

**HAYWARD REDEVELOPMENT AREA COMMITTEE  
REGULAR MEETING**

**April 13, 2011 at 7:00 p.m.**

**Room 2A  
Hayward City Hall  
777 B Street  
Hayward, CA 94541**

The Public Comments section provides an opportunity to address the Committee on items not listed on the agenda. The Committee welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the Committee or are within the jurisdiction of the City. As the Committee is prohibited by State law from discussing items not listed on the agenda, your item will be taken under consideration and may be referred to staff.

**AGENDA**

- I. Call to Order
- II. Public Comments
- III. Election of Committee Chair and Vice Chair / Interview HRAC Committee Candidate
- IV. Approval of Minutes of January 12, 2011 Meeting
- V. Update on State Budget/Governor's Redevelopment Proposal
- VI. Foothill Boulevard Façade Improvement Initiative
- VII. Future Agenda Items
- VIII. Adjournment

**Minutes**  
**Hayward Redevelopment Area Committee (HRAC)**  
**Regular Meeting**  
**January 12, 2011**

**Present:** David Long, Don Orque (Chair), Rosemarie Ramos, Bill Vandenburg, and Mike Brewer

**Absent:** Michael Aahl, Terry Lee

**Staff:** Kelly Morariu, Assistant City Manager/Interim Redevelopment Agency Director, Gloria Ortega, Redevelopment Project Manager, Jeff McLaughlin, Housing Manager

**Others:** Barbara Halliday, Councilmember, Woody Karp, Senior Project Manager and Andrea Papanastassiou, Director of Real Estate, Eden Housing, Andria, Financing and Project Director, Eden Housing  
Coralia Camacho

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**I. Call to Order**

The meeting was called to order by the Chair at 7:05 p.m.

**II. Public Comments**

Kelly Morariu introduced herself as the new Assistant City Manager/Interim Redevelopment Agency Director. Ms. Morariu also provided a brief overview of the Governor's budget proposal to eliminate Redevelopment Agencies. She also indicated that she would provide an additional update at the next meeting.

Corallia Camacho spoke as a business representative interested in joining the HRAC.

**III. Approval of Minutes**

The minutes of the October 13, 2010 meeting were approved by general consensus of the Committee members present.

**IV. "B" and Grand Senior Housing Project Conceptual Approval**

Woody Karp and Andrea Papanastassiou of Eden Housing provided an overview of the proposed very low income senior housing project at the corner of "B" Street and Grand Avenue in Downtown Hayward.

The 22-unit affordable senior project at “B” and Grand (“Project”) will be made available to seniors 55 and older who are earning at-or-below 50% of the Alameda County median income. The Project elevations were reviewed. The buildings will be two-story and stepped back along “B” Street to be more complimentary to the residential units across the street. The Project will offer recreation spaces and outdoor open space to tenants as well as access to the facilities at the adjacent “C” and Grand senior project. A large redwood tree located on-site has been incorporated into the Project design. The attached site map and elevations provided at the meeting gave a general idea as to the form and layout of the final project.

The RAC reviewed the recommendations and unanimously endorsed the proposed Project as presented and directed staff to forward the recommendations to the Agency Board/Council. RAC Chair Halliday requested that Eden Housing explore the concept of using brick on the first floor Grand Street frontage rather than the current wood slat material. Eden Housing and its architects indicated that the introduction of another material for that limited area would be inconsistent with the creation of a strong connection to the existing Hayward Senior project and the Craftsman design that is an important connection to the properties along “B” Street. They indicated a willingness to explore changing the Grand Street frontage with brick but their recommendation was to use wood materials for the entire building façade to create visual consistency between the existing and proposed senior projects.

**V. Follow-Up discussion from Redevelopment Agency Board/HRAC Joint Session on December 14, 2010**

An update on the future of Redevelopment Agencies and the impact on current and future Redevelopment Agency projects will be given at the next regular meeting.

**VII. Adjournment**

The meeting was adjourned at 8:35 pm.



**DATE:** April 13, 2011  
**TO:** Hayward Redevelopment Area Committee (HRAC)  
**FROM:** Interim Redevelopment Agency Director  
**SUBJECT:** Election of Committee Chair and Vice Chair and Interview of HRAC Applicant

**RECOMMENDATION:**

Staff recommends that the Committee take action on the nomination and election of a new Committee Chair and Vice Chair and interview one applicant for the HRAC.

**BACKGROUND:**

The HRAC By-laws call for the annual nomination and election of a Chair and Vice-Chair to run the Committee meetings, and to present Committee recommendations to the Agency Board. The last elections were held on September 23, 2009, and Don Orque and Bonnie Peyton were elected Chair and Vice-Chair, respectively, both of whom have since resigned. Chair and Vice-Chair positions can only be held for two consecutive terms. Staff invites Committee members to consider serving in this capacity—particularly if members have not previously served.

Pursuant to the HRAC By-laws, in the event of a vacancy on the HRAC, the HRAC shall select a member to fill such vacancy as soon as reasonably practicable.

The current applicant, Ms. Coralia Camacho, Vice President of Contempo Realty Group meets eligibility requirements to serve on the HRAC as a business owner representative of the Mission Foothill area. To qualify under this category, the person or the legal entity which the person represents must (a) own and operate a business within the Project Area, or (b) own real property within the Project Area and rent or lease that real property to others for business or residential uses, or (c) own and hold real property within the Project Area as an investment.



**DATE:** April 13, 2011

**TO:** Hayward Redevelopment Area Committee (HRAC)

**FROM:** Interim Redevelopment Agency Director

**SUBJECT:** **Update on State Budget/Governor's Redevelopment Proposal**

At the upcoming HRAC meeting, staff will provide an update on the State Budget and the Governor's proposal to eliminate redevelopment agencies. Attached for the Committee's information and review are three reports recently presented to City Council: 1) staff report for February 22, 2011 Council meeting; 2) staff report for March 2, 2011 special Council meeting; and 3) supplemental informational memo for March 2, 2011 special Council meeting. Due to the length of each report with attachments, only the reports have been included in hard copy with this agenda packet. The reports in their entirety, including attachments, can be viewed on the City's website or by clicking on the links below.

Attachments:

- Attachment I – [Staff report dated February 22, 2011](#)
- Attachment II – [Staff report dated March 2, 2011](#)
- Attachment III – [Supplemental informational memo dated March 2, 2011](#)



**DATE:** February 22, 2011

**TO:** City Council  
Redevelopment Agency Board Members

**FROM:** Assistant City Manager/Interim Redevelopment Director

**SUBJECT:** State Budget Update/Governor's Redevelopment Proposal – Discussion of City of Hayward Responses

**RECOMMENDATION**

That the City Council and Agency Board consider options and provide preliminary direction to staff on options to protect Redevelopment Agency assets and revenues from potential State actions.

**DISCUSSION**

On Tuesday evening, staff will present information to the Council and Agency Board on the Governor's current proposal to eliminate redevelopment agencies throughout the State. Staff will also provide options that the City might consider to protect the assets and revenues of the City's Redevelopment Agency.

On Friday, February 18, staff and the City's financial advisor presented information to the Council Budget & Finance Committee about the Redevelopment Agency's current financial resources, obligations and assets. These resources may be at risk under the Governor's current proposal to eliminate redevelopment agencies throughout the State. Based on initial feedback from the Committee, staff will be preparing a variety of options for the Council to consider.

As a point of reference for the Council and Agency Board, below is a presentation of current Agency obligations, assets and resources currently at risk. Staff will go through this information in more detail on Tuesday evening.

*Outstanding Bond Obligations:*

- 2004 bonds - \$44,790,000 (matures 2027)
  - Annual debt service: \$3.7M in FY2010
- 2006 bonds - \$11,800,000 (matures 2036)
  - Annual debt service: \$559,000 in FY2010

*Other Outstanding Agency Loans:*

- Water Enterprise Fund: \$1,041,075 outstanding balance
- Sewer Enterprise Fund: \$831,877 outstanding balance
- General Fund: \$9,144,570 outstanding balance; \$800,000 annual payment
- Low/Moderate Income Housing Fund: \$4,421,374 (for required Supplemental ERAF payments to State)

*Current Agency Land Holdings:*

Land Held for Resale & Redevelopment:

- Russell Way
- 24311 Mission Blvd
- 24491 Mission Blvd
- Burbank School Residual Site
- 123-197 A Street (Low/Mod Housing)

Estimated Value: \$10.3 Million (as of 6/30/2010)

Other Agency Property:

- City Hall Parking Structure (land and building)
- Muni Lot #2 (land and imps)
- City Hall Plaza Park
- Cinema Place Parking (land and building)

Estimated Value: \$20.9 Million (as of 6/30/2010)

*Programs Supported by Redevelopment:*

- BIA Support: \$55,000
  - Community Promotions Support: \$75,000
  - Public Art: \$90,000
  - Planning reimbursement for project review: \$50,000
  - Economic Development staff support: \$169,517
  - Finance staff support: \$37,733
  - General Fund administrative support to RDA: \$448,545
- Total Program Support: \$925,795

*Annual Tax Increment at Risk:*

- Redevelopment Funds = \$2.3 million annually
  - Low/Moderate Income Housing Funds = \$1.6 million annually
- Total Funds at Risk: \$3.9 million annually

## **FISCAL IMPACT**

If the State Legislature eliminates redevelopment agencies, the City of Hayward stands to lose valuable tax dollars that fund economic, redevelopment, and affordable housing activities. In addition, the Redevelopment Agency has significant outstanding loans with the City's General Fund, Sewer Fund, and Water Fund that may be nullified in the event of State action.

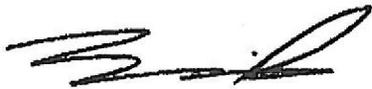
**ENVIRONMENTAL REVIEW**

The Agency's action to provide direction on potential financing options does not constitute a project requiring under the California Environmental Quality Act (CEQA).

Prepared by:

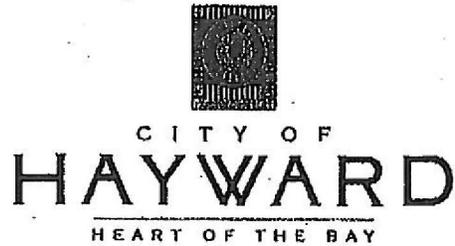
Kelly McAdoo Morariu, Assistant City Manager/Interim Redevelopment Director

Approved by:



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Fran David, City Manager



**DATE:** March 2, 2011

**TO:** City Council/Redevelopment Agency Board

**FROM:** Assistant City Manager/Interim Redevelopment Agency Director

**SUBJECT:** Authorization for Redevelopment Agency Operating Budget Adjustments and Inter-fund Transfers; Approval of Resolutions Authorizing City Manager/Executive Director to Execute Property Transfers Between the Agency and the City; and Authorizing City Manager/Executive Director to Take Other Identified Actions to Respond to Anticipated State Actions.

#### **RECOMMENDATION**

That the Agency Board and City Council take the following actions:

- 1) Adopt the attached Resolution authorizing Agency Operating Budget adjustments and Inter-fund transfers as outlined in this report;
- 2) Adopt the attached Resolution (Attachment V) authorizing the Executive Director to execute and deliver one or more grant deeds for the conveyance of the Agency Properties to the City, and to take any other actions and execute other documents necessary to implement this action; and that Council adopt the Resolution (Attachment VA) authorizing the City Manager to take any and all actions deemed necessary to complete this transaction for the City;
- 3) Adopt resolution authorizing Executive Director to transfer funds allowing payment of Water Fund loan in amount totaling \$1,041,075 from Redevelopment Agency (RDA) Tax Increment (TI) fund balance (Attachment VI);
- 4) Adopt resolution authorizing Executive Director to transfer funds allowing payment of Sewer Fund loan in amount totaling \$831,877 from RDA TI fund balance (Attachment VI);
- 5) Adopt resolution authorizing Executive Director to transfer funds allowing partial back payment of prior year installments of the General Fund loan in an amount totaling \$720,000 from RDA TI fund balance (Attachment VI); and
- 6) Adopt resolution authorizing the City Manager to execute loan agreements between the Sewer and Water Funds and the General Fund in amounts totaling \$831,877 and \$1,041,075 respectively; and to establish a reserve in the General Fund with one-time funding totaling \$1,872,952 to serve as an organizational transition fund (Attachment VII).

With the exception of item 1 (which would take effect immediately upon adoption of the resolution), the Executive Director/City Manager would only execute these documents if and when

adoption of State legislation threatening Agency assets and obligations (with substantially the same language and intent as in the current proposed legislation...or worse) appears imminent.

## **SUMMARY**

Following Council and Agency Board direction on February 22, 2011, staff is returning with recommendations regarding a series of actions needed to protect Agency assets and obligations from potential State action targeted at eliminating redevelopment agencies across the state, including the Hayward Redevelopment Agency. The recommended actions can be summarized succinctly as follows:

- 1) Adjust the RDA and Low and Moderate Housing Fund (Low-Mod) operating budgets to accommodate expenses anticipated through the remainder of the fiscal year.
- 2) Transfer all RDA-owned properties to the City.
- 3) Do not proceed with the previously outlined possible securitization of the loans with the General, Sewer, Water, and Low-Mod Funds.
- 4) Use remaining RDA TI fund balance to pay off existing Water and Sewer Fund loans totaling \$1,872,952 and to transfer funds allowing partial back payment of prior year installments of the General Fund loan in an amount totaling \$720,000.
- 5) Approve a loan from the Water and Sewer Funds to the General Fund in an amount totaling \$1,872,952 to be set aside in a reserve to assist the City's transition process if and when the State eliminates the Redevelopment Agency.

The Discussion section of this report contains an analysis of this recommended course of action along with potential risks and concerns. As mentioned above, with the exception of item 1 (which would take effect immediately upon adoption of the resolution), the Executive Director/City Manager would only take these actions if and when adoption of State legislation threatening Agency assets and obligations (with substantially the same language and intent as in the current proposed legislation) appears imminent. The recommended approach is reasonable and prudent and protects the Agency's assets and obligations to the best extent possible under the current circumstances. If the Agency takes these actions based on the triggers outlined and then circumstances change between now and July 1, 2011, it would be relatively easy to unwind the recommended actions.

## **BACKGROUND**

On February 22, 2011, the City Council/Agency Board considered potential Hayward responses to the Governor's budget proposal to eliminate redevelopment agencies throughout the State. After a robust discussion, the Council/Board provided staff with direction to pursue the following options (in order of priority):

- 1) Development of necessary documents to transfer land from the Agency to the City and to evaluate whether this can be done without consideration as repayment of an outstanding obligation. We believe this can legally be accomplished.
- 2) Development of bond documents (indenture, bond purchase agreement and appropriate city and redevelopment resolutions) for the Agency to issue bonds (purchased by the City) to replace existing loan arrangements for each of the three creditors of the Agency (the General Fund, the Sewer Fund and the Water Fund).

*Redevelopment Agency Operating Budget Adjustments and Inter-Fund Transfers; Property Transfer Agreements; and Other Identified Actions to Respond to Anticipated State Actions*

- 3) Evaluation of how much existing fund balances can be applied towards outstanding loans prior to any creation of a bond as described in (2) above.

This report presents Council with additional information about these options. Additionally, since our discussion with Council/Agency Board at the February 22 meeting, the State Legislature has released draft legislation regarding the elimination of redevelopment agencies. Based on the preliminary analysis of this draft legislation and on multiple and in-depth conversations with financial advisors, bond counsel, RDA counsel, and others, staff is proposing some variations to the options outlined above that will provide a clearer path to allow the Agency to protect its assets and obligations while still meeting the intent of the Council's previous direction. The remainder of this report discusses this proposed path.

#### Draft Legislation on Redevelopment Elimination

As anticipated, the State Legislature released the Conference Committee legislation language relating to the elimination of redevelopment agencies late in the evening on February 23. The full text of the legislation is attached (see Attachment I).

On February 28, staff received an analysis of this proposal from the California Redevelopment Association, attached hereto as Attachment II. In addition, the Agency's outside affordable housing counsel, Goldfarb & Lipman, has prepared a synopsis of the legislation for their clients (see Attachment IIA). Meyers Nave, another law firm specializing in redevelopment law, also put a summary of the legislation on their website: <http://www.meyersnave.com/publications/proposed-legislation-address-governors-proposal-destablish-redevelopment-agencies>.

In essence, generally accepted interpretation of intent of the legislation does the following:

- As of the effective date of the legislation (the date the legislation is enacted), prohibits redevelopment agencies from entering into any new obligations or commitments or taking any action related to assets or funds of the agency, (e.g. issuing bonds, entering into or amending contracts and development agreements, disposing of assets, transferring funds, approving any new expenditures, joining Joint Powers Authority, etc.)
- As of July 1, 2011, redevelopment agencies throughout the State would be dissolved and a successor agency (consisting of the City that formed the Agency) would be formed. All assets, properties, contracts, and other obligations of the RDA would transfer to the successor agency, with the exception of housing functions. The successor agency would be overseen by a seven-member Oversight Board primarily appointed by County and School officials as follows:
  - County Board of Supervisors (2 members)
  - County Superintendent of Schools (3 members)
  - City Council (1 member)
  - Largest Non-Enterprise Special District (1 member)
  - This Board would, in turn, receive oversight from the State department of Finance

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- Successor agencies would make payments and perform all other contractual obligations due for "Enforceable Obligations." The legislation attempts to define "Enforceable Obligations" but the intent behind the definition is still under debate. For example, the legislation includes loans borrowed by RDAs as an "Enforceable Obligation" and doesn't differentiate between loans between the RDA and external third-parties and loans between the RDA and say the General Fund. Our sources have indicated that the actual intent is that only external third-party loans and obligations will be honored by the State, and that loans between the RDA and the City will be subject to close examination and possible nullification.
- Successor agencies would also perform the following functions:
  - Dispose of former RDA assets or properties expeditiously and in a manner aimed at maximizing value
  - Effectuate transfer of housing functions
  - Wrap up the affairs of the former RDA
  - Oversee completion of approved development projects
  - Prepare various budgets and reports
- The City may retain housing functions of the former redevelopment agency, including any funds in the former RDA's housing fund or these functions and assets can be transferred to the local Housing Authority. There does not appear to be a provision that would allow for continued tax increment revenues to be set aside for low and moderate income housing functions.
- The legislation then goes on to explain functions the County Auditor-Controller would have with respect to allocation of funds, audits, and administration of Trust Funds established to distribute property taxes.

Summary of timing and next steps on legislation

The proposed Redevelopment legislation as summarized above has not been formally introduced yet. The legislation will be considered by the Joint Conference Committee over the coming week and may still change significantly. The redevelopment language could be passed as urgency legislation (meaning it would take effect immediately upon passage) and this would require a 2/3 vote of both houses. The legislation could also be folded into the budget legislation, which would only require a simple majority vote. The Governor has indicated a goal of introducing budget legislation to the Assembly and Senate by the middle of next week with anticipated passage as early as March 4<sup>th</sup>, but no later than March 10<sup>th</sup>.

**DISCUSSION**

There are several separate but related discussion items for the Council and Agency Board this evening. Staff has presented each item separately below and has identified recommended Council and Agency actions associated with each. While the actions are related, the Council and the Agency can choose to take certain of the actions and not others.

Agency Operating Budget adjustments and Inter-fund transfers

*Redevelopment Agency Operating Budget Adjustments and Inter-Fund Transfers; Property Transfer Agreements; and Other Identified Actions to Respond to Anticipated State Actions*

During the fiscal year, there are often items that arise in the normal course of the business that necessitate additional appropriations due to unanticipated cost increases or unexpected expenses. Historically, the Council has acted on these items as part of the mid-year budget review. However, given the other actions being taken with respect to the RDA budget, staff chose to incorporate these items into this report. The adjustments being proposed are as follows:

- a) Cinema Place Maintenance and Environmental Work: As part of the City's agreement for the Cinema Place project, the City has certain obligations with respect to the ongoing maintenance expenses related to the parking garage and the groundwater remediation work below the site. Staff is requesting that the \$2,000 currently budgeted under Special Services for landscape maintenance be transferred to Expense Transfers- Employee Services as this work is now being done by City staff instead of an outside contractor. In addition, staff is requesting a transfer of \$98,000 from unencumbered funds within the RDA operating budget (Programs 5080 and 4416) to the Cinema Place Environmental Remediation Program (5123). This will allow the City to complete the second phase of the required groundwater remediation for the Cinema Place site with the existing contractor on site. The first phase included a pilot program to ensure that the remediation methods would be successful. The pilot program methods were successful so this additional cost will enable the installation of the remaining borings to complete the site remediation. This remediation method has preliminarily been accepted as adequate in addressing the remaining concerns given the success of the pilot program. If the remaining borings are installed, the ongoing liability and exposure will be minimal.
- b) Townsend Public Affairs contract: On October 26, 2010, the Redevelopment Agency authorized the Executive Director to negotiate and execute an agreement with Townsend Public Affairs, Inc. to assist in securing state and federal funding for redevelopment activities, housing, and public facilities in an amount not to exceed \$90,000. The Low-Mod Housing Fund is paying for 25% of this agreement (\$22,500). When this item originally went to the Agency for approval, staff inadvertently omitted the appropriation from Low-Mod Housing funds to cover this cost. As such, staff is now requesting an appropriation and transfer of \$22,500 from Low-Mod Housing Fund Balance to Special Services.
- c) First Time Homebuyer Down Payment Assistance Program: Stricter underwriting guidelines from mortgage lenders, the relative affordability of homes in Hayward, and the increased marketing efforts of the Program Administrator have all sparked a resurgence in demand for the First-Time Homebuyer Down Payment Assistance Program. As of December 31, seventeen loans have closed, four more applications are in the pipeline, and the Program Administrator continues to receive applications for loans. Therefore, it is likely that funds originally budgeted for the Program, which anticipated twenty loans, will run out soon. Because the increase in sales of homes in Hayward may translate into an increase in City revenues from property and real property transfer taxes, staff is requesting budget authority for an additional \$150,000 to fund approximately five more loans. There are existing funds in the First Time Homebuyer Program to cover this budget authority increase. Although the pending State legislation

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may freeze any further activity on this program for the remainder of the fiscal year, there are several loans currently pending for which there is no funding authority available. This additional authority would allow staff to execute these transactions immediately prior to any State action. Any remaining funds in this program would return to the First Time Homebuyer Program Fund Balance for use in the next fiscal year.

- d) Route 238 Settlement Administration Costs: In the 1960s and 1970s, the California Department of Transportation (CalTrans) purchased properties along the State Route 238 Corridor (Foothill Boulevard/Mission Boulevard) for a proposed Hayward Bypass project. After years of study and planning and various legal challenges, the Bypass project was abandoned. The final legal Settlement Agreement ("Agreement") that ended legal issues surrounding the Bypass project was signed on December 17, 2009 by the Corridor residential tenant representatives, the City of Hayward, and Caltrans. As part of the Settlement Agreement, the City of Hayward is implementing the Agreement and incurring administrative costs that must be advanced by the City/Agency with eventual reimbursement from land sale proceeds as CalTrans divests its property interests along the Mission Boulevard Corridor. Administrative fees have not been available in advance from the SR238 settlement fund.

Specifically, Section 8 of the Agreement (Page 28) allows for the reimbursement of costs related to surveying SR238 tenants to determine settlement funds, meetings, translation services, property appraisals and home inspections, and staff costs directly related to implementing the Agreement. In addition, as part of the legal settlement, the agencies party to the Settlement Agreement stipulated to paying Class Counsel (attorneys for the corridor tenants) for negotiated legal costs within one year of the Court Order that validated the Agreement (April of 2011), or pay 5% annual interest charges. The City, as the Agreement Administrator, agreed to pay those fees on behalf of the agency partners. As mentioned and pursuant to the Settlement Agreement, CalTrans will reimburse the City for these costs once the corridor properties are sold. Staff recommends that \$1.5 million be transferred and appropriated from the Low-Mod Housing Fund Balance to cover the costs outlined below.

The cost breakdown for both administration and attorney fees is detailed below:

- \$424,409 (2011-2012 administrative costs including staff time for Agreement implementation and Bunker Hill area analysis, home appraisals, home inspections, tenant interviews, tenant appeal hearings, meetings, and translation expenses)
- \$302,935 (2010-2011 administrative costs for area mapping and planning analysis, legal services, tenant interview start-up, and supplies)

Subtotal – Administrative Costs: \$727,344

- \$750,000 (negotiated legal fee with Class Counsel)

TOTAL: \$1,477,344

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**Recommended Agency Board Actions:**

- 1) Transfer \$2,000 from RDA Special Services to Expense Transfers- Employee Services (Cinema Place Landscaping)
- 2) Transfer \$64,000 from RDA Program 5080 and \$33,000 from RDA Program 4416 to RDA Program 5123 (Cinema Place Environmental Remediation)
- 3) Transfer \$22,500 from Low-Mod Housing Fund Balance to fund Townsend Associates contract.
- 4) Increase budget authority for First Time Homebuyer Program by \$150,000.
- 5) Transfer \$1,477,344 from Low-Mod Housing Fund Balance to SR238 Project Budget.

**Triggers for these actions:** These actions would take effect immediately upon Agency Board adoption of the attached resolution (Attachment III).

Property Transfer Agreements

At the February 22 meeting, staff identified a list of Agency-owned properties potentially at risk under the Governor's budget proposal. In preparing to bring back further analysis of proposed property transfers from the Agency to the City, staff completed the identification of all properties, some of which were not included on the original hastily compiled list. Attachment IV provides a list of these properties by parcel number or address and by the current/intended use of the property. Staff originally proposed the transfer of the Agency properties to the City to avoid losing control of these properties and to provide flexibility to preserve local assets. Given the additional research performed concerning the disposition process for City-owned land, staff recommends that the Agency Board adopt the attached resolutions authorizing the Executive Director to execute and deliver one or more grant deeds for the conveyance of the Agency Properties to the City and to take any other action and execute other documents necessary to implement this action, and directing the City Manager to accept the transfers.

In addition, the Council/Agency Board asked for an analysis of the impacts on current projects being negotiated for development on Agency land (namely the residual Burbank property and the B & Grand affordable housing sites); and, more globally, an analysis of the land disposition process if the properties are transferred to the City. Under state law, cities have broad discretion to dispose of land, provided that the disposition is for the "common benefit" and processed in a manner consistent with local law. There is no requirement that cities declare property "surplus" before disposition. However, if property is declared surplus, then cities must observe some formalities prior to disposition, as prescribed by state law. With respect to the residual Burbank property, the agreement with the HUDS under which the Agency acquired the property, contemplated that the property would ultimately be conveyed for private development. Regarding the B and Grand property, the Agency acquired the property to satisfy, in part, the developer's obligation to provide affordable housing under the City's Inclusionary Housing Ordinance. Both these objectives satisfy the "common benefit" requirement for disposition.

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Based on the analysis, staff believes that, once the properties are transferred to the City, the City can continue to negotiate with the current developers on both sites and execute the necessary documents to approve these projects.

There is one additional point of note regarding the transfer of Agency-owned properties. By transferring the parking lots and garages to the City, the maintenance obligation becomes the General Fund's to bear. Currently, the Agency is only paying about \$143,000 annually for the various costs associated with the Cinema Place garage. The Agency does not pay any other ongoing maintenance or operations costs for any other properties.

There is another point to consider with respect to the transfer of the properties to the City, particularly as it relates to the properties along Mission Boulevard: Once the City acquires title to the Agency properties, the City may be responsible for clean-up costs if the properties are contaminated, whether or not the City caused the contamination. The Agency has similar liability, but, under State Redevelopment Law, it can control some potential exposure by obtaining clearance from state regulatory agencies. Both the City and the Agency can seek contribution from the owner causing the contamination, if the source of the contamination can be established and provided that the owner has the resources to pay for the clean-up costs. The extent of contamination of the Agency properties is not fully known at this time. However, staff believes that the benefit of retaining the properties under local control outweighs the risks of acquiring property that may be contaminated.

**Recommended Council/Agency Board Action:**

- 1) **Adopt the attached Resolution (Attachment V) authorizing the Executive Director to execute and deliver one or more grant deeds for the conveyance of the Agency Properties to the City and to take any other action and execute other documents necessary to implement this action; and that Council adopt the attached resolution (Attachment VA) authorizing the City Manager to accept the transfers and take any and all actions deemed necessary to complete this transaction for the City.**

**Triggers for these actions:** The Executive Director would only execute these documents if and when adoption of State legislation (with substantially the same language and intent as in the current proposed legislation...or worse) appears imminent.

**Repayment of Outstanding RDA Loans and Issuance of Bonds**

At the February 22 meeting, the Council directed staff to research options for securitizing the four outstanding loans between the Agency and various other City funds. Currently, there are four loans outstanding:

General Fund: \$9,144,570

Sewer Fund: \$831,877

Water Fund: \$1,041,075

Low-Mod Housing Fund (for SERAF payment): \$4,421,374

*Redevelopment Agency Operating Budget Adjustments and Inter-Fund Transfers; Property Transfer Agreements; and Other Identified Actions to Respond to Anticipated State Actions*

After further discussions with bond counsel and the City's financial advisor, staff no longer recommends securitizing any of these loans through the bond sale outlined at the February 22 meeting. There are numerous interpretations of the language as it currently exists in the proposed State legislation. However, on its face, it appears that the legislation would honor "enforceable obligations" and that loans, such as the ones outlined above, would constitute "enforceable obligations." Staff believes that the existing obligations are long standing and well documented. (i.e., none of these loans were established in the past ninety days under the threat of State elimination of redevelopment agencies, and all were for legitimate purposes, including payment of the State takeaway under ERAF in FY 2010.) Staff believes that any attempt to change the status of these loans, including securitization, would weaken their protection and increases their vulnerability to a State taking. In addition, securitization comes associated with some additional costs, which cannot be recouped, and, it is highly unlikely that the actions can be correctly started and completed in the time available to us.

The Agency Board also asked staff to explore prepayment of the loans with existing RDA funds if possible. After analyzing the existing fund balance in the Agency, staff recommends that the Agency Board uses remaining RDA TI fund balance to pay off the existing water and sewer loans and transfer funds allowing partial back payment of prior year installments of the General Fund loan. Based on estimates of salary and project savings, staff projects that there will be approximately \$2.6 million in TI fund balance at the end of the fiscal year. Paying off the Water and Sewer Fund loans would consume \$1,872,952 of this fund balance, leaving approximately \$720,000. Staff recommends that this \$720,000 be used to allow partial back payment of prior year installments of the General Fund loan to the Agency (which is \$800,000 annually). The \$800,000 payment for FY2011 has already been made and is posted to the General Fund. Sufficient funds do not exist in the Redevelopment Agency to repay the General Fund and the Low-Mod Housing Fund loans other than what is outlined in the paragraph above.

Staff is proposing another related action that would assist in the organization's transition if and when the State eliminates the Redevelopment Agency. After repayment of the Sewer and Water loans, staff recommends that the Council authorize the City Manager to execute a loan agreement between the Sewer and Water funds and the General Fund in an amount totaling \$1,872,952. This would be a new agreement with different terms and payment schedules to be negotiated if and when execution of the loan becomes necessary. These funds would be set up as a reserve in the General Fund to ease the financial burden on the General Fund if the State eliminates the Redevelopment Agency as of July 1, 2011. The approximately \$1.9 million would be sufficient to cover the equivalent of one year of RDA payment of administrative costs to the General Fund (approximately \$800,000) and one year of repayment of the loan between the Agency and the General Fund (\$800,000), leaving approximately \$300,000 as additional contingency funds in this reserve. Whatever remaining funds might exist after transition, would be returned to the Water and Sewer funds in proportion relative to their respective loan amounts.

**Recommended Council/Agency Board Action:**

- 1) Do not pursue securitization of current Agency loans.

*Redevelopment Agency Operating Budget Adjustments and Inter-Fund Transfers; Property Transfer Agreements; and Other Identified Actions to Respond to Anticipated State Actions*

- 2) Adopt resolution authorizing Executive Director to transfer funds allowing payment of Water Fund loan in amount totaling \$1,041,075 from RDA TI fund balance (Attachment VI).
- 3) Adopt resolution authorizing Executive Director to transfer funds allowing payment of Sewer Fund loan in amount totaling \$831,877 from RDA TI fund balance (Attachment VI).
- 4) Adopt resolution authorizing Executive Director to transfer funds allowing partial back payment of prior year installments of the General Fund loan in an amount totaling \$720,000 from RDA TI fund balance (Attachment VI).
- 5) Adopt resolution authorizing the City Manager to execute loans agreements between the Sewer and Water Funds and the General Fund in amounts totaling \$831,877 and \$1,041,075 respectively and to establish a reserve in the General Fund with one-time funding totaling \$1,872,952 to serve as an organizational transition fund (Attachment VII).

**Triggers for these actions:**

- 1) N/A
- 2) The Executive Director would only execute this fund transfer if and when adoption of State legislation (with substantially the same language and intent as in the current proposed legislation...or worse) appears imminent.
- 3) The Executive Director would only execute this fund transfer if and when adoption of State legislation (with substantially the same language and intent as in the current proposed legislation...or worse) appears imminent.
- 4) The Executive Director would only execute this fund transfer if and when adoption of State legislation (with substantially the same language and intent as in the current proposed legislation...or worse) appears imminent.
- 5) The City Manager would only execute this loan agreement and transfer of funds if the Agency is forced to take the actions outlined in Items 2-4.

**ENVIRONMENTAL REVIEW**

Agency staff has determined that the Agency's authorization of the transfer of the Agency Properties is exempt from CEQA, pursuant to the CEQA Guidelines set forth in California Code of Regulations, Title 14, Section 15378(b)(5), which provides that such authorizations are not considered a project subject to CEQA review because the transfer of the Agency Properties is an organizational activity that will not result in direct or indirect physical changes in the environment. Any future development of these properties would be subject to CEQA review at the time of development.

In addition, staff has determined that the transfer of funds and repayment of loan obligations is also not considered a project subject to CEQA review.

**FISCAL IMPACT**

*Redevelopment Agency Operating Budget Adjustments and Inter-Fund Transfers; Property Transfer Agreements; and Other Identified Actions to Respond to Anticipated State Actions*

The State's proposed actions to eliminate redevelopment agencies statewide represents more of the same misguided and illegal State budget raids of local government funds that voters have repeatedly sought to end. It will bring little financial benefit to the State, but will permanently destroy hundreds of thousands of jobs, billions in local economic activity and a key local tool to meet the state's infill land-use objectives. In November 2010, more than 5.7 million voters, a resounding 60.7%, voted to pass Prop. 22, to stop the State from taking, borrowing, or redirecting local government funds - including those from local redevelopment. Cities and local governments want to work with the State as partners to balance the State budget and in the important effort to realign services and revenue to the best service level of government. However, this proposal creates a toxic environment that city and other local government officials have no choice but to oppose.

Hayward has utilized RDA funds in a comprehensive, productive, and lawful way to accomplish a great deal in our community from building new schools, reclaiming brown-fields, building affordable housing, revitalizing our downtown, increasing urban parks, building market-rate housing, and leading the way on transit oriented development (TOD). The State continues to demand that local government produce affordable housing and then proposes to take away the very mechanism that provides the funds, staffing, and pathways to actually build the housing. RDAs have the ability to compile and/or buy the land necessary for these developments. It has the mechanism to encourage affordable housing in market-rate developments. It has the ability to partner with private developers to assure parks and other amenities are included in each and every development. RDAs have been the single most effective mechanism by which affordable housing gets built.

Under the State's proposed legislation, the Hayward Redevelopment Agency stands to lose approximately \$2.3 million annually in property tax increment revenue that can be used for local redevelopment and economic development purposes, as well as approximately \$1.6 million annually in property tax increment revenue dedicated to affordable housing. In addition, the Redevelopment Agency supports legitimate and related General Fund activities in an amount totaling almost \$800,000.

The State's proposed legislation would enable the State to take well over \$30 million in Agency-held land and could potentially jeopardize loans between the Agency and various City funds totaling close to \$15.5 million. The actions outlined in this report are reasonable and prudent steps for the Agency and the City to take to protect local assets and funds from further illegal State takeaways.

Additionally, this report does not address the \$900,000 payment the Agency is required to make to the State under the Supplemental ERAF program in May 2011. Given the current circumstances, the Agency does not anticipate having to make the SERAF payment for FY2011. However, staff has left these funds in the operating budget.

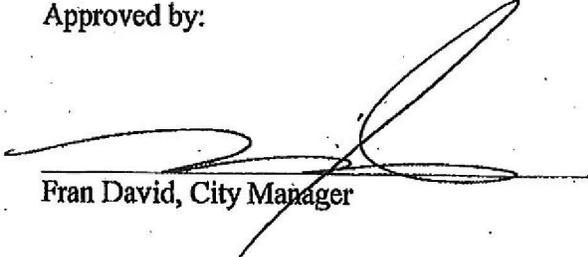
## **NEXT STEPS**

*Redevelopment Agency Operating Budget Adjustments and Inter-Fund Transfers; Property Transfer Agreements; and Other Identified Actions to Respond to Anticipated State Actions*

Upon approval by the Agency Board and Council of the recommendations contained herein, staff will monitor State actions and take the necessary steps to implement the Agency Board and Council direction.

*Prepared by:* Kelly McAdoo Morariu, Assistant City Manager, Interim Redevelopment Agency Director

Approved by:



Fran David, City Manager

**Attachments:**

- Attachment I: Proposed Legislation on Redevelopment Elimination
- Attachment II: California Redevelopment Association Analysis of Proposed Legislation
- Attachment IIA: Goldfarb & Lipman Analysis of Proposed Legislation
- Attachment III: Resolution Authorizing RDA Operating Budget Transfers (to be distributed Wednesday, March 2)
- Attachment IV: List of Agency-Owned Properties
- Attachment V: Agency Board Resolution Approving the Transfer of Certain Properties to the City of Hayward and Making Certain Findings Relating Thereto
- Attachment VA: Council Resolution Directing the City Manager to Accept the Property Transfers
- Attachment VI: Agency Board Resolution Authorizing the Executive Director to Transfer Funds Allowing Payment of Loan Obligations to the Sewer, Water and General Funds (to be distributed Wednesday, March 2)
- Attachment VII: Council Resolution Authorizing the City Manager to Negotiate and Execute a Loan Agreement Between the City and the Sewer and Water Funds (to be distributed Wednesday, March 2)

*Redevelopment Agency Operating Budget Adjustments and Inter-Fund Transfers; Property Transfer Agreements; and Other Identified Actions to Respond to Anticipated State Actions*

*March 2, 2011*

*Page 12*



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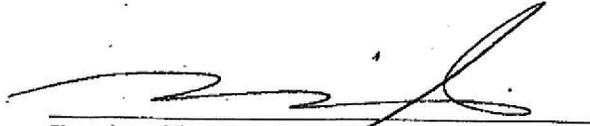
**DATE:** March 2, 2011  
**TO:** City Council/Redevelopment Agency Board  
**FROM:** Assistant City Manager/Interim Redevelopment Agency Director  
**SUBJECT:** Clarifications, Additions, and Resolutions - Agenda Item #1

Staff is presenting this memorandum that contains additional information and clarifications related to Agenda Item #1 – Actions Related to the Redevelopment Agency Budget.

- 1) Agency Operating Budget adjustments and Inter-fund transfers: There are a few minor modifications to the Operating Budget adjustments presented in the original staff report. These changes are outlined below:
  - a. Cinema Place Environmental Work: Upon further review of the proposal from the consultant, the amount needed for the remainder of the remediation work is \$108,000 (as opposed to the \$98,000 cited in the original staff report).
  - b. Tax Allocation Bond Fund (Fund 454): This fund is used to cover project and staff expenses related to bond-funded capital projects. There are remaining outstanding staff charges in this fund, creating a negative balance of approximately \$100,000. Staff recommends allocating tax increment fund balance to cover these expenses. This would reduce the amount of fund balance available to make the payment towards the General Fund loan cited in the staff report. This payment amount would be reduced from \$720,000 to \$620,000.
  - c. Resolution: Attached is the resolution authorizing the operating budget adjustments outlined in the staff report (Attachment III of the staff report). This resolution reflects the original recommendations from the staff report as well as the corrections identified above.
- 2) Revised Attachments V and VA to the staff report: Attached are revised versions of Attachments V and VA – Resolutions for the transfer of the properties. The property listings included with the resolutions have been updated and clarified. All other language remains the same.
- 3) Attachment VI to the staff report: Attached is Attachment VI – Resolution allowing payment of loan obligations to the Sewer, Water and General Funds, which was not distributed with the original staff report. This resolution reflects the reduced General Fund loan payment discussed above.
- 4) Attachment VII to the staff report: Attached is Attachment VII – Resolution allowing execution of a loan agreement between the Sewer, Water and General Funds, which was not distributed with the original staff report.

*Prepared by:* Kelly McAdoo Morariu, Assistant City Manager, Interim Redevelopment Agency Director

Approved by:



Fran David, City Manager

**Attachments:**

- Attachment III: Resolution Authorizing RDA Operating Budget Transfers
- Revised Attachment V: Agency Board Resolution Approving the Transfer of Certain Properties to the City of Hayward and Making Certain Findings Relating Thereto
- Revised Attachment VA: Council Resolution Directing the City Manager to Accept the Property Transfers
- Attachment VI: Agency Board Resolution Authorizing the Executive Director to Transfer Funds Allowing Payment of Loan Obligations to the Sewer, Water and General Funds
- Attachment VII: Council Resolution Authorizing the City Manager to Negotiate and Execute a Loan Agreement Between the City and the Sewer and Water Funds



**DATE:** April 13, 2011  
**TO:** Hayward Redevelopment Area Committee  
**FROM:** Assistant City Manager/Interim Redevelopment Agency Director  
**SUBJECT:** Foothill Boulevard Façade Improvement Initiative

### **RECOMMENDATION**

That the Hayward Redevelopment Area Committee reviews and comments on this report.

### **BACKGROUND**

Agency Staff have been working with the Foothill Boulevard building owners for the past year to build a partnership that would result in a unified vision for Foothill Boulevard. The effort resulted in façade improvement designs, which include signage and other architectural details such as planter boxes. The opportunity to work with the Foothill Boulevard building owners occurred when the Council Downtown Committee approved expansion of the Downtown Retail Attraction Loan to buildings located on Foothill Boulevard, and to provide assistance for façade improvement for buildings that were vacant, as well as those in marginal use.

In August 2009, Redevelopment Agency staff began working with building owners on two separate blocks of Foothill Boulevard to enhance the retail image of the historic district by upgrading building exteriors, including signage, lighting, and other elements. The Foothill Boulevard Façade Improvement Initiative is located on two blocks of Foothill Boulevard in Downtown Hayward. Block 1 is located on the west side of Foothill Boulevard from Maple Court to A Street. Block 2 is located on the east side of Foothill Boulevard from A Street to B Street. The buildings on Block 1 are owned by three individuals, and four individuals own the buildings on Block 2 (see Attachment I - Project Area Maps).

On March 16, 2010, the Redevelopment Agency Board adopted a resolution authorizing the Executive Director to execute a contract with SZFM Design Studio to develop façade improvement designs for two blocks on Foothill Boulevard. With the presentation of preliminary elevations, the Council Economic Development Committee on October 4, 2010, approved the reservation of Retail Attraction funds for Foothill Boulevard façade improvements for the two blocks in the amount of \$1,108,000.

## **DISCUSSION**

SZFM recently completed final designs for Blocks 1 and 2. With completion of the final designs, four of the six building owners have signed loan agreements for funds reserved for the project. The two remaining building owners may elect to implement improvements at a future date, and they would have access to the final designs. The four building owners collectively own eleven buildings, so the impact of their combined efforts will still have a significant and positive impact on the two blocks. The building owner with the largest number of buildings will stage improvements as his resources are available (see Attachment II: Foothill Boulevard Elevations).

A presentation of the final designs will occur at the meeting.

## **ECONOMIC IMPACT**

Approximately 54,000 vehicles pass by retail stores and restaurants located on Foothill Boulevard each day. In its “glory days,” Foothill Boulevard was part of a thriving downtown and retail destination for the City and surrounding communities. As was the case in many cities across the country, with the advent of shopping malls and changing retail habits, commercial strips such as those located on Foothill Boulevard experienced declining sales, vacancies, and physical decline. This project can help restore the vitality of Foothill Boulevard as a retail destination, and its importance as a “retail gateway.”

## **FISCAL IMPACT**

If all six building owners had requested façade improvement loans, each loan amount would have been limited to \$100,000 or less based on a 50/50 match. Since two building owners did not participate, the remaining funds were provided to building owners who had the most significant improvement costs. All \$1,108,000 in loan funds reserved for the project were allocated. When combined with building owners’ investments, the total construction investment will equal \$1,697,000 with overall project costs totaling \$2,805,000.

## **PUBLIC CONTACT**

August 20, 2009: Agency staff engaged Foothill Boulevard building owners to build partnerships and adopt a unified vision for Foothill façade improvements, signage, and retail mix.

January 28, 2010: Property owners and staff jointly interviewed several architectural design firms for the proposed façade design contract.

February 22, 2010: The Council Downtown Committee reviewed the elements of the Foothill Boulevard Façade Improvement Initiative, and approved the reservation of Retail Attraction Loan Program Funds to support Foothill Boulevard Façade Improvement Initiative and leasing of Cinema Place vacant space.

March 16, 2010: The Agency Board authorized the Agency Executive Director to execute a Contract with SZFM Design Studio for Façade Design on two blocks of Foothill Boulevard.

June 28, 2010: Agency staff presented the Council Downtown Committee with a Foothill Boulevard Improvement Initiative Update, and SZFM presented preliminary elevations.

Throughout the process, Agency staff and SZFM have met with the Foothill property owners, both as a group and individually, regarding improvements to their buildings, and to complete the design work.

#### **NEXT STEPS**

Staff will work with building owners individually and collectively to provide assistance to bid the project. Building owners will enter into agreements with contractors and/or sub-contractors individually, although some building owners may decide to work together to obtain benefits of group pricing. Loan funds will be disbursed once building owners have spent their fifty percent (50%) project match.

Prepared by:

  
\_\_\_\_\_  
Gloria Ortega, Redevelopment Project Manager

Approved by:

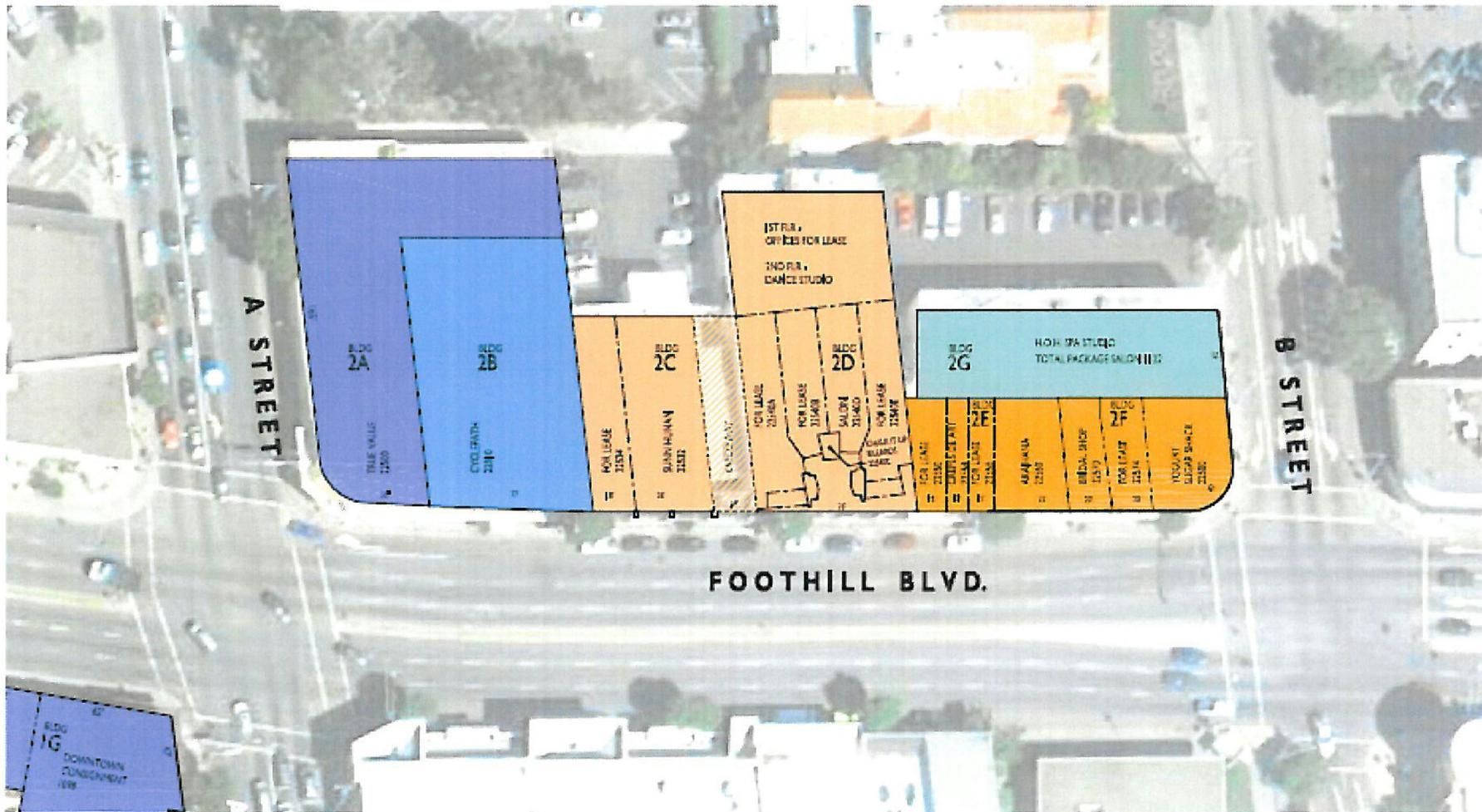
  
\_\_\_\_\_  
Kelly Morariu, Assistant City Manager/Interim Redevelopment Agency Director

Attachments:

- Attachment I: Project Area Maps
- Attachment II: Foothill Boulevard Elevations



Block II



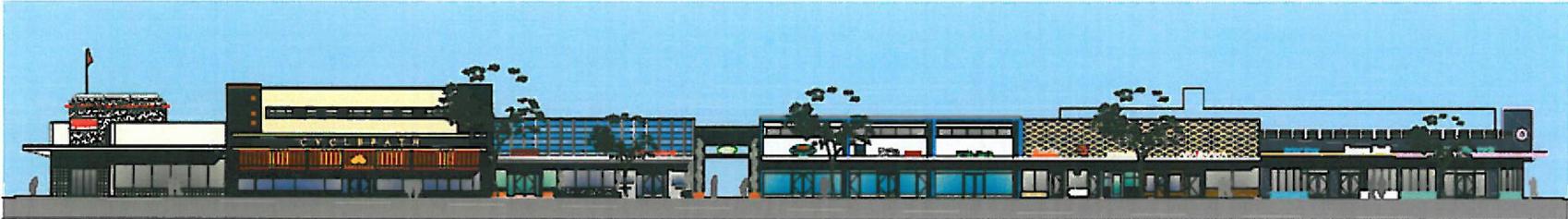
SITE PLAN

Attachment II: Foothill Boulevard Elevations

Block I



Block II



BLOCK TWO • PROPOSED WEST ELEVATION