



**CITY OF HAYWARD**  
**AGENDA REPORT**

AGENDA DATE 02/27/07

AGENDA ITEM 3

WORK SESSION ITEM \_\_\_\_\_

**TO:** Mayor and City Council  
**FROM:** City Manager  
**SUBJECT:** Mt. Eden Area Public Improvements

**RECOMMENDATION:**

It is recommended that the City Council adopt the attached resolution authorizing the City Manager to execute agreements with Dutra Enterprises, Inc. and KB Home South Bay Inc. in connection with the specified public improvements in the Mt. Eden area.

**BACKGROUND:**

The City filed an application with the Local Agency Formation Commission to annex three of the five islands within the unincorporated Mt. Eden area. (The remaining two islands—Phase 2—will be the subject of a subsequent application, which by agreement with the County is to be initiated within twelve months.) Key to the annexation is the construction of needed infrastructure, consisting of new water and sewer mains, a storm drain system, as well as construction of street improvements, including new curbs, gutters and sidewalks.

The funding for the improvements is largely being provided by DEI, with lesser amounts provided by KB Homes, as well as the County and the City. On December 12, 2006, the Council authorized formation of a benefit district as a means of reimbursing DEI for the cost of water, sewer and storm drain improvements. Additionally, that same evening, the Council approved a tax sharing agreement with the County Redevelopment Agency authorizing the use of tax increment funds to reimburse DEI for the other improvements.

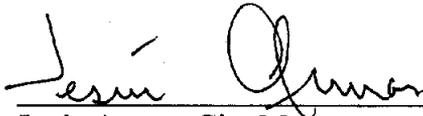
As noted, the City and County agencies have entered into agreements regarding the use of the tax increments for the improvements. Staff now recommends that agreements be executed with DEI and KB Homes. Approval of the agreements will authorize funds to be disbursed to them as the improvements are constructed. Although DEI will provide the funds, the actual improvements will be constructed by KB Homes as an extension of the work it will be doing as part of its subdivision. (The improvements will be constructed to City standards and inspected by the City before the work is deemed complete.)

Consistent with the tax sharing agreement approved by the Council last December, the agreements with DEI provides that DEI will be reimbursed \$6.9 million for Phase 1 improvements and \$3.6 million for improvements related to the remaining two islands (Phase 2). KB Homes is only funding improvements in Phase 1, and the agreement with it provides that it will be reimbursed \$380,000. In both cases, tax increment funds are the sole revenue sources

from which DEI and KB are to be reimbursed. Both agreements expressly state that the City's general fund is not to be used to reimburse the parties for the improvements.

It is contemplated that construction work on the public improvements could begin by December 2007 and be completed by January 2009.

The proposed agreements with DEI and KB are in keeping with the overall direction previously reviewed with and approved by the Council. Consequently, staff recommends adoption of the accompanying resolution authorizing execution of the agreements, copies of which are on file in the City Clerk's Office.

  
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Jesús Armas, City Manager

