

# REPORT

## To the Honorable Mayor and City Council and The Redevelopment Agency Board From the Executive Director and the City Manager

June 25, 2007

### SUBJECT

Redevelopment Agency Budget for Fiscal Year 2007/08

### RECOMMENDATION

Review the proposed Redevelopment Agency Budget for Fiscal Year (FY) 2007/08 and consider adoption by resolution on July 9, 2007.

### BACKGROUND

In September, 2006 the community celebrated the completion of the new downtown Courthouse Square, the renovation of the façade of the historic County Courthouse which now houses the San Mateo County History Museum, the cinema/retail project "On Broadway", the new 590-space public parking facility, as well as the completion of dramatic new streetscape improvements to Broadway, Jefferson and Middlefield/Theatre Way.

State redevelopment law requires the adoption of an annual budget for the Redevelopment Agency (Agency) containing the proposed expenditures of the Agency, anticipated revenues, proposed indebtedness to be incurred, work program and goals for the coming year, as well as an examination of the previous year's work program. The budget must also include all activities to be funded by the low and moderate income housing fund established pursuant to law.

The mandated report for the State will be prepared with all of the detail required for compliance with State law after Council review of the budget in this study session. It will be attached to the budget resolution, which is scheduled for Council adoption at the Council/Agency meeting of July 9, 2007. The information that follows summarizes the Agency's accomplishments in FY 2006/07 and the priorities for the upcoming fiscal year.

### Redevelopment General Fund

In addition to the completion of Courthouse Square; the Courthouse Façade Restoration Project; the formal opening of the cinema and several new retail and restaurant businesses; and the streetscape improvements, milestones were achieved with several other projects completed or advanced during the fiscal year. These included:

- The public approval process for the Downtown Precise Plan (DTPP), which was concluded with Council's approval of the Plan on March 26, 2007.
- The installation of the new parking meters and implementation of the innovative Downtown Parking Management Plan, which is expected to become fully operational in early summer with final adjustments to the system.
- Award of the bid for the fabrication and installation of the new directional signage and way finding program, which should be completed by the end of September, 2007.

- Initiation of construction of the Post Office Paseo, scheduled for completion in early summer of 2007.
- Installation of one-of-a-kind lanterns and new banners on Middlefield between Veteran's and Broadway, celebrating the entrance to the Theatre District and connecting the free parking available in the County garage on weekends and weekdays after 6pm. to the cinema, museum and the Fox and Little Fox venues.
- The funding and programming of downtown events and activities during the summer with free concerts, dance venues, movies, street performers such as magicians and puppeteers, festivals, Shakespeare, and other events; as well as the funding of promotional and marketing efforts to support downtown businesses by heightening public awareness of the unique businesses downtown and encouraging first-time and reoccurring visits from both residents and the broader Peninsula community.
- Participation in the El Camino Real (ECR) "Grand Boulevard Initiative" (GBI) via the commitment of extensive staff time as well as financial resources for the funding of a capital project to enhance the pedestrian experience between the new Villa Montgomery Apartments, the Franklin Street Apartments and the train station and downtown.
- Participation in the County-wide Transit Oriented Development (TOD) Opportunity Study to support the principle of both pedestrian and vehicular linkages between the downtown, Sequoia Station and ECR so prominent in the DTPP with its vision of elevated train tracks in Downtown, as well as the development of high density housing adjacent to transit.
- Support of business retention and attraction efforts city wide to support the economically viable "place making" efforts Downtown and brand Redwood City as a great place to invest as well as live, work and play.

Priorities for FY 2007/08 include completion of the above projects; continuation of the involvement in the GBI; working with Cal Trans to obtain design exceptions for the budgeted El Camino Real improvements; continuation of the dialogue with regional transit agencies regarding elevation of the train tracks; expanded programs and activities in the downtown, including the implementation of a "Phantom Gallery" program in to fill vacant store windows until such time as leases are signed with retail tenants and construction of tenant improvements begin; revision of the Storefront Improvement Program for Council consideration; continued "branding" of Downtown with ongoing marketing and promotional efforts, including a seasonal banner program.

### **General Operating Budget**

The proposed operating budget for the Agency's General Fund in FY 2007/08 reflects several changes from the 2006/07 budget. Approximately \$800,000 in additional tax increment revenue is projected in FY 07/08, while interest revenue is lower by some \$165,893 due to the drawdown of funds for capital projects completed over the last four years.

Employee costs are \$120,643 higher than the amended FY 06/07 budget. As you recall, the mid-year budget adjustment in May, 2006 shifted \$402,344 in "Employee Services" funding from housing set-aside funds to the Agency's general fund. This shift reduces the administrative costs for affordable housing programs and preserves more funding for direct project support and assistance.

The general operating budget for FY 07/08 reflects revenue projections based upon the same formula for deposits to the housing fund as the previous four years. Beginning in FY 08/09, deposits calculated based upon the agreement with the Legal Aid Society will shift back to the housing budget for the duration of the obligation.

Most of the other revenues and expenditures remained basically constant except for the reduction in the Operating Reserve from \$1.2 million to \$750,000 as noted in the mid-year budget amendment staff report.

It is anticipated that Agency's "Economic Development" expenditures will continue to focus on programming; special event support for such activities as the Fourth of July Parade, the Our Town, Downtown celebration, the Latino Film Festival and Hometown Holidays; marketing and promotion efforts, including banners, door-to-door mailings, strategically placed advertising and sponsorship of events and activities by both private and non-profit groups designed to bring people downtown. These activities might better be labeled "Downtown Programming and Marketing" to distinguish them from city wide economic development efforts proposed in conjunction with the Chamber of Commerce as one of the budget options for the Council to consider for the use of City general fund dollars.

The Storefront Improvement Program has seen activity in this current fiscal year, although at much lower levels than funding budgeted. Staff is hoping to prioritize a review of the program and recommend revisions to simplify the program and make it more attractive to property owners and businesses by expanding the purposes for which funding may be obtained, such as merchandizing and sidewalk café improvements; and incentives if adjoining properties participate. The completion of the major capital projects should enable staff to review this program and develop recommendations for Council consideration in FY 07/08.

#### **General Capital Improvement Program**

The Agency's proposed general fund Capital Improvement Program (CIP) for FY 2007/08 provides additional capital funding in the amount of \$200,000 for the El Camino Real Grand Blvd Improvement Project, \$50,000 for the development of a Master Plan for ECR outside of the DTPP boundaries, \$500,000 for Contingency purposes, and \$500,000 for Critical "Pioneering" Development. The money for contingency purposes should be viewed as a reserve fund to help fund projects and opportunities that have yet to surface or be identified.

The Working Capital Fund Balance is projected at \$863,893 for the new fiscal year assuming the revenues and expenditures described above for the operating and capital budget for the Agency's general fund.

#### **Budget Option-Code Enforcement**

Code enforcement in the redevelopment project area is legitimate expenditure of redevelopment funds. Redevelopment areas are established with the goal of eliminating blight and restoring economic vitality in the designated area(s). A concerted effort to enforce property maintenance codes has proven to be a key factor in achieving this stated goal.

The Council has expressed its desire to increase the level of code enforcement efforts on many occasions, but reluctantly deferred funding with budget shortfalls the past 3 years. With the shift in funding from Redevelopment to General Fund for one of the

planning positions, it is appropriate to consider the funding of one Code Enforcement Officer to provide dedicated enforcement of property maintenance codes in the Redevelopment area. This position would allow current Code Enforcement Officers to focus on other areas of the City. The net effect would be a partial return to proactive code enforcement throughout the City. Attachment 1 reflects the Agency's proposed budget for FY 2007/08 should this option be approved by the Council. The Budget Option Memo is included as Attachment 3.

### **Housing Budget**

In FY 2006/07, the construction of the Villa Montgomery Apartments continued. The 58 units of very low and extremely low income apartments will be ready for occupancy by the end of summer, 2007. The second private parcel required to complete the assembly of the Bradford site was acquired. Environmental issues continue to be analyzed, with closure anticipated early in the new fiscal year. Community Development Block Grant (CDBG) funds were used to help the Mental Health Association of San Mateo County acquire a site in Redwood City for 16 units of affordable rental units for the extremely low income in a supervised environment. Finally, two single family and three multi-family (19 units) home rehabilitation loans were processed, and 17 individuals were assisted by the minor home repair program.

Housing is *the* priority for the next phase of downtown revitalization efforts. This priority is abundantly clear in the DTPP adopted by the Council in May, 2007. The priorities for housing in FY 2007/08 include the following:

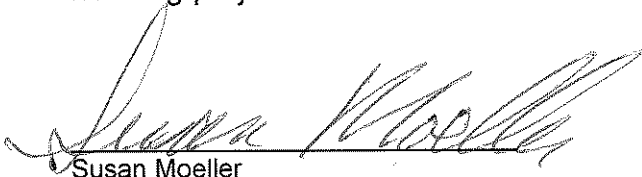
- Continue to talk with potential developers for market-rate multi-family projects in furtherance of the DTPP goals and priorities as well as 15% affordability covenants.
- For projects outside of the DTPP area (east of 101, North Main, South Main, etc), encourage the inclusion of 15% affordable units in discussion with developers who have identified sites.
- Work with not-for-profit developer (Living City Partners) to identify site for construction of approximately 16 units of ownership housing at affordable levels.
- Upon closure of environmental issues, prepare a Request for Proposal (RFP) for the Bradford site. Develop a concept plan and identify a developer through the RFP process by the end of the calendar year.
- Break ground on the 16 units for Mental Health Association project by the end of the fiscal year.
- Close escrow and break ground this summer on the Habitat for Humanity town homes on Lincoln Ave.
- Development of policies to insure compliance with Agency's housing production requirements under State law.

The identification of sites for housing remains a challenge and a priority, but the adoption of the DTPP has stimulated developer interest. Staff will continue to work with the Planning Division to encourage high-density housing throughout the downtown and achieve the vision in the DTPP.

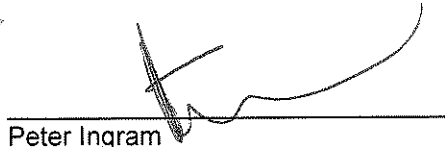
### **Housing Operating and Capital Budgets**

In Fiscal Year 2007/08 the proposed operating budget for housing set-aside funds is basically the same as the FY 2006/07 budget amended mid-year (see Attachment 2). An additional \$1 million in the capital budget is proposed for general land assembly and

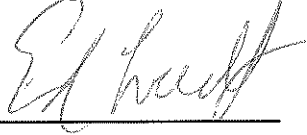
gap financing purposes. Combined with the funding from the FY 2006/07 Capital Budget, as well as unexpended allocation for the Villa Montgomery Project, a total of approximately \$2.5 million is available for land assembly/gap financing for affordable housing projects.



Susan Moeller  
Redevelopment Manager



Peter Ingram  
Executive Director, Redevelopment Agency Board



Edward Everett  
City Manager

#### ATTACHMENTS

1. Proposed Redwood City Redevelopment Agency Budget-General (159/807)
2. Proposed Redwood City Redevelopment Agency Budget-Housing (158/806)
3. Redevelopment Agency Budget FY 2007/2008 Budget Option Memo

#### RELATED DOCUMENTS IN CITY CLERK'S OFFICE

None

RESOLUTION NO. RD 07-\_\_\_\_\_

**RESOLUTION OF THE REDWOOD CITY REDEVELOPMENT  
AGENCY ADOPTING BUDGET FOR FISCAL YEAR 2007-2008**

**BE IT RESOLVED BY THE REDWOOD CITY REDEVELOPMENT  
AGENCY, AS FOLLOWS:**

The Redwood City Redevelopment Agency Budget entitled, "Final Redevelopment Agency Budget for Fiscal Year 2007-2008," a copy of which is on file in the office of the Redevelopment Manager, is hereby approved and adopted as the Annual Budget of the Redevelopment Agency of the City of Redwood City for Fiscal Year July 1, 2007 - June 30, 2008.

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**Proposed Redwood City Redevelopment Agency Budget  
GENERAL (159/807)**

ACCT #	ITEM	Budget	Amended	Proposed	Proposed	Proposed
		06/07	06/07	07/08	Spring, 2006	Spring, 2008
	Beginning Fund Balance	272,398	272,398	64,969	186,004	186,004
	Add back project/encumbrance rollover	30,808	30,808			
	Add back Targeted Operating Reserve			750,000	750,000	750,000
	Other Revenue (C/CAG Grant \$163,590/MTC HIP Grant \$387,900)	551,490	551,490			
	Other Revenues (Fair Oaks Access Justice Grant)		153,000			
	Use of Capitalized Int*	560,000	560,000			
	<b>ESTIMATED BEGINNING FUND BALANCE</b>	<b>1,414,696</b>	<b>1,567,696</b>	<b>814,969</b>	<b>936,004</b>	<b>936,004</b>
	Tax Increment** (Estimate)	7,119,756	7,119,756	7,137,436	7,950,699	7,950,699
	Interest***	225,677	251,418	45,600	85,525	85,525
	Bond Proceeds					
	Other Revenue					
	ERAF Excess Refund					
	<b>TOTAL REVENUE</b>	<b>7,345,433</b>	<b>7,371,174</b>	<b>7,183,036</b>	<b>8,036,224</b>	<b>8,036,224</b>
	<b>TOTAL AVAILABLE WORKING CAPITAL</b>	<b>8,760,129</b>	<b>8,938,870</b>	<b>7,998,005</b>	<b>8,972,228</b>	<b>8,972,228</b>
	Fixed Obligations					
	Transfer for Debt Service	1,802,193	1,802,193	1,800,608	1,800,608	1,800,608
807-66411	Non-Subord. Tax Sharing (Mosquito Abatement Dist.)	15,000	15,000	15,000	15,000	15,000
807-66411	Subordinated Tax Sharing Payments	1,091,000	1,091,000	1,091,000	1,091,000	1,091,000
807-66454	Sequoia Station Dev. Agreement	300,000	300,000	300,000	300,000	300,000
807-66418	Additional School District Payment	42,321	42,321	42,321	42,321	42,321
803-66491	RDA Interest On City Loan	123,600	123,600	123,600	123,600	123,600
803-66491	RDA Interest On City Loan from FY 04/05 and FY 05/06	176,886	176,886			
	<b>TOTAL FIXED OBLIGATIONS</b>	<b>3,551,000</b>	<b>3,551,000</b>	<b>3,372,529</b>	<b>3,372,529</b>	<b>3,372,529</b>
	Administrative Costs					
159-66410	Employee Services	1,203,473	1,605,817	1,270,996	1,726,460	1,726,460
	Option: Transfer one planner FTE to General Fund					(135,000)
	Option: Add on one Code Enforcement Officer FTE					93,116
159-66410	Supplies & Services	395,716	387,216	396,017	396,017	396,017
159-66410	Internal Services	157,374	157,374	163,989	166,657	166,657
159-66410	Furniture & Equipment	20,000	20,000	20,000	20,000	20,000
	<b>Total Administrative Costs</b>	<b>1,776,563</b>	<b>2,170,407</b>	<b>1,851,002</b>	<b>2,309,134</b>	<b>2,267,250</b>
	Program Operating Expenditures					
807-66429	Economic Development	349,933	349,933	326,240	326,672	326,672
807-66464	Storefront Improvements****	105,875	105,875	100,000	100,000	100,000
807-66434	FTB Urban Planning/Urban Design Assistance					
	<b>Total Program Operating Costs</b>	<b>455,808</b>	<b>455,808</b>	<b>426,240</b>	<b>426,672</b>	<b>426,672</b>
	<b>TOTAL ALL COSTS</b>	<b>5,783,371</b>	<b>6,177,215</b>	<b>5,649,771</b>	<b>6,108,335</b>	<b>6,066,451</b>
	Subtotal	2,976,758	2,761,655	2,348,234	2,863,893	2,905,777
	Operating Reserve	(1,200,000)	(750,000)	(750,000)	(750,000)	(750,000)
	Encumbrances as of June 30,2005					
	Working Capital Transfer to Fund Capital Projects					
803-71253	C/CAG HIP Grant for Gateways & Signage	(163,590)	(163,590)			
803-71243	MTC HIP Grant for Post Office Paseo	(387,900)	-			
803-72013	MTC HIP Grant fr PO Paseo to El Camino Real Grand Blvd		(387,900)			
803-72003	Fair Oaks Access		(170,000)			
803-72013	El Camino Real Grand Blvd Imp Proj (addtl funding)		(113,147)		(200,000)	(200,000)
	El Camino Real Master Plan (outside DT)				(50,000)	(50,000)
803-72033	Marina Area Planning Study		(50,000)			
803-72023	Transit Connectivity Project		(75,000)			
803-76000	Contingency	(500,000)	(491,500)	(500,000)	(500,000)	(500,000)
803-71483	Childcare Site Acquisition	(175,000)	(175,000)			
803-71263	Critical "Pioneering" Development	(199,514)	(199,514)	(876,400)	(500,000)	(500,000)
	Transfer to City for Prior Year Land Assembly					
	<b>TOTAL WORKING CAPITAL BALANCE*****</b>	<b>350,754</b>	<b>186,004</b>	<b>221,834</b>	<b>863,893</b>	<b>905,777</b>
	* Actual equal to 2003 TAB debt Service. \$887,075 can only be applied to debt service (\$327,075+\$560,000)					
	** Based on current LAS calculation, 2% increase from FY 06/07 to FY 07/08					
	*** Interest includes 803, 809, 159/807 and 158/806 interests **** FY 05/06 figure is a rollover					
	Note: This budget includes \$402,344 mid-year budget amendment, New Proposed CIP, and the Options					

**Proposed Redwood City Redevelopment Agency Budget  
HOUSING (158/806)**

ACCT #	ITEM	Budget 06/07	Current w/ Mid-Year 06/07	Proposed Spring, 2006 07/08	Proposed Spring, 2007 07/08
	Beginning Fund Balance	2,071,108	2,071,108	580,877	1,595,475
	<b>ESTIMATED BEGINNING FUND BALANCE</b>	<b>2,071,108</b>	<b>2,071,108</b>	<b>580,877</b>	<b>1,595,475</b>
806-30110	Tax Increment* - Estimated	2,000,882	2,000,882	2,059,201	2,252,387
806-33601	Interest - Estimated	157,107	157,107	38,000	146,624
806-38137	Shared Appreciation RDA Loans-Determined end of yr				
	<b>TOTAL REVENUE</b>	<b>2,157,989</b>	<b>2,157,989</b>	<b>2,097,201</b>	<b>2,399,011</b>
	<b>TOTAL AVAILABLE WORKING CAPITAL</b>	<b>4,229,097</b>	<b>4,229,097</b>	<b>2,678,078</b>	<b>3,994,486</b>
806-39987	Transfer for Debt Service	286,282	286,282	285,349	285,349
158-66410	Administrative Costs				
158-66410	Employee Services	847,576	445,232	892,958	468,918
158-66410	Supplies & Services	352,964	352,964	353,208	353,208
158-66410	Internal Services	125,144	125,144	130,242	132,874
158-66410	Furniture & Equipment	50,000	50,000	50,000	50,000
	<b>Total Administrative Costs</b>	<b>1,375,684</b>	<b>973,340</b>	<b>1,426,408</b>	<b>1,005,000</b>
806-66471	Program Operating Expenditures Home Improvement Loans	300,000	300,000	300,000	300,000
	<b>Total Program Operating Costs</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>
	<b>TOTAL ALL COSTS</b>	<b>1,961,966</b>	<b>1,559,622</b>	<b>2,011,757</b>	<b>1,590,349</b>
	<b>Subtotal</b>	<b>2,267,131</b>	<b>2,669,475</b>	<b>666,321</b>	<b>2,404,137</b>
	<b>CAPITAL PROJECTS</b>				
806-71953	Housing Projects-General/Landbanking	1,000,000	1,000,000		1,000,000
806-71626	Habitat (El Camino Real/Lincoln Ave)	74,000	74,000		
	<b>TOTAL CAPITAL PROJECTS</b>	<b>1,074,000</b>	<b>1,074,000</b>	<b>-</b>	<b>1,000,000</b>
	<b>Encumbrances as of June 30, 2005</b>				
	<b>TOTAL WORKING CAPITAL BALANCE</b>	<b>1,193,131</b>	<b>1,595,475</b>	<b>666,321</b>	<b>1,404,137</b>
	*Based on current LAS calculation, 2% increase from FY 06/07 to FY 07/08				

Redevelopment Agency Budget  
FY 2007/08  
Budget Option Memo

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Department: Community Development Services  
Title of Budget Option: Code Enforcement for Redevelopment Area  
Amount: \$93,116, an on-going expenditure

Description of Option:  
Adds 1.0 FTE Code Enforcement Officer dedicated to the Redevelopment Area.

Justification:

Redevelopment Areas are established with the goal of eliminating blight and restoring economic vitality in the designated area. A concerted effort to enforce property maintenance codes has proven to be a key factor in achieving the stated goal. The addition of one Code Enforcement Officer will provide the resources to provide dedicated enforcement of property maintenance codes in the Redevelopment Area. This position will allow current Code Enforcement Officers to focus on other areas of the city. The net effect will be a return to proactive code enforcement in the Redevelopment Area and other areas of the city. Funding is provided by a companion budget option which proposes to reduce Redevelopment Agency (RDA) funding of Planning staff by \$135,000. The \$135,000 is shifted to the city General Fund. The net savings to the RDA budget from the two options is \$41,884.