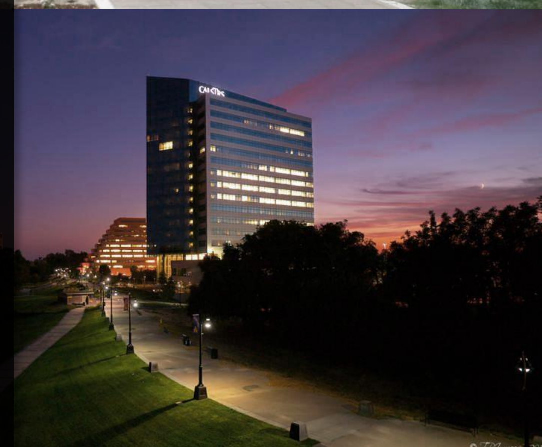
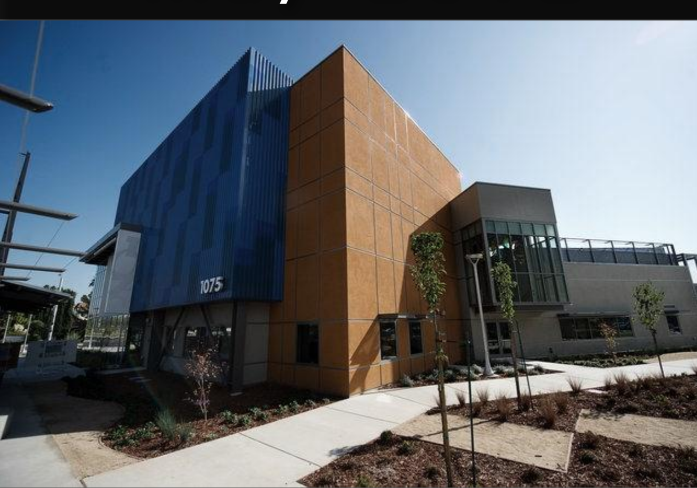
City of WEST SACRAMENTO

COMMUNITY INVESTMENT ACTION PLAN



May 2012



Introduction

Throughout its 25 years of cityhood, the City of West Sacramento has embodied a passion for progress. Guided by the strategic vision of its past and current leaders, the City has pursued an aggressive agenda to implement dynamic change, fueled by the dedication of resources to make that change possible. By the time of West Sacramento's incorporation in 1987, a decades-long legacy of disinvestment had resulted in neighborhoods disconnected by obsolete rail lines and highways, an underutilized riverfront hindered by shuttered remnants of an industrial past, sparse retail and recreational choices for residents, a prevalence of sub-standard housing, a blighted commercial corridor, and a lack of high-wage jobs. Despite these impediments, West Sacramento had enormous untapped potential for economic growth due to its strategic location adjacent to downtown Sacramento, miles of riverfront property, a port, and other factors. Since incorporation, multiple West Sacramento City Councils have made ongoing, concentrated investments in land use planning, infrastructure, public facilities, and local economic growth. As a result, the West Sacramento of today reflects remarkable progress in overcoming the City's early challenges, improving the quality of life for its residents and positioning the City for an even brighter future.

While many financial tools, approaches, and partnerships have aided the City's positive transformation, the primary driver of this effort was the financial and regulatory framework of redevelopment. The State Legislature's elimination of the statewide redevelopment program in 2011 placed a daunting obstacle in the path of West Sacramento's continued progress, necessitating an examination of options and a strategic plan for keeping that progress on track. The Community Investment Action Plan presents an integrated program for achieving the City Council's vision for West Sacramento in the post-redevelopment environment. The plan's goal is to provide the City the tools and resources it needs to continue the dynamic physical change and economic growth that has characterized West Sacramento's 25-year renaissance.

In September 2011, Mayor Christopher Cabaldon formed an advisory team chaired by Council Member Chris Ledesma and made up of local business leaders, economic development professionals, and financing experts to explore new options for West Sacramento to facilitate economic development, community revitalization, and capital investment. The committee, known as the Post-Redevelopment Options for West Sacramento Advisory Team or "PRO-West Sac Team," was tasked with exploring potential options for the City to continue pursuing its economic development goals in an environment without redevelopment. In January 2012, the committee presented its conclusions and recommendations to the City Council. These findings, which the City Council unanimously endorsed, are summarized below.

PRO-West Sac Team Conclusions:

- *Due to ongoing State budget deficits and the historic practice of pursuing local funds to address those problems, the City should be active but cautious in dealing with any legislative effort to reconstitute a statewide redevelopment program.*
- *Regardless of actions by the State Legislature, a new model is needed for the City to continue investments in infrastructure and economic development.*
- *An extensive set of financial tools, programs, and strategic partnerships will be needed to maintain current investment activities and replace the role of the former Redevelopment Agency in achieving City goals.*
- *The former Redevelopment Agency's assets should be utilized by the City to achieve their original intended purposes.*
- *Revenue that flows back to the City should be reserved for economic development and strategic infrastructure investments, as these funds will be needed for continued success in these areas and the community is supportive of these efforts.*
- *The City's success in utilizing redevelopment is a proven strength, and the City's leadership, experience, vision, and "can do" culture will enable it to adopt a new model to continue as a partner in economic development, with or without redevelopment.*

Subsequent to the work of the PRO-West Sac Team, City Manager Toby Ross formed the Community Investment Committee, including staff representatives from all City departments. This committee worked to identify and evaluate new and existing tools and concepts needed to build a new program for strategic capital investment and economic development in West Sacramento. The Community Investment Action Plan is the product of this collective effort of the City Council, the PRO-West Sac Team, the Community Investment Committee, and the City Manager.

PART 1: Community Investment in West Sacramento—Past, Present, and Future

Between 1987 and 2010, the West Sacramento Redevelopment Agency invested over $134 million into dozens of major projects, leveraging many times that amount of private investment as well as state and federal grant funds. The effort produced many of the iconic projects that have marked West Sacramento's renaissance, including Raley Field, River Walk Park, the Ziggurat Building, and the Bridge District Infrastructure Project, along with lesser-known, but similarly important achievements such as the Harbor Boulevard railroad overcrossing, the Daniel C. Palamidessi Bridge, Fire Station 45, the West Sacramento Police Department headquarters building, and the construction or rehabilitation of over 1,100 affordable housing units. Substantially as a result of these efforts, on an inflation-adjusted basis the assessed valuation of West Sacramento more than doubled since 1987.

Despite the demonstrated success of West Sacramento's program, and many others statewide, the Legislature voted to eliminate redevelopment in 2011, and replace it with an alternative program to allow redevelopment to continue for jurisdictions making specified payments to the State. The legislation was challenged in the California Supreme Court in CRA v. Matosantos. Ultimately, the Court upheld the elimination of redevelopment, but struck down the alternative program. The Matosantos decision eliminated approximately 400 redevelopment agencies with the stroke of a pen, creating an unprecedented void in the structure of public finance in California. Like a cataclysmic natural event, the sudden re-direction of billions of dollars in redevelopment tax increment funds has permanently altered the fiscal landscape for jurisdictions throughout California, including West Sacramento.

This new environment will exert evolutionary pressure on every jurisdiction that formerly utilized redevelopment, putting those that cannot adapt at a competitive disadvantage to those that can. In order to continue making the types of investments that fueled its post-incorporation emergence, the City of West Sacramento must re-constitute its redevelopment function to operate outside the context of a statewide program.

<u>The Need for a New Paradigm</u>

Despite its impressive accomplishments, West Sacramento's redevelopment effort was far from complete at the time of the Matosantos decision. Commercial and residential development that would create jobs and housing opportunities for West Sacramento residents is impaired by inadequate infrastructure. Miles of waterfront remain inaccessible. More and better connections are needed between West Sacramento and the Capitol, and between the northern and southern halves of the City. The West Capitol Avenue streetscape improvements that helped revive the area surrounding the Civic Center have yet to be continued beyond Jefferson Boulevard to the west. The City Council has articulated a vision for completing these improvements through various planning documents, as well as its own strategic planning process. However, if the Council's vision is to be brought to fruition, the City must find an alternative way to continue the work it began through its redevelopment program.

1987: West Sacramento riverfront before redevelopment—industrial uses, inadequate infrastructure, and an inaccessible riverfront disconnected by rail lines and State Route 275.

Present: West Sacramento riverfront with redevelopment—transformed by Raley Field, River Walk Promenade, Tower Bridge Gateway, CalSTRS, Ziggurat, Bridge District infrastructure, and development-ready sites.

The Infrastructure Investment Gap:

Historically, redevelopment tax increment bonds were a substantial and stable financing source of the City's overall Capital Improvement Plan (CIP), providing critical funding for strategic infrastructure projects in key development areas of the City. Over the past 12 fiscal years, redevelopment bonds contributed approximately $60 million to the capital budget, an average of $5 million per year. Although this figure represented only 10 percent of the total annual capital budget, these funds were doubled during that same timeframe by grants and other outside funding sources. Redevelopment bonds were frequently moved within the capital budget, as they often served to initiate projects before being replaced or leveraged by grant funds.

In the remaining years of the current CIP and into the future, a similar source of funding is needed to serve as seed and gap financing for high-priority projects that are not fully funded from other local sources or outside funds. Examples of these projects include major transportation facilities like the South River Road Bridge and rebuilt interchange at Jefferson Boulevard (estimated at $38 million in the five-year CIP); parks and civic facilities ($4 million); and other catalytic projects such as streetcar and other infrastructure to support new infill development ($15.5 million). While it is unlikely that the City will be able to duplicate its historic level of targeted investment in key infrastructure projects in the post-redevelopment environment, the new paradigm should have the long-term aim of bridging this funding gap to the greatest possible extent.

The City's redevelopment function generated prodigious results, but it was not perfect. As the City embarks on the process of creating a new paradigm, care should be taken both to include those aspects that were most effective in the historic redevelopment program, and to avoid some of the pitfalls that affected it, foremost among which was overdependence on the State. The historic model of redevelopment existed entirely within a legal and financial framework that was created, and ultimately dissolved, by the State Legislature. While the Legislature arguably intended only to overhaul redevelopment to help alleviate its own budget crisis, the fact remains that the ultimate result of this effort was the elimination of redevelopment in its entirety, creating a profound and ongoing disruption to participating jurisdictions and their private sector partners. The City should learn from this, and assure that the powers of the new paradigm function from well-established areas of law, with diversified funding sources such that a single legislative act will never again derail the City's entire program.

While catastrophic from some perspectives, the elimination of redevelopment also represents a unique opportunity for the City. When tax increment financing was established in the 1940's, there was relatively little argument about the legitimacy of its purpose and the appropriateness of its application. In succeeding years, and particularly following the passage of Proposition 13, more and more jurisdictions created redevelopment agencies to avail themselves of tax increment financing. The proliferation of redevelopment agencies led to increasingly creative interpretations of redevelopment law, along with real and perceived abuses of redevelopment powers and financing. Multiple legislative reform efforts followed, each adding new layers of complication and bureaucracy to a process that had originally been intended simply to provide a means for local jurisdictions to finance improvements that would benefit their residents. The practice of redevelopment in California became so complex that entire consultancies were created to help jurisdictions navigate the establishment and operation of their redevelopment programs.

The statewide elimination of redevelopment wipes the slate clean, creating a new environment that will favor jurisdictions that are nimble, entrepreneurial, disciplined and creative, all of which are historical strengths in West Sacramento. This community has always had geographic advantages, such as its miles of riverfront, proximity to the Capitol, and convenient transportation access, and has developed a reputation for steady, business-friendly governance. Now the City has the opportunity to further differentiate itself by taking the lead in demonstrating how to not just survive, but to thrive, in the post-redevelopment environment. If this can be done effectively, the quality and diversity of the private sector partners seeking to invest in West Sacramento will increase, leading to better outcomes for West Sacramento residents and another impressive chapter in the City's history.

Community Investment Defined

The first step in creating the new paradigm is to replace the word "redevelopment" itself, which became irredeemably tarnished during the legislative debates that led to the elimination of redevelopment in California, and which will forever be associated with the statewide program that no longer exists. Since the City Council has expressed a desire to continue a program with the same goals and priorities as the City's historic redevelopment effort, in selecting a name for the new program, it makes sense to start with the essential components of the old one and develop a name that encapsulates the essence of that effort.

At its core, the City's redevelopment program was a series of strategic public investments in the community, each designed to catalyze private investment, with the ultimate goals of improving the local economy and enhancing the quality of life for West Sacramento residents. This concept was embodied in the state laws that governed the use of redevelopment funds, and in the philosophy that undergirded the Council's decisions about the use of redevelopment funds in West Sacramento. This Action Plan uses the term "Community Investment" to describe a proposed new approach that represents a continuation of these core characteristics of the City's former redevelopment function, with specific adaptations to accommodate the new reality imposed by the Matosantos decision.

Community Investment Definition:

Strategic public investments in infrastructure and economic development designed to catalyze private investment to improve the local economy, create new revenue to the City, and enhance residents' quality of life.

Elements of Community Investment

The City can look to its long history of redevelopment success for guidance in how to develop its Community Investment function going forward. While the Matosantos decision will necessitate many changes, the goals and philosophical underpinnings of the Community Investment program can and should remain true to those that guided the Council's widely-admired redevelopment effort. Several components of the City's former redevelopment program stand out as keys to its success, and form the basis for many of the recommendations in this Action Plan:

Dedicated Revenue

Historically, the City's redevelopment function relied heavily on tax increment revenues to fund both its project activities and staff. The scale and reliability of the tax increment funding stream enabled the issuance of bonds to fund infrastructure projects and provide matching funds for grant applications, facilitated the development of long-term partnerships with private sector stakeholders, and allowed the City to hire and retain a highly-qualified staff to maintain day-to-day program operations. The identification of ongoing funding streams for both projects and staff will be critical to the success of the new Community Investment function.

Focus on Infrastructure

The bulk of the West Sacramento Redevelopment Agency's large project investments were for infrastructure and public facilities that were relevant to key City development goals, and served both to catalyze desired private investment and to improve the quality of life for residents. These projects ultimately became a component of the City's Capital Improvement Program (CIP). In the future, the Community Investment program can be expected to continue generating projects that will be administered through the CIP.

Organizational Capacity

West Sacramento's most important redevelopment successes have involved long-term outreach and relationship building that allowed the City to understand the needs of its private sector partners and develop mutually beneficial projects that would catalyze needed private investment. These efforts were overseen by dedicated staff with experience in public finance, planning, real estate, and public policy. Funding constraints will likely prevent the City from staffing its Community Investment function at the same level as its former redevelopment effort. However, the City should retain a core group of staff with the multi-disciplinary expertise to initiate and implement Community Investment projects using the City's proven model.

Coordination with Other City Functions

Many of the historic redevelopment projects required extensive collaboration between staff from various City departments. Key examples include River Walk Park, which was coordinated closely with the Parks Department, and the Bridge District Infrastructure project, which required extensive cooperation with the Public Works Department. Going forward, staff involved in Community Investment will need to coordinate more closely than ever among departments. The organization of the Community Investment function should support that collaboration.

Land Assembly and Environmental Cleanup Powers

Prior to their elimination, redevelopment agencies had several unique statutory powers to aid in their mission to eliminate blight, including the authority to exercise eminent domain to assemble development sites, to acquire and dispose of property for private development purposes, and to facilitate the redevelopment of brownfields through the Polanco Act. These powers can be controversial; for example, the abuse, or perceived abuse, of some of these powers in other jurisdictions fueled much of the heated debate that preceded the elimination of redevelopment. That said, West Sacramento had a long history of infrequent and judicious use of its redevelopment powers. Community Investment would benefit from access to these tools for those rare occasions when their use is warranted.

Leveraging Other Funds

The West Sacramento Redevelopment Agency always sought to maximize the impact of its investments by using its financial contributions to leverage even larger investments from private sector stakeholders and other levels of government. This approach is perhaps best exemplified in the Bridge District, where the $50 million infrastructure project currently underway is being financed with a mixture of a $23 million State grant, tax increment, and property owner investment via a Community Facilities District that the City helped to establish. In the last ten years alone, the investment of redevelopment funds have leveraged over $58 million in state and federal grant funds. In a post-redevelopment California the need to leverage scarce public resources will be all the more acute. To support this need, Community Investment should include a component focusing on grant research and pursuit, which would benefit both the Community Investment program and other City enterprises utilizing grant funds. The Community Investment function should also focus on opportunities to leverage private capital investment in a similar fashion to the Bridge District model.

In addition to these elements of the old program that should carry forward to the Community Investment paradigm, the following considerations have also guided the recommendations in this Action Plan:

Establish Criteria for Prioritizing Investments:

The City should establish criteria for the expenditure of Community Investment funds on infrastructure projects. The criteria should ensure that the funds are used for projects that lead to subsequent private investment, projects that leverage grant funds or other City resources (land or funding), and projects located in geographic areas with the greatest potential return on investment to the City (increased property tax, sales tax, transient occupancy tax).

Use Existing Assets in New Ways:

Community Investment should coordinate the use of existing City assets in more strategic, synergistic ways to facilitate desired outcomes. These potential assets include land owned by the City or Successor Agency, the real estate powers of the Port District, revenue-generating programs such as the Inclusionary Housing Program, the bond issuing capacity of the West Sacramento Financing Authority. Also, the West Sacramento Housing Development Corporation could be restructured to become a Community Development Corporation in order to access funding sources not directly available to local governments.

Make the Program Measurable and Justifiable to the Public:

The benefits of Community Investment should be measurable and transparent to the community at large. The program should include accountability measures similar to those used for the City's Measure K expenditures to assure that the City Council and the public have the opportunity to see and evaluate progress.

Don't Rely on the State to Create a New Program:

There is no feasible, "one-size-fits-all" approach to financing infrastructure and economic development in California, especially in the post-redevelopment environment. Each local jurisdiction features a unique set of circumstances that benefit or limit the potential of a new program, including differing property tax shares, budget constraints, infrastructure priorities, and plans for future growth, among other variables. While there may be legislative initiatives at the State level to re-create benefits historically bestowed by redevelopment, the City should be wary of these efforts.

PART 2: Building the New Paradigm

Whereas redevelopment provided the City with tax increment financing along with a set of useful tools to achieve desired results, Community Investment will rely on a strategic blend of new financial mechanisms, existing assets, and adapted regulatory approaches. The synchronization of these components into an effective, cohesive program will require a focused investment of City resources (funding, staff work, land assets, etc.), but the return on that investment will pay the City long-term dividends in the form of increased general fund revenue and improved quality of life for its residents. This section details the proposed Community Investment model, describes tools to support the paradigm, and recommends specific actions related to implementing those tools.

Community Investment Framework

The Community Investment paradigm is designed to emulate the core functions of the City's former redevelopment program using a coordinated array of new and existing tools to create an enduring cycle of investment and re-investment in West Sacramento. By focusing on public investments that catalyze private investment in key areas of the city, the new program can continue the City's redevelopment legacy by growing the tax base while creating jobs and quality of life improvements that benefit all West Sacramento residents. While the resources available to undertake this work may not surpass or even equal those of the City's historic redevelopment program, Community Investment is designed to achieve similarly impressive results relative to the resources invested in the program.

The chart on page 8 outlines the framework of the proposed Community Investment function. The paradigm is organized into a series of financial and regulatory "inputs" which support infrastructure projects, real estate transactions, and staff activities that are necessary to produce investment-inducing "outputs" (infrastructure projects and development sites), ultimately yielding desirable and measurable outcomes.

These outcomes of Community Investment include both financial and non-financial returns on investment to the City. Financial benefits are directly related to private investment and include increased revenue from new property, sales, and transient occupancy taxes along with development impact fees to support critical City services. Non-financial returns on investment are numerous, including those that are easily measurable in addition to intangible benefits. Measurable positive outcomes include more parks, housing options, retail choices, class A office space, entertainment venues, employment opportunities, transit service and accessibility, and bicycle/pedestrian connectivity, among others. Intangible results include an enhanced public image of the City and interest in key development areas, blight reduction and aesthetic improvements, and improved quality of life for all residents.

Essential Program Components

The primary "inputs" of the Community Investment paradigm include infrastructure funding, real estate tools, and dedicated funding for core activities. These essential components of the new program are described below:

Infrastructure Project Funding

Historically, roughly three quarters of the City's non-housing redevelopment funds were expended on infrastructure improvements, including streetscape, roads, bridges, utilities, parks, and other public facilities. Community Investment aims to continue that emphasis by providing funding for strategic infrastructure improvements that leverage private investment through a combination of familiar approaches and new funding mechanisms, including:

Community Investment Project Funding:

- *Tax increment financing or other bondable revenue streams that are segregated from the City's general fund.*
- *Leveraged outside funds, including:*
  - *State and federal infrastructure grants.*
  - *Private equity investment in infrastructure projects.*
- *Adaption of other existing revenue sources available to the City that could be used for infrastructure investments.*

Real Estate Tools

One of the most effective tools of redevelopment was the program's legal authority to assemble and dispose of real estate in order to facilitate private development projects that yielded public benefits. Although the City no longer possesses the real estate authorities bestowed by redevelopment, the Port District's legal framework gives it similar powers that could be utilized for Community Investment purposes in partnership with the City. Additionally, the City and the redevelopment Successor Agency (administered by the City) own a combined total of approximately 300 acres of developable property. Many of these sites are located in key infill opportunity areas such as the Bridge District, the Washington District, West Capitol Avenue, and Stone Lock. Although the properties owned by the Successor Agency are constrained by the requirements of redevelopment dissolution, a strategic approach to these land resources in combination with the real estate authorities available to the Port will be coordinated under Community Investment to assemble and prepare sites for disposition to private developers of desirable projects.

Community Investment Real Estate Tools:

- *Port District real estate powers (site assembly and disposition; eminent domain authority).*
- *Strategic disposition of properties owned by the City and the Successor Agency.*

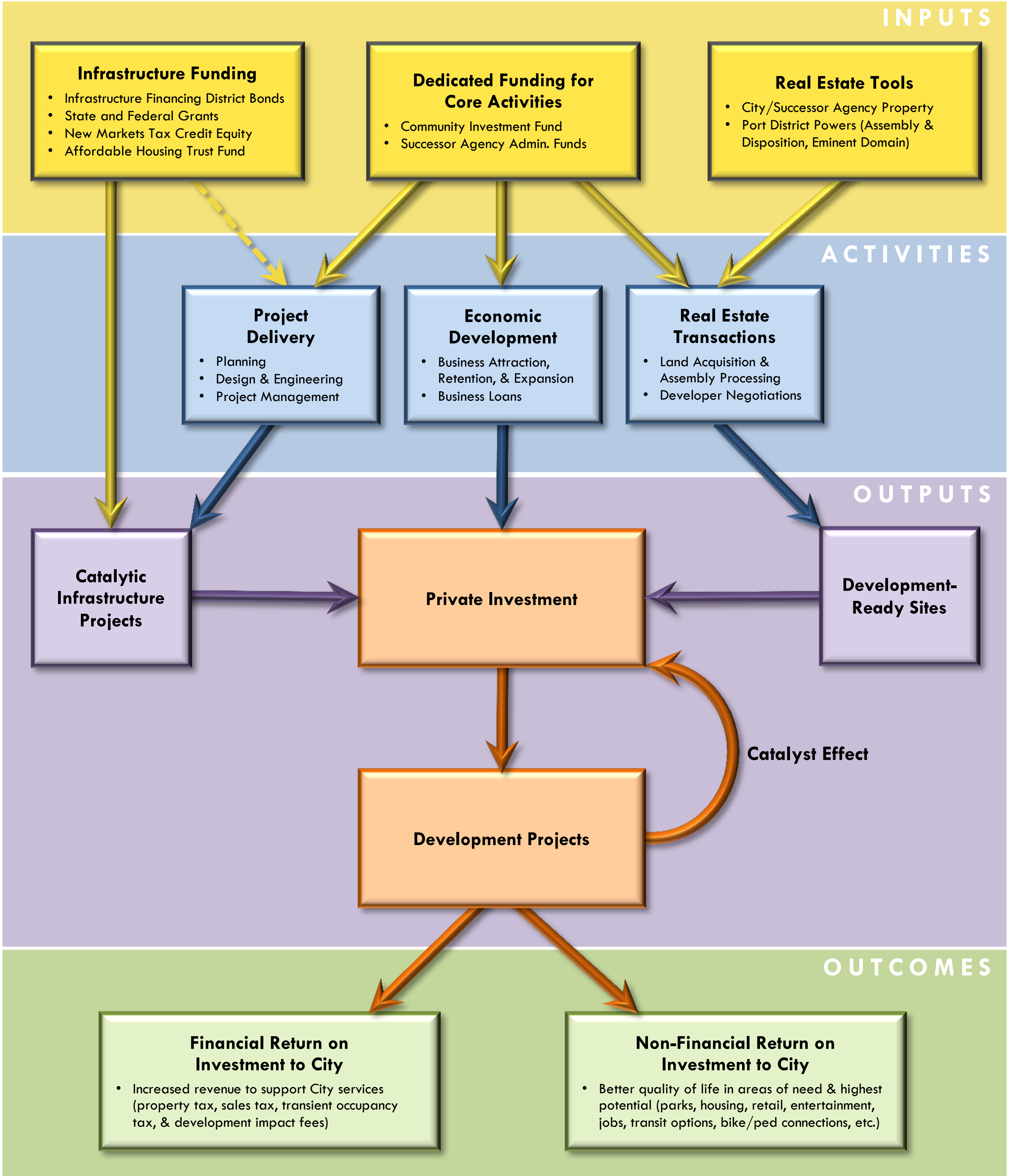
Dedicated Funding for Community Investment Activities

The City's former redevelopment program relied on upon a multi-disciplinary staff with expertise in economic development, planning, real estate, and public finance to mobilize property owners, create financing mechanisms, and execute real estate transactions that were necessary preconditions to the construction projects that ultimately became the public face of the program. Going forward, while the size of this staff will inevitably be smaller, Community Investment will continue to require dedicated funding to carry out core activities, which are listed below.

Community Investment Activities:

- *Infrastructure project delivery (project conceptualization through construction completion):*
  - *Planning (specific plans, infrastructure studies, etc.).*
  - *Financing (including negotiations with land owners, formation of financing districts, etc.).*
  - *Infrastructure project design and engineering.*
  - *Project management.*
- *Economic development:*
  - *Business attraction, retention, and expansion efforts.*
  - *Business loans and assistance with access to private capital.*
- *Real estate transactions:*
  - *Land acquisitions related to infrastructure projects and development site assembly.*
  - *Negotiations with developers related to property disposition.*

Community Investment Framework:



Recommended Tools and Implementation Actions

The remainder of Part 2 of this Action Plan presents the recommended tools of the Community Investment paradigm, organized by each of the three major program components (infrastructure funding, real estate tools, and Community Investment activities). For each item, a set of recommended implementation actions is provided.

Infrastructure Funding

The most important component of the Community Investment framework is funding for strategic infrastructure projects. These funds, which ideally would include revenue streams that can be bonded against, must be adequate to meet the City's capital investment priorities in order to deliver the types of infrastructure projects that catalyze private investment. The following approaches to providing infrastructure funding for the Community Investment function are recommended, along with recommended follow-up actions for each item.

Infrastructure Financing District

The centerpiece of the proposed Community Investment infrastructure funding model is an Infrastructure Financing District (IFD). IFDs, which have been authorized under Section 53395-53397.11 of the State Government Code since 1990, allow cities to create a district as a separate legal entity and generate tax increment from the city's share of new property taxes collected within the district. The district may then issue bonds against the projected tax increment stream and use the bond proceeds to finance infrastructure improvements without exposing the City's general fund. Unlike a Community Facilities District, the IFD does not impose any new taxes as property owners pay the same tax rate as before the district was formed. While properties included in the district must be substantially undeveloped, the IFD's boundaries do not need to be contiguous and the infrastructure improvements financed by the IFD do not need to be located within the district. IFD funds may finance the purchase, construction, expansion, improvement, or rehabilitation of infrastructure with an estimated useful life of at least 15 years, including planning and design work that is directly related to the infrastructure projects, but IFDs may not finance routine maintenance, repair work, or the cost of ongoing operations or services.

In order to form an IFD and issue bonds, existing law requires a two-thirds majority vote of property owners within the district if fewer than 12 registered voters reside within its boundaries; otherwise a two-thirds majority electorate vote is required. IFDs cannot be imposed involuntarily on other taxing entities, making them useful primarily for cities to harness their own property tax revenue into a bondable revenue stream to help build desired infrastructure projects. An IFD may include tax increment from other taxing entities (except for school districts) with their approval; however tax increment from those entities may only be collected for five years.

Historically, IFDs were seldom considered because they were cumbersome compared to other forms of infrastructure finance, notably redevelopment and Mello-Roos bond financing. However, the concept of the IFD as a form of city-only tax increment is garnering significant attention in the post-redevelopment environment as cities struggle to identify means of continuing investments in infrastructure to bolster economic development. In general, the IFD model is substantially more beneficial for cities that receive a higher share of property tax dollars than the statewide average of about 20 percent. The City of San Francisco, which receives approximately 65 cents of every property tax dollar, has formed an IFD for its Rincon Hill development area, with others planned.

Due to the City of West Sacramento's share of property tax collections (roughly 48 percent of every property tax dollar) and large portion of unpopulated, underdeveloped property, there is potential for an IFD to be an important Community Investment tool. However, the current IFD law, which has been unchanged since 1990, contains obstacles to the creation of IFDs. Most significantly, the law currently prohibits the district from including properties that were covered by a former redevelopment project area. Also currently IFDs expire after 30 years, limiting the capacity and term of bond issuances. Even though the IFD code has existed since 1990, only two IFDs are known to have been established and a bond market for IFDs will need to develop to make them a practical finance tool. Lastly, although IFDs do not require an affordable housing funding set-aside like redevelopment, existing law requires 20 percent of the units built within a district to be affordable to low and moderate-income households (redevelopment had a similar but substantially more prescriptive requirement of 15 percent). On the following page, a chart summarizes the pros and cons of the existing IFD law.

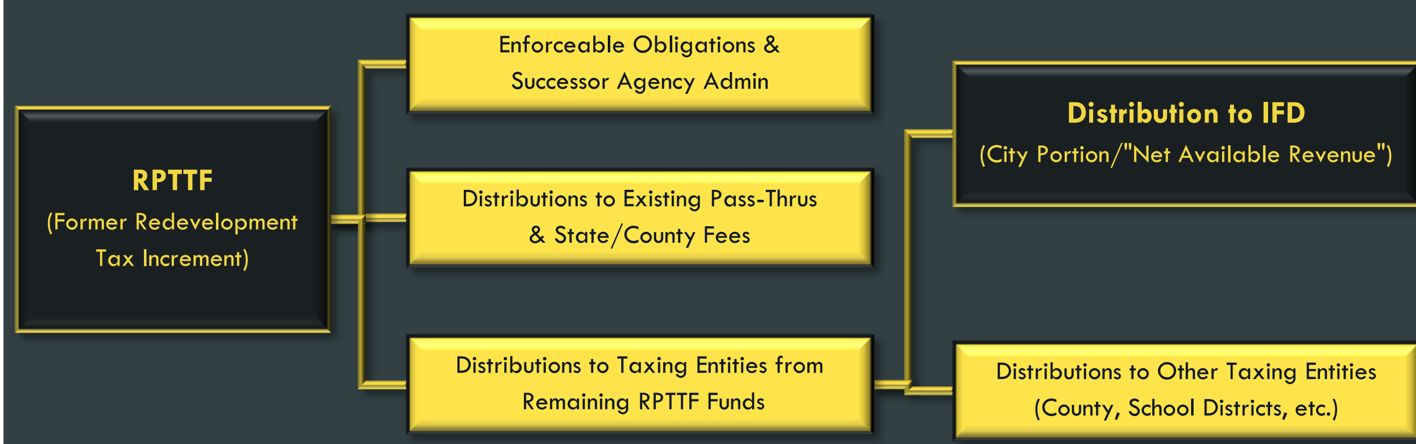
Pros and Cons of Existing IFD Law:

Pros	Cons
• Bondable tax increment revenue stream to finance infrastructure improvements.	• Tax increment limited to city share; 30-year term limit and need to wait for increment to be sufficient to issue bonds.
• Contiguous district boundaries not required.	• Prohibition on former RDA areas and developed property.
• May finance improvements located outside district boundaries.	• Two-thirds majority electorate vote to establish IFD if 12 or more registered voters reside within district.
• District is separate legal entity—provides general fund protection.	• Property owner vote to establish IFD if less than 12 registered voters reside within district.
• No housing set-aside of IFD funds.	• 20 percent inclusionary housing requirement.
• Can fund project planning and design costs (staff).	• Cannot fund infrastructure maintenance or repairs.
• No increase to property owners' tax rates.	• Since it is not a new tax, the IFD does not directly increase revenue.

Multiple legislative proposals related to improving the viability of IFDs are being considered by both houses of the State Legislature in the current session, and it is likely that some of these proposals will make their way through floor votes to the Governor for consideration in 2012. If those efforts are successful, many of the impediments to IFDs for cities like West Sacramento would be resolved, including removal of the prohibition on former redevelopment areas and extending the term limit for the district to collect tax increment and issue bonds. Additional improvements to the IFD law proposed by current legislation include eliminating the existing law's exclusion of developed property; expanding the allowable uses of IFD funds to include property acquisition for development, brownfield assessment and remediation, affordable housing, and assistance to sustainable development projects; expanding Polanco Redevelopment Act authority to IFD entities; and lowering the voter threshold for IFD formation to 55 percent. Staff is actively participating in advocacy to support these changes and will continue to do so as legislation to improve IFDs moves forward during this and subsequent legislative sessions.

The City has also proposed an amendment to the IFD law that would allow cities to direct any former redevelopment property tax increment to an IFD rather than receiving it as general funds. (This concept has been termed "Net Available Revenue.") If adopted this proposal would allow some cities, including West Sacramento, to immediately receive IFD revenues that could be bonded against without having to wait for the IFD to generate a sufficient amount of new property tax increment. These funds would be directed by the Yolo County Auditor-Controller to the IFD from the Redevelopment Property Tax Trust Fund (RPTTF) in a proportion designated by the City Council. Based on the estimate of $2.5 million the City expects to receive from the RPTTF for FY 2012-13, the Council could designate up to 100 percent of those funds for the IFD, or a lesser percentage if a portion of those funds are needed to fund Community Investment staff and administrative operations. Under the City's proposal, the Council would have the ability to change the amount of RPTTF funds that are distributed to the IFD as long as that amount is sufficient to cover any bond debt service obligations of the IFD. A flow chart depicting the City's proposal is provided on the following page.

Proposed "Net Available Revenue" Model:



IFD Benefits

Despite the obviously smaller scale of potential funding IFDs represent compared with the former redevelopment tax increment framework, the IFD system of city-only tax increment has several benefits. First, the property tax revenues of other taxing entities are unaffected by the IFD unless they elect to allocate their portion to the district, which is unlikely to occur. School district revenue is legally prohibited from being included. In fact, all taxing entities stand to benefit from the IFD as the district revenues finance improvements that lead to private investment in new development, ultimately increasing the amount property taxes for all agencies. Secondly, an IFD would use property tax increment solely for catalytic infrastructure investments (unlike redevelopment tax increment which had many eligible, non-infrastructure uses), but not add any tax burdens to properties. This is a distinct advantage over other traditional property tax-based infrastructure financing options such as community facilities districts. Unlike redevelopment project areas, blight findings are not required to establish a district and IFD funds can be expended on projects located outside of the district boundaries. Additionally, there are two important benefits associated with early implementation of an IFD:

Early IFD Implementation Benefits:

- ***IFD Base Year:***
  Since the formation of the IFD would establish a new base year from which to aggregate tax increment, it is advantageous to establish that base level in the current real estate market because property values are at historically low levels. Also, there are at least two potential major projects planned for construction in vacant industrial-zoned areas of the City that would be included in the IFD. Ideally, formation of the IFD would precede the completion of these projects so that the resulting property tax increases could be captured as tax increment to the IFD. Early establishment of the district maximizes the potential tax increment to be generated.

- ***Inclusionary Housing:***
  Since the IFD carries a 20 percent inclusionary housing production requirement, the district should be formed prior to the completion of the 242 affordable housing units planned for construction in the Bridge District within the next few years. These projects include the BRIDGE Housing development and the Delta Lane project. "Banking" these affordable units to meet the IFD's inclusionary housing requirement would allow for 965 market-rate units to be built within the district before an additional affordable housing obligation is triggered.

IFD Scenarios

West Sacramento's potential for successfully implementing an IFD is amplified by its share of property tax collections (about 48 percent) and its current land use circumstances. Assuming that the current IFD law's prohibition on former redevelopment areas is lifted, the City has a large portion of substantially undeveloped, uninhabited property which could be included in an IFD with a vote of property owners within the district with votes weighted based on acreage. Although it is possible that the voter threshold to approve an IFD could be lowered from two-thirds to 55 percent by proposed legislation, West Sacramento's large portion of uninhabited land (vacant, commercial, and industrial) would allow a viable IFD to be established without including residential areas. Appendix A provides maps that depict West Sacramento IFD scenarios based on possible legislative outcomes—the first being only the elimination of the prohibition on redevelopment areas; the second removing of the limitation on undeveloped property; and the third assuming that the voter threshold is lowered to 55 percent.

Potential IFD Scenarios:

- ***Scenario A—Include all undeveloped, uninhabited properties:***
  This scenario presents a potential IFD that includes only vacant property. The scenario demonstrates that even with a narrow interpretation of the existing statutory exclusion of developed property, a large portion of the city would still qualify for inclusion within an IFD. This is the minimal IFD scenario that would apply if the prohibition on former redevelopment areas is legislatively removed from the IFD law.

- ***Scenario B—Include all uninhabited properties:***
  This scenario depicts potential IFD boundaries that would include all vacant and non-residentially developed areas of the city. This expansion of Scenario A adds all areas currently developed with commercial (office and retail) and industrial uses, with the exception of properties with unclear occupancy status such as motels or certain areas with mixed land uses.

- ***Scenario C—Include all uninhabited properties and selected residential properties:***
  If the voter threshold to establish an IFD was lowered to 55 percent, the City could consider a ballot measure in June 2013 to expand the boundaries of the IFD to include developed residential properties. A map depicting this scenario is not provided, but it could be limited to adding only multifamily residential properties with common ownership which are likely to generate the most tax increment upon resale, such as larger apartment complexes, mobile home parks, and motels. A fourth IFD scenario not illustrated on a map could include the entire city, but the City Council could elect to dedicate only a portion of the tax increment generated by the IFD with the remainder directed to the general fund.

Potential IFD Financing Mechanisms

Before a preferred IFD scenario is selected, the City will need to analyze tax increment projections for each IFD boundary option to assess the scenario's potential to support bond financing. These projections will be the primary factor in selecting the preferred scenario as, for example, it could be determined that a scenario that includes only uninhabited property would yield sufficient tax increment to address many of the City's infrastructure priorities. Conversely, the analysis may determine that, in order to generate the level of tax increment necessary to address those needs, an IFD that includes a larger area and broader variety of properties is the preferred scenario. The revenue projections will also need to consider the time required to generate tax increment through increases in land value. Since significant increases in property value typically occur when property is sold or developed, the state of the real estate market and other factors will affect when the City will be able to issue IFD bonds.

IFD tax increment would provide a reliable stream of bondable revenue necessary to access sources of private and public infrastructure financing for Community Investment projects. These financing mechanisms include, but are not limited to, IFD bonds, the State of California Infrastructure Bank's (I-Bank) Infrastructure State Revolving Loan Fund Program (ISRF), and public-private partnerships (P3). With the City of San Francisco expected to issue bonds next year for its Rincon Hill IFD, a private market for IFD bonds should begin to emerge in California. The I-Bank's ISRF Program makes loans to local governments for a variety of infrastructure projects with repayment backed by a dedicated revenue stream. ISRF loans can range from $250,000 to $10 million with loan terms up to 30 years. The ISRF Program's reported interest rates as of April 2012 were 2.37 percent for 20-year loans and 2.77 percent for 30-year loans. Depending on the amount of increment available, IFD funds could provide the repayment security for an ISRF loan. P3 projects can take various forms, but typically involve the investment of private capital in exchange for a financial return that is backed by a public revenue source, which could include IFD funds.

Given the potential for an IFD to become the primary financing tool of Community Investment, it is recommended that the City take immediate steps necessary to form a district in West Sacramento. Although the City will not be able to officially establish an IFD that contains areas formerly covered by redevelopment until the existing prohibition is legislatively removed (presumably during the current legislative session), the potential magnitude of the IFD model for Community Investment is sufficiently promising to justify beginning the formation process. Next steps towards IFD formation are listed below. The City should coordinate these actions through a task force consisting of staff from the Community Development Department, Public Works Department, and Administrative Services Department with the goal of forming the district in January 2013, when legislative changes related to IFDs enacted during the current session would take effect.

Recommended Actions—Infrastructure Financing District:

1. *Assign an IFD Formation Task Force of staff from Community Development, Public Works, and Administrative Services to coordinate actions necessary to set up the IFD.*
2. *Advocate for and support legislative proposals to improve the existing IFD law.*
3. *Analyze tax increment projections for various IFD scenarios (based on possible legislative outcomes) and select a preferred scenario.*
4. *Prepare an Infrastructure Financing Plan for the IFD. This plan lists projects that could be funded with IFD revenue, and is required by statute to be adopted by the City Council prior to forming the district.*
5. *Initiate other necessary IFD formation actions (formation resolutions, property owner/voter outreach, etc.).*
6. *If legislation is adopted to lower the IFD voter threshold to 55 percent, consider a ballot measure for a June 2013 special election to expand the IFD to include additional properties.*

Prioritization of Community Investment Projects for Infrastructure Grants

One of the greatest strengths of the City's former redevelopment program was its ability to leverage state and federal grant funds with tax increment funds for infrastructure projects. Over the last ten years, the City received an average of almost $6 million per year in grant funds that were leveraged with other funds for the types of infrastructure projects that exemplify the goals of Community Investment. Often, an initial pledge of tax increment funds as match for a grant application enabled the City to successfully contend for competitive infrastructure grants. The list below provides examples of infrastructure grants received by the City over the last several years, all of which were leveraged by redevelopment tax increment funds. The coordinated use of Community Investment funds in the same fashion, including IFD revenue or other sources described in this plan will be more critical than ever to maintaining this rate of success with grants.

Project	Grants Received	Grant Amount	TI Funds Leveraged
Bridge District Infrastructure Project	Prop 1C Infill Infrastructure Grant (2008)	$23.1M	$19.8M
Tower Bridge Gateway East Phase	SACOG Community Design (2009) & Prop 1B (2009)	$5.2M	$1.7M
River Walk Park	Prop 50 River Parkways Grants (2006 & 2007)	$2.7M	$5.7M
West Capitol Avenue Streetscape	SACOG Community Design (2008)	$7.3M	$4.1M
Washington District PSCD	HUD Community Challenge Grant (2011)	$400K	$350K

In order to ensure that infrastructure grant funds are effectively leveraged with Community Investment funding sources, the City should coordinate its grants research and procurement efforts with Community Investment activities and other priorities. This can be accomplished through the City's current system for evaluating grant opportunities, which involves a committee of staff from all City departments, including those involved in Community Investment. This committee should prioritize infrastructure projects that have been identified as Community Investment priorities when selecting projects for which to apply for grants and when seeking out new grant opportunities.

<u>Recommended Action—Prioritization of Community Investment Projects for Infrastructure Grants</u>:

7. *Coordinate Community Investment project planning activities with Grants Committee research and application activities to ensure that priority projects are targeted for grants to leverage Community Investment funds.*

CDBG Entitlement and EDA Funds

The United States Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program provides grant funding directly to states and local communities for a variety of purposes, which include infrastructure investments in low-income areas. Generally, cities with populations of over 50,000 residents are eligible for a non-competitive annual "entitlement grant" of CDBG funds if they meet the program's criteria for lower-income census tracts, age of housing stock, and other need-based factors. Non-entitlement cities must apply to their respective state governments for CDBG funds, as states are required by HUD to distribute their funds to smaller communities. The State of California allocates its CDBG funds to non-entitlement cities through an annual competitive process.

Although the amount of CDBG funding allocated by Congress has been consistently reduced over the past several years, entitlement status still provides the benefit of a reliable annual funding source for infrastructure and other community needs. For example, the Yolo County communities of Davis and Woodland received CDBG entitlement grants of about $598,000 and $407,000 in 2012, respectively. As a non-entitlement city, West Sacramento has been an extremely active and successful participant in the State of California CDBG program, as since its first grant in the early 1990s the City has received about $13.5 million in State CDBG funds (an average of about $700,000 per year). However, the need to compete for these funds on a yearly basis along with the additional administrative burdens of the State CDBG program makes entitlement status more favorable.

While West Sacramento's demographics would likely qualify the City for entitlement status under CDBG, the City's population is slightly less than 50,000 as of the 2010 Census. West Sacramento is expected to reach the required population threshold well in advance of the 2020 Census, but HUD typically requires cities to reach the population threshold based on the decennial census before entitlement status is granted. The City should coordinate with its federal lobbyist to seek a legislative waiver of this requirement in order to obtain entitlement status. If successful, the City's CDBG entitlement funds should be directed to support Community Investment activities, particularly infrastructure projects.

The Economic Development Administration's (EDA) Investments for Public Works and Economic Development Facilities program is another federal grant program that could complement Community Investment funds. This program provides grants to local governments for public works projects tied to job creation. The EDA grant process is known to be complicated and competitive, but the City's need for new funding resources to support Community Investment should provide the impetus to demystify the EDA process in order to access these funds for key infrastructure projects. The City's grants committee should investigate the EDA grant process, identify Community Investment projects that could potentially benefit, and take actions necessary to make those projects competitive.

<u>Recommended Actions—CDBG Entitlement and EDA Funds</u>:

8. *Develop and implement a legislative strategy to become a CDBG entitlement grantee in advance of the 2020 Census.*
9. *Analyze the process to apply for EDA Public Works and Economic Development Facilities grants and identify opportunities for Community Investment projects to compete for funds.*

Community Development Corporation and New Markets Tax Credits

Many local communities in California and throughout the nation benefit from active non-profit organizations with missions related to local economic development and community revitalization. These organizations, known as Community or Economic Development Corporations (CDCs) work in partnership with municipalities and private sector partners to conduct activities benefitting the local economy such as business attraction, public improvements, and real estate development focused on creating jobs or affordable housing. The primary presumed benefit of a CDC is that it can act more nimbly than government as the organization is not subject to the same regulations that apply to local governments.

CDCs are sometimes fully controlled and/or funded by a single jurisdiction, or they can be operated as a partnership between multiple localities and private sector partners. Cities' influence over the corporation is usually derived from the power of city councils to select board members or from the provision of city funds for CDC operations. Some CDCs operate with complete independence and are funded by special sales taxes or other non-city funds. In the most successful CDC models, the organization begins with a reliable source of seed funding (such as a sales tax or an ongoing commitment of local government funds) which can be bonded against to finance business attraction, tourism, or capital development activities.

In the case of West Sacramento, the potential benefits of a CDC related to business attraction or other typical functions are not sufficiently clear to advocate for the formation of an organization to conduct these activities on behalf of the City at this time. The Community Development Department currently has staff dedicated to fulfilling these roles, which would continue under the proposed Community Investment model. CDCs do pose one distinct advantage as non-profits in that they have access to sources of grant funds and private equity that cities do not. The most promising example of such a source is the federal New Markets Tax Credit (NMTC) program.

<u>New Markets Tax Credits</u>

The NMTC program was established by Congress in 2000 to promote investments into businesses and real estate projects located in low-income communities. The program attracts investment capital to these communities by permitting individual and corporate investors to receive a tax credit against their federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs). Under the program, CDEs apply to the United States Treasury Department's Community Development Financial Institutions Fund for an allocation of NMTCs. The CDE then markets the NMTCs to investors to collect capital to make investments in eligible projects and those investors receive a tax credit from the Treasury.

NMTCs are gaining favor in California as a potential source for equity investment in a variety of projects, such as development catalyzing public facilities or job creating business enterprises. In 2010, the Treasury awarded 10 NMTC allocations to CDEs in California totaling over $300 million, including a $35 million award to the San Francisco Community Investment Fund (SFCIF). The SFCIF was established by the City of San Francisco in 2010 and the City continues to operate the fund.

Most of West Sacramento's northern census tracts are eligible for NMTCs, including the Bridge District, Washington District, and Port area. The first step to accessing NMTCs in West Sacramento would require the formation of a CDE, which in general must be a non-profit organization with the mission of serving and providing investment capital for low-income communities and meet certain board makeup standards and other requirements. The City should aim to apply for a NMTC allocation as early as June 2013 either by setting up a CDE as an affiliate of the City or Port, or by working with the existing West Sacramento Housing Development Corporation (WSHDC) to qualify as a CDE. Early discussions with the WSHDC on this topic have indicated a mutual interest in pursuing this possibility. The application process and administration of NMTCs is known to be very complex, but the mere potential for attracting millions of dollars in private equity to leverage with other Community Investment funds is worthy of exploring.

<u>Recommended Action—Community Development Corporation and New Markets Tax Credits</u>:

10. *Explore the potential for setting up a CDE (either an affiliate of the City or Port, or the WSHDC) to apply for a NMTC allocation in 2013.*

Affordable Housing Trust Fund

The City's Inclusionary Housing (IH) Program, which requires developers of residential projects to set aside a portion of new units for affordable housing, has existed since 1995 when the City adopted a policy covering the former Redevelopment Project Area. This policy was supplemented in 2003 by the implementation of an IH program covering the remainder of the city. The IH program is responsible for creating nearly 1,000 affordable housing units throughout the City, many of which were used to satisfy the former redevelopment agency's inclusionary housing requirements mandated under State law. The current requirements of the program emphasize on-site production of affordable units, except for projects located in targeted urban infill areas of the city where developers have the option to pay a fee in-lieu of building affordable units. The City historically used this in-lieu fee revenue to provide gap financing loans to affordable housing developments. Recent examples of this model in practice include the Rivers Senior Apartments and the BRIDGE Housing project planned for the Bridge District.

The depressed market for owner-occupied housing and the elimination of redevelopment have prompted a re-examination and re-thinking of the IH program's purpose and long-term outlook. The median home price in West Sacramento is well within the level of affordability for moderate-income households, who were the main targeted beneficiaries of the for-sale component of the IH program. However, as evidenced by current low vacancy rates of affordable housing developments in town, the demand for affordable rental housing remains strong, particularly for very low and extremely low-income units. Compounding matters, the dissolution of redevelopment eliminated housing set-aside funds, which were the City's primary funding source for gap financing. If the City employs an IFD as recommended in this plan, a 20 percent inclusionary housing requirement will apply to new residential development within the district. The City will need financial resources to assist in the production of those affordable units.

The combination of these factors presents an opportunity to either revise the IH program or consider its elimination. Repurposing the IH program could allow it to both generate revenue and focus on complying with the IH requirement imposed by the potential IFD. Providing more flexible options to developers to meet their IH requirements, such as paying an in-lieu fee, introduces possibilities to focus the use of fee revenues on infrastructure improvements within targeted areas to support affordable housing development (as well as other surrounding development). This approach also promotes the availability of gap financing to produce sufficient affordable units to meet the IH requirements of an IFD. The City has already established an Affordable Housing Trust Fund that is used as the account for the collection and expenditure of IH fee revenue.

Eliminating the IH program entirely would lower the total development cost of new residential projects by removing the affordable housing requirements imposed by the current program. However, there are considerable short- and long-term ramifications of abolishing the program. The City's General Plan and Housing Element contemplate the IH program as the City's primary tool for meeting the affordable housing targets of its Regional Housing Needs Allocation. If the program were eliminated, the City would need to address this General Plan and Housing Element inconsistency, and in doing so risk exposure to litigation as other cities have experienced when doing away with IH requirements. Also, eliminating the IH program would undermine the City's ability to implement an IFD, as the funds and affordable housing units generated from the program will be essential to meeting the 20 percent IH requirement of the proposed IFD. Lastly, the potential revenue to be generated from the IH program if the recommended revisions are carried out could provide a significant funding source to support Community Investment infrastructure projects that support affordable housing in addition to market-rate development.

Considering the potential consequences of eliminating the IH program, it is recommended that the City Council implement revisions to the program as at least an interim measure. The proposed revisions are designed to make the program more effective in addressing the City's affordable housing and housing-related infrastructure needs while also reducing the program's financial impact on market-rate development by permitting more flexible options for developers to satisfy their IH requirements. The new IH program should be based on the principles listed on the following page.

New IH Program Principles:

- ***Generate revenue for gap financing and infrastructure:***
The new IH program should emphasize the collection of fees in-lieu of on-site production for the Affordable Housing Trust Fund to make gap financing loans and investments in Community Investment infrastructure projects that support affordable housing development.
- ***Reduce the program's financial impact on market-rate development:***
Permitting more flexible options for developers to satisfy IH requirements, including in-lieu fees, yield a significantly lower cost per market-rate unit than current requirements to build affordable units on-site. In-lieu fees also provide a higher degree of certainty with regard to the financial impact of the program on market-rate projects.
- ***Promote density:***
As with the City's current IH program for urban infill areas, the new program should encourage dense development in targeted infill areas by scaling in-lieu fees in relation to project density.
- ***Make the new program simple to administer:***
More flexible options for developers such as in-lieu fees allow for streamlined Affordable Housing Agreement negotiations. In-lieu fees should be based on gap financing estimates for affordable rental units, which can be readily updated on an annual basis.
- ***Implement IH homeownership equity sharing:***
The for-sale component of the program should be remodeled to allow equity sharing upon resale. This will avoid many of the market-driven problems of the current program and generate revenue for the Affordable Housing Trust Fund.

Amending the City's existing IH program as suggested will require the coordination of several City Council actions, including amendments to two Municipal Code chapters, the Housing Element of the General Plan, and the Book of Fees.

Recommended Actions—Affordable Housing Trust Fund:

11. *Prepare amendments to the IH Program, including revisions to Municipal Code Chapters 15.10 and 15.40, the General Plan, the Housing Element, and the Book of Fees for City Council consideration based on the principles listed above.*
12. *Prepare guidelines for the use of IH fee revenue deposited into the Affordable Housing Trust Fund to allow funds to be used for gap financing and Community Investment infrastructure improvements in support of affordable housing.*

Private Investment in Infrastructure

One of the PRO-West Sac Team's recommendations was to explore opportunities for investment of private equity into key infrastructure projects. The present challenges of building infrastructure with diminished public funding resources faced by all communities could be alleviated by new financing programs driven by private sector investment and ingenuity. The City should follow through on the PRO-West Sac Team's recommendation by working with private sector partners (banks, developers, etc.) and investment organizations (e.g. CalPERS and CalSTRS) to facilitate the development of such programs, and model the financing paradigm of Community Investment to be compatible with emerging models of private investment in public infrastructure. The foremost challenge facing any effort to attract private equity to infrastructure investments is identifying an income stream to provide a return on investment. The proposed IFD concept is one example of revenue that could be dedicated to securing an investment of private equity for a key infrastructure project without having to expose the City's general fund to guaranteeing a private party's return on investment. The Downtown-Riverfront Streetcar is an example of a potential project in which this model could be applied.

Real Estate Tools

Real estate transactions related to building infrastructure projects or assembling potential development sites are important components of achieving Community Investment's goal of catalyzing private investment. Although the tools available to the City to facilitate the aggregation and disposition of property have been diminished by the elimination of redevelopment, the City does have access to two important existing real estate-related resources—properties it already owns and the real estate powers of the Port District.

City and Successor Agency-Owned Properties

As previously noted, the City and Successor Agency own a combination of 300 acres of property, many of which are located in areas with great development potential including the Bridge District, Washington District, West Capitol Avenue, and Stone Lock. Most of this property was formerly owned by the Redevelopment Agency (now under the control of the City as Successor Agency) and is subject to the disposition requirements of AB 1X 26, the legislation which guides the dissolution of redevelopment agencies. The potential for the City to be compelled to sell these properties highlights the need to develop a disposition strategy so that the City can avoid potential "mothballing" of strategic properties by speculators with no interest in developing the sites according to the City's Community Investment goals. In a few cases, the City owns property adjacent to Successor Agency property and would be in a better position to aggregate those sites by either buying the land from the Successor Agency or working with a developer to purchase the property. In either case, the City should adopt policy requiring revenue generated from the sale of Successor Agency properties to be used for Community Investment purposes.

Recommended Actions—City and Successor Agency-Owned Properties:

13. *Prepare a strategy for land assembly and/or disposition of properties owned by the City and Successor Agency related to Community Investment activities.*
14. *Resolve that any revenue to the City resulting from the sale of Successor Agency land assets be deposited into the Community Investment Fund.*

Port District Powers

The Sacramento-Yolo Port District, which is a separate legal entity from the City, is established by the River Port Districts section of the State Harbors and Navigation Code. The River Port Districts section's broad authority gives the Port of West Sacramento the ability to promote economic development within the Port District's boundaries, which includes the entire city limits, by undertaking activities that will improve commerce within the district. These powers include receiving land from the City or other public entities, assembling property for private development, land disposition and leases for private development, and eminent domain authority. The Port's unique real estate powers are similar to those of the former redevelopment agency, and should be utilized in a similarly judicious manner when necessary to facilitate Community Investment projects in partnership with the City. Such a partnership would give the City a distinct advantage in carrying out real estate transactions related to economic development.

The Port, as a major landowner and with its real estate authorities, also has the potential to facilitate new development projects. This potential should be explored so that going forward it can be harnessed to support Community Investment activities. This includes the possibility for the Port to set up a CDC affiliate to coordinate real estate activities related to new development within the Port's land holdings.

Recommended Action—Port District Powers:

15. *Partner with the Port to utilize the Port's real estate powers as needed in property transactions related to Community Investment projects and explore the Port's potential to facilitate development, possibly through a CDC affiliate.*

Dedicated Funding for Community Investment Activities

Community Investment's core activities will involve staff from multiple City departments, including the Economic Development and Housing Division of Community Development and the Engineering Division of Public Works, among others. (A related discussion of Community Investment administration is provided in Part 3 of this Action Plan.) The following approaches and associated implementation actions are proposed with the aim of staffing Community Investment functions at an adequate level and promoting success by providing reliable, dedicated funding for program operations.

Community Investment Fund

On February 1, 2012, the City Council authorized the establishment of Fund 106, a General Special Purpose Fund for Community Investment, which was intended to account for revenue distributed to the City resulting from the dissolution of the Redevelopment Agency (i.e. former redevelopment tax increment funds). The City should continue to use the Community Investment Fund as the accounting mechanism for the collection and expenditure of funds for Community Investment activities, including staffing costs, infrastructure projects, and matching funds for grant applications.

Redevelopment Property Tax Trust Fund (RPTTF)

The proposed primary funding source for the Community Investment Fund is the allocation of revenue to the City resulting from the elimination of the Redevelopment Agency. Under the redevelopment dissolution process, the Yolo County Auditor-Controller will distribute this new general revenue to the City through the RPTTF, which contains all of the former redevelopment property tax increment of the City's former Redevelopment Agency. The City will receive a portion of these funds after all enforceable obligations and statutory pass-through payments of the Successor Agency have been made. The portion will be based on the City's share of property tax distributions, which is generally about 48 cents of every property tax dollar.

For FY 2012-13, it is estimated that the City will receive about $2.5 million from the RPTTF. It is recommended that the City Council adopt a budget policy for FY 2012-13 to direct all revenue from the RPTTF to the Community Investment Fund. This policy and the resulting budget allocation would be non-binding and therefore could not be used as a bondable revenue stream, but it would provide a degree of reliability for Community Investment budgeting purposes. It is also recommended that the Council consider placing a measure on the June 2013 ballot to extend this approach into future years.

Recommended Actions—Former Redevelopment Property Tax Increment:

16. *Adopt a budget policy for FY 2012-13 directing that all revenue distributed to the City from the RPTTF be used for Community Investment purposes, including core activities and infrastructure investments.*
17. *Consider a ballot measure for a June 2013 election to dedicate revenue resulting from redevelopment dissolution for Community Investment activities.*

One-Time Funding

Three inactive accounts within Fund 261 were previously used for redevelopment-related activities. These included funds for brownfield assessment and remediation activities, as well as for staff of the former Housing and Community Investment Department to manage the defunct Neighborhood Enhancement and Motel Inspection Programs. The three accounts contain a combined total of about $413,500. Staff recommends that this money be used as one-time "seed" funding for the Community Investment Fund.

Recommended Action—One-Time Funding:

18. *Authorize the transfer of fund balances (total of approximately $413,500) from Funds 261-9381, 261-9383, and 261-9384 to Fund 106 to be used for Community Investment purposes.*

Successor Agency Administration Funds

As part of the dissolution of the Redevelopment Agency, the City as Successor Agency is allocated an administrative fee to cover activities associated with winding down obligations of the former Redevelopment Agency. Starting in FY 2012-13, this fee is a minimum of $250,000 per year or up to three percent of the property tax distributed to the Successor Agency to make payments for its enforceable obligations. Based on the projected retirement of Successor Agency obligations, it is estimated that the City will receive the minimum amount of $250,000 per year until all of the obligations of the former Redevelopment Agency have been fulfilled, which is expected to be in 2037. Staff involved in winding down former Redevelopment Agency projects and activities will also be involved in Community Investment, so the

Successor Agency administration funds should be leveraged with other Community Investment Fund sources to support staffing costs.

Recommended Action—Successor Agency Administration Funds:

19. Continue to use Successor Agency administration funds to leverage funds dedicated to Community Investment activities.

Other Explored Approaches

Various other potential tools for Community Investment were contemplated by the Community Investment Committee, but only those that were most promising to building the new program are recommended for implementation by this plan. Some of the concepts identified and researched by the committee were determined to better apply as potential resources for other components of the City's overall Capital Improvement Program, whereas other concepts were found to be unworkable for various reasons. Appendix B includes a categorized list of the concepts researched by the committee.

PART 3: Making the Program Work

The City's historic redevelopment program afforded it the luxury of implementing the Council's vision with bold brush strokes, through carefully-selected public projects that leveraged new private investment. That approach was made possible by the Redevelopment Agency's substantial, reliable stream of tax increment income, which facilitated the issuance of bonds that provided up-front money for major projects. In the post-redevelopment environment, the fundamental model of strategic public investments catalyzing private investment remains valid, perhaps more so than ever. However, the mechanisms for effectuating the proposed Community Investment program will differ from redevelopment in key ways. Funding sources will be more diverse, and will need to be coordinated to assure that funds from different sources, with different strings attached, can be efficiently harnessed to a common purpose. Staff size is smaller, meaning that Community Investment will have to work smarter to achieve results.

And, unlike redevelopment tax increment, which was statutorily limited to use on redevelopment projects, the funds for the Community Investment program will derive largely, if not entirely, from sources that could be used for other general fund purposes. Since the use of these funds for Community Investment will create opportunity costs of foregone alternative uses elsewhere in the City, the Community Investment program will need to be more accountable than ever to the Council and the community for the success of its efforts. Community Investment will also need to be considered in the broader context of the Capital Improvement Program and balanced with the need for major maintenance and replacement of basic infrastructure. This section summarizes a set of recommended approaches to achieving these results.

Criteria for Community Investment Projects

Historically, the City's redevelopment projects that were capital in nature were programmed into the Capital Improvement Program, along with funding, typically from redevelopment bonds, to pay for them. In some cases, projects that were not originated as redevelopment projects, but whose public benefits fell within allowable parameters, were also programmed to be funded in part with redevelopment dollars. In both cases, the distinction between what was, and was not, a "redevelopment project" was driven primarily by the Community Redevelopment Law, which articulated criteria for the use of tax increment funds.

The funds that are recommended for use in the Community Investment program do not come with the same statutory limitations of redevelopment tax increment funds, and could be used for other purposes throughout the City. However, if these limited funds are infused throughout the City's budget rather than being targeted, Community Investment's impact will be proportionately diluted. Now that the statutory framework for making the necessary distinction has been eliminated, the City must articulate its own criteria to determine where it is appropriate to invest funds that the City Council targets for Community Investment purposes.

The basis for these criteria must relate directly to the extent to which a given project effectuates the Council's Community Investment goals. Further, in order to create a cycle of mutually supportive public and private investments that will grow the tax base, the criteria should place a premium on projects that attract investment and stimulate economic activity. To help develop proposed criteria that meet these goals, staff reviewed past redevelopment projects and endeavored to reverse-engineer a rubric that would differentiate those projects from other capital projects. The recommended criteria are listed on the following page.

Community Investment Project Criteria:

- Extent to which the project furthers the Council's strategic plan.
- Private sector investment (e.g. development activity) likely to be realized as a result of the public project, where it otherwise would not occur.
- Amount of outside funding (private capital or grants) leveraged by the investment.
- Existing City resources (land or other funds) leveraged by the investment.
- Greatest potential return on investment to the City (increased property tax, sales tax, transient occupancy tax) based on the geographic area of the investment.
- Consistency with the City's 20-year capital growth plans such that staff, facilities, and services match the needs of the future population.
- Extent to which the investment off-sets other general fund costs (such as staff time).
- Regional benefit, such that the project benefits a larger area than its immediate surroundings (e.g. a bridge, rail, or water project that serves both West Sacramento and other communities).
- Extent to which the project has limited access to being funded from other traditional dedicated sources such as development impact fees, utility rate revenue, or other assessments and taxes.

If the criteria are valid, then projects with Community Investment benefit should exhibit many of the noted qualities, while a project that is not intended to address those issues would not. To illustrate how these criteria would apply to real projects, the table below applies the proposed criteria to two infrastructure projects, the only major distinction between which is their location. While substantively the same in every other way, the water tank serving the Bridge District would clearly fulfill all of the criteria for the use of Community Investment funds. By providing for sufficient water supply and pressure in a strategic riverfront district, the Bridge District water tank facilitates implementation of the Bridge District Specific Plan, supports the development of new jobs-producing commercial development, and facilitates new infill housing opportunities. In contrast, the water tank serving a Southport neighborhood, while equally important in terms of its day-to-day function, does not have the same catalytic effects and does not respond to the same policy goals, making it an inappropriate use of funds targeted to Community Investment.

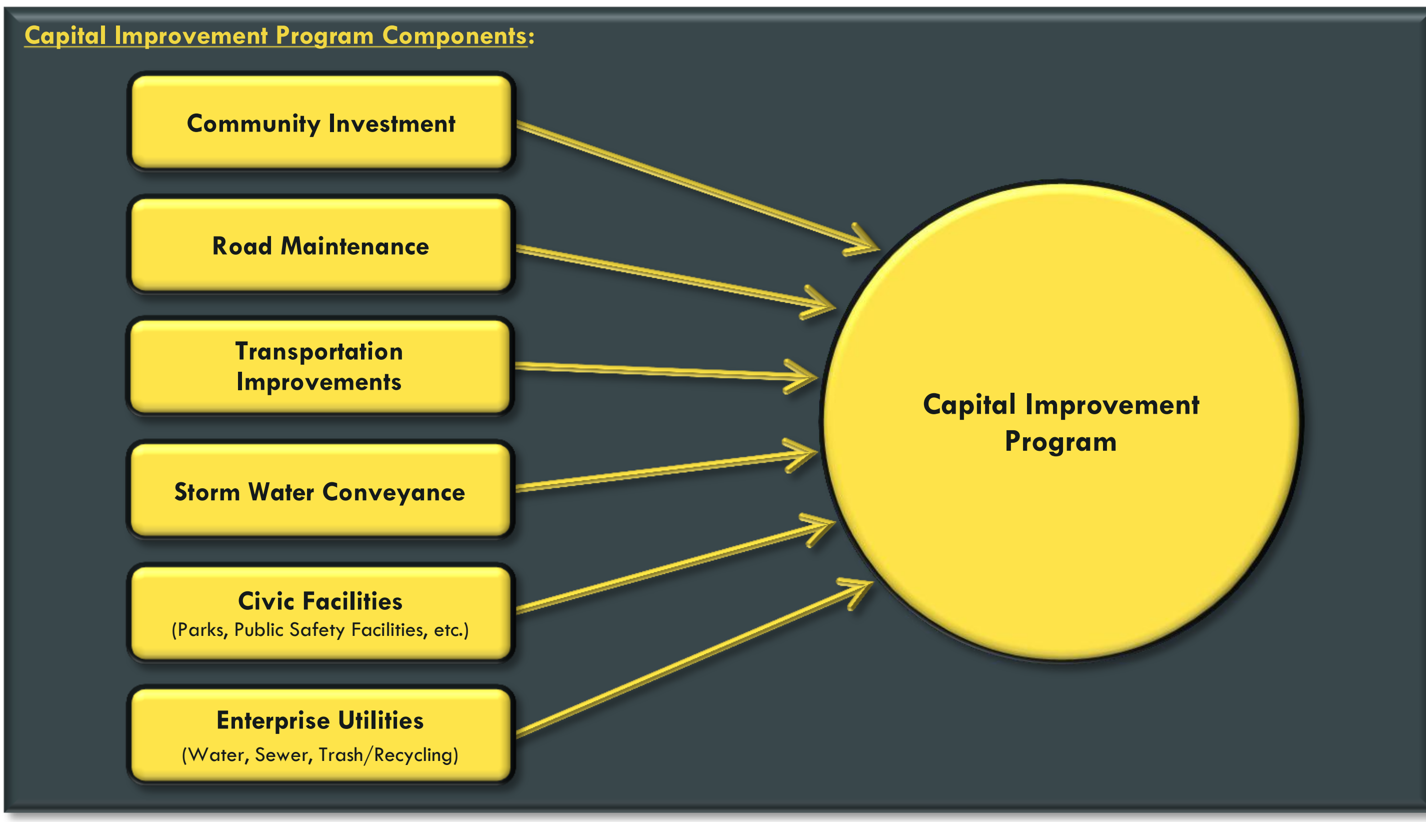
Criteria	Bridge District Water Tank	Southport Water Tank
Furthers Council Strategic Plan	Yes	Yes
Induces Private Investment Where it Would Not Occur	Yes	No
Leverages Outside Funding	Yes	No
Leverages Other City Funds or Land	Yes	No
High Return on Investment Based on Geographic Area	Yes	No
Consistent with 20-Year Capital Growth Plan	Yes	Yes
Off-sets General Fund Costs	No	No
Provides Regional Benefit	No	No
Lack of Traditional Funding Sources to Cover Cost	Yes	No

Staff recommends that the above criteria be used at the staff level to determine which capital projects are to be recommended for funding from sources the Council has targeted to Community Investment purposes. Staff's recommendations would be presented for Council consideration as part of the Capital Improvement Program, and/or through project-specific agenda reports, at which time the Council could make the final determination as to the appropriate use of Community Investment-targeted funds. This will provide a level of certainty and predictability to the Community Investment program. While the success of the Community Investment program would depend on the Council's ongoing willingness to designate funds to that specific set of goals, the Council would retain the discretion to supersede the adopted criteria if an emergency or unforeseen circumstance required the use of Community Investment funds for a high-priority project without the normal economic benefits.

Relationship to Overall Capital Improvement Program

The Capital Improvement Plan (CIP) is a five-year plan for the City's capital improvement priorities as well as a roadmap for identifying funding needs and available funds. Currently, the process involved in developing the CIP is to review previously proposed projects, solicit new project ideas, and review replacement and major repair needs to develop a list of potential projects. That list is then reviewed by a committee with representation from every department and evaluated using selection criteria (inclusion in the City Council's Strategic Plan, funding availability, and critical repairs).

As shown in the figure below, the Community Investment program is contemplated to represent one facet of the overall CIP, alongside existing program components such as road maintenance. Like redevelopment before it, Community Investment would originate, organize and refine projects, then bring them forward for inclusion in the CIP, along with dedicated funding sources, at which point, following Council approval, the City's customary engineering and construction management processes would see the project through to completion. In many cases Community Investment projects will overlap with other areas of the CIP (such as a public facility project like an urban park designed to facilitate private development in the surrounding neighborhood).



Need for Capital Investment Strategy

The Community Investment Action Plan strives to identify funding sources and tools to deliver projects that create change and stimulate investment. This focused approach leaves significant capital needs of the City unaddressed. A similar approach with a parallel set of recommendations could speak to the funding needs of other components of the CIP and respond to the Capital Investment Strategy in the City Council's Strategic Plan for 2012. This would include an update to the capital investment budget policy contained in the City's Administrative Policy Manual to reflect the policies established in the Capital Investment Strategy and the Community Investment Action Plan. Staff will undertake this work and return to the Council with a recommended set of actions to address areas of the CIP that are experiencing financial stress and propose policies for allocating capital funds to those areas.

Much of the research work completed by the Community Investment Committee to identify potential funding sources for infrastructure can be applied directly to this effort, as developing new sources of funding is not limited to Community Investment projects, but can be used to help all areas of capital funding that lack secure or sustainable funding. The recommendation to continue targeting former redevelopment funds to their historic purpose rather than re-allocating them elsewhere does not detract from the importance of the rest of the Capital Improvement Program, which encompasses basic functions such as water supply, road maintenance, and sewer and storm water conveyance that are essential to the quality of life citywide. These projects and activities must continue to be funded appropriately if the City is to retain the hard-fought improvements that have characterized its history.

Recommended Action—Capital Investment Strategy:

20. *Develop and implement a Capital Investment Strategy to address funding needs in all areas of the CIP using a similar approach to that taken to develop the Community Investment Action Plan.*

Program Administration

The implementation of the Community Investment function as described in this plan will require ongoing contributions from multiple City departments. The primary roles and responsibilities would be similar to the City's historic redevelopment program, in which Community Development staff undertook most of the planning, real estate and analytical work preceding project development, with critical assistance from the Finance Division and Public Works Department for implementation of key financing mechanisms and engineering/construction management, respectively. It is anticipated that the Revenue and Grants Manager from the Finance Division will continue to take a lead role in identifying funding sources for Community Investment projects as part of this position's broader role to increase the use of outside funding sources citywide.

The proposed approach will involve more inter-departmental cooperation than was typical during the former redevelopment program. Overall management of the Community Investment function would reside with the Community Development Director, in consultation with the Administrative Services and Public Works directors. Administration of the proposed IFD would likely be managed out of the Finance Division, with extensive coordination with the Community Development and Public Works departments. The previously described CIP committee, made up of representatives from all departments, will evaluate proposed Community Investment projects according to the Community Investment criteria and review funding sources for those projects before they are recommended to the City Council for consideration under the CIP. The Public Works Department would continue to carry out the design, engineering, and construction of infrastructure projects funded by Community Investment, as it did under the former redevelopment program.

Accountability

Unlike redevelopment tax increment funds, which were statutorily limited to redevelopment purposes, the proposed funding sources for the Community Investment program have alternative uses citywide. Particularly in the current resource-constrained environment, this necessitates a high level of accountability for justifying the ongoing commitment of resources to Community Investment. Staff is recommending that the Council outline specific goals for the Community Investment program each year, and that staff prepare an annual report to present to the City Council and the public with its results. This approach would be similar to the existing Measure K spending plan and annual report card.

The use of redevelopment required the preparation of an implementation plan every five years which detailed the Agency's planned expenditures of tax increment funds along with annual reporting to the State on redevelopment activities and finances. State reporting requirements are likely to be required for an IFD, including the Infrastructure Financing Plan for the district, but in addition Community Investment will feature reporting protocols that are more direct and accessible to the community than in the past. Planned expenditures for Community Investment projects and an evaluation of current activities and program accomplishments would be presented to the City Council in conjunction with the annual CIP.

Many Community Investment projects will take longer than one year to produce final outcomes, but staff is confident that quantifiable milestones can be developed to demonstrate progress. Over time, as the City's fiscal situation improves, the new program stabilizes and more projects enter the pipeline, the program will consistently yield physical improvements that will tangibly demonstrate its effectiveness to the community. While the elimination of redevelopment represents a significant setback, the Community Investment Action Plan should support the expectation that West Sacramento will continue its successful track record of financing and building strategic investments with new methods.

Implementation Schedule

Appendix C provides an implementation schedule for carrying out each of the recommended actions set forth in the Community Investment Action Plan. The recommended actions are sorted in the implementation schedule by their order of priority. Actions labeled as "High Priority" are particularly time-sensitive in nature with significant potential impacts on the implementation of the overall Community Investment program. "Medium Priority" items are similar in potential impact with immediate actions that are recommended but not required to implement the program. Items labeled "Low Priority" represent supplementary actions with implementation timeframes that are not urgent, including some items that are only recommended if other factors make these actions necessary or favorable to the long-term viability of the Community Investment program.

Acknowledgements

Many members of the West Sacramento community contributed to the development of this plan, including the City Council, the PRO-West Sac Advisory Team, the City Manager and Community Investment Steering Committee, and City staff of the Community Investment Committee. These individuals are listed below.

<u>City Council</u>
Christopher Cabaldon, Mayor
Oscar Villegas, Mayor Pro Tem
Mark Johannessen, Council Member
Bill Kristoff, Council Member
Christopher Ledesma, Council Member

<u>PRO-West Sac Advisory Team</u>
Christopher Ledesma (Chair) – Council Member, City of West Sacramento
Meg Arnold – CEO, Sacramento Area Regional Technology Alliance
Grant Deary – Executive Vice President, Nor-Cal Beverage
Jeffrey Dorso – Managing Partner, Pioneer Law Group
Jack Ehnes – CEO, California State Teachers' Retirement System
Mark Friedman – President, Fulcrum Property
Dr. J. Robert Fountain – Regional Economics Consultant
Lon Hatamiya – President and CEO, The Hatamiya Group
Barbara Hayes – President and CEO, Sacramento Area Commerce and Trade Organization
Robert Murphy – ret. City Attorney and of Counsel, Kronick Moskovitz Tiedemann and Girard
Denice Seals – President and CEO, West Sacramento Chamber of Commerce
Val Toppenberg – ret. Redevelopment Director, City of West Sacramento

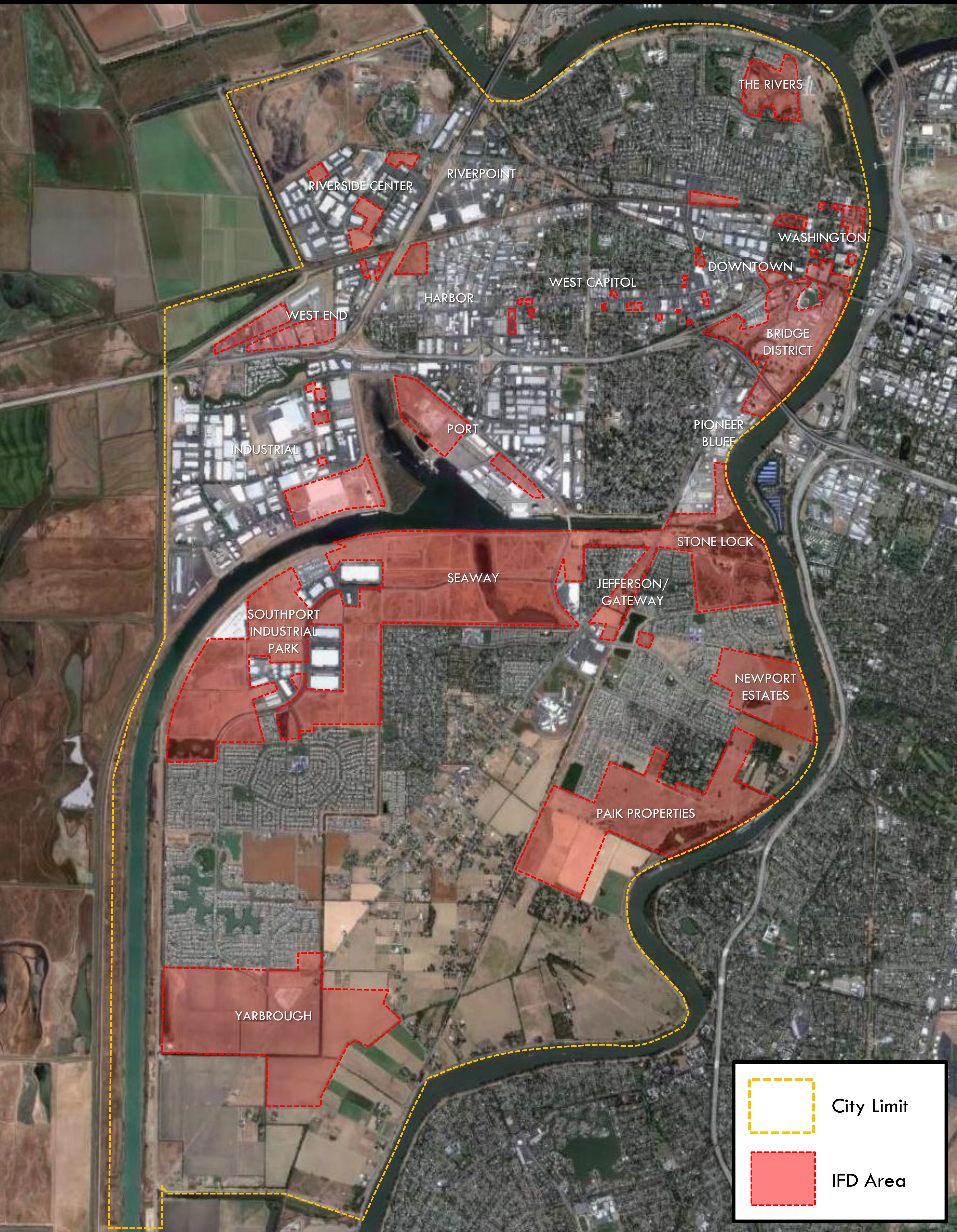
<u>Community Investment Steering Committee</u>
Toby Ross – City Manager
Charline Hamilton – Community Development Director
Bill Panos – Public Works Director
Carol Richardson – Assistant City Manager
Phil Wright – Administrative Services Director

<u>Community Investment Committee</u>
Aaron Laurel (Co-Chair and Drafting Team) – Revenue and Grants Manager
Jon Robinson (Co-Chair and Drafting Team) – Economic Development and Housing Manager
Maureen Pascoe (Drafting Team) – Capital Improvement Manager
Paul Blumberg – Public Finance Manager
Amy Cameron – Senior Analyst
Mark Cullison – Fire Captain
Greg Fabun – Public Works Manager
Katy Jacobson – Senior Program Manager
Mike Luken – Port Manager
André Pichly – Recreation Superintendent
Nitish Sharma – Budget Manager
Nathan Steele – Police Sergeant

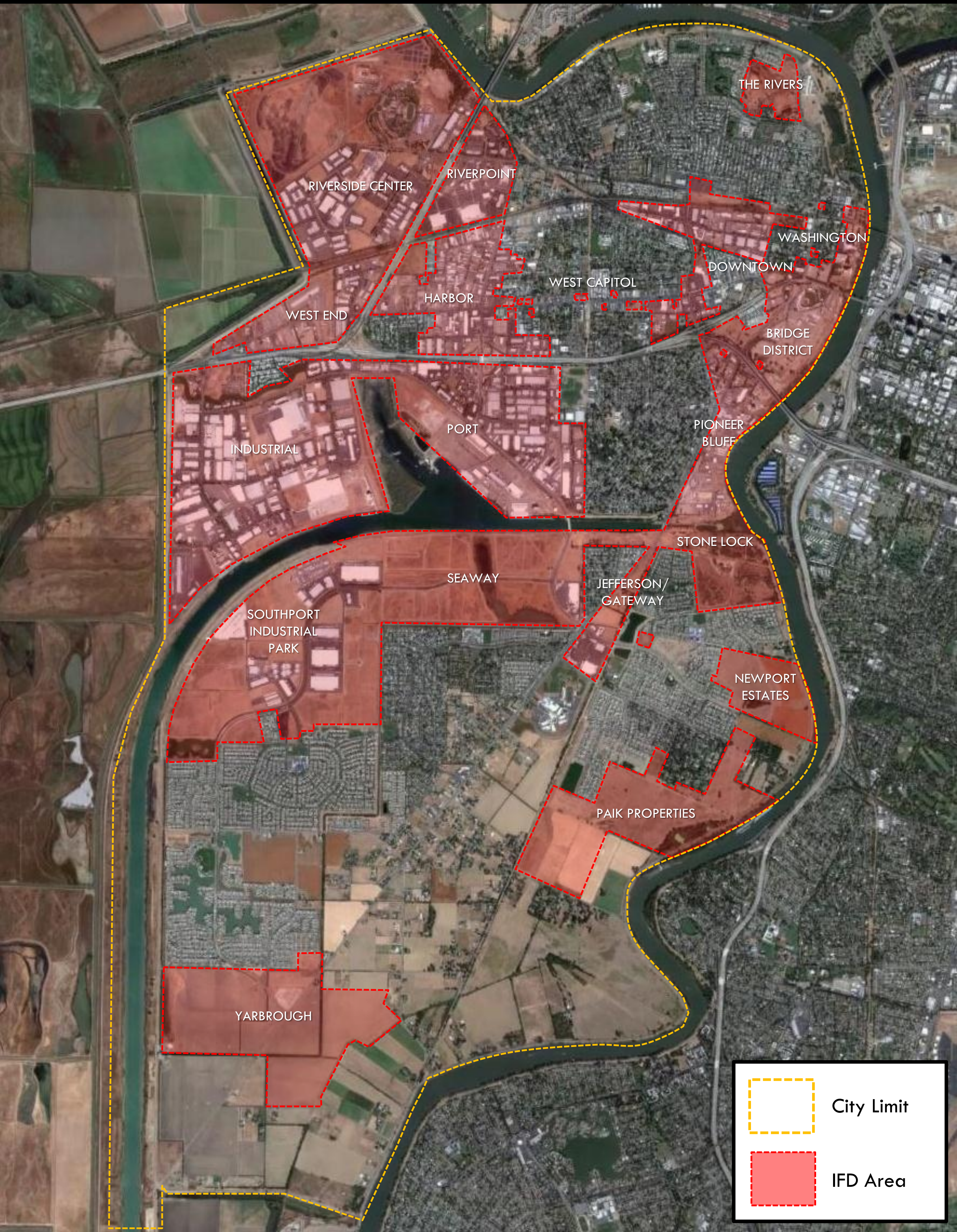
Appendices

A. IFD Scenario Maps
B. Community Investment Committee Concepts
C. Implementation Schedule and Prioritization of Recommended Actions

Appendix A: IFD Scenario A (Undeveloped, Uninhabited Properties)



Appendix A: IFD Scenario B (Uninhabited Properties)



APPENDIX B: Community Investment Committee Concepts

Category		Concept	Description
POTENTIAL COMMUNITY INVESTMENT FUNDING CONCEPTS	Long-Term CI Funding	**Infrastructure Financing District**	Establish district to create property tax increment stream to fund infrastructure projects.
	"Seed" CI Funding	**Find $ in Existing City Funds**	Example: Fund 261 has $400K of unencumbered funds--use this to seed a fund for Community Investment activities.
	"Seed" CI Funding	**Revenue from Dissolution of RDA**	The RDA's dissolution will bring new revenue to the City after payment of existing obligations and statutory pass-throughs.
	"Seed" CI Funding	**CDBG Program Income Use Revisions--General Admin**	Use 18% of CDBG Program Income for General Admin (about $40K/year).
	"Seed" CI Funding	**CDBG Program Income Use Revisions--Infrastructure Fund**	Use up to 82% of CDBG Program Income for an infrastructure fund (can only fund projects in CDBG-eligible areas). Estimated amount per year is about $180K.
	"Seed" CI Funding	**Revenue from Sale of Agency Assets**	Use City portion (~48%) of revenue from sale of Agency assets for community investment.
	Other CI Funding	**Inclusionary Housing Program Revisions**	Revise IH program to accept in-lieu fees on new projects and equity-sharing on sale of existing affordable homes. Use these funds for housing-related infrastructure.
	Other CI Funding	**Sell Former RDA's Affordable Housing Loan Portfolio**	Principal value of $25 million. Could this be sold to provide funds for affordable housing?
	Other CI Funding	**New Markets Tax Credits**	Provides equity capital for infrastructure or development projects (need to form a CDE to qualify, so explore possibility of using WSHDC).
	Other CI Funding	**CDBG Entitlement**	Become an entitlement City under the Federal CDBG program.
	Other CI Funding	**EDA Public Works and Economic Development Funds**	Federal grant funding for infrastructure; City hasn't accessed this source in the past--why not?
	Other CI Funding	**Hotel Tax**	Could add a fee, raise rate on existing tax, do a new tax (etc.) and direct a portion of the revenue to CI activities.
	Long-Term CI Funding: Debt Options	**Revenue-Based Bonds**	Generally includes bonds for dedicated revenue (e.g. IFD funds or other form of tax increment financing).
	Long-Term CI Funding: Debt Options	**State of CA Infrastructure Bank (ISRF)**	Infrastructure State Revolving Loan Fund to borrow for capital projects.
	Long-Term CI Funding: Debt Options	**Private Equity Investment**	Guarantee private investors (venture capitalists) a ROI to invest in infrastructure improvements.
	Long-Term CI Funding: Debt Options	**CA Communities bond financing programs**	Infrastructure financing programs.
	Long-Term CI Funding: Debt Options	**General Obligation Bonds for Economic Development**	Exposes General Fund--Gov. Brown had proposed at one point to reduce threshold to 55 percent voter approval

Category		Concept	Description
OTHER POTENTIAL COMMUNITY INVESTMENT STRATEGIES	CI Strategy: Organizational	**Port Real Estate Powers/Port Financing Authority**	The Port has several real estate powers similar to the RDA--what are they and how could they be used?
	CI Strategy: Organizational	**Establish a Community/Economic Development Corporation**	Conduct ED activities to create funding opportunities, collaboration with business community; potential access to New Markets Tax Credits.
	CI Strategy: Organizational	**Establish Friends of ______ 501 c3**	This would allow access to additional grants, etc. not available to the City (also could be done through a CDC).
	CI Strategy: Organizational	**Private Lending Connections**	Create better connections between private lenders and local businesses or a lender pool (similar to program in Phoenix)--a CDC could do this for the City.
	CI Strategy: Organizational	**West Sacramento Financing Authority**	Explore how it could be utilized to finance community investment activities.
	CI Strategy: Organizational	**Align Grant Pursuits with Community Investment Priorities**	Be more strategic in how we pursue grants to leverage matching funds, private investment, etc.
	CI Strategy: Organizational	**Infrastructure Studies/Design**	Complete studies, design, environmental to identify new infrastructure projects for future grant applications.
	CI Strategy: Development Incentives	**Strategies to Lower Total Development Costs**	Infrastructure investments, CFDs instead of impact fees, parking solutions, development standards, etc.
	CI Strategy: Development Incentives	**Foreclosed Residential Properties Property Tax Rebate Program**	Offer rebates on City's share of annual property tax to purchasers of foreclosed homes for one or more years after purchase.
	CI Strategy: Development Incentives	**Foreclosed Commercial Properties Property Tax Rebate Program**	Offer rebates on City's share of annual property tax to purchasers of foreclosed commercial properties for one or more years after purchase.
	CI Strategy: Development Incentives	**Sales Tax Rebate Program**	Provide sales tax rebates of City's local share to new businesses (or to retain existing businesses).
	CI Strategy: Development Incentives	**Sales Tax Retention Strategy**	Identify largest retailers that record sales taxes outside City; provide incentives (rebates, etc.) to have those retailers record their sales taxes in West Sac.
	CI Strategy: Development Incentives	**Property Tax Rebate Program**	Provide property tax rebates of the City's local share to new development.
	CI Strategy: Development Incentives	**Increase Use of Enterprise Zone Program**	Market the EZ program more aggressively to expand its use.
	CI Strategy: Development Incentives	**Sewer Credits**	About 194 credits remaining--use them to assist Community Investment-related development projects.
	CI Strategy: Development Incentives	**SCIP Program**	The City already participates in the program--we could market this program more as an alternative to allowing fee deferrals.
	CI Strategy: Development Incentives	**Fee Deferrals**	Allow development projects to defer payment of impact fees until projects are complete (see SCIP Program as an alternative).
	CI Strategy: Development Incentives	**PACE Program**	Property Assessment for Clean Energy--commercial property tax assessments for energy efficiency upgrades.

Category		Concept	Description
OTHER CAPITAL FUNDING & REVENUE CONCEPTS	Other Potential Capital Funding	**New CFDs/Refinancing existing CFDs**	Look to form new CFDs over areas of the City that aren't currently covered.
	Other Potential Capital Funding	**Lighting and Landscaping Districts**	Evaluate existing and potential future districts.
	Other Potential Capital Funding	**PBID**	Defray maintenance expenses via Property-Based Improvement Districts.
	Other Potential Capital Funding	**Establish a Parking District**	Implement Wilbur Smith/Pascoe Associates study--examine sources of parking revenue and how to expand them.
		Parking Revenue	Ziggurat garage, Broderick Boat Ramp, citations, on-street, college, Bridge District, etc.
	Other Potential Capital Funding	**Certificates of Participation (COPs) Lease Payments/Lease Revenue Bonds**	Sell the City's capital assets and lease them back--use lease payments for bondable revenue for capital projects.
	Other Potential Capital Funding	**Franchise Fees**	Look at ours, evaluate those of other jurisdictions, and identify opportunities to raise revenue.
	Other Potential Capital Funding	**Sell Utility Revenue**	Limited to water, and we're already selling that regionally--can this be expanded?
	Other Potential Capital Funding	**Increase Utility Taxes**	Ensure that monthly water and sewer user fees are consistent with revenue needs.
	Other Potential Capital Funding	**Park Maintenance District**	Consider creation of citywide park maintenance district.
	Other Potential Capital Funding	**Measure K: Base Portion**	Re-examine and re-allocate distribution of funds between authorized uses.
	Other Potential Capital Funding	**TDA Revenues**	We currently allocate nearly all of our gas tax revenue to YCTA for mass transit. More of these funds could be used for road maintenance.
	Other Potential Capital Funding	**CA Maritime Infrastructure Bank**	Explore opportunities to fund Port capital improvements.
	Other Potential Capital Funding	**Naming Rights**	Sell naming rights to facilities, obtain corporate sponsorships, sell bricks for facilities.
	Other Potential Capital Funding	**Lease Office Space to Agencies with Similar Purposes**	Example: lease office space in City Hall to a County agency.
	Other Potential Capital Funding	**Market Wastewater Treatment Plant as Movie Set**	Explore opportunities to lease the property as a film set.
	Other Potential Capital Funding	**Internal cost saving measures**	Continue to look at operational efficiencies throughout the organization.
	Other Potential Capital Funding	**Electric Billboards**	Construct electric billboards on City-owned property and sell advertising.
	Other Potential Capital Funding	**Cellular Phone Towers**	Evaluate lease rates for existing towers on City property and explore potential for new ones.
	Other Potential Capital Funding	**Sell Less-Strategic City-Owned Properties to Generate Revenue**	Example: recent sale of Lisbon firehouse property.

APPENDIX C: Prioritization of Recommended Actions and Implementation Schedule

	Recommended Action Number & Description		Item	Page #	Lead	Short-Term Actions (May-December 2012)	Long-Term Actions (January 2013-)
HIGH PRIORITY	**16**	Adopt a budget policy for FY 2012-13 directing that all revenue distributed to the City from the RPTTF be used for Community Investment purposes.	Former RDA Property Tax Increment	19	Finance	• City Council approval of proposed budget policy (5/16). • Deposit funds received from RPTTF into Fund 106.	• Deposit funds received from RPTTF into Fund 106.
	18	Authorize the transfer of fund balances from Funds 261-9381, 261-9383, and 261-9384 to Fund 106 to be used for Community Investment purposes.	One-Time Funding	19	Finance	• Receive City Council authorization to transfer funds (5/16). • Complete fund transfers (May).	
	2	Advocate for and support legislative proposals to improve the existing IFD law.	IFD	9-13	CDD	• Publicly support bills to improve IFD law (letters, testimony, etc.). • Work with legislators and staff on "Net Available Revenue" proposal and other IFD law changes.	• Continue advocacy for IFD law changes during subsequent legislative sessions.
	1	Assign an IFD Formation Task Force of staff from Community Development, Public Works, and Administrative Services to coordinate actions necessary to set up the IFD.	IFD	9-13	Finance	• Form task force and develop work plan to carry out IFD formation actions (May-June). • Coordinate completion of IFD-related actions (see action items 3-5 below) through task force.	• If needed IFD legislation is signed into law, carry out formation actions through the task force (Jan.-June).
	3	Analyze tax increment projections for various IFD scenarios (based on possible legislative outcomes) and select a preferred scenario.	IFD	9-13	Finance	• Solicit for consultants to complete projections and receive contract authorization (May-July). • Complete projections and select preferred IFD scenario (Aug.-Jan.).	• Solicit investors/lenders for bonds against IFD revenue (I-Bank, private equity, etc.).
	4	Prepare an Infrastructure Financing Plan for the IFD.	IFD	9-13	PW	• IFD Formation Task Force prepares the required plan (June-Dec.).	• City Council plan adoption as required to establish IFD (Jan.-Feb.).
	5	Initiate other necessary IFD formation actions (resolutions, property owner/voter outreach, etc.).	IFD	9-13	CDD	• IFD Formation Task Force prepares other materials required to establish IFD (June-Dec.).	• Property owner vote and actions required to establish IFD (Jan.-June).
	10	Explore the potential for setting up a CDE (affiliate of the City or Port, or the WSHDC) to apply for a NMTC allocation in 2013.	CDC & NMTCs	15	CDD/PW	• Determine best option for a CDE: affiliate of City or Port, or WSHDC (June-Sept.). • Assist in set-up process for CDE to apply for NMTCs (Oct.-Dec.).	• Apply for NMTC allocation (Jan.-June).
	15	Partner with the Port to utilize the Port's real estate powers as needed in property transactions related to Community Investment projects and explore the Port's potential to facilitate development, possibly through a CDC affiliate.	Port District Powers	18	PW/CDD	• Inform staff regarding the Port's real estate powers (June-July). • Evaluate Port's potential to facilitate development (June-Dec.).	• Partner with the Port as needed. • Possibly set up CDC affiliate to coordinate activities related to Port properties.

		Recommended Action Number & Description	Item	Page #	Lead	Short-Term Actions (May-December 2012)	Long-Term Actions (January 2013-)
MEDIUM PRIORITY	**20**	Develop and implement a Capital Investment Strategy to address funding needs in all areas of the CIP using a similar approach to that taken to develop the Community Investment Action Plan.	Capital Investment Strategy	23-24	PW	• Form committee and complete strategy (June-early 2013).	• City Council consideration of Capital Investment Strategy (mid-2013).
	13	Prepare a strategy for land assembly and/or disposition of properties owned by the City and Successor Agency related to Community Investment activities.	City/SA-Owned Properties	18	CDD	• Complete City/SA asset inventory and identify/prioritize potential land aggregations (June-July).	
	14	Resolve that any revenue to the City resulting from the sale of Successor Agency land assets be deposited into the Community Investment Fund.	City/SA-Owned Properties	18	Finance		• If SA properties are sold as required by redevelopment dissolution, deposit proceeds into Fund 106.
	19	Continue to use Successor Agency administration funds to leverage funds dedicated to Community Investment activities.	Successor Agency Admin Funds	19-20	CDD	• Deposit funds received from RPTTF into Fund 106 to be used for CDD staff activities.	• Deposit funds received from RPTTF into Fund 106 to be used for CDD staff activities.
	11	Prepare amendments to the IH Program, including revisions to Municipal Code Chapters 15.10 and 15.40, the General Plan, the Housing Element, and the Book of Fees for City Council consideration based on the recommended principles.	Affordable Housing Trust Fund	16-17	CDD	• Draft proposed amendments to various documents (May-September). • City Council workshop and consideration of proposed amendments (October-November).	
	12	Prepare guidelines for the use of IH fee revenue deposited into the Affordable Housing Trust Fund to allow funds to be used for gap financing and Community Investment infrastructure improvements in support of affordable housing.	Affordable Housing Trust Fund	16-17	CDD	• Draft guidelines in coordination with other IH program revisions (May-September). • City Council consideration of guidelines (October-November).	
	7	Coordinate Community Investment project planning activities with Grant Committee research and application activities to ensure that priority projects are targeted for grants to leverage Community Investment funds.	Prioritization of CI Projects for Grants	13-14	Finance	• Formalize Grants Committee-CIP/Community Investment coordination process (June-July).	

		Recommended Action Number & Description	Item	Page #	Lead	Short-Term Actions (May-December 2012)	Long-Term Actions (January 2013-)
LOW PRIORITY	**8**	Develop and implement a legislative strategy to become a CDBG entitlement grantee in advance of the 2020 Census.	CDBG Entitlement	14	CDD	• Coordinate with Governmental Relations Committee to develop strategy (June-December).	• Seek opportunities to push legislation or other mechanism to become an entitlement city (annually, but before 2020).
	9	Analyze the process to apply for EDA Public Works and Economic Development Facilities grants and identify opportunities for Community Investment projects to compete for funds.	EDA Funds	14	Finance	• Analyze EDA process and potential projects through Grants Committee (June-December).	• Explore opportunities to apply for EDA funds during 2013.
	6	If legislation is adopted to lower the IFD voter threshold to 55 percent, consider a ballot measure for a June 2013 special election to expand the IFD to include additional properties.	IFD	9-13	Finance		• Track legislation and determine if ballot measure is needed to establish preferred IFD scenario (January-June).
	17	Consider a ballot measure for a June 2013 election to dedicate revenue resulting from redevelopment dissolution for Community Investment activities.	Former RDA Property Tax Increment	19	Finance		• Consider if IFD legislation fails or if ballot measure is desired to implement 2012-13 budget policy on long-term basis.