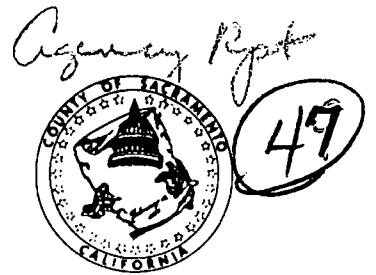




**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



APPROVED
CITY COUNCIL

MAR 10 1987

OFFICE OF THE CITY MANAGER'S OFFICE
CITY CLERK

RECEIVED
MAR 4 1987

Sacramento City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Final Application for Employment and Economic Incentive Area ("Enterprise Zone") Designation for Downtown/Richards Boulevard area and Oak Park/Florin-Perkins area

SUMMARY

Final applications requesting designation as State Enterprise Zones are due March 18, 1987. This report recommends submittal of the two Sacramento applications which received preliminary designation in the first round of competition. Both applications were prepared following the regulations of AB 514 (Waters).

BACKGROUND

Upon authorization of the City Council and County Board of Supervisors on September 10, 1986, two preliminary applications were submitted to the State of California Department of Commerce on September 25, 1986. Subsequently, the State notified the Agency that the City was authorized to submit a final application for both the Downtown/Richards Boulevard area and the City and County of Sacramento were authorized to submit a final application for Oak Park/Florin-Perkins.

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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Sacramento City Council
Page Two

The final applications include more detailed descriptions of the areas (i.e., existing business inventories, socio-economic conditions of the neighborhood, anticipated business and job trends, etc.) along with further detail on the local incentives previously outlined in the preliminary applications. No new costs or incentives to be provided by the City and County have surfaced in the final application. Instead, as requested by the State, staff has merely elaborated on the local incentives previously approved by the City and County.

Summaries of the two applications are attached, including a brief statement of the area's problems, a list of the proposed program incentives and the expected impact of designation.

ENVIRONMENTAL DATA

The State requires that an Environmental Impact Report (EIR) be prepared or a determination made that a previously prepared EIR covering the geographical area sufficiently addresses the concerns of the Zone proposal. It was decided to prepare more comprehensive EIRs for the final applications. The Downtown and Oak Park Enterprise Zone EIRs will be ready next week, and will be included with the applications.

FINANCIAL DATA

The primary financial impact on the City and County for these programs is the targeting or extension of existing programs (i.e., MBE/WBE coordinator, neighborhood clean-up and nuisance abatement program, Chamber Community Development Corporation, tax increment and Community Development Block Grant funded commercial financing programs, commercial revitalization coordinators, etc.). An Enterprise Zone program coordinator whose job it is to promote and administer the program is on staff.

Numerous tax benefits will flow directly to qualifying area firms and their employees. Other programs, such as the Joint Training Partnership Act and Sacramento Area Commerce and Trade Organizations' outreach efforts will also be employed.

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POLICY IMPLICATIONS

The action proposed in this staff report is consistent with previously approved policy and there is no policy change recommended. The various benefits and costs associated with applying for Enterprise Zone designation were considered at length when the two preliminary applications were authorized to be submitted to the State in September 1986. At that time, the City and County agreed to submit the applications and to provide certain incentives to development as stipulated in each application. We believe that the program can be successful in complementing our existing economic development and redevelopment efforts in the areas selected.

VOTE AND RECOMMENDATION OF COMMISSION

On March 2, 1987, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Glud, Moose, Pettit, Sanchez, Sheldon, Simon,
Simpson, Wiggins, Wooley, Yew, Amundson
NOES: None
ABSENT: None

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RECOMMENDATION

It is recommended that the resolutions be approved by the City Council: 1) Authorize the Executive Director to submit final Enterprise Zone applications for the Oak Park/Florin-Perkins and Downtown/Richards Boulevard areas; 2) Approve Economic Development objectives for both areas; and, 3) Authorize the Executive Director of the Sacramento Housing and Redevelopment Agency to act as the agent for the City and County to administer the Enterprise Zone Program.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

Contact Person: Thomas V. Lee
440-1355

TRANSMITTAL TO COUNCIL

Walter J. Slipe

WALTER J. SLIPE
City Manager

MS:j
1235J

RESOLUTION No. 87-177

Adopted by The Sacramento City Council on date of

March 10, 1987

APPROVED
BY THE CITY COUNCIL

MAR 10 1987

OFFICE OF THE
CITY CLERK

**AUTHORIZING LOCAL AGENT TO ADMINISTER
EMPLOYMENT AND ECONOMIC INCENTIVE AREA PROGRAM**

WHEREAS, the City Council wishes to promote the economic vitality of the Sacramento area by applying for designation under the State of California Employment and Economic Incentive Area program ("Enterprise Zone Program") for the Oak Park/Florin-Perkins area and Downtown/Richards Boulevard area;

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

Section 1. The Executive Director is authorized to act as the Local Agent for the City and County to administer the Enterprise Zone Program.

MAYOR

ATTEST:

CITY CLERK

0771L

APPROVED
BY THE CITY COUNCIL

MAR 10 1987

OFFICE OF THE
CITY CLERK

RESOLUTION No. 87-178

Adopted by The Sacramento City Council on date of

March 10, 1987

AUTHORIZING SUBMITTAL OF FINAL APPLICATIONS TO THE
STATE OF CALIFORNIA FOR DESIGNATION OF THE
OAK PARK/FLORIN-PERKINS AND DOWNTOWN/RICHARDS BOULEVARD AREAS
AS EMPLOYMENT AND ECONOMIC INCENTIVE AREAS
UNDER THE EMPLOYMENT AND ECONOMIC INCENTIVE ACT

WHEREAS, the City Council wishes to promote the economic vitality of the Sacramento area by applying for designation under the State of California Employment and Economic Incentive Area program ("Enterprise Zone Program") for the Oak Park/Florin-Perkins area and Downtown/Richards Boulevard areas;

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

Section 1. The Executive Director is hereby authorized to submit final application for designation of the of Oak Park/Florin-Perkins and Downtown/Richards Boulevard program areas under the Employment and Economic Incentive Act as described in the applications; and,

Section 2. The economic development objectives for the Oak Park/Florin-Perkins and Downtown/Richards Boulevard areas attached as Attachment 1 to this Resolution are approved.

MAYOR

ATTEST:

CITY CLERK

0771L

PROPOSED DOWNTOWN/RICHARDS BOULEVARD
ENTERPRISE ZONE

DRAFT: ECONOMIC DEVELOPMENT OBJECTIVES

<u>Objective</u>	<u>Proposed Ranking</u>
<u>1. Employment</u>	
. Qualify at least 10 TED/NED firms for Enterprise Zone incentives.	1
. Form linkages between TED and NED businesses and the HDUA residents, resulting in employment of 120 HDUA residents within the TED and NED over a two year period.	2
. Reduce unemployment levels among minority youths in the HDUA 10 percent over a three year period.	3
. Place 18 HDUA residents in JTPA on-the-job training programs in TED and NED firms.	4
. Set up customized classroom training programs with TED and NED firms which will result in the hiring of 170 HDUA residents.	5
. Sign JTPA partnership agreements with three firms per year. Request fee waivers and permit expediting for these firms. Place 50 HDUA employees with these firms.	6
<u>2. Capital Improvements</u>	
. Rehabilitate 100 homes in the HDUA over a three year period.	1
. Subsidize construction of 100 residential units in the HDUA over three years.	2
. Abate 75 health and sanitary nuisances in the HDUA area per year.	3
. Continue to improve infrastructure conditions in the HDUA, TED, and NED over the next five years including widening and beautification of Richards Boulevard.	4

3. New Investment

- . Strengthen the industrial warehouse market in the TED and the retail market in the NED by recruiting firms to the TED/NED and assist existing TED/NED firms to expand over a two year period. 1
- . Generate at least \$6.0 million in capital investment and working capital in the TED area over a two year period as a result of program incentives. 2
- . Rehabilitate four commercial businesses in the NED area over a two year period. 3
- . Generate at least \$400,000 in capital investment in the NED area through at least one commercial development loan and at least two private sector loans through the SBA Certified Development Company (CDC). Make at least six SBA loans to TED and NED firms through the CDC. 4

4. Business Climate

- . Provide technical, managerial and financial assistance and referrals to other providers through the CDC, Enterprise Zone "Hot Line". 1
- . Market Enterprise Zone program. Hold two workshops in the first year. 2
- . Assist at least five firms with meeting regulations and business permit requirements. 3
- . Reduce crimes against property rate by 5% over two years. 4

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MS:jann
02/27/87

PROPOSED OAK PARK/FLORIN-PERKINS
ENTERPRISE ZONE

ECONOMIC DEVELOPMENT OBJECTIVES

	<u>Objective</u>	<u>Proposed Ranking</u>
1.	<u>Employment</u>	
.	Form linkages between TED business and the HDUA residents, resulting in employment of 120 HDUA residents within the TED over a two year period.	1
.	Reduce unemployment levels among minority youths in the HDUA 10 percent over a three year period.	2
.	Qualify at least 10 TED/NED firms for Enterprise Zone incentives over a two year period.	3
.	Place 100 HDUA residents in JTPA on-the-job training programs in TED firms over a two year period.	4
.	Set up customized classroom training programs with TED firms which will result in the hiring of 75 HDUA residents over a two year period.	5
.	Sign JTPA partnership agreements with three firms per year. Request fee waivers and permit expediting for these firms. Place 50 HDUA employees with these firms.	6
2.	<u>Capital Improvements</u>	
.	Rehabilitate 75 homes in the HDUA over a three year period.	1
.	Subsidize construction of 40 residential units in the HDUA over three years.	2
.	Abate 75 health and sanitary nuisances in the HDUA area per year.	3
.	Continue to improve infrastructure conditions in the HDUA, TED, and NED over the next five years.	4

3. New Investment

- . Recruit seven firms to the TED and assist existing TED firms to expand over a two year period. 1
- . Generate at least \$3.0 million in capital investment and \$3.0 million in working capital in the TED areas over a two year period as a result of program incentives. 2
- . Rehabilitate six commercial businesses in the NED area over a two year period. 3
- . Generate at least \$400,000 in capital investment in the NED area through at least one commercial development loan and at least two private sector loans through the SBA Certified Development Company (CDC). Make at least six SBA loans to TED firms through the CDC. 4

4. Business Climate

- . Provide technical, managerial and financial assistance and referrals to other providers through the CDC, Enterprise Zone "Hot Line" Commercial Revitalization Coordinator and Job Bank Specialist. 1
- . Market Enterprise Zone program. Hold two workshops in the first year. 2
- . Assist in at least five firms with meeting regulations and business permit requirements. 3
- . Reduce crimes against property rate by 5% over two years. 4

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02/27/87

SUMMARY OF DOWNTOWN/RICHARDS BOULEVARD
ENTERPRISE ZONE AREA

Downtown Sacramento is the highest priority area for business development in the City of Sacramento. The need to encourage commercial, industrial and employment growth in re-use and infill activities rather than other types of development such as fringe expansion has been consistently identified. The City has prepared a comprehensive plan and strategy for development of the area which will be greatly facilitated by Enterprise Zone designation.

Although some progress has been made to date in revitalizing the core area, significant problems remain. Housing conditions are not good (most of the housing in the area is either publicly owned or otherwise subsidized), income levels are very low (the area qualifies as a Pocket of Poverty under Federal Urban Development Action Grant Criteria) and businesses are struggling. The unemployment rate is 19.8% (1980 census), despite the fact that there are approximately 46,000 jobs on the doorstep of the residential area. Part of the reason is attributable to the low educational levels. Only 52.1% of the residents are high school graduates, compared to a citywide rate of 71.6%. Homelessness is an ever present and highly visible problem. The J and K Street corridors, identified as a Neighborhood Economic Development/Commercial Area under this proposal, with a total net loss of 400,000 square feet of retail space since 1975, have experienced major department store closures and continued incidence of poor building conditions with a weak, unstable market. Conversions of retail use into office space is a manifestation of the problem. Competition from suburban shopping districts is a major cause of the poor market in Downtown. Even Old Sacramento has recently experienced major commercial difficulties. High vacancies, frequent turnover and competition from outlying restaurants were all cited as contributory problems here.

The Richards Boulevard corridor, which is designated as the Zone's industrial area, is an important industrial/warehousing area in the City. However, the area suffers from circulation problems due to a lack of effective internal circulation and excess traffic demands on Richards Boulevard. An image problem exists as several transient shelters are located there. There have also been significant plant closings in the food processing industry there.

The City's strategy for revitalization of Downtown, as outlined in this application, includes completion of the "Light Rail" system directly down K Street, to help with the market access problem; direct assistance to commercial rehabilitation and housing development; waterfront development along the Sacramento River in both the Old Sacramento and "Docks" area (south of the Tower Bridge); a comprehensive plan for dealing with the homeless; and numerous "public" projects such as the following:

SHRA/City Budget
Allocations

. Convention Hotel Parking Facility	\$ 4,000,000
. Old Sacramento Waterfront Improvements	1,650,000
. "The Docks" Improvements	3,500,000
. Food Court/Galleria	100,000
. Parking Facilities	5,000,000
. Convention Center Expansion	12,500,000
. St. Rose of Lima Park Improvements	150,000
. NE Office/Mixed Use Development	2,720,000
. Parking Garage, D-1	4,000,000
. Library Expansion	1,500,000
. City Plaza Improvements	250,000
. Infrastructure Improvements	500,000

These projects are expected to spur private investment in Downtown.

Enterprise Zone designation would induce further development and employment activity that would not otherwise occur.

The Downtown/Richards Boulevard area is in many respects ideally suited for Enterprise Zone designation. The City anticipates that the programs will provide a comprehensive set of effective incentives. The combination of tax incentives, regulatory relief and the public/private partnership outlined above will provide a good chance for success of the Zone and the creation of significant numbers of new jobs and capital investment.

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Program Incentives

Through the Enterprise Zone program, the state offers the following program benefits and tax incentives:

- Employer's tax credit for hiring HDUA residents
- Sales tax credit
- Investment income exclusion
- Net operating loss carryover
- Employee wage credit
- Subsidized leasing. (Leasing of public property to a Neighborhood Economic Assistance Corporation (NEHC)).
- Small business loan preference
- Energy loan preference
- Industrial development bonds
- Training preference
- Criminal justice program preference
- Environmental impact report (possible exemption from EIR preparation for zone projects)

To complement these incentives, the City, County and the Sacramento Housing and Redevelopment Agency offer the incentives briefly described below:

- . Employment/Economic Incentive Program Coordinator
- . Commercial Loan Program
- . SBA Certified Development Company
- . JTPA Set-Asides
- . Permit Expediting
- . Planning and Building Fee Reduction
- . Minority/Women's Business Coordinator
- . SACTO Recruitment of New Business
- . Environmental Coordinator

- . Neighborhood Clean-Up Program
- . Industrial Development Bond Fee Reduction
- . Program Evaluation
- . Business Crime Prevention
- . Developer Assistance Program for TED
- . Technical Assistance for Commercial Development for NED
- . Capital Improvements Program
- . Housing Rehabilitation
- . Housing Development
- . Beautification Program
- . Establishment of Community Advisory Council

Impacts

These actions will play an important role in the transformation of the Downtown residential and Richards Boulevard industrial areas while strengthening the expanding companies in Downtown. Unemployment in the Downtown HDUA will be battled in at least three ways:

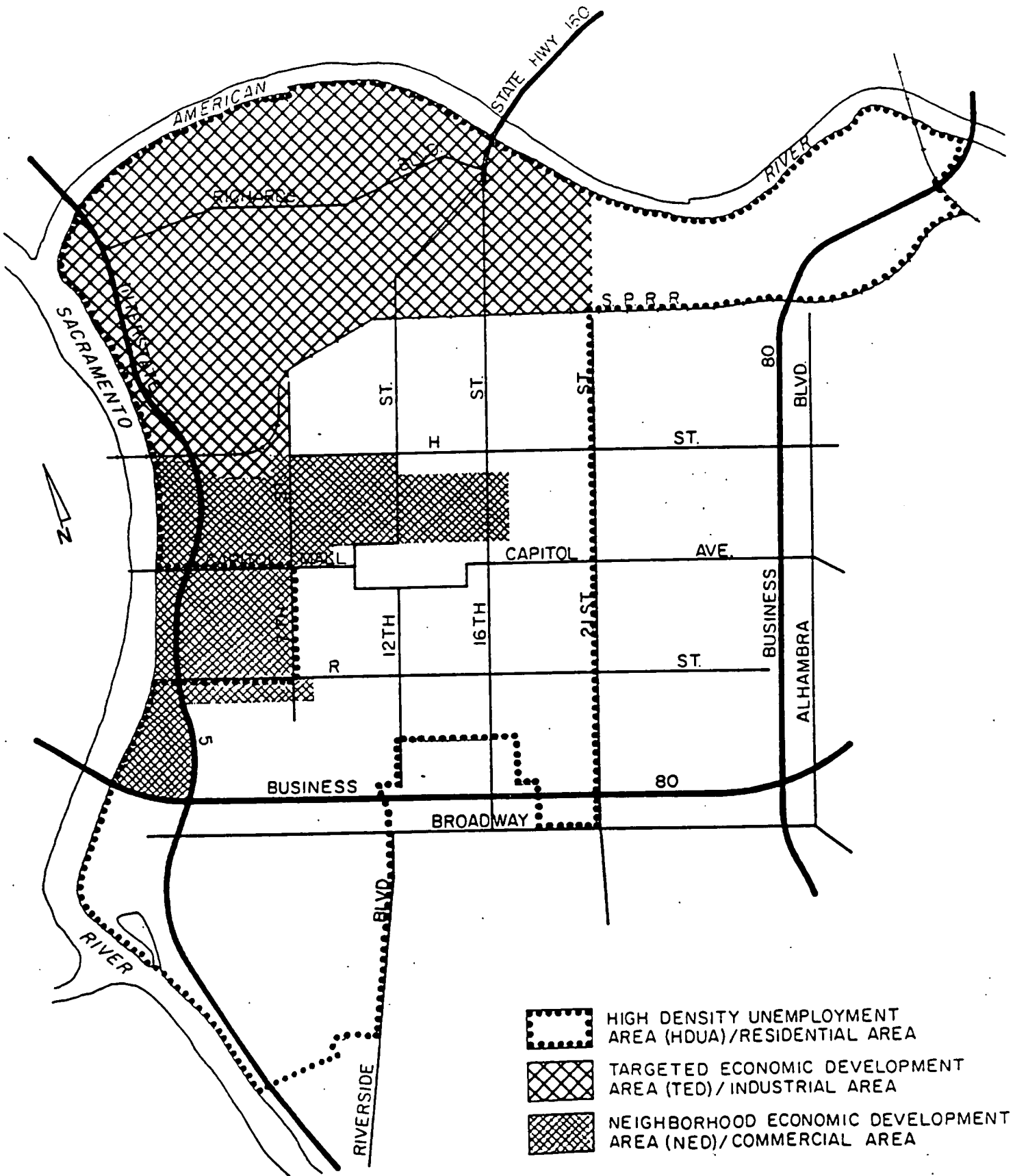
1. The program will eliminate many of the gaps in the existing job training and referral system used by the residents to find work. The expansion of JTPA funding for the area, in particular, will provide the specialized training residents will need to obtain jobs with Downtown/Richards Boulevard firms.
2. New jobs will be created because firms will be encouraged to locate and expand in the Enterprise Zone area. Companies often cite the business climate as a critical factor when considering locating or expanding in an area. With Enterprise Zone designation, a supportive, pro-growth environment will be fostered by tax incentives, regulatory relief, and vigorous targeting given to firms by the Enterprise Zone Coordinator, the PIC, the CDC and the Planning and Building Departments.
3. Finally, the program's major incentives for employers in the Enterprise Zone are linked to the hiring of people residing in the HDUA. In addition, the program incentives will draw new investment into the area.




The concentrated effort at improving the area should also have less tangible, but nonetheless important, spin-off effects by renewing pride in the neighborhood. As the program takes effect, business owners and area residents will be more inclined to deal with the area's deterioration. A decrease in the unemployment rate will raise household incomes and should help reduce crime in the Downtown HDUA.

Together, these steps will increase the vitality of the Downtown HDUA and link a competent, productive labor force with the commercial and industrial areas.

DOWNTOWN/RICHARDS BOULEVARD ENTERPRISE ZONE

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-  HIGH DENSITY UNEMPLOYMENT AREA (HDUA)/RESIDENTIAL AREA
-  TARGETED ECONOMIC DEVELOPMENT AREA (TED)/INDUSTRIAL AREA
-  NEIGHBORHOOD ECONOMIC DEVELOPMENT AREA (NED)/COMMERCIAL AREA

SUMMARY OF OAK PARK/FLORIN-PERKINS
ENTERPRISE ZONE AREA

The Oak Park neighborhood has been one of Sacramento's most troubled residential/commercial areas for many years. The major problems in the area are persistently high unemployment rates, low incomes, high crime rates and an overall negative image. There has been severe deterioration of commercial structures characterized by property abandonment, high rates of conversion to lower uses, and a high level of business foreclosures. The aging housing stock continues to deteriorate. Rental properties are not well managed, and are poorly maintained. As a result, the vacancy rate is a high 16.3%. Over 60% of Oak Park households are families, with over one-third (36.6%) of these headed by one parent.

Despite the attempts of various government programs to improve the standard of living for Oak Park residents, there is a high concentration of low-income families in the neighborhood. Thirty-four percent of the households are considered below the poverty level. Prevalent unemployment largely explains the low household income. In 1980, the unemployment rate was 19.7%, compared to the citywide rate of 10.3%. Among minority residents, nearly one-fourth were unemployed. The unemployment problems have been chronic and persistent. Educational achievement is low -- only 55.4% of the population over the age of 25 has graduated from high school, compared to a citywide rate of 71.6%. There is a lack of specialized skills or vocational training. In addition, most of those unemployed are in occupations that tend to have low wages or are seasonal (22% in clerical occupations, 24% in service jobs and 20% in operator, assembly, craft or repair occupations).

Adjacent to the Oak Park neighborhood is the Florin-Perkins area, a major industrial development, with over 600 firms employing 6,400 employees, primarily in heavy manufacturing and warehousing activities. The area has significant potential for growth and the creation of new jobs. Nearly 40% of the 4,000 acres contained in the Zone is available for development. Because of its location, facilities and general character, the area has generally been considered a prime development area for industrial uses. Land costs at \$1.90/acre are the lowest of all the industrial areas in the Sacramento Region.

In the recent past, development of industrial land in the Florin-Perkins area was constrained by poor internal circulation, limited freeway access and increasing levels of traffic congestion in and around industrial areas. However, these constraints have been reduced as improvements to Florin-Perkins Road and the access to Highway 50 and Folsom Boulevard are completed.

Designation of an Enterprise Zone, with its attendant state income tax credits and incentives is well-designed to fit the City's economic development strategy for this area. First of all, with infrastructure improvements laying the foundation for growth in the Florin-Perkins area, the Enterprise Zone will be an effective marketing tool and financial incentive to attract new development. Secondly, designation as an Enterprise Zone may well be the action that will reduce unemployment in Oak Park when so many other attempts have had little impact.

One of the proposed local actions is to establish an Enterprise Zone Job Bank that incorporates intensified local job training and recruitment efforts that will encourage businesses to look to Oak Park for their employees. Through the Enterprise Zone designation, the link between low-income unemployed residents and the new employment opportunities will be forged and strengthened.

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Program Incentives

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- Employer's tax credit for hiring HDUA residents
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- Subsidized leasing. (Leasing of public property to a Neighborhood Economic Assistance Corporation (NEHC)).
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- . Establishment of Community Advisory Council

Impacts

These actions will play an important role in the transformation of the Oak Park neighborhood while strengthening the expanding companies in the Florin-Perkins industrial area. Unemployment in the Oak Park HDUA will be battled in at least three ways:

1. The program will eliminate many of the gaps in the existing job training and referral system used by the residents to find work. The expansion of JTPA funding for the area, in particular, will provide the specialized training residents will need to obtain jobs with Florin-Perkins firms.

2. New jobs will be created because firms will be encouraged to locate and expand in the Enterprise Zone area. Companies often cite the business climate as a critical factor when considering locating or expanding in an area. With Enterprise Zone designation, a supportive, pro-growth environment will be fostered by tax incentives, regulatory relief, and vigorous targeting given to firms by the Enterprise Zone Coordinator, the PIC, the CDC and the Planning and Building Departments.

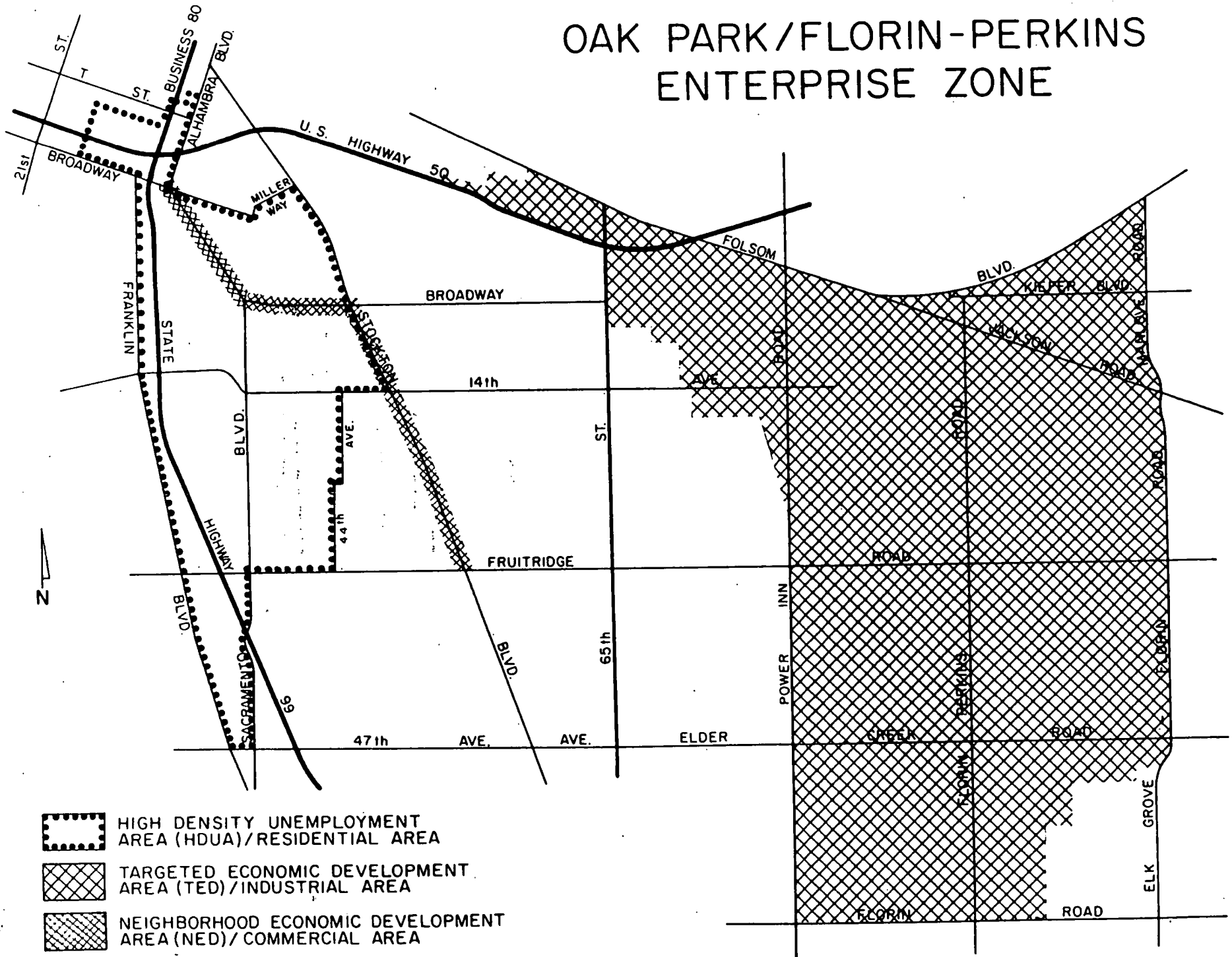
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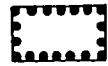


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Together, these steps will increase the vitality of the HDUA and link a competent, productive labor force with the industrial area.

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OAK PARK / FLORIN - PERKINS ENTERPRISE ZONE



-  HIGH DENSITY UNEMPLOYMENT AREA (HDUA)/RESIDENTIAL AREA
-  TARGETED ECONOMIC DEVELOPMENT AREA (TED)/INDUSTRIAL AREA
-  NEIGHBORHOOD ECONOMIC DEVELOPMENT AREA (NED)/COMMERCIAL AREA