Economic Development and Business Plan
For the Roseville Community Development Corporation

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I. EXECUTIVE SUMMARY

Since the development of the Downtown Revitalization strategy in 1999 the City of Roseville’s Redevelopment Agency has facilitated an investment of $80 million dollars of improvements to the Downtown. The Downtown area is the four districts in the revitalization plan, consisting of Atlantic Street, Vernon Street the Historic Old Town and Riverside Avenue. This investment has positioned the area for additional revitalization opportunities as outlined by the Downtown Specific Plan. This long-term policy document has identified another $120 million in Capital Improvement Projects to be constructed in order to further implement the vision Downtown. These future projects were to be constructed mainly through the acquisition of a series of future Redevelopment Agency (Agency) bond funds.

There is also an interest by the community and the Council to insure that areas outside of the Redevelopment Plan Area retain their economic vitality. Areas such as; the Harding Blvd., Douglas Blvd. and Sunrise Avenue are key commercial areas and entries into the community but are starting to age. Unlike the Redevelopment Plan Area, these areas do not have tax increment funds to address aging infrastructure or to fund streetscape enhancement projects. Their improvement is reliant solely on the General Fund, utility re-habilitation funds, outside grants and private investment.

In order to accomplish the Economic Development goals included in the Economic Development Strategy for the City, the Downtown Specific Plan and the Riverside Specific Plan the City can no rely on the Redevelopment Agency as a funding mechanism for the two Specific Plans or the redevelopment area. On December 29, 2011, the California Supreme Court upheld AB1X-26, which dissolves all of the redevelopment agencies in California, and struck down AB1X-27. By upholding ABX1-26 which abolished redevelopment agencies, but striking down the companion legislation that would have allowed agencies to survive if they contributed money to the State, the 400 Redevelopment Agencies throughout the State of California, including Roseville’s Agency, will be forced to dissolve their operations by February 1, 2012.

To achieve the Council and community’s economic development and revitalization goals the City formed the Roseville Community Development Corporation (RCDC). This approach is not unique to Roseville, but is a concept that has been utilized by communities throughout the nation to improve their communities.

CDC’s are non-profit, community based organizations that secure private and public capital through development of both residential and commercial property. Additionally, these organizations undertake Economic Development efforts and offer programs which benefit the community. The types of projects and activities include: developing affordable housing; redeveloping properties to create mixed use, commercial and office projects; economic development and social programs; providing on-going property management; and in some instances, taking on certain City services that promote economic development within the communities they serve. In order to achieve the Council and community’s economic development and revitalization goals, a Community Development Corporation (CDC) was approved for formation by the Roseville City Council on October 20, 2010.
There are multiple mechanisms available to fund a CDC. In review of the other jurisdictions and how they have approached funding their associated non-profits, it is clear that each CDC can be uniquely crafted to take advantage of multiple funding sources. These sources include, but are not limited to:

- General Fund subsidies or contracts for work performed;
- Special Revenue Funds (Enterprise Zones; Housing and Community Development contracts (HCD), Federal Grants, etc….)
- Tax Credits;
- Enterprise Loans;
- Income and Asset Management; and,
- Gifts and Bequest.

In the formation of Roseville’s CDC, the Redevelopment Agency extended an initial $5 million dollar start-up loan to be paid back in a 20 year timeframe. The loan was funded through Strategic Improvement Funds and, as they were issued through the Agency, the work program has been limited to improvements within the former Redevelopment Plan Area.

The Roseville Community Development Corporation (RCDC) is in a unique position to take the lead on: implementing the City’s Economic Development Strategy; providing affordable housing; bringing to fruition the vision outlined in the City of Roseville’s Downtown Specific Plan; and encouraging investment in Roseville’s older neighborhoods. This reinvestment will further strengthen Roseville’s position as a top destination for businesses, residents and visitors in the region and Northern California.

The RCDC will be a partner and/or facilitate economic development through financing programs, marketing, partnership development, recruitment and retention activities and implementing the development projects, both new construction and reuse. Initially focused on downtown, it will now expand to other areas within the community. The Corporation will work with public and private sector developers, property owners, banking and lending institutions, real estate brokers, regional, state and federal grant programs for the purpose of enhancing Roseville, benefitting businesses, residents and visitors.

This updated business plan has been generated in order to provide the current and future goals, structure, operating parameters and existing budget for the RCDC. The Board of Directors have approved the initial economic development and business plan as presented to them in the initial formation meetings (March-April 2011). Their review also contained a specific work program for FY 2012 that is currently being implemented. This updated economic development and business plan has been provided to address the loss of the Redevelopment Agency as the entity that has extended the financing for the start-up capital. Additionally, it recognizes that in the Fiscal Year 2013 Corporate Budget, the role of the RCDC will potentially be expanded to include implementing:

- Citywide Economic Development Efforts;
- Citywide Revitalization tasks; and,
- Implementing Affordable Housing programs.

Expansion of these program areas and approval of this economic development and business plan are subject to future City and Board approvals. This document has been provided to provide an overall approach to delivering these programs and services for the City of Roseville.
II. COMPANY OVERVIEW

The RCDC will primarily focus on improving the investment, physical and economic environment for Downtown Roseville and the entire community. This will be accomplished through real estate development, financing programs and economic development activities. The overall mission for the Corporation is as follows:

Mission:

“The Roseville Community Development Corporation is a community based non profit business focused on physical, economic and educational development throughout the community resulting in expanded employment, economic prosperity and housing opportunities for all.”

A. Major Tasks:

Within a 26 month period (November 1, 2010 to January 1, 2013) the RCDC will complete the following:

- **Operations**: Complete the following necessary tasks to form the corporation and develop an operating structure:
  - Incorporate as a 501(c)(3)
  - Create a board of directors;
  - Develop a work program/business plan and initial budget;
  - Obtain start-up funding;
  - Establish staffing and operations, e.g. insurance, payroll, tax filings, bank accounts, etc.; and,
  - Establish annual audits and bookkeeping.

- **Development**: A Development Division will be established. This division will be staffed by a combination of RCDC staff and employees of the City of Roseville, as contracted through an approved operating agreement. The goal for this division is to have two development projects (new construction and/or reuse) under construction. Tasks associated with this will include: securing funding, land acquisition, completing entitlements, obtaining building permits, bid and awarding the projects and initiating construction.

- **Economic Development**: Upon development of a new 5 year Economic Development Strategy by the City, the RCDC will assist in implementation items related to recruitment and retention of new businesses within the community and downtown. The corporation will also assume any other duties related to economic development that the City requires assistance with and contracts out to the Corporation.

- **Housing Programs**: The Corporation will provide the City with support of the Housing Authority, Low and Moderate Housing monitoring obligations, implementation of Community Block Grant funding and other affordable housing related activities that the City requires assistance with and contracts out to the Corporation.
B. **Company Goals and Objectives:**

**Goal 1** - Seek to partner with privately owned companies as well as other non-profits that have the knowledge and experience to bring various types of financial resources together to develop projects in infill areas.

**Goal 2** – Promote vertical development in Downtown Roseville, through the real estate development process.

**Goal 3** – When applicable and associated with a development project, will develop public infrastructure required to support the project.

**Goal 4** – Provide economic assistance to desired uses when in conformance with the City’s Economic Development strategy, and funded through public monies or grants.

**Goal 5** – Look at existing properties for re-use/re-hab opportunities and acquire, upgrade and lease at a competitive rate.

**Goal 6** – Each project will provide a positive return on investment. The rate of return will be identified for each project independently.

**Goal 7** – Provide housing assistance programs, monitoring and implementation when in conformance with the City’s Housing element and goals, and funded through public monies or grants.

C. **Business Philosophy:**

In all situations, act with integrity, honesty and fairness.

Strive to provide the Roseville community with a return on investment that results in:

- Return of Agency/City funded capital through agreed upon loan terms between the City and the Corporation, and repaid with interest;
- Elevated property values generating greater property tax revenues that can be utilized for re-investment in the community;
- Creating an investment environment that expands existing businesses and creates new businesses and jobs;
- Increased sales tax and potential bed tax revenues; and,
- Physical improvements to under performing and in some cases, blighted properties, enhancing the overall environment of Downtown and the community.

Work with partners that have the same ethical and organizational goals in mind, that match the tenets of the mission.
D. **Who is the customer?**

**Customer 1** – The Roseville Community as initial investors.

**Customer 2** - Developers that are looking for a partnership in a real estate venture. Additional private parties will be the land owners and businesses that also are looking to develop or participate in a real estate investment/development project.

**Customer 3** - Businesses located within the community and future businesses that will be drawn to the area, and may lease commercial space controlled by the Corporation, or its partners.

**Customer 4** – Future residents and potential occupants of any residential projects controlled by the Corporation, or its partners.

E. **Current Industry findings**

In today’s economic climate, developers are seeking projects that achieve investment goals with minimal risk. The RCDC will provide opportunities for investors by bringing together various sources of funding and other incentives, such as tax credits, to reduce the risk otherwise associated with infill development. Additionally, the RCDC has the capabilities as a non-profit to partner with various financial institutions and provide favorable financing terms or packaged financing that is difficult to obtain in the current market.

III. **PRODUCTS AND SERVICES**

A. **Products**

The initial products of the Corporation have been summarized in the Major Tasks portion of this document. The products provided by the Corporation will be focused on the Operational start-up of the company, commencing construction of two development projects within a two year timeframe and participating in economic development related activities, as identified in an updated Citywide 5 year strategy. The products and expected outcomes are identified below:

- **Operations:** Complete the following necessary tasks to form the corporation and develop an operating structure (November 1, 2010 to January 1, 2013):
  - Incorporate as a 501(c)(3)
  - Create a board of directors;
  - Develop a work program/business plan and initial budget;
  - Obtain start-up funding;
  - Establish staffing and operations, e.g. insurance, payroll, tax filings, bank accounts, etc.:
  - Establish annual audits and bookkeeping, and,
  - Develop meeting procedures and minutes
• **Development Products:** The following products are anticipated to be completed over the period extending from November 1, 2010 to January 1, 2013:
  ✓ Identify forms of funding;
  ✓ Secure initial development capital;
  ✓ Perform site assessment and opportunities study;
  ✓ Complete a market analysis to support real estate investment strategy;
  ✓ Identify potential partners. Solicit and form partnerships if warranted and justified.
  ✓ Secure funding;
  ✓ As the Corporation or in partnership; obtain property, complete entitlements, develop working drawings, receive building permit, bid project and start construction.
  ✓ Complete building tenanting and begin collecting rental income.

• **Economic Development Products:** The following products are anticipated to be completed over the period extending from November 1, 2010 to January 1, 2013:
  ✓ In conjunction with the City’s Economic Development Division, host Downtown Developer Recruitment event; and,
  ✓ Assist with development of the 5 year Economic Development Strategy and implement action items where feasible.

**A.1 Added Products – March 2012**

With the elimination of Redevelopment Agencies throughout the State of California, the RCDC is positioning itself to assume new and added services. These services are typically associated with past City services or functions that the Redevelopment Agency has provided in the past:

• **Development Products:** The following development related products and services are being offered to the City as part of the on-going work program, should the City choose to contract with the RCDC:
  ✓ Management of City real estate assets;
  ✓ Developing City owned catalyst properties in the Downtown, specifically the 316 Vernon Street and the Oak Street Parking lots;
  ✓ Commercial Loans – Once a funding source has been developed;
  ✓ Downtown Façade rebate program – Once a funding source has been developed; and,
  ✓ Downtown Sign rebate program – Once a funding source has been developed.

• **Housing Products:** The following housing related products and services are being offered to the City as part of the on-going work program, should the City choose to contract with the RCDC:
  ✓ Implement the Housing Choice Voucher rental assistance program, through the Housing Authority when federal funding is available;
  ✓ Provide financing programs for first time home buyers when funding is available;
  ✓ Monitor the City’s Affordable Housing;
  ✓ Promote opportunities to partner in the development of affordable rental housing; and,
  ✓ Oversee the Community Development Block Grant funds for low income neighborhoods.
B. Competitive Advantages

As part of the RCDC’s business strategy there are several competitive advantages that are inherent to this unique structure. These are summarized as follows:

- RCDC staff has a very strong knowledge base regarding the challenges of development in the area.
- Structure of the RCDC provides a working group of real estate, finance and development professionals that sit on the Board of Directors. These individuals will be able to provide their knowledge and contacts to the benefit of the Corporation, facilitating development interest downtown.
- RCDC will be capable of utilizing relationships with property owners to move projects forward.
- The relationship between the City operations and RCDC will facilitate rapid resolution to common issues that occur during the development process.
- The RCDC will be able to tap into a variety of funding resources that become available to a non-profit, and are not available to for profit development companies.
- Initially, the RCDC will use existing qualified staff to implement the Housing activities associated with the business model.

C. Competition

Evaluating the competition for the products that the RCDC is looking to provide, is an interesting challenge. This challenge is created mainly because the competition can also function as a partner. As part of the development process the RCDC can act as a stand alone developer, a development partner and a lending entity. Acting in these roles or capacities the following competitors have been identified:

- Developers (both for-profit and non-profit);
- Banks and Financial Institutions; and,
- Property Owners looking to lease space.

These are the same business entities that the RCDC would look to partner with in order to develop properties.

The most competitive situation will be when the CDC is the master developer on a project and has not partnered with any other institution other than a lender. In this case, the RCDC will be competing directly with the development community to acquire land, funding, a low rate of construction cost and provide competitive lease rates that will encourage the occupancy of the development. In the role of the developer, the RCDC will also be competing with property owners who are looking to lease space to the open market.

While acting as the sole developer, or developer partner, the RCDC will have an advantage when applying for Tax Credits. As a CDC that partners with a Community Development Entity (CDE) the Treasury will allocate tax credits directly to this entity. This provides the ability for the RCDC to solicit interest directly from Limited Liability Entities (LLE’s) that are comprised of Tax Investors and Banks that are looking to leverage funds. The use of these funds are limited to areas that are census tract qualified, having a population that is consists of 20 percent low income residents. Currently, the Downtown area is the area in Roseville that meets this criteria.
The other distinguishing attribute that provides the RCDC with a competitive advantage is the knowledge of the City’s processes. Staff on the RCDC has been working in or affiliated with the Downtown for a number of years. They are well aware of the challenges and issues that may stymie other developers from moving forward on a project. These challenges can be identified as infrastructure, entitlement, plan check process and property owner negotiations. By combining this experience with working capital and on-going revenue resources the RCDC enjoys a distinct competitive advantage.

D. Market Niche

Through the formation of partnerships with developers, lenders and other financial institutions, the RCDC will be able to facilitate early development of commercial, mixed use and residential real estate development projects. The RCDC will provide unique knowledge, resources and funding that is not available to other for profit or non-profit development companies.

E. Marketing Strategy

In concert with the City’s Economic Development Strategy, create excitement about the RCDC in the development, finance and real estate sectors. This will be accomplished through:

- Develop branding and icon or logo identifying RCDC;
- Development of a RCDC promotional video;
- Direct mailing to multiple development contacts generated through various trade organizations;
- Hold a recruitment event that markets the RCDC, Downtown Roseville and available development sites to developers and real estate professionals;
- Provide on-going “Downtown tours” to potential developers and businesses for available properties;
- Contact key property owners to discuss partnership opportunities;
- If appropriate, use a Notice of Funding approach to generate interest from other potential development partners;
- Create a Web page advertising the benefits and potential investment opportunities with the RCDC;
- Create a link to the City’s Web page to advertise the partnership opportunities with the RCDC; and,
- Network with Lenders and Finance companies.
IV. MANAGEMENT AND ORGANIZATION

A. Structural Organization

The basic components of the corporation are as follows:

- A non-profit 501(c)(3) that acts to implement the revitalization and economic goals of the City;
- It consists of a 5 member board from the community, with development, financing and/or business operations related experience;
- The board is to be appointed by the City Council;
- The board acts as a separate entity from the City;
- Responsibilities of the board include; operations and management, approving the annual budget of the CDC and developing implementation strategies consistent with the City’s goals;
- Initially, the City Manager is responsible for appointing a Chief Executive Officer. Following this initial appointment, future appointments of the Chief Executive Officer shall be made by the Board and solidified through an employment contract;
- The Chief Executive Officer is responsible for overseeing all operational aspects of the corporation; and,
- Chief Executive Officer will hire a Chief Financial Officer and other staff as deemed necessary.
- Per the Operating agreement with the City of Roseville, the City Manager has the ability to assign staff to the Corporation. This mutual support and coordination is subject to the approval of an annual budget and is at the City’s sole discretion.
The initial functional organization chart would reflect the following:
On a longer term basis the activities of the RCDC would potentially expand to include:

- The CDC will function as a private development corporation having the ability to:
  - Secure funding from private and public sources including equity, debt, grants,
  - Acquire land and other assets,
  - Construct commercial and residential buildings and other improvements,
  - Own and manage real estate assets; and,
  - Have the authority to form legal partnerships with private and public entities.

Other items that are non-structural but are critical to the overall success of the corporation include:
B. Initial Staffing and Positions

The RCDC would initially utilize existing City and Agency staff to accomplish its goals. The intent is to minimize the start-up and operating costs for the Corporation and maximize funds that have been allocated or loaned to the Corporation by the Redevelopment Agency. The initial appointment of staff will be made by the City Manager. The City Manager has selected the following positions within the City and Redevelopment Agency’s structure to be appointed to this Corporation, in the following roles:

Chief Executive Officer (CEO), John Sprague – The CEO of the Corporation is expected to perform the following duties: Supervise and conduct the activities and operations of the corporation, keep the Board fully informed, consult with the Board concerning the activities of the corporation and that all orders and resolutions of the Board are carried into effect. The CEO is empowered to act, speak for, or otherwise represent the Corporation between meetings of the Board. The CEO is responsible for the hiring and firing of all personnel, including, but not limited to, a Chief Financial Officer (“CFO”), and is responsible for keeping the Board informed at all times of staff performance and implementing any personnel policies adopted by the Board. The CEO shall be authorized to contract, receive, deposit, disburse, and account for funds of the corporation; to execute in the name of the corporation all contracts and other documents authorized either generally or specifically by the Board to be executed by the corporation; and to negotiate all material business transactions of the corporation.

John Sprague has been named to this position by the City Manager. John is uniquely qualified for this position. A CSU Long Beach Alumni, John has over 30 years experience managing housing, redevelopment and economic development programs. He began working for the City of Roseville in 1980, managing the City’s Housing Authority, Redevelopment Agency, and housing programs. Presently serving as the Assistant City Manager of Operations, John oversees management of the City’s Development Departments; Electric, Public Works, Environmental Utilities and Planning & Redevelopment.

As the RCDC CEO, he will spend half of his time as the Chief Executive Officer of the Corporation, but is also responsible for overseeing the Economic Development Division. This division will operate outside of the RCDC and be fully funded through the City’s General Fund. The remaining portion of his time as the CEO will be funded through the operating budget of the Corporation.

ACCOMPLISHMENTS:

- Adoption and implementation of the City of Roseville’s Redevelopment Plan, 1989;
- Establishment and implementation of the City of Roseville’s Affordable Housing Strategy, 1988;
- Establishment and implementation of the City of Roseville’s Neighborhood Renovation Program, 1994;
- Development of rental and purchase housing affordable to low and middle income households;
- Expansion of the City of Roseville Housing Authority;
- Negotiated agreement with Union Pacific Railroad relating to reconstruction of Roseville Rail Yard; and
- Establishment and implementation of the City of Roseville’s Central Roseville Revitalization Strategy.
Vice President of Development/Operations, Kevin Payne – The Vice President of Development/Operations is responsible for: Collaborating with the CEO to develop and implement the RCDC’s financial strategy; Actively work with the CEO to develop and implement a comprehensive development strategy to include corporate, foundation, government grants, etc…; Have the primary responsibility for development and execution of all proposals; Plan, develop and oversee the work of staff involved in development activities, including development and administration of current or potential projects, land acquisitions, capital improvement projects, and marketing; Evaluate operations and activities of the development section; determine section priorities; implement improvements and modifications; prepare various reports on operations and activities; Work with developers, consultants, and the business community to identify and develop programs and projects to revitalize and enhance facilities and properties; evaluate and make recommendations regarding development concepts and proposals of projects.

Kevin Payne has been selected to the position of Vice President of Development. Kevin is currently the City’s Assistant Planning and Redevelopment Director. Kevin, a graduate of Stanford University, has worked in the land development field in both the public and private sectors since 1987. He has worked for the City of Roseville for the past 10 years as the Assistant Director of Planning and Redevelopment. Kevin is also responsible for the past management and oversight of the Roseville Redevelopment Agency and is the Agency’s Redevelopment Manager.

ACCOMPLISHMENTS:

- Successfully negotiated the purchase of the United States Postal Service property acquisition, 2010;
- Coordinated a commercial loan agreement insuring the preservation of the International Order of Oddfellows building, the oldest structure in the community, insuring its preservation, 2009;
- Developed and authored the award winning Downtown Specific Plan and Downtown Code, a four year project that included 20 public forums and the coordination of a 26 member steering committee, 2009;
- Completion of the Riverside Gateway Specific Plan, the City’s first infill Specific Plan and provided oversight for the construction of the recently completed 10 million dollar streetscape and infrastructure project;
- As the Planning Manager for the Del Webb Corporation provided the following services for Sun City Roseville, Sun City Lincoln Hills and Clover Springs projects:
  - Assisted in the property acquisition and site selection process;
  - Coordinated various items associated with property due diligence;
  - Managed multiple consultants and land development team members in gaining project support and approval of the entitlements; and,
  - Acted as the Developer representative for the Community Association.

Chief Financial Officer (CFO), To be determined – This position will be a contract employee to the Corporation. The duties performed will include, but are not limited to; Maintaining adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and other matters customarily included in financial statements. The CFO shall deposit all moneys and other valuables in the name and to the credit of the Corporation in a financial institution designated by the board. CFO will be responsible for the oversight of all financial records and maintaining them in a condition that is available for audit and review purposes by the Board, the CEO and the City.
Administrative Assistant, Lonnye Heple – Lonnye Heple is an 18 year employee with the City of Roseville. She has experience in working for a variety of departments within the organization and has supported the Community Development Director and Assistant City Manager positions for the past 12 years. In her role, she supports the Board in the form of generating meeting minutes, agendas and coordinating meeting materials. She also provides direct support for the CEO and VP in their normal course of duties. Her work functions also include assisting in budget development, banking and payment request activities associated with the daily operations of the Corporation.

Financial Analyst II, Melissa Hagan – Melissa is a City of Roseville employee who has worked in both the private and public sector bookkeeping and accounting field. Melissa is instrumental in developing and monitoring the Corporation’s budget, financial balance sheet, profit and loss statements and reporting the financial condition to the Board on a monthly basis.

Administrative Analyst II, Bill Aiken – Bill is a long-term City employee who has experience in both purchasing, contracts and land acquisitions. Bill has been an a project manager for capital improvement projects constructed by the past Redevelopment Agency, and he has played a significant role in coordinating different aspects of the land acquisitions that were undertaken by the Agency.

C. Professional and Advisory Support

Board of Directors: Seated March 10, 2011

- **Chairman** - Howard Rudd, owner of Integral Financial Management, was appointed to serve a four year term. Rudd worked for Pacific Bell for 27 years was involved with housing and office forecasting, land development issues and governmental relations. He is currently the District 1 Trustee to the Sierra College Governing Board and serves on Placer County’s Local Agency Formation Commission.

- **Secretary/Treasurer** - John Norman, Northern California chief operating officer for Brookfield Homes & Brookfield Land, will serve a two year term. Norman has 32 years of experience in land development related to residential, commercial, office and industrial real estate ventures. He is also a registered civil engineer.

- **Director** - Mark Lund, Community 1st Bank’s past president and chief executive officer, will serve a three year term. Lund has been in the banking business since 1973. In 2005, Lund began organizing Community 1st Bank; the following year the process was complete. He has served on a number of civic boards in Auburn and Nevada County.

- **Director** - Ed Benoit, principal and general manager for TRI Commercial, will serve a two year term. Benoit has 13 years experience in owning, developing and managing real estate. He has developed more than 300 residential lots and a small retail center.

- **Director** - Nick Alexander, president of NG Alexander Real Estate Development LLC, was appointed to a three year term. Alexander has been responsible for securing governmental entitlements, building permits, development management for many projects in Roseville-Folsom and the South Placer County region. He is currently working on the Sierra Vista Specific Plan. He also served on the City’s Parks and Recreation Commission.
V. Funding and Capitalization

A. Start-up Capital

The RCDC required initial start-up capital through which it is developing on going revenue sources. This initial start-up capital was provided by the City’s Strategic Improvement Fund through a loan to the Redevelopment Agency, which in turn loaned the start-up capital to the RCDC. Use of the City’s Strategic Improvement Fund is appropriate and consistent with the City’s broad powers to promote the health, safety, and general welfare (including economic development) of the community. Formation of the RCDC and funding to support the activities under the business plan is estimated at $5 million dollars. As stated above, this initial capital was provided to the RCDC.
from the Redevelopment Agency as a loan. With the dissolution of the Redevelopment Agency on February 1, 2012, the remaining loan funds have been transferred back to the City of Roseville (approximately $1.5 million)

As part of an Operating Agreement with the Agency the RCDC is subject to the following loan terms for these funds:

- Redevelopment Agency Loan for a maximum of $5,000,000 with an actual drawdown of $3,481,000 as of March 1, 2012.
  - **Term:** 20 years with no payments for the first 10 years;
  - **Repayment:** After the initial 10 years, RCDC has a 10 year term to repay both the principal and the accrued interest. Payments to be made annually;
  - **Interest:** City’s pooled investment rate plus 1%, reset every 5 years; and
  - **Purpose:** Is to assist in the establishment of the RCDC and to have two development projects under construction by January 1, 2013 and to fulfill the other economic development activities the City has chosen the RCDC to complete.

Due to the circumstances associated with the Redevelopment Agency, the Corporation will be working with the City to establish a similar agreement for the remaining $1,519,000.

### B. Initial Staffing Costs

The RCDC will utilize existing City and Agency staff to accomplish its initial goals. These positions still have responsibilities associated with General Fund activities. As an example, the Assistant City Manager position will spend half of its time overseeing the Economic Development Division that will operate outside of the RCDC and be fully funded through the City’s General Fund. Additionally, the VP of Development/Operations (Assistant Planning and Redevelopment Director) will continue to provide oversight of the Planning related matters within the downtown and other past services that were provide by the redevelopment agency that are now General Fund obligations.

The business plan identifies the initial staffing structure related to the proposed tasks to be performed. As proposed the staffing and funding structure will be as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>FTE Assignment</th>
<th>CDC Working Capital % Funding</th>
<th>City/Other % Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant City Manager</td>
<td>0.5</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>(Chief Exec. Officer)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assist. Dir.</td>
<td>0.5</td>
<td>0%</td>
<td>100% *</td>
</tr>
<tr>
<td>(VP Development)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admin. Assistant</td>
<td>0.5</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Operations Consultant</td>
<td>0</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>(CFO - Contract)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal Counsel</td>
<td>0</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>(Contract)</td>
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<td></td>
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</tr>
</tbody>
</table>

Per the operating agreement, City will fund personnel costs for assigned staff working on projects within that support the economic development goals of the community. This work assignment will be provided as they are activities that still fulfill the objectives of the City on both economic development items and revitalization efforts. The overall personnel costs associated with these activities/actions are included in the attached operating budget.
C. **On-going Revenues**

The RCDC will rely on a variety of funding sources. After receiving the initial start-up capital from the Agency, the following funding resources will be the necessary to promote the on-going mission of the organization:

- **Special Revenue Funds** – Federal, state and local grants/loans.
- **Tax Credits** - Extension of loans to qualified businesses or development of workforce housing allowing tax credits to be sold, and fund projects.
- **Income and Asset Management** – Funding that is secured based on a return for projects that are developed, sold or managed.
- **Gifts and Bequest** – As a non-profit, tax benefits become available to individuals/corporations that are looking to lower their tax liability.
- **Enterprise Funds** - Funds generated by such operations as parking revenues could be utilized to provide an on-going funding resource for parking or pedestrian improvements within the Downtown and greater community. Funding from community signage, directed towards facilitating greater marketing of resources and activities within the community could also be utilized to provide funding.
- **Redevelopment Tax Increment Funds** – When available, could be utilized to fund staffing and capital projects as directed by the Agency; and,
- **General Funds** – General funds that would be considered as a loan to the corporation that would obligate repayment with an agreed upon return could include; Strategic Improvement Funds, a percentage increase in the TOT, assignment of a portion of the Community Benefit Fee and leveraging future development for payment of Capital Improvement Projects. Returns on these investments could be in the form of increased TOT, sales tax, property tax or agreed upon interest rate. Any of these funds would need to be in the form of a loan or contract services payments to the RCDC.

### VI. FY11-12 Work Program

As part of the normal course of business, the RCDC Board adopted a Work Program for FY 11-12. A copy of this work program is attached as Attachment 1.

### VII. FY 11-12 Budget

The original FY2011-12 was adopted by the Board on June 9, 2011 and was prepared with the idea that the Corporation’s Budget would be generating income primarily from real estate financing and commercial lending thus earning income from service fees and loan interest. As a credit analysis was completed the Board decided that the lending component would be restricted, at this time, to a traditional hard money lender application. Therefore, the return on financing activities for FY 2011-12 is no longer a viable component of our revenues for this fiscal year.

Additionally, the primary actions that the board has taken this fiscal year include the acquisition of two properties on Vernon Street and providing a real estate based loan to “238 Vernon Street”. These actions were both taken in order to act on the current opportunities in the market, and the ability to forward a key goal of the City by bringing a restaurant/entertainment venue to downtown. While the original budget anticipated the property acquisitions and the formation of real estate partnerships, it did not reflect the level of strategic actions that have been taken, to date.
As noted, the work program has shifted slightly since the start of the fiscal year and anticipated sources of income will most likely be realized in a subsequent fiscal year. They are therefore being adjusted from this year’s budget. Likewise, the corresponding expenditures related to that work program will be adjusted from this budget as well to better reflect the current direction the Corporation is taking related to property acquisition and commercial loan financing.

The adopted budget total revenues of $4,396,529 included proceeds from a loan from the City of Roseville in the amount of $3,123,529. The expenditures also totaled $4,396,529 thus creating a balanced budget. Due to changes in the work program of the Corporation for this fiscal year, the proposed net changes are as follows:

<table>
<thead>
<tr>
<th>Net Changes Adopted to Revised Budget</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Increases (RDA Loan)</td>
<td>$250,000</td>
</tr>
<tr>
<td>Revenue Reductions</td>
<td>(1,166,212)</td>
</tr>
<tr>
<td><strong>Net Revenue Reduction</strong></td>
<td><strong>($916,212)</strong></td>
</tr>
<tr>
<td>Expenditures Increases</td>
<td>1,093,436</td>
</tr>
<tr>
<td>Expenditures Reductions</td>
<td>(2,059,130)</td>
</tr>
<tr>
<td><strong>Net Reduction in Expenditures</strong></td>
<td><strong>($965,694)</strong></td>
</tr>
<tr>
<td>Surplus After Budget Adjustment</td>
<td>$49,482</td>
</tr>
</tbody>
</table>

The following provides a brief summary of the core expenditures that have impacted the budget as of March 1, 2012 and the funds required in order to continue to move forward with the Corporation’s work program for this year.

**Current Expenditures YTD (1/31/2012):**
- Expenditures including legal fees related to the property acquisition agreements, project development and management agreements and the formation of the two LLCs;
- Costs of the property purchased on behalf of 240 Vernon Street LLC and 242-246 Vernon Street LLC; and,
- Costs associated with the extension of a loan to “238 Vernon Street”. The cost of this commercial loan of $1,512,500 is offset by the original budget for Real Estate Partnerships and the EQ-2 Loan program that totaled $3,000,000.

**Revised Budget FY2011-12:**
- Other minor increases in operating costs will be offset by expenditure decreases in Program, Management & General Expenses, Investment and Debt Service line items.
- Tenant improvements are estimated to be approximately $250,000 for the 240 Vernon Street and 242-246 Vernon Street properties. These costs were not anticipated as part of the original budget. The cost of the properties and the improvements will be reimbursed back to the Corporation in the future, however in order to fund the cost of the tenant improvements, an additional draw of $250,000 from the City loan will be required. This draw, although approved with this action, will not be made until the improvements are underway and will leave $1,280,951 from the original $5,000,000 loan.

The Board has approved a set of Midyear Budget Adjustments and the budget has been updated to reflect these adjustments. This is represented in the budget presented below. By approving these adjustments, the Corporation will move forward with a balanced budget and secure
additional funding to complete anticipated improvements to the properties located at 240 and 242-
246 Vernon Street, a prime objective for the remainder of FY 2012.
## Revised Midyear Budget

<table>
<thead>
<tr>
<th>Income</th>
<th>Revised Budget FY2011-12</th>
<th>Year to Date Expenditures 1/31/2012</th>
<th>Variance Favorable (Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Proceeds - RDA</td>
<td>3,481,000</td>
<td>3,231,000.00</td>
<td>$3,481,000.00</td>
</tr>
<tr>
<td>Loan Proceeds - Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43450 · Indiv, Business Contributions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46440 · Federal and State Grants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46510 · Commercial Loan Fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46520 · Commercial Loan Interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Loan Principal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INCOME &amp; LOAN PROCEEDS</strong></td>
<td><strong>3,481,000</strong></td>
<td><strong>$3,231,000</strong></td>
<td>$3,481,000</td>
</tr>
</tbody>
</table>

| Expense                         |                          |                                     |                                  |
| 60920 · Business Reg / Filing Fees |                          | 0                                   | 0.00                             |
| 60950 · Lunch Meetings          | 800                      | 696.21                              | 103.79                           |
| 62110 · Accounting/Bookkeeping Fees | 400                    | 387.50                              | 12.50                            |
| 62140 · Legal Fees              | 151,000                  | 87,954.94                           | 63,045.06                        |
| 62180 · Contract Administrative Asst | 21,333               | 15,931.43                           | 5,401.07                        |
| 62182 · Contract Admin Asst - Benefits | 18,918           | 7,550.18                            | 11,367.32                        |
| 62190 · Contract Chief Exec Officer | 60,744                | 45,814.13                           | 14,929.87                        |
| 62192 · Contract CEO - Benefits | 55,179                  | 21,807.39                           | 33,371.61                        |
| 65010 · Books, Subscriptions, Reference | 150                   | 0.00                                | 150.00                           |
| 65020 · Postage, Mailing Service | 1,500                  | 839.52                              | 660.48                           |
| 65040 · Office Supplies         | 200                      | 123.25                              | 76.75                            |
| 65080 · Auto                    | 0                        | 0.00                                | 0.00                             |
| 65120 · Insurance - Liability, D and O | 0              | 0.00                                | 0.00                             |
| 65130 · Bank Service Charges    | 165                      | 95.00                               | 70.00                            |
| 65150 · Software                | 800                      | 799.96                              | 0.04                             |
| 65170 · Indirect Costs-City of Rosevill | 18,150               | 10,565.99                           | 7,584.01                         |
| 68330 · Board Meeting Expense   | 600                      | 337.60                              | 262.40                           |
| 65090 · Web Site Development/Mainten | 60                    | 53.88                               | 6.12                             |
| 67010 · Marketing & Advertising | 0                        | 0.00                                | 0.00                             |
| 67020 · Printing and Reproduction | 150                   | 100.23                              | 49.77                            |
| 67040 · Business Development    | 0                        | 0.00                                | 0.00                             |
| 67050 · Professional Svs-Real Esta | 8,000                 | 7,703.75                            | 296.25                           |
| 67060 · Professional Svs-Loan Program | 6,000               | 5,880.00                            | 120.00                           |
| 68310 · Training Registration Expense | 300                  | 277.15                              | 22.85                            |
| 68320 · Travel                  | 1,000                    | 56.89                               | 943.11                           |
| 80010 · Debt Service Interest Expense | 0                   | 0.00                                | 0.00                             |
| 80020 · Debt Service-Principal  | 0                        | 0.00                                | 0.00                             |
| 89960 · Expense Reimbursement   | 0                        | 0.00                                | 0.00                             |
| 89940 · Interest Expense Adjustment | 39,200               | 14,261.23                           | 24,938.77                        |
| Real Estate Partnerships        | 1,512,500                | 0.00                                | 1,512,500.00                     |
| 80100 · EQ Loans                | 0                        | 0.00                                | 0.00                             |
| Real Estate Acquisitions        | 1,133,483                | 1,133,483.00                        | 0.00                             |
| Tenant Improvements             | 250,000                  | 0.00                                | 250,000.00                       |
| 240 Vernon Street LLC Expenditures | 104,112            | 52,467.00                           | 51,645.00                        |
| 242-246 Vernon Street LLC Expenditures | 46,775           | 22,976.00                           | 23,799.00                        |
| **TOTAL EXPENSE**               | **3,431,518**            | **$1,430,162**                      | **$2,001,356**                   |
| **SURPLUS (DEFICIT)**           | **$49,482**              |                                     | **$1,479,644**                   |