

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
January 31, 2006
Timed: 9:30 A.M.

To: Board of Supervisors
From: Department of Economic Development and Intergovernmental Affairs
Subject: Report Back On The Economic Development Fund
Contact: Paul J. Hahn, 874-5889; Richard Maddox, 874-7440

Overview

This is a report back on the Economic Development Fund the Board created during the Fiscal Year 2005-06 Budget Hearings with recommendations on the criteria to be used and projects proposed for funding this year. It is also a proposal to augment the fund for Fiscal Year 2006-07 by shifting funding for economic development organizations and groups currently funded from the Transient-Occupancy Tax (TOT) Fund to the Economic Development Fund. This would free up \$800,000 in TOT revenue for civic and cultural organizations.

Recommendations

1. Approve the recommended criteria and process for selecting prospective candidates to receive funding.
2. Approve the list of recommended projects for Fiscal Year 2005-06.
3. Conceptually approve a shift in funding for all economic development groups to the Economic Development Fund from the TOT effective for Fiscal Year 2006-07.
4. Conceptually approve an increase in General Fund contribution for the Economic Development Fund by \$800,000 for Fiscal Year 2006-07, to reflect the transfer of economic development organizations funding.

Measures/Evaluation

The fund will operate much like a competitive grant program. Each of the projects and/or organizations eligible for funding will be required to make a proposal, receive funding upon Board approval, and accept performance measures and be evaluated accordingly.

Fiscal Impact

The approval of criteria and projects for this fiscal year will have no fiscal impact as funds were already budgeted as part of the 2005-06 Fiscal Year. Conceptual approval of the transfer of funding for economic development groups to the General Fund for Fiscal Year 2006-07 and beyond will be a long-term and ongoing increase of \$800,000 to the General Fund.

BACKGROUND:

For the last few years, the Board has expressed a desire to have an allocation of resources set aside to finance ongoing and specific projects related to economic development. Last year during budget hearings the Board established a specific fund for economic development and allocated \$696,000 to be used for projects that arise during the year. The Board directed staff to come back and present criteria and processes that would be used to fund such projects.

In addition, the Board has also discussed for several years ideas that would free up more TOT revenues for cultural and civic groups. Recent years have seen a shrinking TOT fund, and a greater share of those funds dedicated to economic development groups, not to civic and cultural groups. While the Board has not been averse to funding these economic development organizations, you asked staff to determine whether there were other mechanisms for financing these groups. The purpose of this report is to address the criteria for the Economic Development Fund, to suggest projects for the monies allocated this year, and to make recommendations regarding the long-range funding for these economic development groups, which will free up more TOT funds for civic and cultural groups.

ECONOMIC DEVELOPMENT FUND CRITERIA:

The purpose of the fund is to provide a source of investment dollars to provide development activities and projects that could revitalize target areas or serve as catalysts to job creation and increased tax revenue to the County. It is envisioned that these projects would fall into three main categories:

- Requests from outside organizations or groups (e.g. request from Property Based Improvement Districts for help in funding marketing brochures for their corridors);
- One time requests for capital improvement to aid in revitalization efforts (e.g. actual physical improvements which may or may not be located in county rights of way); and,
- County generated economic development projects (requests from county departments or Supervisors to aid in economic development projects such as funding to help offset costs of commercial corridor planning).

In addition, if your Board approves the recommendation to cease funding economic development activity through the TOT Fund, then a fourth group of requests involving annual appropriations to economic development groups would also be considered from the Economic Development Fund. Thus, organizations such as the Sacramento Area Commerce and Trade Organization (SACTO), the Sacramento Area Regional Technology Alliance (SARTA), the Northern California World Trade Center, and the Federal Technology Center (FTC) would seek funding from this source as opposed to TOT.

As recommended, this fund will work much like a competitive grant. Private as well as public organizations would be potential recipients. Groups would submit requests to County Economic Development staff that would review the proposals against approved criteria and then make recommendations to the Board. Staff views the need for the Board of Supervisors to establish criteria for determining the types of projects that will be funded as important. At the same time, it is apparent that the criteria not be a hindrance to funding desired projects. For that reason staff

is recommending that the criteria be as flexible as possible. Staff has reviewed similar programs in other jurisdictions and learned that the spectrum runs from rigid to elastic. However, in the case of those jurisdictions with more flexible criteria it seemed that there was a greater level of development and other quality of life improvements occurring within their targeted revitalization areas. Additionally, private sector project proponents in the Sacramento region have come to expect a prompt response when seeking assistance with a project. Having to go through a cumbersome and lengthy process to merely receive an answer to their request often prevents proposals from even coming forth to the County for consideration. Thus, staff feels it essential that the criteria adopted be as broad and free of restrictions as possible.

Staff recommends that the Board of Supervisors approve the following criteria. The County will consider requests for funding assistance from any private or public sector entity that conforms to existing, planned, or future redevelopment and revitalization plans, policies, and strategies. The Department will accept requests for funding and review them for consideration to be presented to the Board of Supervisor's for approval. The projects would need to be consistent with all approved County plans and policies and meet at least one of the following criteria:

- Contributes to achieving the County's vision, mission, and goals;
- Contributes to accomplishing any redevelopment and revitalization area's goals and objectives;
- Removes blight;
- Provides an economic benefit;
- Influences significant private investment;
- Provides recreation opportunities;
- Contributes to an increase in County revenues; or
- Creates jobs

PROPOSED PROJECTS FOR FISCAL YEAR 2005-06:

Since adoption of the final budget in September of last year and the Board allocation \$696,000 to the Economic Development Fund, staff has been presented with various proposals for economic development enhancements. In comparing these with the criteria above, staff finds several to be worthy of consideration for funding. We are recommending that your Board approve the following projects for this year.

- \$100,000 to assist the Planning Department with Commercial Corridor revitalization. This will be used to offset costs for consultants in developing strategies for three commercial corridors. This funding, coupled with other sources, will help offset the increased costs to the County from increasing the number of corridors that we are extensively planning from one corridor to three. Attached to this report are two additional reports from the Planning Department that demonstrate in detail the use of the Economic Development Funds being requested (See Attachments A, A-1, A-2 and A-3).
- \$75,000 to help offset costs associated with the Planning Departments outreach process for the General Plan. The initial phase of the program will include engaging in consultant services; designing a public outreach program; working with an advisory committee to refine the approach; advertising; and, as funding allows within the initial amount, to conducting stakeholder or community meetings. The completion of the outreach is an

important component in the commercial corridor and economic development strategy so funding this outreach process from this fund is appropriate. Planning has prepared a detailed report on the outreach effort which is attached to this report (See Attachment B).

- Up to \$25,000 to be used to assist in the development of a visitor center for the Delta. The funds will contribute to the “Welcome to the Delta” information center being established to inform and educate the general public about the Delta region. The center will be aimed at lifting the Delta’s profile as the unique agricultural, recreational and environmental resource that it is. The center is planned to be located in Sacramento County and thus, we should take the lead by being the first County to actually approve funds. This contribution is being recommended on the condition that it is part of a matching program with the other surrounding counties including Yolo, San Joaquin, Contra Costa, and Solano.
- Up to \$20,000 to assist in the development of a Multi-Family Improvement District (MID). The project area is located within the Auburn Boulevard Redevelopment area. Twelve owners of fourteen apartment complexes totaling 520 units are involved in this project. The property owners, with assistance from SHRA and the District Attorney Community Prosecution Unit, have agree to enter into the MID which will function much like a PBID. This one-time funding is needed in order to pay for the legal services required to establish the MID. The MID will help to reduce crime, blight, and county staff resources spent having to address numerous code violations in the subject apartment complexes.
- \$150,000 to develop a comprehensive economic development strategy for the County. This project is to pay for consultants to work with staff to develop an overall and comprehensive strategy to guide your Board and the Department not only in business attraction and retention but in the marketing of target areas and the redevelopment of certain properties. A similar study was prepared recently for the City of West Sacramento and it cost \$70,000. Presumably such a plan for the County will cost at least double that amount. In addition, the study will provide us with other opportunities: aide in a business outreach effort to target at least 50.0 percent of all businesses in the County; design a communication method to interact and better serve our businesses; develop a data base of available commercial and industrial properties; create a public relations program that compliments efforts of the Chamber of Metro Commerce, ethnic and regional chambers.
- \$50,000 to pay for organizing businesses located in the Greenback Lane and Main Avenue area of Orangevale. The funds will be used to pay for legal services should the property and business owners agree to organize formally.

Should the above proposed projects be approved the approximate total expenditure will be \$420,000. This will leave a fund balance of roughly \$271,000 for the remainder of the 2005-06 Fiscal Year. Without doubt other projects will arise in the remaining five months of the year. If you approve the recommendations as proposed, staff will then process future requested projects to your Board for consideration.

AUGMENTATION TO ECONOMIC DEVELOPMENT FUND FOR FISCAL YEAR 2006-07:

In the past the practice has been for the County to provide direct subsidies to the different economic development related organizations through allocations of the TOT Fund. Each group makes an annual presentation to the Board explaining how they will spend their allocation for projects that they want to implement or what services they need to provide. In addition to the appropriation, the organizations receive fiduciary responsibility and control over the funds. We propose to augment the Economic Development Fund in Fiscal Year 2006-07 and move funding for the Sacramento Area Commerce and Trade Organization (SACTO), Sacramento Area Regional Technology Alliance (SARTA), the Northern California World Trade Center, the Federal Technology Center and the PBID's from the TOT into the new Economic Development Fund that you created at the final budget hearing. The augmentation will be roughly \$800,000 – equal to the amount of current funding for these groups. Assuming the current approximate \$700,000 contribution is continued, this will enlarge the fund to approximately \$1.5 million. The General Fund is intended to be the source for the Economic Development Fund.

As proposed, the organizations will be competing for the funds available just as they used to compete for funding during TOT hearings. A major suggested change for Fiscal Year 2006-07 involves the PBID's. Currently, they request an amount based upon a county match for the funds they raise. Staff is proposing that instead of simply granting these organizations direct subsidies, that the PBID's submit project requests for grants from the Economic Development Fund starting in 2006-07. This is very similar to how the Florin Road Partnership has operated over the last three years. For Fiscal Year 2003-04, the partnership requested no funds; in Fiscal Year 2004-05, the partnership requested \$10,000. For 2005-06, they requested an allocation for a special project and received that funding. Under staff's proposal, PBID's will be encouraged to propose specific projects.

It is assumed that there will be an advantage to having the PBID's competing for the funds as they are already extremely well organized and proficient in proposing projects. Second, this could be advantageous because conceivably they can propose projects costing more than what their annual county contribution has been. Lastly, it is hoped that because of the competition the County will see higher quality projects being proposed from all participants.

By no means should this change be construed that the County is stepping back from its partnership with the PBID's. Instead, we are simply taking the same amount of funding that has been going to PBID's and pooling it to allow specific projects to be funded instead of providing direct subsidies. Each County PBID has been advised to think in terms of projects and has been asked to submit a five year infrastructure plan.

MEASURES/EVALUATION:

The purpose for establishing the Fund was to create a funding source for all the economic development opportunities that arise throughout the year. With each of these projects a review of the proposal will occur to make certain that the criteria adopted by the Board of Supervisors are followed. As part of the recommendation process, performance standards and measures will be presented. Staff will then evaluate each project during implementation to ensure the performance measures are being satisfied.

In all likelihood a performance agreement, requiring regular evaluation, would be entered into with the organization and the County. The groups would then have to demonstrate that any standards agreed upon were being satisfied prior to the distribution of funds.

FINANCIAL ANALYSIS:

The fund is now appropriated \$691,000 annually. Next year the fund would increase \$800,000 to nearly \$1.5 million from general revenues. This action will free up \$800,000 in the TOT fund that can be used for arts and cultural related projects, but will result in an ongoing \$800,000 increase to the General Fund.

CONCLUSION:

The recommended actions in this report accomplish two related but different things. First, we are presenting for your consideration the criteria for and the projects identified thus far from the Economic Development Fund. Staff feels strongly that the proposed criteria and projects will meet your expectations and requests that your Board approve the recommendations above. Second, we are recommending that beginning next year the existing Economic Development Fund be augmented to provide funding for the PBID's, SACTO and SARTA on a competitive grant type basis. This will free up roughly \$800,000 in the TOT fund for arts and cultural projects. Again staff recommends that you approve the related recommendation above to allow this shift in funding.

RESPECTFULLY SUBMITTED,

APPROVED

PAUL J. HAHN, Director for
Department of Economic Development &
Intergovernmental Affairs

TERRY SCHUTTEN
County Executive

By:

Geoffrey B. Davey
Chief Financial/Operations Officer

- Attachment: A - Planning & Community Development's Report Back on Funding to Assist Private Development and to Prepare Corridor Plans
B - Planning & Community Development's Report Back On Funding the General Plan Update Public Outreach Program