



## THE CITY OF SAN DIEGO

DATE ISSUED: July 22, 2009

REPORT NO.: RA-09-26

RTC NO.: RTC-09-100

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Council President and Members of the City Council  
Docket of July 28, 2009

SUBJECT: Funding for a Multi-Purpose Building in the North Chollas Community Park

### REQUESTED REDEVELOPMENT AGENCY ACTIONS:

1. Authorize the Redevelopment Agency Executive Director, or designee, to submit an application to the State of California Infrastructure and Economic Development Bank for a loan of up to \$2,000,000 to fund a portion of construction costs for a Multi-Purpose Building in the North Chollas Community Park.
2. Authorize the Redevelopment Agency Executive Director, or designee, to accept the loan, if awarded, and match the net proceeds with up to \$952,000 in tax increment funds from the Crossroads Redevelopment Project Area for a total transfer of up to \$2,952,000 to the City of San Diego for construction of the Multi-Purpose Building.
3. Approve and adopt findings under California Community Redevelopment Law Section 33679 that authorize the use of Redevelopment Agency funds for the construction of a city owned facility (Multi-Purpose Building).
4. Authorize an amendment to the FY2010 Crossroads Redevelopment Project Area budget to record up to \$2,000,000 in indebtedness payable from Crossroads Redevelopment Project Area tax increment and to reflect the transfer of up to \$2,952,000 to WBS S-00654 (legacy CIP 29-667.0), for the construction of a Multi-Purpose Building in the North Chollas Community Park.

### REQUESTED CITY COUNCIL ACTIONS:

1. Authorize the Chief Financial Officer, or designee to accept Redevelopment Agency funds into Fund No. 30075 (legacy No. 10274), Crossroads Redevelopment Project Area, for the City's construction of a Multi-Purpose Building at the North Chollas Community Park WBS S-00654 (legacy CIP 29-667.0) within the Crossroads Redevelopment Project.
2. Authorize up to a \$2,952,000 increase in the FY 2010 Capital Improvement Program budget in WBS S-00654 (legacy CIP 29-667.0), for the construction of a Multi-Purpose Building at the North Chollas Community Park, Fund No. 30075 (legacy No. 10274), within the Crossroads Redevelopment Project Area.



### Redevelopment Agency

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City Planning & Community Investment



3. Approve and adopt findings under California Community Redevelopment Law Section 33679 that authorize the use of Agency funds for construction of a city owned facility (Multi-Purpose Building).
4. Authorize the Chief Financial Officer, or designee to appropriate and expend funds up to \$2,952,000 from Fund No. 30075 (legacy No. 10274), Crossroads Redevelopment Project Area, WBS S-00654 (legacy CIP 29-667.0), for the construction of a Multi-Purpose Building at the North Chollas Community Park, contingent upon the City Comptroller first certifying funds for this action are available and contingent upon Agency receipt of the California State Infrastructure Bank Loan.

STAFF RECOMMENDATION TO REDEVELOPMENT AGENCY:

1. Authorize the Executive Director, or designee, to submit an application to the State of California Infrastructure Bank for a loan of up to \$2,000,000 to fund a portion of construction costs for a Multi-Purpose Building in the North Chollas Community Park.
2. Authorize the Executive Director, or designee, to accept the loan, if awarded, and transfer the net proceeds along with up to \$952,000 in matching tax increment funds from the Crossroads Redevelopment Project Area to the City of San Diego for construction of a Multi-Purpose Building.
3. Approve and adopt findings under California Community Redevelopment Law Section 33679 that authorize the use of Redevelopment Agency funds for the construction of a city owned facility (Multi-Purpose Building).
4. Authorize an amendment to the FY2010 Crossroads Redevelopment Project Area budget to record up to \$2,000,000 in indebtedness payable from Crossroads Redevelopment Project Area tax increment and to reflect the transfer of up to \$2,952,000 to WBS S-00654 (legacy CIP 29-667.0), for the construction of a Multi-Purpose Building in the North Chollas Community Park.

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3. Approve and adopt findings under California Community Redevelopment Law Section 33679 that authorize the use of Redevelopment Agency funds for the construction of a city owned facility (Multi-Purpose Building).
4. Authorize the Chief Financial Officer, or designee to appropriate and expend funds up to \$2,952,000 from Fund No. 30075 (legacy No. 10274), Crossroads Redevelopment Project Area, WBS S-00654 (legacy CIP 29-667.0), for the construction of a Multi-Purpose Building at the North Chollas Community Park, contingent upon the City Comptroller first certifying funds for this action are available and contingent upon Agency receipt of the California State Infrastructure Bank Loan.

## SUMMARY:

The Crossroads Redevelopment Plan, adopted on May 6, 2003, identifies various redevelopment priorities including providing funding for improvements at North Chollas Community Park. North Chollas Community Park encompasses approximately 90 acres and provides opportunities for both natural and developed recreation uses. It is located only 7 miles east of downtown San Diego and is bounded by Carver Elementary School to the North, College Grove Drive to the south, Chollas Lake to the east, and the community of Oak Park to the west (see Attachment 1 – Map of North Chollas Community Park).

Neighboring community groups have identified the construction of a Multi-Purpose Building adjacent to the ball field at North Chollas Community Park as a priority. The proposed Multi-Purpose Building is approximately 1,800 square feet and includes men's/women's and a family restroom, a concession stand, and Park and Recreation and field storage space (see Attachment No. 2 – Preliminary Site Plans). Total design and construction costs for the Multi-Purpose Building and water, sewer, electrical, and telephone hook-up are estimated at \$3,221,424 including a contingency and inflation factor (see Attachment No. 3 – Budget Estimate). Staff of the Redevelopment Agency (Agency) submitted a preliminary application to the California Infrastructure and Economic Development Bank (I-Bank) to determine if funds for construction may be available through the Infrastructure State Revolving Fund (ISRF) Program, which provides low-cost financing to public agencies for a wide variety of infrastructure projects.

The ISRF Program provides funding in amounts ranging from \$250,000 to \$10,000,000, with loan terms of up to 30 years. Interest rates are based on 67% of the Thomas Municipal Market rate for A rated tax exempt bonds. The rates change on a monthly basis but are fixed at the time the loan is issued. The rate currently averages below 4% (July 2009, 30-year is 3.76%). The I-Bank recently issued \$48.4 million in tax-exempt revenue bonds to provide additional funding for local government for public infrastructure through the ISRF Program and continues to accept applications for financing.

On December 29, 2008, the Agency received a letter from the I-Bank concluding based on a review of the preliminary application that the proposed project will be able to meet the ISRF Program's threshold eligibility criteria and inviting the Agency to submit a full application for funding consideration (see Attachment No. 4 – I-Bank Invitation Letter). The proposed request is for a loan for up to \$2,000,000 to fund a portion of the construction of the Multi-Purpose Building, to be secured by future tax increment from the Crossroads Redevelopment Project Area.

The preliminary construction schedule (after the project is fully funded) is as follows:

Complete Design (construction plans & building permits)	6-Months
Contract for Services	8-Months
Construction & Field Inspection	<u>8 to 10-Months</u>
Total	22 to 24-Months

#### FISCAL CONSIDERATIONS:

Preliminary planning and environmental review have already been completed for the Multi-Purpose Building and the City has \$258,197 still available to commit to the project. The remaining estimated funding gap is \$2,952,000 as shown in the following table:

Project Cost Estimate	\$3,221,424
Completed	
Preliminary Planning	(2,925)
CEQA / NEPA	(5,250)
Environmental Technical Studies	(3,250)
Estimated Remaining Costs	\$3,209,999
City Contribution	(258,197)
Estimated Funding Gap	\$2,951,802

The project would be funded through a combination of I-Bank loan funds and matching tax increment funds from the Crossroads Redevelopment Project Area. The I-Bank loan would be paid back from Crossroads Redevelopment Project Area tax increment over 25 years. The loan has a .85% origination fee paid out of loan proceeds and a .3% annual servicing fee. Based on the proposed Principal loan amount of \$2 million and an estimated annual interest rate of 4%, the annual debt service payment (together with the annual servicing fee are estimated at \$128,000). The project area generates adequate tax increment to make estimated debt payments and currently has adequate tax increment on hand to provide a match of up to \$952,000 to the I-Bank loan. The \$952,000 along with the proposed I-Bank loan will provide the financing for the project. The overhead amount in the Project Cost Estimate includes the origination fee of the I-Bank loan

The loan must be secured with a senior lien position on the future tax increment, but may be able to be on parity with future bond financing, depending on the bond terms, allowing the Agency to obtain future bond financing without having to prepay the I-Bank loan. The Agency's fiscal consultant has reviewed the proposed rates and loan terms and recommends that the Agency proceed with an application for financing. This action would enable the RDA to apply for the loan and would allow the RDA to enter into the loan if approved.

Pursuant to California Community Redevelopment Law (CCRL) Section 33679, the Redevelopment Agency is legally authorized to pay for the costs for the installation of a publicly owned building if certain findings can be made by the Agency at a publicly noticed hearing. Attachment 5 – Health and Safety Code Section 33679 Summary Report provides the necessary findings to satisfy the requirements under CCRL Section 33679. Furthermore, CCRL Section 33445 Findings are also included in the respective Redevelopment Agency and City Council resolutions. The City will continue on a best efforts basis to identify other sources of funds and the Agency contribution will be reduced dollar for dollar by other funds obtained. The Agency contribution shall also be reduced (and remitted to the Agency) by any project cost savings.



ONGOING STAFFING AND OPERATING COSTS:

The City would incur annual costs to operate and maintain the Multi-Purpose Building beginning in Fiscal Year 2012. These costs are estimated as follows:

Position	Salary	Fringe	Total PE	Supplies/Serv.	Utilities	Total NPE	TOTAL
0.36 GMW II	\$13,441	\$7,797	\$21,238	\$4,512	\$4,248	\$8,760	\$29,998

A portion of the annual costs would be reimbursed through fee revenue from leagues and other users of the ball field and/or Multi-Purpose Building.

ENVIRONMENTAL REVIEW:

This activity is covered under Mitigated Negative Declaration No. 98-0150, North Chollas Community Park. In January 2009, this proposed improvement project was found in "Substantial Conformance" with the Mitigated Negative Declaration No. 98-0150. Therefore, the activity is not a separate project for purposes of CEQA review pursuant to State CEQA Guidelines Section §15060(c)(3).

OTHER COUNCIL and/or COMMITTEE ACTIONS:

If funding for the Multi-Purpose Building is secured through this action, Engineering & Capital Projects Department will return to City Council for authorization to award the construction contract to the lowest responsible bidder, provided bids are within the established budget and the that construction contract and administration of said contract does not exceed \$2,952,000, and all other requirements are met. Beginning in Fiscal Year 2012, when the project is scheduled to completion the City Council will have to allocate \$29,998 which is the estimated annual cost to operate and maintain the proposed Multi-Purpose Building.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On July 31, 2008, the Crossroads Redevelopment Project Area Committee voted 6-1-1 recommending a funding obligation of not to exceed \$3,100,000 for construction of the Multi-Purpose Building at the North Chollas Community Park. On February 10, 2009, the Eastern Area Communities Planning Group voted 8-0-3 recommending that the Agency submit an application to the I-Bank for a loan of up to \$2,000,000 for construction of the Multi-Purpose Building at the North Chollas Community Park.

KEY STAKEHOLDERS and PROJECT IMPACTS:

Key stakeholders include residents of the communities adjacent to the North Chollas Community Park and the Oak Park Little League that uses the ball field adjacent to the proposed Multi-Purpose Building at the North Chollas Community Park.

Respectfully submitted,



Janice Weinrick  
Deputy Executive Director  
Redevelopment Agency/  
Assistant Director  
City Planning & Community Investment



Approved: William Anderson  
Assistant Executive Director  
Redevelopment Agency/  
Executive Director  
City Planning & Community Investment

- Attachments:
1. Map of North Chollas Community Park
  2. Preliminary Site Plans
  3. Budget Estimate
  4. California Infrastructure and Economic Development Bank Invitation Letter
  5. Health and Safety Code Section 33679 Summary Report