

DATE ISSUED: September 8, 2004

REPORT NO. RA-04-32
CMR-04-191

ATTENTION: Chair and Members of the Redevelopment Agency
Mayor and City Council Members, Docket of September 14, 2004

SUBJECT: El Cajon Boulevard Medians and Grantville Survey Area

SUMMARY

Issue(s) – Should the City Council and Redevelopment Agency:

1. Make necessary findings and authorize the contribution of \$1.75 million from the Crossroads Redevelopment Project Area to the City for the purpose of financing the El Cajon Blvd Median Improvements (CIP 39-234.0).
2. Amend the Fiscal Year 2005 Redevelopment Agency Budget by increasing the Crossroads Redevelopment Project Area budget (Fund 98250) in the amount of \$1.75 million for the purpose of financing the El Cajon Blvd Median Improvements (CIP 39-234.0).
3. Accept the transfer of \$200,000 to the Redevelopment Agency from Council District 7 CDBG Funds as an interest bearing loan to provide funds for plan adoption activities for the Grantville Survey Area.
4. Amend the Fiscal Year 2005 Redevelopment Agency Budget for the Grantville Survey Area to increase appropriations and authorize expenditures in the amount of \$200,000 from Council District 7 CDBG Funds, as an interest bearing loan to be utilized for plan adoption activities, to be repaid as soon as practicable from tax increment or other appropriate sources.

Executive Director's Recommendations –

1. Make necessary findings and authorize the contribution of \$1.75 million from the Crossroads Redevelopment Project Area to the City for the purpose of financing the El Cajon Blvd Median Improvements (CIP 39-234.0).

2. Amend the Fiscal Year 2005 Redevelopment Agency Budget by increasing the Crossroads Redevelopment Project Area budget (Fund 98250) in the amount of \$1.75 million for the purpose of financing the El Cajon Blvd Median Improvements (CIP 39-234.0).
3. Accept the transfer of \$200,000 to the Redevelopment Agency from Council District 7 CDBG Funds as an interest bearing loan to provide funds for plan adoption activities for the Grantville Survey Area.
4. Amend the Fiscal Year 2005 Redevelopment Agency Budget for the Grantville Survey Area to increase appropriations and authorize expenditures in the amount of \$200,000 from Council District 7 CDBG Funds, as an interest bearing loan to be utilized for plan adoption activities, to be repaid as soon as practicable from tax increment or other appropriate sources.

Manager's Recommendation(s) –

1. Make necessary findings and accept the contribution of \$1.75 million from the Crossroads Redevelopment Project Area to the City for the purpose of financing the El Cajon Blvd Median Improvements (CIP 39-234.0).
2. Amend the Fiscal Year 2005 Capital Improvement Program Budget for the El Cajon Blvd Median Improvements (CIP 39-234.0) to remove the continuing appropriations remaining in Council District 7 CDBG funds in the amount of \$200,000, and to include a contribution from the Redevelopment Agency in the amount of \$1.75 million for Fiscal Year 2005.
3. Authorize the transfer of \$200,000 to the Redevelopment Agency from Council District 7 CDBG Funds as an interest bearing loan to provide funds for plan adoption activities for the Grantville Survey Area.

Other Recommendation(s) – The Crossroads Project Area Committee (PAC) voted in favor of assuming the obligation for the medians at their August 26, 2004 meeting.

Environmental Review – This activity is categorically exempt from CEQA pursuant to State CEQA Guidelines Section 15301, and exempt from NEPA pursuant to 24 CFR Part 58, Section 58.34 (b).

Fiscal Impact – \$1,750,000 will be available from tax increment or other funding sources of the Redevelopment Agency within the Crossroads Project Area for the purpose of financing the El Cajon Blvd. Median Improvements (CIP 39-234.0). \$200,000 of Council District 7 CDBG Funds will be available to provide funds for the plan adoption activities for the Grantville Survey Area.

BACKGROUND

Several years ago the City of San Diego Transportation Department received funding to initiate the planning and engineering to restore the medians along El Cajon Boulevard. The project description was to replace the substandard curbs and asphalt-surfaced raised medians with new curbs, color stamped concrete, landscaping and irrigation from 54th Street to 73rd Street. After the planning and engineering work was completed on this Capital Improvement Project (CIP 39-234.0) construction was deferred until funds were identified and the establishment of a maintenance assessment district. The CIP proposes to install landscaping and irrigation within half of the twenty medians that will be restored. The estimate cost for this CIP is \$1,750,000.

The College Heights Maintenance Assessment District (CHMAD) was established on April 27, 2004 to fund the maintenance of street trees and shrubs along El Cajon Boulevard from 54th Street to 73rd Street. By the majority vote of the property owners, a maintenance program has been established and City Council passed Resolution R-299142 which created the CHMAD. The district will provide enhanced maintenance services with the goal of beautifying and improving the appearance of El Cajon Boulevard from Collwood Boulevard/54th Street to the City of La Mesa/73rd Street by providing street and sidewalk sweeping, litter and graffiti removal, enhanced landscaping services, lighting and other services.

The Crossroads Redevelopment Project Area was adopted on May 6, 2003. Fiscal Year 2005 is the first year in which the Redevelopment Agency is entitled to receive tax increment from the Crossroads area. Preliminary estimates for the first year of tax revenue were approximately \$200,000, as shown in the redevelopment plan.

In July 2004, the Agency received the first Crossroads Redevelopment Project Area Assessed Valuation Report from the office of the County Auditor/Controller. This report reflects the incremental assessed valuation for Crossroads to exceed \$100 million. This represents the increase to property values within the project area since the base value was established at the time the project area was formed. The Agency can expect to receive (at a minimum) 1% of the incremental assessed valuation, or at least \$1.0 million, during this fiscal year. Because of this dramatic increase in anticipated revenues, it is recommended that plans for funding projects within the area be accelerated.

DISCUSSION

According to California Community Redevelopment Law, the Agency must annually demonstrate the need and planned uses for the tax increment funds. The Agency displays its annual budget and funding commitments for all project areas by submitting the required Statement of Indebtedness to the County each October. In order to legally receive tax increment revenues from the County, the amount of the Agency obligations in each project area need to exceed its anticipated tax increment revenues. Because of this, it is recommended that the Agency contribute funds in the amount of \$1,750,000 to reconstruct the medians which up to now had been unfunded.

The Law requires that certain findings be made by the City's Redevelopment Agency prior to the expenditure of Redevelopment Agency funds for public improvements. Attachment 1 recites the proposed findings with respect to the benefits of the replacement of substandard median curbs and the installation of landscaping and irrigation along El Cajon Boulevard within the Crossroads Redevelopment Project Area, the unavailability of other reasonable means to finance the replacement of substandard median curbs and the installation of landscaping and irrigation, how the medians and landscaping will assist in the elimination of blighting conditions inside the Project Area, and that the medians and landscaping are consistent with the Redevelopment Plan and the Five-Year Implementation Plan. The landscaping will be maintained by the College Heights Maintenance Assessment District.

Council District 7 had previously allocated \$235,000 of CDBG funds to the reconstruction of the medians, with an additional \$60,000 in funding coming from the Water Department. With the Crossroads Redevelopment Project Area now able to fund the reconstruction of the medians, it is recommended that the remaining Council District 7 CDBG funds be loaned to the Redevelopment Agency to fund the plan adoption activities for the Grantville Redevelopment Survey Area.

ALTERNATIVE(S)

Do not approve the actions.

Respectfully submitted,

Debra Fischle-Faulk
Deputy Executive Director
Redevelopment Agency/Community
& Economic Development Assistant Director

Hank Cunningham
Assistant Executive Director
Redevelopment Agency/Community
& Economic Development Director

Approved: Bruce Herring
Deputy City Manager

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Note: Attachment No. 2 is not available in electronic format. A copy for review is available in the Office of the City Clerk.

Attachment(s): 1. Findings of Benefit
 2. Map and Exhibit of Improvements.

Findings of Benefit Crossroads Redevelopment Project Area

SUBJECT IMPROVEMENTS:
INSTALLATION OF LANDSCAPED MEDIANS
(El Cajon Boulevard from 54th Street to 73rd Street)

The following findings are for the El Cajon Blvd Median Improvements – in the Crossroads Redevelopment Project Area.

I. FINDINGS OF BENEFIT

The subject improvements for which the Redevelopment Agency of the City of San Diego (Agency) proposes to pay will benefit the Crossroads Redevelopment Project Area in that:

- A. These improvements will be completed in two phases: Phase one provides for landscape improvements on El Cajon Blvd between 54th Street and 73rd Street (the City boundary with La Mesa). It will replace substandard curbs and asphalt - surfaced raised medians with new curbs and color stamped concrete. Phase two will install landscaping and irrigation. Enhancements may include street trees, shrubs, ground covers, automatic irrigation, enriched paving, signage and art work.
- B. The improvements will contribute to parallel efforts to revitalize and beautify the community. By the majority vote of the property owners, a maintenance program referred to as the College Heights Maintenance Assessment District has been established. The district will provide enhanced maintenance services with the goal of beautifying and improving the appearance of a specified boundary generally located on El Cajon Boulevard by providing street sweeping, graffiti removal, enhanced landscaping services, lighting and other services.

II. NO OTHER REASONABLE MEANS OF FINANCING

There are no other reasonable means available to the community for financing the subject improvements for which the Agency proposes to pay in that:

- A. The El Cajon Blvd Medians Improvement Project has been funded to date with approximately \$295,000. It would require multiple year allocations to provide adequate funds to be able to initiate the project. The total estimated costs of the improvements results in a need of Fiscal Year 2005 cost of \$1,750,000.

ATTACHMENT NO. 1

- B. The Fiscal Year 2004 General Fund Budget of \$743 million for the City has a net increase of approximately \$13.68 million, a 1.88% increase over the Fiscal Year 2003 General Fund Budget. Approximately \$29 million in General Fund department reductions were necessary to offset a necessary increase in both personnel and non-personnel expenses. Additionally, the Fiscal Year 2004 Budget excludes any action the State may take that will impact the Budget.
- C. The City's Capital Improvement Budget (CIP) of \$467.6 million is funded primarily with water and sewer fees, developer impact fees, grant funds, enterprise fund revenues, Facility Benefit Assessment funds, Gas Tax and Transnet funds. The Fiscal Year 2005 CIP Budget increased by \$56.17 million, a 13.65% increase from the Fiscal Year 2003 Budget. The Fiscal Year 2004 CIP Budget provides for the sewer upgrade of the City's Metropolitan Wastewater System, water projects, Park and Recreation projects, library projects, transportation projects and special projects. Sewer and water projects alone comprise over 50% of the total. Although there has been an increase in the CIP Budget, it is important to note that the City's CIP funding is not without limitations, and much significant unfunded capital needs still exist.
- D. Most major tax revenue categories continue to show signs of growth although; revenue estimates reflect an uncertain economy. Moderate growth is anticipated for most Fiscal Year 2004 major revenues. The economic growth rates for major revenue categories are property tax (8%), sales tax (3%), Transient Occupancy Tax (5.5%) and Motor Vehicle License fees (3%). Preliminary revenue forecasts suggest that the rate of growth of the primary sources of revenue is expected to be less than the current year. It is anticipated that the General Fund revenues will not keep pace with obligations for General Fund expenditures. Therefore, it is anticipated that reductions will be required to ensure a balanced budget.
- E. The City's Fiscal Year 2004 CIP Budget is embodied in Volumes IV and V of the City's Budget. The Agency's Fiscal Year 2004 Program Budget included in Volume VI, was adopted on June 17 and 23, 2003. The CIP and the Agency's Budget were developed in accordance with City and Council Policy, and each project activity was evaluated and incorporated in the respective budgets. Projects are funded based on need and the availability of appropriate funding sources. The City's FY 2004 CIP Budget totals \$467.6 million, an increase of \$56.17 million over Fiscal Year 2003. This can be attributed to the increase in CIP budgets for projects within Metropolitan Wastewater, Water and Library Departments.
- F. Revenue forecasts for Fiscal Year 2004 suggest that the rate of growth of the City's primary sources of revenue is expected to be less than the rates included in Fiscal Year 2003 budget. General Fund revenues are not expected

to keep pace with General Fund expenditures. The threat of reductions from the State could further compound the need for deep decreases in the General Fund.

III. ELIMINATION OF BLIGHTING CONDITIONS

The payment of Agency funds toward the cost of the construction and installation of the subject improvements will assist in the elimination of blighting conditions inside the Crossroads Redevelopment Project Area and the proposed improvements are consistent with the Implementation Plan for the Crossroads Redevelopment Project, adopted pursuant to Health and Safety Code Section 33490, in that:

- A. The improvements will correct and upgrade substandard and deteriorated infrastructure facilities and will specifically improve surface drainage, traffic safety and, improve pedestrian safety.
- B. The improvements will upgrade deficient public open spaces with decorative paving, street trees and other landscaping and will improve the image of a primary gateway into the College and Mid-City Communities.
- C. The improvements project is consistent with the First Implementation Plan for Crossroads Redevelopment Project Area, which is recorded with the Agency as Document No. OO-19174 and dated May 6, 2003, in that the project Addresses the Plan's specific priority goals of:
 - Reduce visible physical blight.
 - Increase public awareness of community identity by physically improving and defining community boundaries and entryways, preserving the identity of separate neighborhoods and promoting the positive characteristics of the area.
 - Upgrade streetscapes and improve pedestrian, public transit and bicycle orientation in the commercial areas.
 - Concentrate improvements in demonstration block and at community gateways.
- D. The Implementation Plan states the following under the heading "2004-2005: Develop master infrastructure improvement plan for El Cajon Boulevard and University Avenue".