CONCURRENT MEETING
CITY COUNCIL/SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY (CRA)/RANCHO CORDOVA FINANCING CORPORATION (RCFC)

City Hall
2729 Prospect Park Drive, Rancho Cordova

Tuesday, June 24, 2014

5:30 PM – Special Meeting
American River Community Room North

AGENDA

1. WORK SESSION - CALL TO ORDER/ROLL CALL

Council Members Budge, McGarvey, Sander, Terry and Mayor Skoglund.

2. PUBLIC COMMENT

At a special meeting, citizens wishing to address the Council for any matter on the agenda may do so at the time the matter is discussed. Note, under the provisions of the California Government Code, the City Council is prohibited from discussing or taking action on any item not on the agenda.

3. SPECIAL MEETING ITEM

3.1 **Subject:** Economic Development Incentive Criteria.
Recommendation: Staff recommends the City Council have a discussion and provide direction on potential incentive criteria for economic development projects.
Result of Recommended Action: Staff will incorporate Council directed criteria to establish criteria for business incentives that will be brought back to Council for consideration at a future Council meeting.
Staff Report: Amanda Norton, Economic Development Manager.
Advances Goals: 1, 6.

3.2 **Subject:** Event Space, Point East Hotel Project.

Recommendation: Staff recommends the City Council provide direction on the potential incentives for a new event space and hotel located at 11212 Point East Drive, Rancho Cordova, CA.

Result of Recommended Action: Provide staff with direction on potential incentives for a hotel and event space project on Point East Drive. The applicant has requested the following three incentives: (1) Extend deferral of building permit and development fees, $589,000 amortized over 30 years, accruing 3% interest, and payments beginning in year four; (2) Provide applicant up to $457,734 to be used to construct infrastructure improvements; and (3) Allow the Adjustment to the parking standard, thereby reducing the number of parking spaces.

Staff Report: Amanda Norton, Economic Development Manager.

Advances Goals: 1, 6.

4. ADJOURNMENT

ADDITIONAL INFORMATION

In compliance with the Americans with Disabilities Act, if you need a disability-related modification or accommodation, including auxiliary aids or services, to participate in this meeting, please contact the City Clerk's Office at (916) 851-8720 at least 48 hours prior to the meeting.

CERTIFICATION OF POSTING OF AGENDA

I, Mindy Cuppy, CMC, City Clerk for the City of Rancho Cordova, declare that the foregoing agenda for the Tuesday, June 24, 2014 Special Meeting of the Rancho Cordova City Council/Successor Agency to the CRA/RCFC was posted and available for review on Friday, June 20, 2014 at City Hall of the City of Rancho Cordova, 2729 Prospect Park Drive, Rancho Cordova, California, 95670. The agenda is also available on the city website at www.cityofranchocordova.org.

Signed Friday, June 20, 2014 at Rancho Cordova, California.

Mindy Cuppy

Mindy Cuppy, CMC, City Clerk

MEMORANDUM

DATE: June 24, 2014

TO: Honorable Mayor and Council Members

FROM: Amanda Norton, Economic Development Manager

SUBJECT: **ECONOMIC DEVELOPMENT INCENTIVE CRITERIA DISCUSSION**

RECOMMENDATION

Staff recommends the City Council have a discussion and provide direction on potential incentive criteria for economic development projects.

RESULT OF RECOMMENDED ACTION

Staff will incorporate Council directed criteria to establish criteria for business incentives that will be brought back to Council for consideration at a future Council meeting.

BACKGROUND

The City Council held a retreat on March 17, 2014 to discuss their Vision 2023 work plan items. One of the objectives from the Vision is to leverage City resources (expertise, capital, policies, and regulations) to attract a wide range of private investment including national retailers, office development, local entrepreneurs, etc.

The Council spoke at length about developing criteria for granting incentives and to bring potential investment opportunities to Council as early as possible. The Council asked staff to return to discuss potential criteria that would frame an incentive program.

At the Annual Corporate Report on March 28, 2014 Council Members stated they were interested in Return on Investment (ROI) from incentives that could be offered to businesses.

POTENTIAL CRITERIA

Staff reviewed incentive programs from 13 jurisdictions, specifically 12 cities and one county. The cities and county were chosen based on their proximity to Rancho Cordova, similar demographics such as population and median income, or because another jurisdiction recommended their incentive program. In addition, staff met internally to discuss criteria that could be applicable to Rancho Cordova.

The potential criteria for a future incentive program are shown in Table 1 below. The criteria are broad, while the “Discussion Points” column is meant to help clarify Rancho Cordova’s goals, the City’s criteria for using incentives, and to trigger a discussion regarding criteria for incentives.

Table 1. Potential Criteria

Potential Criteria	Discussion Points
Case-by-case	-While not formal criteria, many City's use a case-by-case method for granting projects. -Typically for unique major projects, and for investment programs where funds are utilized for infrastructure, façade improvement, sign programs, or similar programs.
Increase job base	-Overall number of new jobs created. -High paying jobs (jobs that pay 75% of median income, pay a wage to afford the median home price, etc.). -Jobs for young professionals. -Jobs in a particular industry (e.g. green technology, manufacturing, etc.). -Jobs for existing Rancho Cordova residents.
Revenue generation / Return on Investment	-Generate new Transient Occupancy Tax revenue (e.g. generate at least $300,000 in new annual sales tax revenue). -Generate new annual sales and use tax revenue. -Generate higher property taxes. Other considerations: -ROI and set length of time to recoup costs.
Attract new shoppers	-Provide assistance for retailers who are outside of the trade area. -Retailers that physically locate or relocate within an existing vacant building in the City's targeted area. -Types of retailers – national retailers or local retailers.
City's target industries	Provide assistance to those industries that the City Council would like to locate to Rancho Cordova, or to assist existing businesses.
-Improve image of Rancho Cordova/ -Improve the aesthetics of a commercial space/ -Promote specific commercial areas/ -Create or enhance a sense of place	These criteria could apply to Folsom Blvd., Zinfandel Drive, various business parks, event space, etc.
Community enhancement including arts and entertainment	This criterion could apply to services and facilities that are utilized by our residential or business community (e.g. entertainment center, places to play, fun projects).

Before use, all incentive programs would have specific Rancho Cordova guidelines. Any use of incentives should be mindful and strategic. All City incentives would require findings to ensure there is not a gift of public funds. Also, any with any use of incentives, there would need to be a thorough discussion to make sure use of incentives does not erode funds that should be used for CIP or other projects. By having criteria and guidelines it will help Council make decisions when there are competing projects and all projects will be at the discretion of the Council.

Thoughts to consider when contemplating criteria and incentives:

- Is there a priority? If we spend money on this project are we potentially not going to be able to invest in another project in the future?
- Should one criterion have more weight than another criterion? Should there be a ranking system?

Incentives can take various forms.

- The City could provide grants or loans to businesses. An example would be a sign improvement program or ADA improvements.
- Permit streamlining. City staff can work to develop tools that would streamline the process for applicants.
- Revenue sharing. Various cities provide revenue sharing as a tool. Generally, this could be tied to Development Impact fees for a set amount of time at a set interest rate or percentage of revenues.
- Federal, State, and County funds. There are loans pools available to businesses in the area. Staff will work to assist businesses locate funds that are appropriate to their project.

The programs listed above are in no way exhaustive, but illustrative in nature and could be used in combinations to assist a project. The idea is to add tools to our tool box.

Staff also recognizes that opportunities may present themselves that are not strictly in line with established criteria. Those projects, as requested by Council, will be presented on a case-by-case basis.

Staff proposes to take Council's direction on criteria to develop a specific incentive/investment package, including guidelines for use. The goal would be to effectively combine programs and funding sources that are available at the Federal, State and County level with programs that are specific to Rancho Cordova.

MEMORANDUM

DATE: June 24, 2014

TO: Honorable Mayor and Council Members

FROM: Amanda Norton, Economic Development Manager

SUBJECT: **EVENT SPACE, POINT EAST HOTEL PROJECT**

RECOMMENDATION

Staff recommends the City Council provide direction on the potential incentives for a new event space and hotel located at 11212 Point East Drive, Rancho Cordova, CA.

RESULT OF RECOMMENDED ACTION

Provide staff with direction on potential incentives for a hotel and event space project on Point East Drive. The applicant has requested the following three incentives:

1. Extend deferral of building permit and development fees, $589,000 amortized over 30 years, accruing 3% interest, and payments beginning in year four.
2. Provide applicant up to $457,734 to be used to construct infrastructure improvements.
3. Allow the Adjustment to the parking standard, thereby reducing the number of parking spaces.

Council input will allow the developer to determine how the project will be designed based on economic viability. Applicant has confirmed they will construct the hotel without subsidy, the subsidy is requested for the event space.

BACKGROUND

The City Council held a retreat on March 17, 2014. One objective of the retreat was to discuss their Vision for 2023 work plan items. The Council spoke at length about the task of developing criteria for granting incentives and to bring any potential opportunities forward to the Council as early as possible.

D&S Development, Inc. (D&S) presented a new hotel and event space to the Development Services Team (DST) meeting on March 18, 2014. The discussion included the lack of on-site parking. As presented, there would be enough parking for the hotel, but there would not be enough parking for a hotel and stand-alone event space on site.

D&S requested a meeting with staff to discuss their project and to discuss financial assistance from the City. The applicant presented pro forma for the entire project and staff reached out to PKF Consulting USA - Hotel Consulting Services who provided a brief review of the pro forma. In summation, PKF does not feel the hotel would negatively impact the City's existing hotel base, 89 rooms will add about 5% more rooms to our hotel room stock. The City should see an increase in its Transient Occupancy Tax (TOT). The hotel should do well as it is a Marriott product and travelers have brand loyalty. PKF believes the hotel can stand alone without any subsidy, which D&S confirmed, and the event space will be a drag on the developer, thus the subsidy being requested is for the event space.

PROJECT OVERVIEW

The proposed hotel would be four stories and contain 89 rooms. The proposed project would be an extended stay hotel; Towne Place Suites by Marriott, and each room would have a kitchenette that contains a stove, sink, and refrigerator. The event space would be a standalone building on the site. The table below displays the overview of the proposed event space.

<table>
<tr><th colspan="6">Event Space</th></tr>
<tr><td colspan="3">Square Footage</td><td colspan="3">Total Event Space - 6,790 sf,
Useable Event Space - 4,190 sf</td></tr>
<tr><td colspan="3"># of Seats at Rounds and Stadium</td><td colspan="3">300 and 500 respectively</td></tr>
<tr><td colspan="3">Estimated Occupancy</td><td colspan="3">3 events weekly with an average of 300 guests in attendance</td></tr>
<tr><td colspan="3">Estimated Number of Event Guests per Year</td><td colspan="3">45,000</td></tr>
<tr><td rowspan="6">Event Space Jobs (12)</td><td># Jobs</td><td>Position</td><td>Position Type</td><td>Weekly Hours</td><td>50 Weeks Annual Pay Per Employee</td></tr>
<tr><td>1</td><td>Event Director</td><td>Salary</td><td>40</td><td>$45,600</td></tr>
<tr><td>2</td><td>Event Assistant</td><td>Hourly</td><td>20</td><td>$10,000</td></tr>
<tr><td>2</td><td>Housekeeping staff</td><td>Hourly</td><td>20</td><td>$10,000</td></tr>
<tr><td>6</td><td>Wait Service</td><td>Hourly</td><td>20</td><td>$11,000</td></tr>
<tr><td>1</td><td>Maintenance</td><td>Hourly</td><td>16</td><td>$9,600</td></tr>
</table>

The table below displays where the proposed event space would reside in the City's existing portfolio. The below table was adapted from the 2010 Marketing Plan sponsored by the Rancho Cordova Tourism Business Improvement District. The report indicates with the number of hotel rooms, Rancho Cordova could potentially support a conference center between 50,000 to 90,000 square feet in size. As illustrated below, the proposed event space will be slightly smaller (4,190 sf) than the largest conference room at the Marriott Hotel (4,565 sf).

Venue	Meeting Space in Square Feet	Number of Rooms
Marriott Hotel	14,000	10-12
Largest Conference Room	*4,565*	
Sunrise Event Center	8,610	4
Largest Conference Room	*8,610*	
Towne Place Suites	**4,190**	**1**
Holiday Inn	2,130	2
Hotel Sierra	1,899	2
Courtyard by Marriott	1,274	2
LaQuinta	1,200	3
Comfort Inn	912	1
Fairfield Inn	625	1
Days Inn	400	1
Marriott Residence Inn	400	1

REQUEST

D&S and staff met three times and discussed the project at length. The below is a summary of the three requests which will be explored in further detail below:

1. Fee Deferral – the applicant requests an extension of the fee deferral program from one year to amortized over 30 years with a 3% interest rate and payments beginning in the 4th year the hotel is open. The applicant is requesting deferral of $589,000 in building permit and development fees.
2. Infrastructure – the applicant is requesting the City assist with the following costs: removal of existing and installation of ADA sidewalks, curbs, gutters, and utility tie-ins up to the property line, requested subsidy up to $457,734.
3. Parking – the site is lacking the number of parking spaces required for an 89 room hotel and 4,190 square foot conference center. The applicant would like to apply for an adjustment to the parking requirement and enter into a reciprocal parking agreement with the adjacent lot to the east (Fire Rock Grill).

Fee Deferral

The City currently provides a one year, interest free fee deferral for residential, commercial and industrial projects. The applicant is requesting deferral of $589,000 in building permit and development fees. The total fees for the hotel ($518,025) and event space ($71,489) are $589,514. Currently the program allows for deferral of Transportation Development Impact Fees, Local Housing Trust Fund, and Community Facility fees. The request by the applicant is for almost all of the fees to be deferred. The project does meet the specified criteria as the project will increase the annual tax revenue by at least $5,000. Also per our guidelines, we encourage applicants to utilize the Statewide Communities Infrastructure Program (SCIP).

Infrastructure

D&S prepared a budget for the “off-site” infrastructure, attached to this report. The applicant is defining “off-site” as those costs that occur in the City’s right-of-way. The costs consist of removing the existing side walk and landscaping, and installing ADA sidewalks. In addition, the infrastructure improves will include: curbs, gutters, utility tie-ins to the site, and new pavement. The prevailing wage cost for the work is estimated to be up to $457,734. The cost requested by the applicant is for this total infrastructure cost for the entire site.

Pro:	Con:	Comments:
-Additional Transient Occupancy Tax (TOT) ~ $47,700. -Additional Sales Tax -catering sales (~ $347 in year 1). -Additional event space. -Additional jobs, both part time and full time.	-The City receives a smaller portion of TOT and sales tax in this area of the City (new Annexation Area) and receives no property tax. -30 times longer than City’s standard deferral time. -Fees are needed for the roadway CIP and are significantly delayed up to 30 years.	-Where will the funds come from? -Is this the best use of our funds? -How will the deferral affect our roadway CIP?

Parking

The main concern that was voiced at the DST meeting was the lack of on-site parking. The applicant would like to enter into a reciprocal parking agreement and install a drive isle between the Fire Rock Grill property and the proposed hotel/event space, which is fully supported by Staff. The issue is that both the hotel/event space site and the Fire Rock Grill site are under parked. The applicant has provided a handout which is attached to this report detailing their proposal.

Per the site plan, there will be 151 parking spaces with on-site and street parking, and the zoning code requires 229 parking stalls for the proposed project. With 89 parking stalls for the hotel, if the hotel was at maximum capacity, there would be 78 parking spaces for a 300-500 person event space.

Total # Required Parking Stalls	**229**	**Parking per Site Plan**	**151**	**Shortage**	**-78**

The site is eligible for a 10% by-right parking reduction due to the proximity to the Regional Transit station. The 10% parking reduction would reduce the required number of parking spaces to 207 parking stalls. By applying for up-to a 30% Adjustment allowed in the zoning code (§23.131.040), D&S would meet the parking achieve the parking ratios with a 25% Adjustment. If the parking stalls on the Fire Rock site are included then an 18% parking Adjustment would be needed.

Parking at Point East	# Stalls	Parking with Reductions	# Stalls
Standard	125	Hotel Parking, 89 rooms	89
Compact	14	Event Space, 4,190	140
ADA	6	***Subtotal***	***229***
Point East street stalls	6	-10% Transit Reduction	-22
Total	**151**	-25% Adjustment	-57
		Total	**150**
Parking, Including Fire Rock	**# Stalls**	**Parking with Reductions**	**# Stalls**
Standard	125	Hotel Parking, 89 rooms	89
Compact	14	Event Space, 4,190	140
ADA	6	Fire Rock Grill	67
Point East street stalls	6	***Subtotal***	***296***
Fire Rock	63	-10% Transit Reduction	-29
Total	**214**	-18% Adjustment	-53
		Total	**214**

The applicant has provided the information to consider when review the parking:

- Hotel Industry assumes a performing hotel is at 65% average occupancy. Per our discussion, even at 70% occupancy, that would be about 89 empty spots. The thought is that if the hotel is at full occupancy, it would be due to an event, giving some shared parking between the event space and hotel. Or events held during the daytime would be when the hotel's parking is not being utilized.
- The hotel's use of the parking lot will typically be overnight, whereas event space/restaurant is expected to be mostly utilized during the day. I.E. a typical

business guest will be moving their car by 8 am (prior to the restaurant opening or an event occurring). A wedding event will occur on a weekend when corporate guests will be minimal, etc.

- Any conditions being placed on the uses will make the project less feasible for a lender. As an operator and developer, it is in their best interest to have adequate parking available. Once the operation has stabilized and if there is a parking shortage, they will revisit subleasing or finding additional parking sources, such as at the Regional Transit Station or at the neighboring Marriott.

Pro:	Con:	Comments:
-Site is located less than ¼ mile from Regional Transit.	-Short 78 parking spaces.	-Having many events and many guests would be a good problem to have on the site. -Could work with Marriott or Regional Transit to handle parking shortage.

CRITERIA

The Council has had an earlier discussion regarding criteria for granting incentives. As no formal criteria have been established as of the writing of this report, the following criteria would apply to this project: increase in jobs, revenue generation, and improve the image of Rancho Cordova.

In addition to criteria some thoughts to consider:

- Where will the funds come from?
- Is this the best use of our funds?
  - If we don't use the money for this project, is there another project it could be used toward? For example, improvements along Folsom Blvd?
- Is this event space large enough to meet the business and community's needs?

ATTACHMENT

Off-site Infrastructure Budget and Proposed Parking Units

ATTACHMENT 1

TRICORP HEARN CONSTRUCTION

NEW HOTEL for D&D Development Inc.
Rancho Cordova, CA
PRELIMINARY BUDGET-OFFSITE

PREVAILING WAGE
REPLACE, NOT RELOCATE WALK

Date: 4/11/2014

	QTY	UNIT	UNIT COST	TOTAL	DIV TOTAL	CPSF
SITE SQUARE FOOTAGE	30,315					
DIVISION 1: GENERAL CONDITIONS					$88,000	$2.90
Management/Supervision/General Requirements	2	MO	44,000.00	$88,000		
DIVISION 2: SITEWORK					$189,578	$6.25
Demolition of (e) AC Pavement	890	SF	4.00	$3,560		
Grinding of (e) AC Pavement	13350	SF	0.00	$0		
Demolition of (e) Sidewalks	5,340	SF	4.00	$21,360		
Demolition of (e) Landscaping	5,340	SF	2.00	$10,680		
Demolition of (e) Site Hardscape	1,520	SF	4.00	$6,080		
Clear & Grubb of (e) Site	5,600	SF	3.00	$16,800		
Erosion Control	15,158	SF	1.00	$15,158		
Engineered Traffic Control	1	LS	35,000.00	$35,000		
Rough Grading	10,680	SF	0.85	$9,078		
Finish Grading	10,680	SF	0.65	$6,942		
AC Pavement - new section	3,560	SF	6.50	$23,140		
AC Pavement - overlay	3,560	SF		$0		
Striping & Signage	3,560	SF	0.50	$1,780		
Utility Tie-In - water	1	LS	10,000.00	$10,000		
Utility Tie-In - storm	1	LS	10,000.00	$10,000		
Utility Tie-In - sewer	1	LS	10,000.00	$10,000		
Utility Tie-In - gas	1	LS	10,000.00	$10,000		
Storm Drain Inlet - demolish & relocate existing		EA	6,000.00	$0		
Storm Drain Inlet - install new		EA	4,800.00	$0		
Manhole Relocation - storm		EA	12,000.00	$0		
Manhole Relocation - water		EA	12,000.00	$0		
Relocate (e) Fire Hydrant		EA	5,500.00	$0		
Landscaping & irrigation		SF		$0		
DIVISION 3: CONCRETE					$102,406	$3.38
Curb & Gutter	878	LF	$27.00	$23,706		
City Sidewalk	5,340	SF	$10.00	$53,400		
ADA Ramp @ Crosswalk	1	EA	$6,300.00	$6,300		
Drive Approaches	2	EA	$9,500.00	$19,000		
DIVISION 4: MASONRY					$0	$0.00
not used	0	EA	0.00	$0		
DIVISION 5: METALS					$0	$0.00
not used	0	EA	0.00	$0		
DIVISION 6: WOOD AND PLASTICS					$0	$0.00
not used	0	EA	0.00	$0		
DIVISION 9: FINISHES					$0	$0.00
not used	0	EA	0.00	$0		
DIVISION 13: SPECIAL CONSTRUCTION					$0	$0.00
not used	0	EA	0.00	$0		
DIVISION 15: MECHANICAL					$0	$0.00
not used	0	EA	0.00	$0		
DIVISION 16: ELECTRICAL					$0	$0.00
New Lighting/Relocation of (e)		LS	35,000.00	$0		
Dry Utilities - allowance		LS		$0		
Traffic Signal Work - relocate (e) - NIC	0	EA	0.00	$0		
SUB TOTAL				**$379,984**	**$379,984**	**$12.53**
CONTINGENCY	10.00%			$37,998		
GENERAL LIABILITY INSURANCE	1.33%			$5,672		
CONTRACTORS FEE	7.00%			$29,649		
TOTAL				**$453,202**		
BOND	1.00%			$4,532		
TOTAL w/BOND				**$457,734**		
SITE WORK COST PER SQUARE FOOT				$15.10		

PROPOSED

PARKING at Point East	#
STANDARD	125
COMPACT	14
HANDICAP	6
STREET	6
TOTAL PROVIDED	**151**

PARKING REQUIREMENT	#
HOTEL = 89 ROOMS	89
EVENT SPACE = 4190 S.F.	133
SUBtotal	222
LESS VARIANCE - 30%	67
TOTAL REQUIRED	**156**

PARKING w/ Fire Rock	#
STANDARD	125
COMPACT	14
HANDICAP	6
STREET	6
FIRE ROCK	63
TOTAL PROVIDED	**214**

PARKING REQUIREMENT	#
HOTEL = 89 ROOMS	89
EVENT SPACE = 4190 S.F.	140
FIRE ROCK RESTAURANT = 200 SEATS	67
SUBtotal	295
LESS VARIANCE - 30%	89
TOTAL REQUIRED	**207**