

REPORT TO THE REDEVELOPMENT AGENCY *City of Salinas, California*

Agenda Item Number

Department Director Approval

Finance Review

Attorney Review

City Manager Approval

DATE: February 5, 2008
FROM: Dave Mora, Executive Director
BY: Tom Kever, Finance Director
Alan Stumpf, Director of Redevelopment

SUBJECT: FISCAL YEAR 07/08 MID-YEAR BUDGET REVIEW

BACKGROUND

At its regular meeting of May 22, 2007, the Salinas Redevelopment Agency adopted the FY-07/08 Operating and Capital Budget. A number of significant events have occurred during the first six months of the fiscal year and are highlighted as follows:

Redevelopment Project Area Expansions

A major goal identified in the Agency's Implementation Plan is to expand both the Central City and Sunset Avenue Redevelopment Project Areas. Staff has initiated work on the expansions, but the 18 to 24 month long process will require additional staff resources and specialized consultant services. It is expected that a full-time Redevelopment Project Manager position will be needed to coordinate this very extensive process, as well as take on other additional duties required in the Agency, and this will be proposed for the 2008-2009 Agency budget. In the short-term, to get the expansion and recruitment processes rapidly moving forward, it is proposed for mid-year to immediately hire an experienced redevelopment analyst on a temporary, part-time basis, employed and compensated as a Redevelopment Project Manager (hourly wages with no benefits). For the remainder of the 2007-2008 budget year, the average 20-hour per week position would require approximately \$22,000, using funding from both the Central City and Sunset Avenue Project funds. **A mid-year budget adjustment of \$22,000 to hire a temporary project manager is included in the report.**

CENTRAL CITY PROJECT AREA

Oldtown Multiplex Theater

Since it's opening in July 2005, the Maya Cinemas, 14-screen multiplex has been a major draw of visitors to the downtown, particularly in the evenings and on weekends. Under a Disposition and Development Agreement (DDA) between the Agency and Maya Cinemas, the Agency provided land and developed the Monterey Street Parking Garage at Monterey and Market Streets to serve the multiplex and surrounding development. The DDA's requirements for the development have been completed and the land purchase loan owed by Maya to the Agency was repaid, with interest. One of the two commercial retail spaces at the front of Maya was recently opened as a frozen yogurt/smoothie shop and the other space is anticipated to be occupied by Summer 2008.

City/Agency COP-Monterey Street Parking Structure

The Monterey Street Parking Structure is a 5-level, 435-space parking garage adjacent to the Steinbeck Center and Maya Multiplex Theater. The parking structure provides parking for Maya Cinemas, National Steinbeck Center, surrounding business and future development on the 100 Block (i.e. the Agency's Hotel Site). The project also included realignment of Central Avenue/Main Street, the conversion of the 100 Block of Main to 2-way and access to the structure from Market Street.

The project was funded with Certificates of Participation (COP) financing and a \$2.0 million Federal EDA grant. On December 17, 2003, the City sold COPs in the amount of \$16,630,000 at 4.68% interest for a term of thirty (30) years. Maximum annual debt service payments are \$1,091,950. Pursuant to a reimbursement agreement the Salinas Redevelopment Agency (Central City Project) is responsible for debt service. The Agency's budget includes funds to make these debt service payments in both 2007-08 and 2008-09.

The City's General Fund is ultimately responsible for the parking structure debt (subject to repayment by the Agency) if the Agency is financially unable to make the bond payments.

Downtown Parking Management Plan

In FY 04-05, acting on the recommendation of the OSA Parking Committee, the Redevelopment Agency retained the services of DKS and Associates to develop a comprehensive parking plan for the Downtown. The County (\$50,000) and Agency (\$72,360) shared the cost of consultant services estimated at \$112,360. The scope of work involves a short term strategy to address the immediate needs created by the opening of Maya Theater, new County offices and other ongoing issues, as well as a long term plan for paid parking throughout the Downtown. With downtown businesses still unreceptive to managing parking resources through paid parking, the draft Parking Management Plan was put on hold and further discussions between the City and downtown businesses resulted in an alternative short-term parking strategy, presented to City Council in September 2007. With Council approval on September 11, 2007, implementation of the strategy commenced on January 2, 2008. Results of the strategy will be evaluated after 6-months and reported to Council for consideration.

Downtown Hotel Site

Under an Exclusive Negotiating Rights Agreement (ENRA), the Agency continues to work with the Salinas City Center Company (SCCC) for development of the Agency's 1.7-acre property currently in use as City Parking Lot 13 (across the street from Maya Cinemas and the National Steinbeck Center). The original SCCC proposal was to develop a hotel with 140 rooms, with restaurant, ballroom and business conference center, 175 residential condominiums, 30,000 square feet of offices, and 30,000 square feet of retail uses, along with onsite parking. The ENRA was recently extended to March 31, 2008.

Salinas Intermodal Transportation Center

As part of an overall planning effort to bring commuter rail service to Monterey County, staff is assisting the Transportation Agency for Monterey County (TAMC) with specific plans for an expanded Intermodal Transportation Center (ITC) at the Salinas Train Station. In addition to commuter rail facilities and a parking structure, proposals include a variety of bus services (Greyhound, MST, AMTRAK, Air porter, etc.), including plans by MST to relocate and expand its downtown transit hub operation to the ITC. TAMC completed the project's planning and environmental review processes, and is now assembling funding for the project.

In collaboration with various stakeholders, grant funding has been secured by the City and Agency that will improve the existing historic buildings at the ITC, including the AMTRAK passenger depot, the freight building (both owned by the Agency), and the First Mayor's House. Work on these buildings is anticipated to commence in 2008, and with the improvements to the AMTRAK passenger depot, the Agency will also be working to accommodate Greyhound intercity bus service within the building. A third building owned by the Agency, the REA Building, is leased to a non-profit model railroad club, which has made significant interior and exterior improvements to the building. The wood-shingled roof of this building continues to deteriorate and major leaks now threaten the building improvements. **A mid-year budget adjustment of \$30,000 to re-roof the building is included in the report.**

Chinatown Revitalization Program

The Salinas Downtown Community Board continues to be a focal point for addressing community needs, which have been expressed in a draft Chinatown Revitalization Plan. Funding for the Plan was provided by an \$85,400 Caltrans grant secured by the Agency. The Plan and its elements have been presented to the City Council, business groups, and others for consideration, and the Board has also broken down important elements of the Plan for refinement and implementation. In particular, with assistance of major grants to CSUMB from HUD, and to the Agency from Caltrans, it is hoped that strategies to address social services functions, development and circulation issues, community safety and cultural heritage can be implemented.

SUNSET AVENUE PROJECT AREA

Façade Improvement Grants

This popular program for businesses and commercial property owners provides an Agency matching grant of between \$4,500 and \$9,000 for exterior improvements that enhance commercial buildings. It is anticipated that approximately 8 grants will be provided this fiscal year.

Jazz-up Program

Through combined CDBG and Agency funding, and coordination by Second Chance, the Jazz-up Program provides targeted improvements of new paint and other exterior enhancements for both residential and commercial buildings. Staff continues to work with Second Chance to leverage Jazz-up with other job and training programs for youth.

Community Safety Initiative

During May 2004, the Salinas Redevelopment Agency amended its implementation plan adding a policy providing for redevelopment-funded community safety initiatives within the Sunset Avenue Redevelopment project area. In order to provide a positive force for economic development in the Sunset Avenue (and SUBA) area, during 2007-08 the Agency contributed \$296,200 to fund the cost of two police officers assigned to the project area. With this extra police presence and involvement, not only criminal activity can be addressed, but also other lesser City Code violations within the Project Area.

Salinas United Business Association

The Salinas United Business Association (SUBA) continues its activities to support businesses and economic development in "The Alisal", supported by an annual business assessment of the SUBA Business Improvement Area, and by a \$50,000 annual grant from the Redevelopment Agency. Redevelopment staff also provides close support for SUBA and its programs and initiatives.

Division Street

In December 2007, the Agency completed acquisition of approximately 2 acres of vacant land at the end of unimproved City right-of-way known as Division Street. Additional acquisitions by the Agency along Division Street would be intended to comprise a large enough site for a major redevelopment project. The Agency has set aside \$2.0 million of Sunset Avenue Low and Moderate Income Housing Funds and \$2.2 million in Sunset Avenue Project Funds to assemble land (approximately 5 acres) at Division Street for a future residential and multi-use development. A development, design, and property acquisition process is anticipated to result in a mix-use development project by 2009.

Alisal Marketplace Development

The Alisal Marketplace, proposed by Sean Cooley, straddles both sides of East Alisal Street, roughly from the railroad tracks to the west and the 101 freeway to the east. Redevelopment of this 30+ acre area could be a major catalyst for transforming East Salinas. Staff continues to assist with the preliminary planning and design efforts of Mr. Cooley.

East Market Street Enhancements

Financial commitments from PG&E, the City of Salinas, and the Redevelopment Agency will be used to reconstruct East Market Street, from Sherwood Drive to Sanborn Road, to also include under grounding utilities, streetscape enhancements, and pedestrian-friendly improvements. The City hired a design firm and a community advisory group has been meeting to determine the desirable design elements. Council will consider final designs in the summer of 2008.

HOUSING-REDEVELOPMENT AGENCY

Low and Moderate Income Housing Funds

The estimated Low and Moderate Income Housing unappropriated fund balance at the end of the Agency's two-year budget cycle, June 30, 2009, is estimated at \$2,378,100, with Central City reporting \$1,277,600 and Sunset Avenue reporting \$1,100,500. In FY 06-07, the Agency committed \$2,029,900 for acquisition of property for the Division Street development. In addition, the Agency has set aside Low and Moderate Income Housing funds for Soledad Street Housing (\$1,409,800), and set aside \$191,400 to support potential property transfers at the 50-unit, single family, owner occupied Farm workers Housing Program in Williams Ranch.

Tynan Village

The Housing Authority of the County of Monterey has initiated construction of the largest infill residential/mixed use project in the history of the Central City Redevelopment Area. The 175-unit, multi-family apartment project is anticipated to be partially completed in 2008, and at least one-half of the units will be affordable to low and very-low income families. Approximately 10,000 square feet of commercial retail space will also be provided in the development, offering residents conveniently located neighborhood retail services. The Housing Authority indicates that additional local housing funds from the Agency will be necessary to complete construction and the request will be brought to the Agency for consideration in this budget year.

Lincoln and Market Street Housing (Gateway Apartments)

During August 2005, the Agency approved a \$910,000 loan from the Central City Low and Moderate Income Housing Fund to First Community Housing to acquire property prominently situated at the intersection of Lincoln Avenue and West Market Street, for a future affordable housing development. With the new Zoning Code approved the "Gateway Apartments" project, which would provide 50 affordable housing units for the developmentally disabled, has been approved and its building permit application has been submitted. It is expected that First Community Housing will make additional requests from City HOME and Redevelopment Housing funds of approximately \$2,000,000 as local match funding, with project construction anticipated to start in early 2008.

Soledad Street Affordable Housing

The Agency has set aside \$1,596,400 of Central City Low and Moderate Income Housing Funds to assemble land to provide a location for a low-income senior housing development in the Soledad Street area. The Agency has completed acquisition of several more properties on Soledad Street, which now offer a potential development site of approximately one acre, located at the southeastern corner of the Lake/Soledad Street intersection.

FISCAL REVIEW

Fiscal Year 2007-08 Issues

Central City Tax Allocation Bonds outstanding of \$9,159,468 are scheduled for payment over the next 16 years. Central City's outstanding loan from the City is fully retired. After annual debt service requirements on

the tax allocation bonds of \$1,433,500, Low Income Housing Fund set-aside requirements of \$435,200 and Central City's operating budget of \$420,400, annual available tax increment revenue for the parking structure debt is \$800,000. Monterey Street parking structure debt is \$1,050,000 annually. It is anticipated this shortfall (\$250,000) will narrow with tax increment growth. The Agency's budget includes funds to make the parking structure bond payments in both 2007-08 and 2008-09. In addition, Central City has set-aside \$1,100,000 in reserve to cover any shortfall associated with the parking structure debt.

Sunset Avenue's outstanding loan from the City is fully retired. After annual debt service on the Breadbox of \$51,200, pass through requirements of \$742,500, and Low Income Housing Fund set-aside requirements of \$596,000, available tax increment revenue for operations is estimated at \$1,500,000 to \$1,600,000 annually. Resources are in line with the FY-07/08 adopted operating budgets (Operations, SUBA Police Officers and E. Salinas Jazz Up) totaling \$913,800.

Longer-term Issues

The Agency's long-term liabilities are summarized in Attachment 5 for the Central City Project and in Attachment 7 for the Sunset Avenue Project.

The Central City Low/Moderate Income Housing Fund Payable at June 30, 2008 will be \$109,771. As required by State law, Central City has a payment plan allocating 2% of annual tax increment revenue to the deficit, which will retire the obligation by June 30, 2010.

Central City's outstanding loan from the City is fully retired

Sunset Avenue's outstanding loan from the City is fully retired

On August 9, 1991, the Breadbox Gymnasium building was acquired by entering into an installment purchase agreement in the amount of \$487,200, at an annual interest rate of 10% for 20 years, with annual payments of \$51,116 expiring August 9, 2011.

Construction of streetscape improvements in conjunction with the East Market Street Undergrounding District Number 23 (Sherwood Drive to North Sanborn Road) are planned to begin in January 2009, using \$5.4 million in PUC Rule 20A funds and Sunset Avenue Redevelopment Agency funds. Sunset Avenue funds of \$1.0 million are set aside and budgeted for these streetscape improvements.

Fiscal Year 07-08 Review

This mid-year review of the Salinas Redevelopment Agency fiscal activities covers the period July 1, 2007 through December 31, 2007.

1. Revenue Performance

Revenues recorded for the Salinas Redevelopment Agency are \$3,455,851 or 62.7% of the revised estimated revenue for FY-07/08. Individual revenue accounts are listed in the Detail Revenue Estimates (Attachment 1).

2. Expenditure

Total Salinas Redevelopment Agency operating expenditures and encumbrances are \$2,294,668 with 44.5% of the budget available at this mid-year point (Attachment 2). Capital project expenditures and encumbrances are \$1,719,718 with 82.6% of the budget available at this mid-year point (Attachment 3).

Recommended 2007-08 Mid-year Adjustments

The proposed increase in Central City estimated revenues of \$1,318,300 results from increases in property tax increment (\$95,000), investment earnings (\$90,000), receipt of note payment from Maya (\$951,600), the sale of Soledad Street property to the City's Housing Trust Fund (\$134,700) and miscellaneous receipts and loan payments (\$47,000).

The proposed increase in Central City's operating budget (\$11,000) provides for the hire of a temporary

Redevelopment Project Manager to begin the expansion both the Central City and Sunset Avenue Redevelopment Project Areas. The cost of this position will be split between both project areas.

The proposed increase in Central City's capital projects budget provides for the purchase of Soledad Street property (\$25,000) and the re-roofing of the REA building (\$30,000).

The proposed increase in Sunset Avenue estimated revenue of \$110,000 results from increases in tax increment (\$80,000), investment earnings (\$15,000) and miscellaneous receipts (\$15,000).

The proposed increase in Sunset Avenue's operating budget (\$11,000) provides for the hire of a temporary Redevelopment Project Manager to begin the expansion both the Central City and Sunset Avenue Redevelopment Project Areas. The cost of this position will be split between both project areas.

THE ISSUE

Shall the Agency approve the recommended 2007-08 mid-year adjustments to estimated revenues, appropriations, reserves and transfers?

ALTERNATIVES AVAILABLE TO COUNCIL

1. Approve the recommended adjustments to estimated revenues, appropriations and reserves ,or
2. Modify recommended adjustments as appropriate.

FISCAL IMPACT

The recommended adjustments to revenue estimates are reflective of the Agency's fiscal position at this mid-year point. After the proposed adjustments, Agency funds available for appropriation are Central City Project Fund (\$700,000) and Central City Housing Fund (\$1,277,600)-(Attachment 4)-and Sunset Avenue Project Fund (\$251,200) and Sunset Avenue Housing Fund (\$1,100,500)- (Attachment 6).

RECOMMENDATION

Staff recommends that the Agency approve the recommended 2007-08 mid-year adjustments to estimated revenues, appropriations, reserves and transfers.