

**CITY OF OAKLAND
REDEVELOPMENT AGENCY
SUPPLEMENTAL AGENDA REPORT**

TO: Office of the City Manager / Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: December 7, 2004

RE: **A SUPPLEMENTAL REPORT (1) EXPLAINING THE PLANNED USE OF TAX INCREMENT FUNDING FOR BUSINESS RETENTION EFFORTS IN THE BROADWAY/MACARTHUR/SAN PABLO REDEVELOPMENT AREA FIVE-YEAR IMPLEMENTATION PLAN; (2) ADJUSTING THE DEBT SERVICE PROJECTION FOR THE ACORN REDEVELOPMENT AREA FIVE YEAR IMPLEMENTATION PLAN; AND (3) ADJUSTING THE CALCULATIONS FOR THE COLISEUM AREA REDEVELOPMENT PROJECT FIVE YEAR IMPLEMENTATION PLAN**

Background

Broadway/MacArthur/San Pablo Redevelopment Project Area

At the November 9, 2004 CED Committee Meeting, a question was raised about the planned use of the 5% of tax increment funding that is programmed in the implementation plan to meet the goal of funding business retention and development efforts on commercial corridors within the Project Area. At the present time, the Agency has not yet identified any specific projects or programs to meet this goal because available funding has been limited to date. Future programs or projects that are under consideration include seed money for Business Improvement Districts, a small business revolving loan fund, or a Neighborhood Projects Initiative Program such as the one currently proposed in the Coliseum Project Area. The proposed Neighborhood Projects Initiative Program sets aside a pool of funds to be managed by an SDS team for small-scale infrastructure projects, corridor beautification projects, and crime deterrent improvements such as lighting and fencing upgrades. These improvements can be tailored to focus specifically on the needs of the businesses along a commercial corridor. The Agency does not plan to use the funds set aside for this goal to support existing staffing costs. Staff will return to the Agency/City Council for authorization to implement the proposed programs or projects at a later date.

Acorn Redevelopment Project Area

At the same CED Committee meeting, staff indicated to the Committee members that the debt service projection shown on Page 2 of the Acorn Redevelopment Project Five Year Implementation Plan was in error. The debt service had inadvertently been carried forward beyond fiscal year 2006-2007 and should have ended at that date. Because of the error, the amount of net tax increment increases from \$1,844,000 in the original report to \$2,699,000 as attached. This is an increase of \$855,000, revenue that would be available for future projects. See attached Page 2 of the Acorn Implementation Plan, which highlights these changes.

Coliseum Redevelopment Project Area

At the Committee meeting, staff also noted that there needed to be some adjustments in the calculations of the Coliseum Project Five Year Implementation Plan. Staff adjusted the figures in the chart in Section III entitled Projection of Tax Increment Revenue to show a personnel and operations and management growth rate of 5%, a decrease from the 12%-14% levels shown in the original staff report. In addition, the table was reformatted to provide additional information in the form of footnotes (see attached Page 3 of the Coliseum Implementation Plan). In the chart entitled Future Expenditures (see attached Page 6 of the Plan), adjustments were made to reflect a *net* tax increment distribution as opposed to a *gross* tax increment distribution. All text corresponding to the tables has been revised accordingly. It was agreed that the revised calculations were a more accurate future expenditure distribution and that they should be substituted for the calculations submitted to the CED Committee on November 9, 2004.

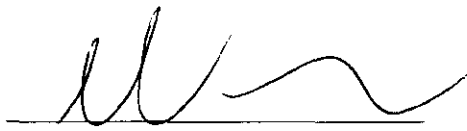
Staff Report

These adjustments in the Acorn and Coliseum numbers have resulted in a change on the first page of the November 9, 2004 Staff Report, in the chart entitled “Projected Budgets”. The Acorn Project Area now shows an increase of \$855,000 in tax increment available for projects (from \$610,000 in the original report to \$1,465,000 as attached) and a reduction of \$855,000 in debt service (from \$2,058,000 to \$1,203,000). The Coliseum Project Area shows an increase of \$3.6 million available for capital projects and programs (from \$14,582,000 in the original report to \$18,256,000 as attached) and a reduction of almost \$3.7 million in personnel and general activities costs (down from \$24,545,000 to \$20,881,000). These changes are highlighted in an attached revised Page 1.

Recommendations

It is recommended that the Agency accept the changes to the November 9, 2004 staff report and the attached 5-Year implementation plans adjusting the debt service projections for the Acorn Redevelopment Project Five-Year Implementation Plan and the calculations for the Coliseum Redevelopment Project Area Five-Year Implementation Plan.

Respectfully submitted,



Daniel Vanderprieem,
Director of Redevelopment, Economic
Development, and Housing and
Community Development

Prepared by: Jeffrey Chew

APPROVED AND FORWARDED TO THE CITY COUNCIL


OFFICE OF THE CITY ADMINISTRATOR

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ORA/City Council
December 7, 2004

REVISED

**CITY OF OAKLAND
COUNCIL/ AGENCY AGENDA REPORT**

TO: Office of the City Administrator/Agency Administrator
 ATTN: Deborah Edgerly
 FROM: Community and Economic Development Agency
 DATE: November 9, 2004

RE: RESOLUTIONS ADOPTING FIVE-YEAR IMPLEMENTATION PLANS FOR THE ACORN, BROADWAY/MACARTHUR/SAN PABLO, CENTRAL DISTRICT, COLISEUM, OAK CENTER, AND STANFORD/ADELINE REDEVELOPMENT PROJECT AREAS

SUMMARY

This item is a request for Redevelopment Agency approval of resolutions adopting Five-Year Implementation Plans for 2004-09 for the Acorn, Broadway/MacArthur/San Pablo, Central District, Coliseum, Oak Center, and Stanford/Adeline redevelopment project areas.

The adoption of the attached resolutions is necessary to satisfy a state redevelopment law requirement that a redevelopment agency must adopt implementation plans for each redevelopment project area every five years.

The FY 2004-09 projected budgets for each of the redevelopment project areas are as follows:

**PROJECTED BUDGETS
By Project Area, FY2004-09*
(\$'000s)**

PROJECT AREA	Capital Projects & Programs	Personnel & General Activities	Debt Service	Low/Moderate -Income Housing
Acorn	\$1,465	\$1,234	\$1,203	\$1,332
Broadway/MacArthur/ San Pablo	\$3,844	\$834	\$0	\$2,712
Central District	\$122,588	\$32,776	\$89,124	\$43,037
Coliseum	\$18,256	\$20,881	\$7,438	\$17,523
Oak Center	\$992	\$984	\$1,200	\$1,108
Stanford/Adeline	(\$17)	\$0	\$370	\$129

*Includes funds from all listed project areas, interest income and loan repayments.

FISCAL IMPACT

Proposed expenditures for FY 2004-05 for each of the six implementation plans are consistent with the Agency's FY 2004-05 Amended Mid-Cycle Budget. For the last four of the five years proposed, FY 2005-09, the attached schedules are projections only and are contingent upon specific Agency authorizations at a later date. The assumed rates of revenue growth for each

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the plan is to transition ownership when HUD approves an additional \$1,300,000 in funding (50% Section 108 loan and 50% Economic Development Initiative grant) for the project.

Pending HUD approval, the remaining loan and grant funds authorized by Council and the Agency in fiscal year 1999-2000 will be assumed by the new owner once approval is given to proceed with the sale of the Center to JLGA. The new owner will be responsible for repayment of at least \$1.47 million, to be repaid from cash flow. This figure represents the \$2.97 million Section 108 loan minus \$1.5 million in debt service that will be paid by revenue from the net property tax increment and sales tax generated by the Center.

A grocery store has located in the Center and all previously vacant space has been occupied. Several of the improvements that have been completed include improvements to several stores, parking lot repaving, landscaping, plumbing upgrades and installation of a new more visible sign.

III. PROJECTS AND EXPENDITURES PROPOSED FOR THE NEXT FIVE YEARS

The following table outlines the projected tax increment revenue for the Acorn Redevelopment Project over the five-year period of this implementation plan. The figures assume a 2% average growth in tax increment revenue over the 2004 assessed property valuation within the project area. The revenues stated for the last four of the five years proposed, FY 2005-09, are projections only and are contingent upon specific Council authorizations at a later date.

**Projection of Tax Increment Revenue
FY2004-09
(S'000s)**

	FISCAL YEAR					TOTAL
	2004-05	2005-06	2006-07	2007-08	2008-09	2004-09
Gross Tax Increment Revenue	1,103	1,038	1,064	1,091	1,118	5,414
Housing Set Aside Requirement	(253)	(260)	(266)	(273)	(280)	(1,332)
State Education Funds (ERAF)	(90)	(90)	0	0	0	(180)
AB 1290 Pass-Through	0	0	0	0	0	0
Debt Service	(391)	(401)	(411)	0	0	(1,203)
Net Tax Increment Revenue	369	287	387	818	838	2,699

The total projected net tax increment revenue that will be available in the Project Fund during the FY 2004-09 period is estimated to be approximately \$2,699,000.

The proposed expenditures for the next five years are based on the projected tax increment revenue that will be available in the Project Fund as described above. It is anticipated that existing residences could benefit from home rehabilitation loans. Additionally, the West Oakland Redevelopment Project will be engaging in various main street activities and implementation of the 7th Street design plan. Since the Acorn area contains the entrance to the 7th street corridor, and contains other underutilized commercial and industrial properties, it is recommended that funding be provided for commercial façade improvements and tenant

- F. Stimulate home ownership opportunities.
- G. Improve transportation, public facilities and infrastructure in residential, commercial and industrial areas.
- H. Assist neighborhood commercial revitalization.
- I. Attract new and retain existing businesses.

III. PROJECTS AND EXPENDITURES PROPOSED FOR THE NEXT FIVE YEARS

The following table outlines the projected tax increment revenue for the Coliseum Area Redevelopment Project over the five-year period of this implementation plan. The figures assume a 2% average growth in tax increment revenue over the 2004 assessed property valuation within the project area. The revenues stated for the last four of the five years proposed, FY2005-09, are projections *only* and are contingent upon specific Council authorizations at a later date.

**Oakland Redevelopment Agency
Projection of Tax Increment Revenue
Fiscal Year 2004-05 thru 2008-09
(In Thousands of \$)**

Item	Fiscal Year					5-Year Total 2004-09
	2004-05	2005-06	2006-07	2007-08	2008-09	
<i>In Thousands of \$</i>						
Gross Tax Increment Revenue	\$13,468	\$13,738	\$14,013	\$14,293	\$14,578	\$70,090
Legally-required Set-Asides / Expenditures						
Affordable Housing Set-Aside (25%) [1]	(\$3,367)	(\$3,435)	(\$3,503)	(\$3,573)	(\$3,645)	(\$17,523)
AB 1290 Pass-Through (20%) [2]	(\$2,694)	(\$2,748)	(\$2,803)	(\$2,859)	(\$2,916)	(\$14,018)
Educational Revenue Augmentation Fund (ERAF) [3]	(\$1,191)	<u>(\$1,215)</u>	\$0	\$0	\$0	(\$2,406)
School Set-Aside [4]	(\$606)	(\$618)	(\$631)	(\$643)	(\$656)	(\$3,154)
Debt Expenditures	(\$1,497)	(\$1,497)	<u>(\$1,500)</u>	(\$1,497)	(\$1,497)	(\$7,488)
Personnel [5], [6]	<u>(\$3,038)</u>	<u>(\$3,190)</u>	<u>(\$3,349)</u>	<u>(\$3,517)</u>	<u>(\$3,693)</u>	(\$16,787)
Other Operations and Maintenance [6]	(\$741)	(\$778)	(\$817)	(\$858)	(\$901)	(\$4,095)
Total Set-Asides / Expenditures	(\$13,134)	(\$13,480)	(\$12,603)	(\$12,947)	(\$13,307)	(\$65,471)
Net Tax Increment Revenue to Redevelopment Agency	<u>\$334</u>	<u>\$258</u>	<u>\$1,410</u>	<u>\$1,346</u>	<u>\$1,271</u>	\$4,620

[1] In accordance with California State Law, at least 20 percent of gross redevelopment tax increment revenue must be set-aside for low- and moderate-income housing programs. In June 2000, the Oakland Redevelopment Agency voted to increase this affordable housing allotment to 25 percent.

[2] For redevelopment project areas legally formed after 1993, California State Law (AB 1290) requires that a specified portion of gross tax increment revenue be passed through to "affected taxing entities," such as the City of Oakland, the Oakland Unified School District, and the County of Alameda. The AB 1290 set-aside in this schedule does not include the second-tier adjustments for fiscal years 2005-2009.

[3] California State Law requires that local governments shift a percentage of their property tax revenue shares to the Education Revenue Augmentation Fund (ERAF) to support public schools throughout California.

[4] In June 1997, the Oakland Redevelopment Agency voted to allocate 10 percent of tax increment revenue net of set-asides for ERAF, affordable housing, AB 1290, and debt service, for the purpose of constructing two new schools in the Coliseum Project Area. This calculation equates to approximately 5 percent of the gross tax increment revenue.

[5] Approximately 23%-25% of gross tax increment revenue is used to pay salaries for Redevelopment Agency and other City of Oakland staff. While not employed within the Redevelopment Agency, other City staff who are funded through tax increment revenue contribute to the redevelopment effort.

[6] Personnel and Other Operations and Maintenance expenditures use a 5 percent growth rate due to fiscal conditions.

2004-2006 with an emphasis on implementing projects planned in earlier years. These project expenditures will largely be aimed toward improving transportation and infrastructure, improving obsolete and underutilized properties, and furthering the transit village development in the neighborhoods surrounding the Coliseum and Fruitvale BART stations. Additional investments will be made to improve security, improve linkages between area employers and potential area employees, retain and attract business, and revitalize neighborhood residential and commercial areas throughout the redevelopment project area.

**Future Expenditures
Fiscal Year 2004-05 thru 2008-09**

Project / Program	Goal(s)	Percent Allocation	Total Funding
Net Tax Increment Revenue Available For Agency (FY 2004-09)			<u>\$4,620,000</u>
Marketing, Economic Development, Training Programs	B, I	1%	<u>\$46,200</u>
Improve Public Safety	D	2%	<u>\$92,400</u>
Improve Public Transportation, Facilities, and Infrastructure	G, H	38%	<u>\$1,755,600</u>
Stimulate Development by Improving Obsolete and Underutilized Parcels	A, I	35%	<u>\$1,617,000</u>
Neighborhood Improvement and Revitalization	C, G, H	18%	<u>\$831,600</u>
Other Brownfield, Neighborhood Programs	A, H	5%	<u>\$231,000</u>
Business Retention	I	1%	<u>\$46,200</u>
Total		100%	<u>\$4,620,000</u>

IV. HOW GOALS, OBJECTIVES, PROJECTS AND EXPENDITURES WILL ELIMINATE BLIGHT

Coliseum Redevelopment Project Area Five-Year Spending Plan for FY2004-09

The Coliseum Redevelopment tax allocation bonds and tax increment revenue will provide funds to complete the plans, capital projects and programs during the next five years. These projects will mitigate the physical and economic blight to assist in the revitalization of the Coliseum Project Area and include:

- Supporting transit villages at both the Coliseum and Fruitvale BART station areas
- Design and installation of infrastructure projects for:
 - ❖ Coliseum Transit Hub along San Leandro Street
 - ❖ Completing the Airport Gateway along Doolittle Drive and Airport Access Road
 - ❖ Design and construction of the Hegenberger East streetscape and
 - ❖ Design and Improve Railroad Avenue
- Implementing the Coliseum Transit Oriented Development Concept Plan at the Coliseum BART Station area