

**AGENDA  
CITY OF UNION CITY  
SPECIAL CITY COUNCIL/REDEVELOPMENT AGENCY JOINT MEETING  
WITH NEW HAVEN UNIFIED SCHOOL DISTRICT**

**Tuesday, August 30, 2011  
7:00 P.M.**

**RUGGIERI SENIOR CENTER DINING HALL  
33997 Alvarado-Niles Road  
Union City CA**

**I. CALL TO ORDER**

I.a Pledge of Allegiance

I.b Roll Call

*Mayor Mark Green  
Vice Mayor Jim Navarro  
Councilmember Emily Duncan  
Councilmember Lorrin Ellis  
Councilmember Pat Gacoscos*

*Board President Michelle Matthews  
Board Member Linda Canias  
Board Member Sarabjit Cheema  
Board Member Jonas Dino  
Board Clerk Kevin Harper*

**II. PUBLIC COMMENT**

*Comments from the audience regarding the topic under consideration will be received. Persons wishing to speak must complete a speaker card available from the City Clerk.*

**III. CITY COUNCIL/REDEVELOPMENT AGENCY WORK SESSION WITH NEW HAVEN UNIFIED SCHOOL DISTRICT**

Discussion of the history and role of redevelopment in California and Union City; and the impact of AB1X 26 and AB1X 27 on the City and the School District

**IV. ADJOURNMENT**

*A complete agenda packet is available for review at City Hall or our website [www.unioncity.org](http://www.unioncity.org)*

*Any writings or documents provided to a majority of City Council members regarding any item on this agenda will be made available for public inspection at the City Clerk's Counter at City Hall, located at 34009 Alvarado-Niles Road, Union City, California, during normal business hours.*



## Agenda Item

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**DATE:** August 30, 2011

**TO:** Union City City Council  
New Haven Unified School District Board of Education

**FROM:** Joan Malloy, Assistant Executive Director

**SUBJECT:** Joint Meeting --- Redevelopment Briefing

### **BACKGROUND**

The New Haven Unified School District Board of Education and the Union City City Council requested a joint meeting to discuss redevelopment and funding challenges facing local government and schools.

The purpose of this staff report is to provide an overview of the redevelopment program in Union City: how it works, projects funded, programs funded, taxes generated, and funding provided to the school district.

The report will also review court decisions, legislative actions, and citizen approved initiatives that contribute to the ongoing financial challenges faced by the State, local government, and schools.

### **DISCUSSION**

#### **Origin of a Crisis**

Following the *Serrano vs. Priest* series of California Supreme Court decisions in the late 1970s, the State used the General Fund to backfill funding shortfalls in lower income school districts in an effort to equalize funding between lower income and higher income school districts. The higher income school districts were allowed to retain its property tax base.

Voter approved the Proposition 13 initiative in 1978 that set property taxes at 1 percent of assessed valuation, limited property tax increase to no more than two percent a year, required a two thirds vote to raise local taxes, and required a two thirds vote of the legislature to place a measure on the State ballot to raise taxes. As recently demonstrated with Measure B in New Haven Unified School District, a 66.4 percent vote to support a

parcel tax was insufficient. The minority is constitutionally allowed to block tax increases. California Attorney General Kamala D. Harris stated that Proposition 13 has reduced local property tax revenues by 57 percent.

The California Legislature passed AB 8 in 1979 that established a formula for the State to shift property tax revenue from the school districts to cities, counties and special districts. The State concurrently undertook an obligation to shift General Fund revenue to schools to make up the loss of property taxes.

Voters approved the Proposition 98 initiative in 1988, and amended by Proposition 111 in 1990 that determined funding for schools using a set of formulas based upon State General Fund revenue and a set of factors including school attendance, local property tax, and other factors. Although the legislature was obligated to **annually** fund schools based on this formula, the initiative also allowed the State to defer payments to schools if there were General Fund budget shortfalls.

The California Legislature created the Educational Revenue Augmentation Fund (ERAF) in FY 1992/1993 whereby the State required the shift of property tax revenue from cities, counties, redevelopment agencies, and special districts back to schools, thereby relieving the State General Fund from part of the education backfill obligation. The ERAF payments continued throughout the 1990s and the first decade of the 21<sup>st</sup> Century.

The Great Recession that started in 2008 reduced State tax revenue. Attorney General Kamelia Harris stated the Great Recession reduced State funds by 30 percent. In addition, school districts and local governments received lower property tax revenues as home values plummeted. The school obligations on the California General Fund increased while tax revenue decreased.

To increase State revenues, the California Legislature required redevelopment agencies to pay an additional assessment to be deposited into the Supplemental Educational Revenue Fund (SERAF) in FY 2009/2010 and 2010/2011 to fund local schools. The State used SERAF money to make payments to schools and concurrently reduced General Fund revenues to pay schools.

Since the inception of ERAF and SERAF, Union City has contributed \$15 million to ERAF and the Redevelopment Agency has contributed \$12 million to ERAF and SERAF.

In 2010, by a 61 percent margin, voters approved the Proposition 22 initiative that prohibited the State from taking tax revenues from local agencies, redevelopment agencies and transit agencies.

There is a structural financial challenge on a State, local government and school district level to fund programs. Rather than recognizing the structural problem, the California

Legislature and Governor Jerry Brown alleged that redevelopment was a primary contributor to the schools financial problem. As a part of the FY 2011/2012 The California Legislature enacted trailer bill ABx1 26 that disbanded redevelopment agencies. The California Legislature also adopted the trailer bill ABx1 27 that allowed cities to continue redevelopment activities if the city or county sponsoring the redevelopment agency made “voluntary” payments to fund local schools.

Agencies that elect to make the “voluntary” payment will deposit 50 percent of the payment on January 15, 2012 and the remainder of the payment on May 15, 2012 with the county auditor controller. The county will disperse the funds to the local school district and selected special districts. The State will reduce its Proposition 98 payments to school districts by the amount of the “voluntary” payment made by the local redevelopment agency. **New Haven Unified School District will not receive additional funds when Union City makes the “voluntary” payment for FY 2011/2012.**

The Department of Finance indicated that Union City owes \$7.6 million in FY 2011/2012 and \$1.7 million in FY 2012/2013 in “voluntary” payments if it wishes to continue its redevelopment agency. The Department of Finance made its determination based on a report prepared by the State Controller in FY 2008/2009 that identified tax increment, debt service, and pass-through obligations of the Redevelopment Agency.

The Department of Finance had incomplete information when it made the calculation on the Union City’s obligation. The Controller’s Office FY 2008/2009 report did not reflect the Agency’s and Alameda County’s agreement on the interpretation of the 1988 contractual pass-through agreement. The Agency and the Alameda County jointly determined that the Agency owed the County \$6 million in pass-through payments for FY 2008/2009.

Under the Department of Finance formula, recognizing the Alameda County pass-through payment, the Agency’s “voluntary” payment for FY 2011/2012 would be \$5 million, paid to the Alameda County Auditor Controller, who would distribute the funds to New Haven Unified School District. The State would reduce payments to New Haven Unified School District by the amount the County paid the school district.

In FY 2012/2013, Union City’s “voluntary” payment to the County Auditor Controller would be \$1 million. New Haven Unified School District will receive 85 percent of the amount and it would be in addition to Proposition 98 payments. The legislature could change this formula in the future and deduct Proposition 98 payments from the “voluntary” payment.

Union City, San Jose, the California Redevelopment Association, and the California League of Cities have filed a complaint with the California Supreme Court to overturn ABx1 26 and ABx1 27 on the grounds that the legislation is unconstitutional. The California Supreme Court accepted the complaint, established a briefing schedule, and

agreed to rule on the merits of the complaint before January 15, 2012. The Supreme Court issues a stay on ABx1 27 and a partial stay on ABx1 26. Redevelopment Agencies may not enter into new contracts, add territory to the Project Area, or issue bonds during the stay.

### **Redevelopment in Union City**

Redevelopment is one of the few tools available to local government that can remove blight in a community, boost school enrollment, generate new taxes, create jobs, and fund affordable housing.

The California Legislature created redevelopment by statute in 1945 to enable cities to rehabilitate blighted areas. California voters amended the constitution in 1952 and authorized redevelopment agencies to issue bonds, backed by tax increment, to fund projects to eliminate blight.

Cities and counties have the authority to create a redevelopment agency. As a part of the process, a redevelopment project area is established. A property tax base year is created for the tax year the redevelopment project area is established. As blight is eliminated within a redevelopment project area and when properties are sold within a project area, property values increase and assessed values increase thereby generating additional property tax revenue. That portion of property taxes collected above the base year that the redevelopment agency was created is called “tax increment.” Redevelopment agencies may use tax increment to issue debt and repay bonds. Bond funds are used to fund capital projects that remove blight.

Union City created its Redevelopment Agency in 1988. About one-third of the urbanized area of Union City is within a redevelopment project area. The project area includes Decoto; DIPSA – the area bounded by Decoto Road, Alvarado-Niles Road, Mission Boulevard, and Fremont; the Four Corners shopping center at Alvarado Boulevard and Dyer Street; Contempo; Old Alvarado; Union Landing; the Tropics Mobile Home Park and Central Park West Mobile Home Park.

Redevelopment agencies do not retain all tax increment that is collected.

State law requires that 20 percent of gross tax increment be spent on the creation of affordable housing. Additional payments are made to the school district, the county, and other special districts in contractual pass-through obligations and through State mandated obligations. The State has also required redevelopment agencies to contribute to the ERAF and to the SERAF.

Since the inception of the Redevelopment Agency in 1988, \$205 million gross tax increment has been collected. It has been disposed as follows:

- \$ 40 million affordable housing
- \$ 23 million contractual and statutory pass-through payments to Alameda County
- \$12.1 million contractual pass-through payments to New Haven Unified School District and construction of Guy Emanuele School
- \$12.8 million payment to State and Alameda County for ERAF and SERAF payments. ERAF and SERAF receipts are directed to New Haven Unified School District to meet State educational obligations
- \$8 million Owner Participation Agreements, and other Agency statutory, and contractual pass-through agreements
- The remaining \$109 million was spent on debt service to repay bonds, Agency projects, and Agency administration

Union City's Redevelopment Agency has issued seven bond series totaling \$141 million that funded a number of projects to improve the community.

The Agency and New Haven Unified School District cooperated on development of a number of projects funded by the Redevelopment Agency bond funds, tax increment, and leveraged grants.

- In conjunction with the adoption of the Decoto Industrial Park Specific Plan (DIPSA), the Redevelopment Agency funded the construction of Guy Emanuele School.
- School district staff, citizens, and the Agency formed the Railroad Safety Committee. Upon the recommendation of the committee, with Agency funding and a leveraged grant, a traffic signal and sidewalks were installed at Railroad Avenue and Whipple Road to provide safer student pedestrian access to Barnard White Middle School. A pedestrian and bicycle path and fencing were constructed along the Niles Subdivision railroad tracks to improve safety for students walking to school in the Decoto neighborhood.
- The Redevelopment Agency directly facilitated the construction of more than 1,000 residential units that boosted Average Daily Attendance (ADA) enrollment in New Haven Unified School District. Had it not been for the Agency investment to create additional housing, New Haven may have faced additional school closures due to declining student enrollment.

The Redevelopment Agency funds a number of programs that benefit the community:

- The Redevelopment Agency funded three Resource Centers located in Decoto, Old Alvarado, and a new Police Resource Center in the Four Corners shopping centers. The Resource Centers provide space for Centro de Servicios, Youth and Family Services Counselors, and youth programs.

- The Agency funds the salaries for two Youth and Family Services Counselors, and 3.49 full time equivalent Community Oriented Policing Program (COPPS) officers.
- Other funded programs include Centro de Servicios and ARC, a program for developmentally disabled adults who provide cleanup services for the community.

### **Future Agency Projects**

The Agency is working to complete the Station District.

- 155 affordable family-housing units are under construction. The first 100 units of affordable housing will be leased in October 2011 and the remaining 55 units will be leased in April 2012.
- A pedestrian plaza and promenade are under construction.
- Streets and utilities are in place.
- The west side of the BART Station was remodeled to improve pedestrian circulation and passenger capacity. The parking lot was reconfigured to improve pedestrian, bicycle, and bus access to BART.
- A new pedestrian entry will be constructed on east side of the BART Station that will create a two-sided station with a free pedestrian pass-through.
- Agency-owned property in the Station District has environmental clearance for an additional 973 housing units, 100,000 square feet of retail, and 500,000 square feet of office. Development of the property will expand the property tax base, generate sales taxes, and create employment.
- Residential development in the Station District will generate school building fees for New Haven Unified School District, and boost ADA enrollment.
- Land sale proceeds from the Station District properties will be used to construct a library and fine arts center. Classroom space and studio space could be made available to Chabot College for its desired satellite campus, and New Haven Unified School District.

The appendix to the staff report contains a comprehensive list of major Redevelopment Agency projects and programs that benefited the community.

## **FISCAL IMPACT**

New Haven Unified School District will not receive additional funds when Union City makes the \$7.6 million “voluntary” payment required under ABx1 27 in FY 2011/2012. The State will reduce funding to New Haven Unified School District based on the amount of Union City’s payment. New Haven Unified School District will be allocated 85 percent of Union City’s \$1.2 million “voluntary” payment for FY 2012/2013.

## **RECOMMENDATION**

Staff recommends that the City Council and Board of Education discuss opportunities to cooperate to complete redevelopment projects and programs in a joint effort to improve the community.

Prepared by:  
Mark Evanoff, Redevelopment Agency Manager

Submitted by:  
Joan Malloy, Assistant Executive Director

Approved by:  
Larry Cheeves, Executive Director

## **APPENDIX -- Redevelopment Agency Project Overview**

Since its inception in 1988, the Redevelopment Agency has collected \$205 million in gross tax increment. The Redevelopment Agency has issued seven series of bonds totaling \$141 million and funded a variety of projects that benefited the community.

### **Cleanup E Street**

- In the early 1990s the cleanup of E Street was the Agency's first priority. A pool hall, liquor stores, and drug peddling inside the stores, along the street, and in Decoto Plaza created problems for the community and the police department. The Redevelopment Agency purchased the problem businesses, removed the buildings, and constructed 14 single family affordable housing units. The Agency facilitated the creation of a Head Start program in Decoto Plaza.

### **Fred Castro Park**

- Handball courts in the Decoto neighborhood had deteriorated into a gang hangout and a place of drug sales. The Redevelopment Agency funded the dismantlement of the hand ball courts and the creation of Fred Castro Park.

### **Two Community Resource Centers**

- The Agency purchased a home and store to create the Decoto Resource Center. Centro de Servicios, a food kitchen, used clothing shop, and counseling centers are housed in the Decoto Resource Center.
- The Alvarado Resource Center provides programs for children and youth and family services counseling.

### **Senior Village**

- The 14 residential four-plexes along Alvarado-Niles Road between City Hall and Oregon Street had the highest calls for service in Union City. In the late 1990s that Agency purchased the four plexes, relocated the residents to quality replacement housing, demolished the four plexes and built the Senior Village. The Senior Village consists of the Senior Center and in partnership with affordable housing providers, 112 affordable senior apartments and assisted living beds.

### **Union Landing**

- The area that is now Union Landing had been a drive in movie theater, truck repair shops, and gladiola fields. The area generated minimal property taxes. In cooperation with property owners, the Redevelopment Agency created a Community Facilities District and issued \$8 million in bonds to fund backbone infrastructure to develop the Union Landing shopping center. The Redevelopment Agency pays approximately two thirds of the debt service.
- Union Landing generates \$2.3 million in sales tax each year that is deposited into the General Fund for City services.
- Union Landing generates \$1 million a year in property taxes.
- Union Landing merchants, through a PBID, fund three full time police officers.

### **Smith Street**

- The Redevelopment Agency funded the rehabilitation of Smith Street and provided loans to private developers to fund façade improvements on old commercial buildings.

### **Public Works Corporation Yard**

- Redevelopment Agency funds were used to purchase land and to construct the Union City Corporation Yard.

### **Rent Stabilization Tropics Mobile Home Park**

- The Tropics Mobile Home Park that provides housing for seniors experienced large rent increases in the late 1990s and 2000. The Redevelopment Agency provided a \$2.5 million grant to enable a nonprofit housing provider to purchase the Tropics. Space rent increases were limited to 90 percent of the Consumer Price Index. A rental assistance fund was created very-low and extremely-low income residents.

### **Transit Center Union Landing**

- The Redevelopment Agency assembled properties in Union Landing to create the Transit Center at Union Landing. The land assembly enabled Union City Transit to secured federal grant funds to construct the Transit Center.

### **Purchase of Slaughter House Construction of Union City Sports Center**

- The Redevelopment Agency purchased a blighted slaughter house and meat packing plant on Union City Boulevard and performed environmental cleanup. The City with grant funds and capital facilities fees build the Union City Sports Center.

### **Mission Gateway Affordable Housing**

- The west side of Mission Boulevard between Tamarack and Whipple Road once featured vacant and blighted apartments, a used appliance store, a liquor store, an abandon used car lot, and a blighted 50 year old trailer park with substandard housing.
- With the approval of the trailer park residents, the Redevelopment Agency purchased the four properties, relocated the residents, and with the cooperation of Mid Pen Housing, constructed 120 affordable units called Mission Gateway. Displaced former trailer park residents had first priority to move into Mission Gateway apartments.

### **Cleanup and Development of Former PSSC Property**

- The former Pacific States Steel Corporation (PSSC) property had been abandoned since 1978. The property had extensive environmental contamination with a negative land value. The property had been under the jurisdiction of the federal court since 1984. The plant site was landlocked. Union Pacific railroad tracks and BART tracks blocked access on two sides. The City of Fremont refused to allow access from the south side. A contaminated PG&E pipe yard blocked plant site access to Decoto Road on the north side. The Line M Flood Control Channel was at capacity and the Alameda County Flood Control and Water Conservation District required all storm water runoff to be stored on site during peak rainfall.

The Agency entered into an Owner Participation Agreement with the federal court. The Agency worked with PG&E to remove the contamination from the pipe yard and the Agency purchased the pipe yard after it had been cleaned. The Agency also paid for the design and construction of 11<sup>th</sup> Street on the former PG&E property. The Agency spent \$18 million on the purchase of the PG&E pipe yard and \$12 million on 11<sup>th</sup> Street design and construction. The Agency purchased the East West Connector right-of-way and constructed an interim detention basin to hold the storm water runoff from the housing that would be constructed on the former PSSC plant site.

The federal court, through the special master, cleaned up the PSSC property in phases. Land sale proceeds from clean parcels were reinvested in the cleanup of remaining parcels. By the end of the PSSC project \$20 million had been invested in environmental cleanup. KB Home invested \$200 million in site preparation and constructing 119 single family homes and 216 townhouses. The Redevelopment Agency underwrote 30 townhouses to create owner occupied below market homes.

The PSSC plant site once had a negative land value. Today the homes built on the former PSSC plant site generate \$2 million a year in property tax increment.

### **D Street, E Street, Mission Boulevard and 2<sup>nd</sup> Street**

The Redevelopment Agency assembled a number of blighted properties to make future commercial development easier. The depressed economy has made it difficult to complete negotiations with private developers to redevelop the property.

### **Horner Veasy Area**

The most blighted are remaining in the redevelopment project area are the properties bounded by Horner Street, Veasy Street, and Benson Road. The Redevelopment Agency funded an engineering study to determine the infrastructure improvements needed to make the area attractive to light industrial development. The Agency also purchased a blighted property with ten substandard residential units and relocated the residents to decent housing. With the loss of redevelopment funds, the Agency will not have the resources to fund infrastructure improvements in the Horner Veasy Area.

### **Station District Planning and BART Phase 1 Construction**

Union City began planning for the Station District in 1999. The Redevelopment Agency funded planning studies and environmental impact reports. The Station District Plan was incorporated in the City General Plan and Amended and the 2002 Restated Redevelopment Plan incorporated policies to fund public improvements in the Station District.

The Redevelopment Agency funded the design and construction of BART Phase 1. The BART Phase 1 project included reconfiguration of the BART parking lot to improve pedestrian, bicycle and bus access to the station. The sterile soils on the BART berm were removed and replaced with extensive landscaping. A glass façade was created on the west side to create natural lighting, and passenger circulation and platform capacity were improved.

The reconfigured BART parking lot enabled Avalon Bay apartments to share an Emergency Vehicle Access easement with the BART bus drive aisle, thereby enabling

Avalon Bay to construct additional apartments and to not have to construct a second road. Prior to the construction of Avalon Bay, the Litke property had an abandoned bowling alley and automobile repair facilities. The land generated minimal property taxes. With a \$118 million investment by Avalon Bay to construct 438 apartments (including 66 affordable units), the property now generates almost \$1 million a year in property taxes.

The Agency invested \$14 million in BART Phase 1 and leveraged \$40 million in local, State and federal funds to complete the project.

### **Station District Affordable Housing**

The Redevelopment Agency invested \$24 million in a combination of housing funds and project funds to construct 155 units of affordable housing in the Station District. The first 100 units will be occupied in October 2011 and the remaining 55 affordable units will be ready for occupancy in April 2012.

### **Police Resource Center Four Corners Shopping Center**

A new police substation and resource center is about to open at the Four Corners Shopping Center. The Community Oriented Policing Program (COPPS) and a referral office for Centro de Servicios will be housed in the Police Resource Center.

### **Station District Infrastructure and Amenities**

The Redevelopment Agency funded the property purchase for the Station District, and designed and constructed the infrastructure. The Agency invested \$40 million in property tax increment and bonds, and leveraged an additional \$18 million in grants to fund the projects. Specific projects include:

- Acquisition of former 30-acre former PG&E pipe yard.
- Design and construction of 11<sup>th</sup> Street, Cheeves Way, Berger Way Galliano Way, sidewalks, landscaping, and utilities.
- Construction of detention basin and boxing of the Line M Channel to improve flood control.
- Landscaping Line M Greenway
- Construction of three public parking facilities and installation of parking meter.
- Construction contracts have been awarded for an East Plaza and pedestrian promenade. The East Plaza and pedestrian promenade will be landscaped public gathering places with public art components, and water features.
- Preservation of the East/West Connector right-of-way. The East/West Connector will be a new roadway, funded by the 1986 Alameda County Measure B that will relieve congestion on Decoto Road and improve circulation within the Station District. The Redevelopment Agency purchased properties within the East/West Connector right-of-way to preserve the right-of-way.

- Intersection improvements Decoto Road and Alvarado-Niles Road
- The Redevelopment Agency owned property in the Station District has environmental clearance for an additional 973 residential units; 100,000 square feet retail space, and 500,000 square feet of office. Once the property is sold and developed, it will generate additional property taxes, sales taxes and create jobs in Union City.
- The residential units will boost FTE enrollment in New Haven Unified School District.
- New Haven Unified School District will collect its own school fees from new residential development in the Station District.
- Proceeds from land sales will be used to construct a library/fine arts facility in the Station District. Classroom space and studio space will be made available for a satellite campus for the Chabot Community College and New Haven Unified School District.

## **BART Phase 2**

The BART Phase 2 project will create a new entrance to BART on the east side of the station and thereby provide direct access to the new housing, offices, and retail in the Station District. The Redevelopment Agency invested \$900,000 in the project and leveraged \$19.2 million in grants to fund the construction of the project. Union City and BART have signed a Cooperative Agreement for the Redevelopment Agency and leveraged grants to fund the BART Phase 2 project. BART will manage the construction of the BART Phase 2 project. A construction contract is expected to be awarded by late 2011. Construction of BART Phase 2 will take about three years to complete.

## **Passenger Rail Services in Union City**

Voters approved Regional Measure 2 that raised bridge tolls to fund transit projects to reduce automobile traffic on Bay Area bridges. One of the funded projects is Dumbarton Rail. Dumbarton Rail will establish a new Trans bay train service from Redwood City to stations in Newark, Fremont, and Union City. Regional Measure 2 funds together with transportation sales taxes in San Mateo, Santa Clara, and Alameda County will help fund the Dumbarton Rail Project. The Dumbarton Rail project includes acquisition of the Oakland Subdivision, (the Union Pacific Railroad tracks that parallel the BART tracks) within Union City. The Oakland Subdivision tracks will be raised to the same height as the BART tracks. Decoto Road will be depressed and a new grade separation will be created on Decoto Road and improve pedestrian and vehicle safety. New rail connections will be made near Industrial Boulevard and the Shinn Rail Yard that will enable Dumbarton Rail, Capitol Corridor, and ACE trains to stop at the Union City. The passenger rail station and the BART Station will share a common concourse and create the Union City Intermodal Station.

There is a \$600 million shortfall in construction funding for Dumbarton Rail.