

January 17, 2011, 5:30 p.m.

City Council Chambers, 333 Civic Center Plaza

Web Site: www.ci.tracy.ca.us

1. Mayor Pro Tem Maciel called the joint special meeting of the Tracy City Council/Community Development Agency (CDA) to order at 5:30 p.m.
2. Roll call found Council Members Abercrombie, Rickman and Mayor Pro Tem Maciel present; Council Member Elliott and Mayor Ives absent. Council Member Elliott arrived at 5:39 p.m.
3. Items from the Audience - None.
4. & 5. APPROVAL OF A PUBLIC IMPROVEMENTS GRANT AND COOPERATION AGREEMENT AND MAKING CERTAIN FINDINGS RELATED THERETO – Mayor Pro Tem Maciel stated that agenda items 4 and 5 would be presented at the same time. Ursula Luna-Reynosa, Director of Economic Development presented the staff report.

The Community Development Agency of the City of Tracy (the "Agency") and the City of Tracy (the "City") desire to enter into a Public Improvements Grant and Cooperation Agreement (the "Agreement") for the purpose of installing certain public improvements within the Tracy Community Development Project Area (the "Project Area") for the purposes of implementing the Tracy Community Development Plan (the "Redevelopment Plan").

To assist in implementing the Redevelopment Plan, the Agency has adopted a five year Implementation Plan pursuant to Section 33490 of the Redevelopment Law. The Redevelopment Plan and Implementation Plan call for the Agency to fund certain public improvements to encourage private sector investment in the Project Area to eliminate blight. Since the City is better equipped to cause the installation of such public improvements the Agency and the City desire that the Agency will fund and the City will acquire any necessary land for, and design and construct various elements of public improvements and facilities owned or to be owned by the City. Exhibit A to the Agreement is referred to in the Agreement as the "Improvement Plan," and the improvements listed in the Improvement Plan are referred to individually as a "Public Improvement Project" and collectively as the "Public Improvement Projects." The Improvement Plan includes the currently estimated costs of implementing the Public Improvement Projects.

Subject to the terms and conditions of the Agreement, the Agency will grant to the City, a grant in an amount not to exceed the total amount shown for all Public Improvement Projects in the Improvement Plan at the time of execution of the Agreement (the "Maximum Grant Amount"), for use by the City to complete the Public Improvement Projects. The sources of the Grant from the Agency to the City shall consist of:

All funds currently held by the Agency (other than in the Agency's Low and Moderate Income Housing Fund) and not previously budgeted or appropriated for other activities, projects, or programs (the "Available Funds"); and

All future tax increment revenue allocated to the Agency pursuant to the Redevelopment Plan and the Redevelopment Law and available to the Agency after the Agency: (1) makes all necessary annual payments with respect to then existing debt obligations of the Agency, including, without limitation, bonded indebtedness, pass-through payments owed to affected taxing entities under agreement or Sections 33607.5 or 33607.7 of the Redevelopment Law, written agreements with other persons or entities, deposits to the Agency's Low and Moderate Income Housing Fund pursuant to the Redevelopment Law, and any other statutorily required payment obligations of the Agency; and (2) sets aside a reasonable amount for Agency administration as mutually determined by the City and the Agency (collectively, the "Pledged Funds").

In no event shall the sum of the Available Funds and the Pledged Funds exceed the Maximum Grant Amount.

The Improvement Plan consists of the acquisition and improvement of land for design, construction, and related activities to complete the following Public Improvement Projects:

DOWNTOWN INFRASTRUCTURE - In and around Downtown are several "opportunity sites" for private sector investment. Each site shares a common obstacle to development in that many of the infrastructure systems currently in place have deteriorated or do not contain capacities to accommodate new development. No individual site is large enough to finance the required infrastructure, many sites are under separate ownership, are geographically spread out and would develop under varying time-frames. As a result, development of Downtown has stymied, which has limited the Agency's and City's ability to channel growth to infill sites. The total estimated cost of infrastructure to accommodate new development in the Downtown is \$17m.

DOWNTOWN PLAZA - Downtown needs revitalization because over time it has lost its position as a location that draws in people and investment. Revitalization efforts should primarily focus on enhancing the conditions that make downtown more attractive by providing an environment that adds value to and distinguishes the district. The key to this effort is urban amenity. Downtown is in need of significant injections of amenity. Today, place-making has become more valuable, not just as a way to increase livability but as a way of growing the local economy. In the absence of demand for residential units (as in the current economic downturn) concentrating first on place-making, dramatically enhances the core pedestrian environment.

The Downtown Plaza is currently under design as a large scale urban plaza, located on the east side of Central Avenue between Central Avenue and D Street along Sixth Street in front of the new Transit Station. The Plaza will contain interactive water features, hardscape, landscape, street furniture, a pavilion structure, and the reconfiguration of Sixth Street to include a couplet and roundabout at the intersection of Sixth Street and Central Avenue. The total estimated cost of the project is \$6m.

ACQUISITION OF REAL PROPERTY AND ASSISTANCE FOR PUBLIC IMPROVEMENTS AND RELATED PUBLIC-PRIVATE IMPROVEMENTS TO ELIMINATE BLIGHT AND REVITALIZE DOWNTOWN - While focusing efforts on increasing the number of customers within walking distance of Downtown shops, strategic actions should also be focused on enhancing the appeal of the Downtown Core to people outside Downtown's immediate neighborhood. This requires resources be focused on the retention and addition of one-of-a-kind shops and eateries that distinguish Downtown from malls and strip centers. To do so it is critical to identify and assemble the spaces in the Core that are available or that could be made available and get those spaces ready for new investment. Because the majority of public improvements and infrastructure and nearby private use areas in downtown are old, it is more costly for a business to open a similar sized store in downtown than in a newer commercial center. Acquiring spaces for public improvements and related public private ventures, assisting in site preparation and the creation of the ultimate improvements, and then marketing them aggressively is fundamental to revitalization. The total estimated cost is \$14m which includes property acquisition and remediation, parking improvements and off-site improvements.

DOWNTOWN WAY FINDING SIGN PROGRAM - Downtown needs revitalization because it has lost its position as a location that draws in people and investment. The railroad crossroads and the City's first arterial were once the area's primary transportation arteries, making Downtown the most desirable place (initially the only place) to live or to locate a business in Tracy. As the City grew (and automobiles replaced trains as the primary mode of transportation), newer and bigger arterials were located far from the original core settlement to serve new housing development, drawing retail investment to the newer, busier intersections that were closer to the new residential development. Eventually major regional highways and highway interchanges were constructed even farther from Downtown, drawing much of the investment and real estate value far from the historic core. Disinvestment ensued. A Downtown Way Finding Signage Program will help direct potential customers to Downtown at an estimated cost of \$250,000.

Section 33445 of the California Health and Safety Code requires that the City Council make the following findings in order for the Agency to fund the Public Improvement Project as identified in the Improvement Plan:

1. The Public Improvement Projects are of benefit to the Project Area as they will eliminate one or more blighting conditions in the following manner:
 - a. Downtown Infrastructure – these improvements will benefit the Project Area by replacing aged, inadequate and deteriorated infrastructure, including water and sewer, which will encourage private sector investment and eliminate economic and physical blight and which are cost prohibitive for the private sector to install without public assistance;
 - b. Downtown Plaza – this improvement will benefit the Project Area by making downtown more attractive than other locations by providing an environment that adds value to and distinguishes the district from other investment opportunities thereby stimulating private sector investment and eliminating economic and physical blight, by among other methods, reducing and eliminating empty, unsafe, or unhealthy buildings and alleviating stagnant property values;

- c. Participation/ Acquisition of Real Property for Public Improvements and related Public-Private Improvements – these improvements will benefit the Project Area by identifying public improvements and related public-private partnerships that will result in new investment and eliminate economic and physical blight;
 - d. Downtown Way Finding Sign Program – this improvement will benefit the Project Area by guiding potential customers to Downtown which is located away from the major regional highways and highway interchanges where recent commercial investment has occurred. As Downtown retailers are able to increase their sales per square foot it will encourage new private investment which will eliminate economic and physical blight.
2. There are no other reasonable means of financing the cost of the Improvements available to the community as the General Fund has a significant operating budget deficit nor has the money available in its capital budget to pay for the cost of the Public Improvement Projects.

The Public Improvement Projects are provided for in the Redevelopment Plan, and are consistent with the Implementation Plan. Implementation of the Public Improvement Projects will benefit the Project Area and will assist in the elimination of blight in the Project Area and the provision of affordable housing in the community. The Agency's use of funds as provided in the Agreement is authorized by Redevelopment Law, and the Agency and City Council have made all findings required under the Redevelopment Law for such use.

Pursuant to State CEQA Guidelines Section 15378(b)(4), approval of the Agreement is not a project subject to the California Environmental Quality Act ("CEQA"), because this Agreement consists of the creation of a governmental funding mechanism for various public improvements, but does not commit funds to any specific public improvement, in that environmental review required by CEQA shall be completed prior to the commencement of any Public Improvement Project listed in the Improvement Plan.

This action will essentially appropriate all existing and future available financial resources of the Agency and results in the need to amend both the Agency and City FY 10-11 budget to the extent necessary to make such appropriation.

Staff recommended that the Agency take the following actions:

1. Make the required findings in compliance with Section 33445 of the Health and Safety Code;
2. Approve the Agreement;
3. Authorize and direct the Executive Director to sign the Agreement on behalf of the Agency; and
4. Amend the Agency FY 10-11 Budget to the extent necessary to appropriate all existing and future available financial resources of the Agency.

Staff recommended that the City take the following actions:

1. Make the required findings in compliance with Section 33445 of the Health and Safety Code;
2. Approve the Agreement;
3. Authorize and direct the City Manager to sign the Agreement on behalf of the City; and

4. Amend the City FY 10-11 Budget to the extent necessary to accept all existing and future available financial resources of the Agency.

Council Member Abercrombie asked if the City could move these funds to purchase, for example the Bowtie area, at a later date. Ms. Luna-Reynosa responded yes. That would be the type of project contemplated under the category "Acquisition of Real Property and Assistance for Public Improvements." Council Member Abercrombie inquired if the City would be able to use all the funds to make that happen. Ms. Luna-Reynosa responded yes.

Council Member Rickman requested confirmation that the \$4.5m had not been spent. Ms. Luna-Reynosa responded that was correct.

Council Member Elliott inquired if there would be any benefit in leaving the money where it is to take advantage of future opportunities that might be presented. Zane Johnston, Director of Finance, responded all City and CDA funds are pooled and invested collectively. Any interest received is distributed among the various funds in the pool. The action before the Council/CDA is to transfer the money from one account to another; there is no movement of cash and no securities need to be sold to complete this action. Mr. Johnston added that from a financial aspect there were no disadvantages either to the CDA or to the City.

Council Member Elliott inquired if the City appropriated the money for general use would it preclude the money from being used for another purpose. Ms. Luna-Reynosa responded the money is redevelopment money so its use has to comply with Redevelopment Law, which has strings attached. Language has been added to allow some public/private partnership but that would be limited to public improvements. Redevelopment allows a little more flexibility in entering into agreements with private developers, so the City would lose some flexibility. Andrew Malik, Director of Development and Engineering Services, added the money could not be used for public infrastructure on the west side of town. It has to be used to eliminate blight in the redevelopment area, which is primarily downtown.

Mayor Pro Tem Maciel inquired whether the City was committed to the four projects listed, or if they were examples of where prioritized needs have been identified. Mr. Johnston responded the four projects were envisioned by the Agency and are part of a previously adopted five year plan. This action does not mean the projects are being funded. The plan is simply moving forward. Future actions will include matching the available money to the projects. The Council/CDA action will allow the City Council to proceed and to award contracts for these projects. However, many other decisions will need to be made before a specific project on this list goes forward. Ms. Luna-Reynosa added that if an eligible redevelopment use is identified which is not on the list, the five year implementation plan could be revised and the agreement amended.

Mayor Pro Tem Maciel confirmed that it is unlikely any project would take precedence over the projects listed, but if that did happen Council has the flexibility to spend \$4.5m on a project other than the four listed.

Mayor Pro Tem Maciel invited public comment.

Robert Tanner, 1371 Rusher Street, asked whether the downtown plaza was funded to the full amount of \$6m. Mr. Malik responded the City has \$4.5m; the full amount of \$6m includes both sides of Central Avenue, east and west. Cost estimates for the east side are coming in at approximately \$3m. Mr. Malik added the City received a grant for Smart Growth from the Council of Governments for design work. Ms. Luna-Reynosa stated that no money has been appropriated for the construction of the plaza.

In response to a question from Mr. Tanner regarding property acquisitions, Ms. Luna-Reynosa stated no specific targets have been identified at this time. This matter will be discussed in closed session since it relates to property negotiations.

Mr. Tanner referred to the state's efforts to take back redevelopment money and dissolve enterprise zones, and asked what the City was doing in this regard. Leon Churchill, Jr., City Manager, stated the City has begun formal dialogue with agencies and legislators at the state level. The actions before the Council/CDA directly address some of the issues presented by the Governor's proposed budget. These actions also quantify the impact, the \$37.25 million, so the City can continue that dialogue coupled with the policy arguments and why the City disagrees with some elements of the Governor's proposed budget.

Mr. Tanner inquired if it was possible that the \$4m the City has in reserve would have to be returned to the state. Mr. Churchill responded the action before the Council/CDA transfers the funds to the City so the money can be used for its intended purposes.

Council Member Abercrombie moved to adopt CDA Resolution 249, a Resolution of the Community Development Agency of the City of Tracy, Approving a Public Improvements Grant and Cooperation Agreement and Making Certain Findings Related Thereto. Council Member Elliott seconded the motion. Voice vote found Council Members Abercrombie, Elliott, Rickman and Mayor Pro Tem Maciel in favor; Mayor Ives absent. Motion carried 4:0:1.

Council Member Abercrombie moved to adopt Resolution 2011-020, a Resolution of the City Council of the City of Tracy, Approving a Public Improvements Grant and Cooperation Agreement and Making Certain Findings Related Thereto. Council Member Elliott seconded the motion. Voice vote found Council Members Abercrombie, Elliott, Rickman and Mayor Pro Tem Maciel in favor; Mayor Ives absent. Motion carried 4:0:1.

6. It was moved by Council Member Abercrombie and seconded by Council Member Elliott to adjourn. Voice vote found Council Members Abercrombie, Elliott, Rickman and Mayor Pro Tem Maciel in favor; Mayor Ives absent. Motion carried 4:0:1. Time: 5:55 p.m.

The above agenda was posted at the Tracy City Hall on January 15, 2011. The above are summary minutes. A recording is available at the office of the City Clerk.

Mayor Pro Tem

ATTEST

Assistant City Clerk