

## STAFF REPORT

**DATE:** June 21, 2011

**TO:** City Council  
Redevelopment Agency Board

**FROM:** Ken Hiatt, Deputy Executive Director  
Katherine Hess, Community Development Administrator

**SUBJECT:** City/Agency Public Works Agreement

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### **Recommendation**

Staff recommends:

1. That the City Council and Redevelopment Agency Board approve the attached resolutions approving the First Amendment to the Public Works Agreement between the City and the Agency for the implementation of identified Agency projects; and
2. That the Redevelopment Agency Board approve a budget adjustment authorizing transfer of \$1.2 million, plus any fund balance remaining at the end of fiscal year 10-11, from the Agency to the City for carrying out the projects.

### **Fiscal Analysis**

The recommended budget adjustment and fund transfer of \$1.2 million dollars in current fund balance and any remaining fund balance at the end of fiscal year 10-11 from the Redevelopment Agency to the City. This will expend approximately all of the Agency's current fund balance.

### **Background and Analysis**

In February and March of this year, the Redevelopment Agency and City Council took a number of actions to protect community assets and strengthen the community's ability to implement priority economic development and capital projects in response to the Governor's proposal to eliminate redevelopment agencies. These include accelerated issuance of bonds for priority projects, and transfer of Redevelopment Agency assets (like Historic City Hall) from the Agency to the City.

The City and the Agency also entered into a Public Works Agreement that committed the City to undertake four key redevelopment projects on behalf of the Agency:

1. Hotel / Conference Facility
2. Downtown Mixed Use Project (City parking lot)
3. Hunt-Boyer Tankhouse and Site Improvements
4. Central Park Improvements

The Agreement and budget adjustment transferred seven million dollars from the Agency to the City for completing the projects.

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Since the adoption of the Agreement, the Agency has continued to make progress on each of the projects identified in the Public Works Agreement. The Agency has begun the environmental review for the Hotel / Conference Facility, and taken steps to identify a replacement location for the restaurant tenant on the property. The Agency has entered into an Exclusive Negotiation Agreement with Yackzan Group for the Downtown Mixed Use Project on the City parking lot on the parcel between 3rd and 4<sup>th</sup> and E and F Streets. The Agency is working with several downtown property owners regarding right-of-way improvements that would allow for rehabilitation and reuse of existing commercial properties. The City Council has determined that the Tankhouse should be relocated and its existing site improved. Central Park Improvements are anticipated for construction this fall.

Over the past few days, legislative discussions to eliminate redevelopment have intensified. Staff and the City/Agency counsel recommend additional actions on the part of the City and the Agency, with the goal of protecting the Agency's bond proceeds and remaining fund balance. The recommended resolutions and *First Amendment to the Public Works Agreement* take the following actions:

1. Expand and modify the list of key redevelopment projects to include:
  - a. Acquisition and rehabilitation of property for relocation purposes, as an ancillary project to further the hotel / conference facility (estimated at \$1.1 million)
  - b. Downtown streetscape improvements (estimated at \$550,000)
2. Transfer from the Agency to the City the Agency's current \$1.2m fund balance and any fund balance remaining at the end of fiscal year 10-11, to further the projects in the Public Works Agreement

### **Attachments**

1. First Amendment to Public Works Agreement-City Davis Redevelopment Project
2. Redevelopment Agency and City Resolutions approving Public Works Agreement
3. Budget Adjustment

## **Attachment 1**

### **FIRST AMENDMENT TO PUBLIC WORKS AGREEMENT CITY DAVIS REDEVELOPMENT PROJECT**

THIS FIRST AMENDMENT TO PUBLIC WORKS AGREEMENT (the "Amendment") is entered into this 21<sup>st</sup> day of June, 2011, by and between the REDEVELOPMENT AGENCY OF THE CITY OF DAVIS, a public body, corporate and politic (the "Agency"), and the CITY OF DAVIS, a municipal corporation (the "City").

#### Recitals

A. On March 15, 2011, the Agency and City entered into the Public Works Agreement—City Davis Redevelopment Project (the "Agreement"), pursuant to which the City will install and construct certain Improvements as defined in the Agreement. The Improvements include, among other things, a project that will to redevelop downtown area properties with a hotel-conference facility.

B. Among other Improvements set forth in this Agreement, in conjunction with the City and Agency efforts toward redeveloping certain property with a hotel-conference facility pursuant to the terms of the Agreement, the City is considering the acquisition and rehabilitation of certain other property in the Project Area to be used for a restaurant facility. This other property may serve as a new location for tenants currently operating at the contemplated location of the hotel-conference facility that would have to relocate their existing restaurant.

C. In furtherance of this additional component of the hotel-conference center project, the City and Agency desire to enter into this Amendment to the Agreement to add the acquisition and rehabilitation of restaurant space to the Improvements to be undertaken by the City as more particularly described in Exhibit A to this Amendment (the "Additional Improvements"), for which the Agency shall immediately pay to the City an additional amount not to exceed \$1,200,000 and the Agency shall, upon receipt, transfer to the City any funds (excluding any Tax Allocations and housing funds) remaining in the Agency's fund balance at the end of the 2010-11 fiscal year.

D. The Agency and the City have determined that the Additional Improvements contained in this Amendment are of benefit to the Project, that no other reasonable means of financing the Additional Improvements are available to the community and that the payment of funds by the Agency pursuant to this Amendment will assist in the elimination of one or more blighting conditions within the Project area.

E. This Amendment to the Agreement is not a project under the California Environmental Quality Act because it is a financing document, and not approval of a project.

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Agreements

NOW, THEREFORE, THE AGENCY AND THE CITY HEREBY AMEND THE AGREEMENT AS FOLLOWS:

Section 1. Defined Terms

All capitalized terms not defined in this Amendment shall have the meaning as defined in the Agreement.

Section 2. Purpose

The purpose of this Amendment is to provide for the design, construction and installation of certain public improvements to serve and benefit the Project and to implement and carry out the Redevelopment Plan for the Project.

Section 3. Additional Improvements

The Improvements, as defined in the Agreement and described in Exhibit A of the Agreement, are hereby amended to include the Additional Improvements described in Exhibit A to this Amendment. The City shall undertake these Additional Improvements in accordance with the terms and conditions of the Agreement. The parties contemplate that the total cost of the Additional Improvements will be approximately the amounts shown on Exhibit A, but it is understood that said amounts are estimates only and that the actual costs of any of the Improvements will be determined at the time said Additional Improvements are undertaken by the City.

Section 4. Payment by the Agency.

Immediately upon the execution of this Amendment and in consideration of the undertakings of the City under Section 2 of this Amendment, after first making adequate provision for the payment of principal and interest due on any bonds or other indebtedness of the Agency which have been incurred by the Agency in carrying out the Project and for which the annual tax allocations to the Agency from the Project (the "Tax Allocations") are pledged or committed, the Agency shall immediately pay to the City an additional amount not to exceed one million two hundred thousand dollars (\$1,200,000). In addition, the Agency shall, upon receipt, transfer to the City any funds (excluding any Tax Allocations and housing funds) in the Agency's fund balance at the end of the 2010-11 fiscal year. These payments shall be in addition to the amounts already paid by the Agency to the City pursuant to the terms of the Agreement. All funds paid to the City under this Amendment shall, upon receipt by the City, constitute general funds of the City. Agency acknowledges that, but for the availability of the funding pledged pursuant to this Amendment, to complete the Additional Improvements, the City would not undertake the Additional Improvement contemplated in this Amendment. Further, City is acting in reliance on this Amendment and the availability of Agency's pledge of Tax Allocations in entering into contracts with third party contractors for the Additional Improvements. Following completion of the Additional Improvements, the City may but is not required to reimburse the Agency for the funds advanced pursuant to this Agreement as funds are available, provided, however, that funds paid to the City by the Agency shall in no event be construed as a loan.

Section 5. Indebtedness of the Agency.

This Amendment constitutes an indebtedness of the Agency incurred in carrying out the Project, and a pledging of Tax Allocations from the Project to repay such indebtedness, under the provisions of Section 16 of Article XVI of the California Constitution and Sections 33670-33674 of the Health and Safety Code; provided, however, that such pledge of Tax Allocations shall be subordinate and subject to

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any pledge of Tax Allocations from the Project to repay bonds or other indebtedness incurred by the Agency in carrying out the Project.

Section 6. Agreement In Full Force and Effect.

Except as modified by this Amendment, all terms and provisions of the Agreement remain in full force and effect and are binding on the Agency and City.

IN WITNESS WHEREOF, the Agency and the City have executed this Agreement as of the date first above written.

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

REDEVELOPMENT AGENCY OF THE  
CITY OF DAVIS

By \_\_\_\_\_  
Executive Director

By \_\_\_\_\_  
Secretary

“AGENCY”

CITY OF DAVIS

By \_\_\_\_\_  
City Manager

By \_\_\_\_\_  
City Clerk  
“CITY”

EXHIBIT A  
ADDITIONAL IMPROVEMENT

The following are added as Improvements under the Agreement:

**PROJECT 1A. Acquisition and Rehabilitation of Restaurant Facility**

The City is considering the acquisition of certain property in the Project Area to be rehabilitated and used as a restaurant facility. The property may be a suitable location for an existing tenant on property that is under consideration as the location for the hotel conference facility described as Project 1 in Exhibit A of the Agreement. In the event that the potential restaurant property is acquired, the City would have to rehabilitate the property in order to place it into a condition suitable for restaurant use. The City would have to expend funds for the acquisition of the property and rehabilitation of the existing on-site improvements prior to lease or sale of the property to a restaurant operator.

<u>Expense</u>	<u>Estimated Cost</u>	<u>Expenditure Date</u>
Property Acquisition	\$800,000	By September 2011
Rehabilitation	\$300,000	By October 2011
Total:	\$1,100,000	

**PROJECT 1B. Downtown Streetscape Improvements**

The City is considering improvements to the sidewalk, landscaping, lighting, and other streetscape amenities on various downtown streets to promote the rehabilitation of existing buildings. The City would expend funds for the design, engineering and construction of these improvements.

<u>Expense</u>	<u>Estimated Cost</u>	<u>Expenditure Date</u>
Design/Engineering	\$50,000	July 2011
Construction	\$500,000	October 2011
Total:	\$550,000	

## Attachment 2

### RDA RESOLUTION NO. XXXX

#### **RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF DAVIS APPROVING AND AUTHORIZING THE EXECUTION OF A FIRST AMENDMENT TO PUBLIC WORKS AGREEMENT BY AND BETWEEN THE AGENCY AND THE CITY OF DAVIS FOR THE FUNDING OF SERVICES AND PROJECTS WITHIN THE DAVIS REDEVELOPMENT PROJECT**

WHEREAS, the City Council of the City of Davis (“City”) approved and adopted the Redevelopment Plan (“Redevelopment Plan”) for the Davis Redevelopment Project (the “Redevelopment Project”) on November 25, 1987; and

WHEREAS, the Redevelopment Agency of the City of Davis (“Agency”) is vested with the responsibility to carry out the Redevelopment Plan within the Redevelopment Project Area (the “Redevelopment Project Area”); and

WHEREAS, the Redevelopment Plan provides for the Agency to assist with the construction and installation of necessary public infrastructure and facilities, to facilitate the repair, restoration and/or replacement of existing infrastructure and facilities, to provide affordable housing, to perform specific actions necessary to promote the redevelopment and the economic revitalization of the Redevelopment Project Area, and to take all other necessary actions to implement the Redevelopment Plan; and

WHEREAS, the Agency has adopted a Five-Year Implementation Plan for the Redevelopment Project Area (the “Implementation Plan”) which establishes goals, among other things, to support affordable housing, economic development, community revitalization, and commercial revitalization; and

WHEREAS, to implement the programs and activities associated with each goal, the Agency has made redevelopment fund commitments based on estimated available tax increment revenue, bond proceeds and debt financing structures; and

WHEREAS, pursuant to Section 33220 of the California Community Redevelopment Law (Health & Safety Code Section 33000 *et seq.*) (“CRL”), certain public bodies, including the City, may aid and cooperate in the planning, undertaking, construction, or operation of redevelopment activities, programs and projects in furtherance of and in accordance with the Redevelopment Plan (the “Projects”); and

WHEREAS, the City and the Agency have entered into an amended and restated Cooperation Agreement dated February 2, 2011, that provides for the City’s cooperation and assistance in Agency services, projects and programs and the reimbursement of funding for such cooperation and assistance from the Agency to the City; and

WHEREAS, to carry out the Projects in accordance with the objectives and purposes of the Redevelopment Plan and Implementation Plan, the City has agreed to aid the Agency and cooperate with the Agency to expeditiously implement the Projects, and to undertake and complete all actions necessary or appropriate to ensure that the objectives of the Redevelopment Plan and Implementation Plan are fulfilled within the time effectiveness of the Redevelopment Project Area; and

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WHEREAS, the City and the Agency have entered into a Public Works Agreement dated March 15, 2011, to ensure timely implementation and completion of the Projects, to formalize the pledge of Agency Funds, to pay for certain services and to pay for costs relating to the Projects; and

WHEREAS, the City and Agency desire to amend the Public Works Agreement to provide that the City will provide certain additional tasks and undertake certain additional services in furtherance of the Projects, and the Agency will pledge and pay additional Agency Funds for such services; and

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF DAVIS DOES HEREBY RESOLVE AS FOLLOWS:

**Section 1.** The Agency hereby approves the First Amendment to Public Works Agreement (“Amendment”) in substantially the form attached as Exhibit “A” to this resolution. The Agency further approves and authorizes the payment to the City of amounts that are authorized in and in accordance with the Amendment.

**Section 2.** The Executive Director is hereby authorized and directed to execute the Amendment on behalf of the Agency, subject to any minor conforming, technical or clarifying changes approved by Agency Counsel. The Executive Director is hereby further authorized and directed to take such further actions and execute such documents as are necessary to carry out the Amendment on behalf of the Agency, including without limitation the repayment of amounts due and owing, or that may become due and owing, to the City as set forth in and in accordance with the Amendment.

PASSED AND ADOPTED by the Agency Board of the Redevelopment Agency of the City of Davis on this 21<sup>st</sup> day of June, 2011 by the following vote:

AYES:

NOES:

Joseph F. Krovoza  
Board Chairperson

ATTEST:

Zoe S. Mirabile, CMC  
Board Secretary

**RESOLUTION NO. 11-XXX, SERIES 2011**

**RESOLUTION OF THE CITY OF DAVIS APPROVING AND AUTHORIZING THE EXECUTION OF A FIRST AMENDMENT TO PUBLIC WORKS AGREEMENT BY AND BETWEEN THE CITY OF DAVIS AND THE REDEVELOPMENT AGENCY OF THE CITY OF DAVIS FOR THE FUNDING OF SERVICES AND PROJECTS WITHIN THE DAVIS REDEVELOPMENT PROJECT**

WHEREAS, the City Council of the City of Davis (“City”) approved and adopted the Redevelopment Plan (“Redevelopment Plan”) for the Davis Redevelopment Project (the “Redevelopment Project”) on November 25, 1987; and

WHEREAS, the Redevelopment Agency of the City of Davis (“Agency”) is vested with the responsibility to carry out the Redevelopment Plan within the Redevelopment Project Area (the “Redevelopment Project Area”); and

WHEREAS, the Redevelopment Plan provides for the Agency to assist with the construction and installation of necessary public infrastructure and facilities, to facilitate the repair, restoration and/or replacement of existing infrastructure and facilities, to provide affordable housing, to perform specific actions necessary to promote the redevelopment and the economic revitalization of the Redevelopment Project Area, and to take all other necessary actions to implement the Redevelopment Plan; and

WHEREAS, the Agency has adopted a Five-Year Implementation Plan for the Redevelopment Project Area (the “Implementation Plan”) which establishes goals, among other things, to support affordable housing, economic development, community revitalization, and commercial revitalization; and

WHEREAS, to implement the programs and activities associated with each goal, the Agency has made redevelopment fund commitments based on estimated available tax increment revenue, bond proceeds and debt financing structures; and

WHEREAS, pursuant to Section 33220 of the California Community Redevelopment Law (Health & Safety Code Section 33000 et seq.) (“CRL”), certain public bodies, including the City, may aid and cooperate in the planning, undertaking, construction, or operation of redevelopment activities, programs and projects in furtherance of and in accordance with the Redevelopment Plan (the “Projects”); and

WHEREAS, the City and the Agency have entered into an amended and restated Cooperation Agreement dated February 2, 2011, that provides for the City’s cooperation and assistance in Agency services, projects and programs and the reimbursement of funding for such cooperation and assistance from the Agency to the City.

WHEREAS, to carry out the Projects in accordance with the objectives and purposes of the Redevelopment Plan and Implementation Plan, the City has agreed to aid the Agency and cooperate with the Agency to expeditiously implement the Projects, and to undertake and complete all actions necessary or appropriate to ensure that the objectives of the Redevelopment Plan and Implementation Plan are fulfilled within the time effectiveness of the Redevelopment Project Area; and

WHEREAS, the City and the Agency have entered into a Public Works Agreement dated March \_\_, 2011, to ensure timely implementation and completion of the Projects, to formalize the pledge of Agency Funds, to pay for certain services and to pay for costs relating to the Projects.

WHEREAS, the City and Agency desire to amend the Public Works Agreement to provide that the City will provide certain additional tasks and undertake certain additional services in furtherance of the Projects, and the Agency will pledge and pay additional Agency Funds for such services; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF DAVIS DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The City hereby approves the Amendment to Public Works Agreement (“Amendment”) in substantially the form attached as Exhibit “A” to this resolution.

Section 2. The City Manager is hereby authorized and directed to execute the Amendment on behalf of the City, subject to any minor conforming, technical or clarifying changes approved by the City Attorney. The City Manager is hereby further authorized and directed to take such further actions and execute such documents as are necessary to carry out the Amendment on behalf of the City.

PASSED AND ADOPTED by the City Council of the City of Davis on this 21<sup>st</sup> day of June, 2011 by the following vote:

AYES:

NOES:

ABSTAIN:

Joseph F. Krovoza  
Mayor

ATTEST:

Zoe S. Mirabile, CMC  
City Clerk

CITY OF DAVIS  
Request for Budget Adjustment

Agenda Item: 09CC & 05 RDA

TO: City Manager  
VIA: Finance Director

City Council Meeting Date: 6/21/2011

FROM: Community Development & Sustainability Dept

Dept Head [Signature] Signature and Date 6/16/2011

I request the following budget adjustments:

A. Internal Transfers of Currently Appropriated Funds:

TRANSFERS FROM PROGRAM NAME	FUND NO.	DIV/ PROG.	ACTIVITY	ELEMENT/ OBJECT	AMOUNT (CR)
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
TOTAL					\$ _____

B. New Appropriation's Source of funding/Revised Revenue Change:

Unallocated Reserve

	FUND NO.	DIV/PROG.	ACTIVITY	ELEM/OBJ	AMOUNT
New/Revised Revenue Account	<u>951</u>	<u>Redevelopment</u>	<u>Authority</u>		\$ <u>(1,200,000)</u>
TOTAL					\$ _____

**TO:**

	FUND NO.	Revenue Account Number	AMOUNT
New/Revised Revenue Account	<u>476</u>	<u>Downtown Revitalization Funds</u>	\$ <u>1,200,000</u>
TOTAL			\$ _____

C. Allocation of Internal Transfers and/or New Appropriations:

TRANSFERS TO PROGRAM NAME	FUND NO.	DIV/ PROG.	ACTIVITY	ELEMENT/ OBJECT	AMOUNT (DR)
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
TOTAL					\$ _____

D: Reason For Adjustment (Explain fully. Attach sheet if necessary. If new revenue, record a description on reverse side on Part VI.)

Funds for projects included in Public Works Agreement.

FINANCE DIRECTOR

A.  Funds have been appropriated & are available.

B.  Funds have been appropriated.

Funds must be appropriated.

[Signature]  
Signature and Date

CITY MANAGER

A.  Approved  
 Disapproved

B.  City Council appropriated funds.  
 City Council informed of revised revenue est.

\_\_\_\_\_  
Signature and Date

Date: 6/17/11 BA No. 115

Posted By: \_\_\_\_\_