprove a DSRC project it cannot proceed
- All DSRC projects subject to City General Plan, permitting processes, and CEQA
- City Manager receives DSRC annual budget and has right to make recommendations

CHECKS AND BALANCES (con.)

- Annual financial report is required to go to Board, City and Agency
- City representative permitted to examine books, records and financial reports
- Bylaws allow City to modify Board if not operating according to intended purpose
- Bylaws relating to Board can't be amended or repealed without City written consent

Other Non-Profit Examples

Phoenix Park Development Corporation
Sacramento Hotel Corporation
Gifts to Share
Sacramento Zoological Society