

**City of Culver City, California
Agenda Item Report**

Meeting Date: 02/22/2011		Item Number: <u>J-2</u>	
JOINT CITY COUNCIL/REDEVELOPMENT AGENCY BOARD AGENDA ITEM: Adoption of City Council and Redevelopment Agency Board Resolutions Approving a First Amendment to the January 2011 Cooperation Agreement between the City of Culver City and the Culver City Redevelopment Agency Relating to the Funding of Public Infrastructure Improvements and Affordable Housing Projects.			
Contact Person/Dept.:		Phone Number:	
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Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☐		Action Item: ☒ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public Notification: Meetings and Agendas – City Council (02/18/11); Meetings and Agendas – Redevelopment Agency (02/18/11).			
Department Approval: Sol Blumenfeld: (02/08/11)		City Attorney Approval: Carol Schwab: (by H. Baker) (02/18/11) Agency General Counsel Approval: Murray Kane: (02/07/11)	
Chief Financial Officer Approval Jeff Muir (by N. Kimball) (02/18/11)		City Manager/Executive Director Approval: John M. Nachbar: (02/18/11)	
<u>RECOMMENDATION:</u> Staff recommends that both the City Council and the Redevelopment Agency Board adopt respective resolutions approving a first amendment to the January 2011 Cooperation Agreement (Public Improvements and Affordable Housing Agreement) between the City of Culver City and the Culver City Redevelopment Agency relating to the funding of specified public infrastructure improvements and affordable housing projects. <u>BACKGROUND:</u> Section 33445 of the California Health and Safety Code permits redevelopment agencies to use tax increment revenue to pay the cost of public improvements constructed by other entities, provided the legislative body (in Culver City's case, the City Council) makes certain findings. From time to time, the City and Agency have entered into Cooperation Agreements for the mutual benefit of the two parties and the public. On January 15, 2011 the City Council and Agency Board considered a staff proposed agreement that funded the following public infrastructure improvements and affordable housing projects:			

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- Washington Boulevard Street Improvements
- Downtown, Hayden Tract and West Washington Boulevard Public Parking Facilities
- Town Plaza Expansion
- Citywide Improvements to Medians
- Washington National Infrastructure and Streetscape Improvements
- Washington National Aerial Station Cooperation Funding
- On-going Maintenance of Agency Assets
- Industrial Area Improvements (Smiley- Blackwelder)
- West Adams Improvements
- Seismic Rehabilitation Improvements – Arts District and Hayden Tract
- Redevelopment Related General Plan Preparation and Implementation Plans
- Citywide Affordable Housing Projects consistent with the approved Housing Strategy

During the discussion, the City Council and Agency Board directed staff to add the following projects:

- Funding for the acquisition of property (\$20 million), the provision of public parking and improvements to the Washington/National transportation easement (\$100,000) which total \$84.1 million;
- Increase funding for affordable housing projects from \$17 million to \$27.6 million; and
- Increased funding for the repaving of streets throughout the project area to \$20 million.

After concluding its discussions, the City Council and Agency Board approved the Public Improvements and Affordable Housing Agreement, thereby establishing the authority, framework and funding source to pursue vitally needed Improvements.

Following consideration of the Public Improvements and Affordable Housing Agreement, the City Council and Agency Board considered funding for (1) a combined Police and Fire facility (the “Public Safety Building”) in the amount of \$60 million and (2) funding for Vets Auditorium and related buildings in the amount of \$60 million (collectively, the “Public Buildings”). Because the Public Buildings potentially involve new construction of something other than a parking structure, a public hearing is required pursuant to Section 33679 of the Community Redevelopment Law. Accordingly, staff has issued the appropriate notice and requests the City Council and Agency Board conduct the required public hearing this evening.

DISCUSSION:

The First Amendment to the Public Improvements and Affordable Housing Agreement is proposed at this time due to the uncertainty of the Governor’s proposal to eliminate redevelopment agencies statewide created and because the expiration

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of the Redevelopment Project in Component Areas 1 and 2 in 2014 will limit the Agency's tax increment revenue stream to that needed to repay existing debts, which will help enable the Agency to protect its investment and ongoing efforts within the Project Area in general.

The Public Improvements and Affordable Housing Agreement is proposed to be amended as follows:

1. Modify the List of Projects as indicated in Exhibit 1 to the First Amendment (Attachment No. 1) to include the following (collectively, with the projects referenced in the January 2011 Cooperation Agreement referred to as the "Projects"):
 - Provide funding for directional signs and improvements to the Agency's parking structures as recommended in the Walker Downtown Parking Study in the amount of \$1.5 million;
 - Increase funding for West Washington Parking at Centinela Boulevard Project from \$6.8 to \$8.3 million;
 - Increase funding for the Hayden Tract Parking Project from \$14.8 to \$16.2 million.
 - Increase funding for the Washington/National Property Acquisition and Associated Relocation Project from \$20 million to \$23.5 million.
 - Increase funding for the On-going Maintenance of Agency Assets from \$2.1 million annually to \$67.2 million to reflect the total cost (as opposed to the annualized amount contained in the original Agreement).
 - Increase funding for the Downtown Parking at Town Plaza Project from \$2 million to \$12 million.
 - Transfer the Veterans Memorial Building and Complex and Adjacent Facilities Improvement Project and related funding from the Public Improvements and Affordable Housing Agreement to a new Public Buildings Agreement (proposed for consideration by the City Council and Agency Board this evening).
2. Modify the Schedule of Agency Payments as indicated in Exhibit 2 to the Proposed Amended Cooperation Agreement;
3. Modify the Schedule of Performance as indicated in Exhibit 3 to the Proposed Amended Cooperation Agreement;

The evidence supporting the findings required to approve the proposed First Amendment to the Public Improvements and Affordable Housing Agreement are:

- A. The specified public infrastructure improvements are of benefit to the Culver City Redevelopment Project and the immediate neighborhood in which the Project Area is located for the following reasons:
 - a. The Projects will improve public safety and health conditions.

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- b. The Projects will increase the quality of life for residents, visitors, and businesses by improving the surface improvements.
- c. The Projects will increase residential amenities and provide a needed public facility for the area which, in turn, increases the desire for residents to live.
- d. The Projects will replace inadequate public improvements by the replacement of dilapidated sidewalks within the public right-of-way.
- e. The Projects will act as a catalyst providing an incentive for private investment, thereby contributing to the removal of economic blight.
- f. The Projects will increase lighting which, in turn, will improve public safety and deter crime.

B. No other reasonable means of financing the specified public infrastructure improvements are available to the community for the following reasons:

City of Culver City - General Fund

The City has already adopted mid-year budget amendments to reduce current year revenues by \$340,000 and the City is projecting a deficit of approximately four million dollars for Fiscal Year 2010-2011. Moreover, without new revenues or significantly reduced expenditures, projected shortfalls in upcoming years will deplete the General Fund reserve by Fiscal Year 2014-15. As stated in the City Council staff reports on February 9, 2009 and March 30, 2009, the City of Culver City has a structural deficit which one-time, quick fixes cannot address over the long term. Limited financial resources have caused needed capital projects to be deferred.

Because of the budget situation new programs and infrastructure projects will not be economically feasible in the near future.

Moreover, Propositions 13 and 218 make raising revenue through higher taxes a difficult challenge as voter approval would be necessary. An alternative to raising taxes and fees is issuing bonds. But just as with raising taxes, voter approval of the bond issuance is required.

Due to the circumstances described above, the City does not currently have the resources to fund the proposed Projects.

The Culver City Redevelopment Agency Tax Increment Revenue

The absence of any significant new revenues to address the multitude of shortfalls the City expects to face in confronting a structural deficit leaves the tax increment revenue stream which flows to the Redevelopment Agency as the only reasonable

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means of financing the proposed Projects. The tax increment revenue is derived from the increase in assessed value of property within the Project Area. This source of revenue is generally more stable than many of the City's sources (e.g. sales tax, business tax, and development related taxes and fees) which can fluctuate with much more volatility. As well, the utilization of tax increment to achieve these projects represents a redistribution of existing property taxes and requires no new or additional taxes or increase in existing taxes.

Also, unlike the City, the Redevelopment Agency can issue bonds without requiring voter approval. This is possible because the Agency can dedicate its future stream of tax increment revenues towards making the bond payments. As stated above, tax increment revenue is revenue derived from existing tax payments. Redevelopment Agencies cannot impose new taxes on property owners within the Redevelopment Project Area.

C. The specified public infrastructure improvements will assist in the elimination of one or more blighting conditions inside the Project Area because the Projects will provide needed services and facilities to the Project Area residents and businesses where they are now lacking; spur new private economic investment within the Project Area; reduce physical deterioration of many proposed public facilities; and shift to a more sustainable way of life.

D. The specified public infrastructure improvements are consistent with the Implementation Plan for the Project Area adopted pursuant to Section 33490 of the California Redevelopment law in that the Projects:

- Provide funding for directional signs and improvements to the Agency's parking structures as recommended in the Downtown Walker Parking Study in the amount of \$1.5 million pursuant to Goal No. 1, Objective 1.4 Item 3 on Page 12 of the Implementation Plan for the Culver City Redevelopment Project;
- Increase funding for West Washington Parking at Centinela Boulevard project from \$6.8 to \$8.3 million pursuant to Goal No. 2, Objective 2.1, Item 7 on Page 13 of the Implementation Plan for the Culver City Redevelopment Project ;
- Increase funding for the Hayden Tract Parking project from \$14.8 to \$16.2 million pursuant to Goal No. 1, Objective 1.2, Item Nos. 1, 3, 4, 5 and 6 on Page 10 of the Implementation Plan for the Culver City Redevelopment Project;
- Increase funding for the Washington National Property Acquisition and Associated Relocation project from \$20 million to \$23.5 million pursuant to Goal No. 2, Objective 2.1, Item 3 on Page 13 of the Implementation Plan for the Culver City Redevelopment Project;

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- Funding for the On-going Maintenance of Agency Assets was increased from \$2.1 million annually to \$67.2 million to reflect the total cost, not the annualized amount pursuant to Goal No. 1, Objective 1.4 Item 3 on Page 12 of the Implementation Plan for the Culver City Redevelopment Project;
 - Increase funding for the Downtown Parking at Town Plaza Project from \$2 million to \$12 million pursuant to Goal No. 2, Objective 2.1, Item 1 on Page 13 of the Implementation Plan for the Culver City Redevelopment Project;
 - Transfer funds for the Vets and Improvements to Adjacent Facilities project from the January 2011 Cooperation Agreement to a new Cooperation Agreement such that:
 - i. The proposed relocation of Fire Station No. 1 is consistent with achieving Goal No. 1.0, Objective No. 1.4.1: *“Utilize Agency authority to acquire and assemble appropriate downtown development sites for disposition and redevelopment.”*; and
 - ii. The proposed New Public Safety Headquarters Facilities is consistent with achieving Goal No. 3.0, Objective No. 3.1.12: *“Rehabilitate or replace outdated public facilities to improve public safety and enhance the quality of life.”*
 - iii. The Improvements to Veterans Memorial Building is consistent with:
 - 1. Addressing Blighting Condition No. 2.3: *“Community open space, recreational and public facility space is substandard in Component Area No. 2.; and*
 - 2. Achieving Goal No. 3.0, Objective No. 3.1.12: *“Rehabilitate or replace outdated public facilities to improve public safety and enhance the quality of life.”*
- E. The specified affordable housing projects (on the Globe and Bridge Housing projects) are of benefit to the Culver City Redevelopment Project in accordance with Section 33334.2 of the Community Redevelopment Law. These findings have been included in the approving resolutions that find benefit in spending the Agency’s Low and Moderate Income Housing Funds outside of the Project Area.

FISCAL ANALYSIS:

Approval of the proposed First Amendment includes increased costs to the Agency as detailed on Exhibit 1 of Attachment No. 1. Exhibit 1 indicates approximate costs to the Agency for each improvement or plan. Exhibit 2 includes schedule of Agency payments and Exhibit 3 provides the timing to complete the improvements. All costs

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generally include hard and soft costs and land acquisition where applicable. The sum of these costs is \$311.2 million with all costs estimated in current year dollars.

ATTACHMENTS:

1. Proposed First Amendment to Public Improvements and Affordable Housing Agreement
2. Proposed City Council Resolution
3. Proposed Redevelopment Agency Resolution

MOTIONS:

That the City Council:

1. Adopt a Resolution making findings and determinations pursuant to Health and Safety Code Section 33445 and 33334.2 and approving the First Amendment to the Public Improvements and Affordable Housing Agreement between the City of Culver City and the Culver City Redevelopment Agency to provide for funding of specified public infrastructure improvements and affordable housing projects; and,
2. Authorize the City Attorney to review/prepare the necessary documents; and,
3. Authorize the City Manager to execute such documents on behalf of the City.

That the Agency Board:

1. Adopt a Resolution making findings and determinations pursuant to Health and Safety Code Section 33445 and 33334.2 and approving the First Amendment to the Public Improvements and Affordable Housing Agreement between the City of Culver City and the Culver City Redevelopment Agency to provide for funding of specified public infrastructure improvements and affordable housing projects; and,
2. Authorize the Agency General Counsel to review/prepare the necessary documents; and,
3. Authorize the Executive Director to execute such documents on behalf of the Agency.