

**CITY OF SAN LEANDRO**  
**REDEVELOPMENT AGENCY**  
**STAFF REPORT**

APPROVED AND  
FORWARDED  
TO REDEVELOPMENT  
AGENCY

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Stephen L. Hollister  
Executive Director

**DATE:** January 17, 2010  
**TO:** Stephen L. Hollister, Executive Director  
**FROM:** Luke Sims, Community Development Director  
**VIA:** Cynthia Battenberg, Business Development Manager  
**BY:** Jeff Kay, Business Development Analyst

**SUBJECT PROJECT/PROJECT DESCRIPTION:**

MATTER OF A COOPERATIVE AGREEMENT BETWEEN THE CITY AND REDEVELOPMENT AGENCY, WHEREBY THE AGENCY PLEDGES FUNDS IN SUPPORT OF SPECIFIED PROJECTS

**SUMMARY AND RECOMMENDATION**

The California Legislative Analyst's Office recommended that the California Legislature adopt urgency legislation prohibiting redevelopment agencies from entering into new contractual agreements. The action before the City Council and the Agency Board is to adopt a Cooperative Agreement whereby the Agency pledges funds to support specified projects so that critical, ongoing redevelopment projects are not disrupted by future state actions. Although the timing of this action is driven by the prospect of state action precluding the use of Redevelopment funds, the identification and funding of the projects outlined in this report is consistent with previous planning efforts and Agency Board actions. The specified projects also represent endeavors in which the Agency and/or City has already made substantial investments that would be diminished in value were the projects not to reach completion.

Staff recommends authorization of a Cooperative Agreement between the Redevelopment Agency and City of San Leandro and approval of findings pursuant to Section 33445 of the California Community Redevelopment Law regarding use of redevelopment tax increment funds for the construction of Eden Road, streetscape improvements to MacArthur Boulevard between Lewis and Dutton, streetscape improvements to Doolittle Drive between Davis and Fairway and the streetscape improvements to Hays Street between Davis and East 14th (collectively, "the Projects").

## BACKGROUND

The California Governor proposed a budget to disband redevelopment agencies as of July 1, 2011, and use tax increment to fund state obligations. Legislative efforts are underway to immediately prohibit redevelopment agencies from entering into new contracts and obligations. This staff report outlines Agency projects that have been previously identified for tax increment funding.

The purpose of the proposed Cooperative Agreement is to contractually bind the Agency to fund and support specified projects outlined in the staff report in order to protect these funds from being taken by the state. The specified projects and staffing to support the projects would be funded with Redevelopment tax increment funds from the West San Leandro-MacArthur Boulevard (West San Leandro) and Plaza Project Areas. If the California Legislature and the Governor disband redevelopment agencies, tax increment would not be available to fund these projects. Given that the City and/or Agency has already made a substantial investment, described more fully below, in each of these projects, failure to complete them would negatively impact the value of the previous investment and impede ongoing efforts to eliminate blight.

Section 33445 of the California Community Redevelopment Law (California Health and Safety Code Section 33000 *et seq.*) (the "**Redevelopment Law**") requires that a redevelopment agency may, with the consent of the legislative body, pay for all or a portion of the value of land for and the cost of the installation and construction of public improvements located within a project area if the Agency and the legislative body determine that:

- 1) The acquisition of land or the installation or construction of the buildings, facilities, structures, or other improvements that are publicly owned are of benefit to the project area by helping to eliminate blight within the project area or providing housing for low- or moderate-income persons; and
- 2) No other reasonable means of financing the acquisition of the land or installation or construction of the buildings, facilities, structures, or other improvements that are publicly owned, are available to the community;
- 3) The payment of funds for the acquisition of land or the cost of buildings, facilities, structures, or other improvements that are publicly owned is consistent with the implementation plan adopted pursuant to Section 33490;

Section 33220(a) of the Redevelopment Law provides that, for the purpose of aiding and cooperating in the Redevelopment Plans, the City, upon the terms and with or without consideration as it determines, may aid and assist the Agency with redevelopment projects by entering into an agreement with the Agency.

## ANALYSIS

### **Redevelopment Law, Section 33445, Findings**

When Redevelopment Agency funds are used to fund public improvements either within or adjacent to a redevelopment project area, California Redevelopment Law requires that:

1. The consent of the legislative body be obtained for the use of said funds; and
2. Certain findings, outlined in the previous section, be made to ensure the proposed improvements are of benefit to the project areas, consistent with identified redevelopment plan objectives and that there are no alternative means for funding the project.

The Projects fall within the boundaries of the West San Leandro Redevelopment Project Area and the Plaza Redevelopment Project Area. The projects will benefit the Project Areas and prevent blight by supporting additional commercial and industrial development, either by providing aesthetic improvements that provide an improved climate for economic investment and/or by improving traffic flow and safety facilitating higher volumes of vehicle traffic in the project areas.

Specifically, the **Eden Road** project involves the construction of a two-lane roadway along the existing Eden Road right-of-way plus a segment connecting the Business Center Drive/Davis intersection with the west end of Eden Road. Included in the project are the construction of water mains, storm drain lines, driveways, curb and gutter, fire hydrants, and street lights. Presently, Eden Road exists only as an unpaved roadway with insufficient connectivity. Completion of this project will further Agency goals of stimulating new industrial development and eliminating blight in the West San Leandro Project Area by vastly improving access to presently underutilized parcels. The Agency has already made an investment in this project by purchasing some of the required right-of-way. In addition to Agency funding, a business assessment district and transportation grant funds will finance the project.

The **MacArthur Boulevard** streetscape improvements will build upon the successes of the completed Phase 1 improvements, stimulating development of underutilized commercial and residential properties along a key artery through the City. The proposed improvements include construction of bulb-outs, street trees, site furnishings and sidewalk improvements. The project will encourage increased retail activity by creating a more inviting and safe pedestrian environment, furthering the goals of the North Area Specific Plan and Revitalization Manual. The MacArthur streetscape project will eliminate blight in the West San Leandro Project Area by mitigating hazardous road conditions, creating pedestrian friendly retail conditions and through the installation of attractive landscaping.

The **Doolittle Drive** improvements represent the second phase of this project. The first phase covered Doolittle from the Oakland border through Davis Street. The project includes construction of new curbs and gutters, sidewalks, bike lanes, and landscaped medians. Upon completion, the project will improve traffic flow along a key artery in our industrial area (and gateway to the Oakland airport) and substantially improve the aesthetic qualities of the area, thereby stimulating increased private investment. The project will eliminate blighted conditions in the West San Leandro Project Area by improving access and driveways to industrial buildings, through the installation of the landscaping, and through improved road and sidewalk conditions.

The planned improvements to **Hays Street** comprise a critical component of the Town Hall Square mixed use project planned for the block bounded by Davis Street, Hays Street, and East 14<sup>th</sup> Street. The project involves construction of curb and gutter, sidewalks, improved landscaping new parking, and signal modifications and will facilitate mixed use development

consistent with the City's Transit Oriented Development (TOD) Strategy, particularly for the presently vacant parcels that comprise the Town Hall Square site. The Hays Street improvements will eliminate blight in the Plaza Project Area by creating conditions conducive to development of one of the key opportunity sites in the City's downtown area.

City staff has explored potential funding sources and has determined that there is no other source of funds reasonably available to the City to contribute toward the Projects due to economic and political factors. City general fund revenues are not available because they are committed for the provision of essential services such as police and fire.

As described above, the proposed Projects will help eliminate blight in the project areas and surrounding areas by stimulating private reinvestment and new development of vacant or underutilized parcels as a result of improved aesthetic characteristics and improved traffic flow, capacity and safety.

The 2010-14 Redevelopment Agency Implementation Plan specifically identifies the construction and streetscape improvements to Eden Road, MacArthur Boulevard and Doolittle Drive. The Hays Street improvements are a component of the Town Hall Square project which is also identified in the Implementation Plan. The TOD Strategy more specifically discusses the role of the Hays Street improvements in the adjacent mixed use development.

#### **Current City Council/Redevelopment Agency Policy**

- The San Leandro Redevelopment Agency 2010-14 Implementation Plan includes each of the four projects identified under Economic Development and Public Improvement Programs

#### **Redevelopment Agency Action(s)**

- On September 20, 2010, by Resolution No. 2010-008 RDA, the Board adopted the 2010-2014 Implementation Plan for the Redevelopment Agency of the City of San Leandro

#### **Permits and/or Variances Granted**

- City Building Permits will be issued

#### **Financial Impact**

- The estimated construction cost, including design costs, of the Projects is \$9 million.

#### **Budget Authority**

- The City and the Agency have agreed to execute a Cooperative Agreement to provide funding for the projects.
- The Agency has analyzed tax increment revenue projections and determined that revenues will be adequate to fund the Projects as well as all other current obligations.

- The estimated cost for the Eden Road project is approximately \$5,800,000, of which \$800,000 represents land acquisitions costs already paid. The requested Agency contribution is \$1,500,000. Remaining costs will be funded by an assessment district and other sources.
- The estimated cost of the MacArthur Boulevard project is \$1,274,143 all of which will be funded by Redevelopment tax increment.
- The estimated cost of the Doolittle Drive project is \$4,193,611 all of which will be funded by Redevelopment tax increment.
- The estimated cost of the Hays Street project is \$2,000,000 all of which will be funded by Redevelopment tax increment.

Summary:

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|--|--------------------|
| West San Leandro/MacArthur Tax Increment | \$6,967,754        |
| Plaza Tax Increment                      | <u>\$2,000,000</u> |
| Total                                    | \$8,967,754        |

## CONCLUSION

Staff recommends authorization of a Cooperative Agreement between the Redevelopment Agency and City of San Leandro and adoption of findings pursuant to Section 33445 of the California Community Redevelopment Law regarding use of redevelopment tax increment funds for the construction of Eden Road, streetscape improvements to MacArthur Boulevard between Lewis and Dutton, streetscape improvements to Doolittle Drive between Davis and Fairway and the streetscape improvements to Hays Street between Davis and East 14th.