

MEMORANDUM

Office of Economic Development



To: Mayor Livengood and City Council Members

From: Diana Barnhart, Economic Development Manager

Through: Thomas C. Williams, City Manager

Subject: **The Report to the City Council for the Proposed Thirteenth Plan Amendment to the Project Area No. 1 Redevelopment Plan and the Proposed Sixth Amendment to the Great Mall Redevelopment Plan**

Date: February 4, 2010

History of Redevelopment

The City of Milpitas has two redevelopment project areas: Milpitas Redevelopment Project Area No. 1 and the Great Mall Project Area, which were merged in 2006. Milpitas Redevelopment Project Area No. 1 contains approximately 2,230 acres. The original Redevelopment Plan for Project No. 1 was adopted by the City Council by Ordinance No. 192 on September 21, 1976, and consisted of approximately 577 acres (“Original Project Area”) located in the central portion of the City. In 1979, Project Area No. 1 was amended to include an additional 483 acres (“Amendment Area No. 1”). In 1982, Project Area No. 1 was amended to include 479 acres (“Amendment Area No. 2”) and in 2003, the Project Area was amended to add 691 acres (“Midtown Added Area”). The Original Project Area No. 1 and Amendment Areas No. 1 and 2 are referred to as the “Amendment Areas.”

The Great Mall Redevelopment Project was adopted by the City Council on November 2, 1993, by Ordinance No. 192.8 and consists of 150 acres. The Redevelopment Plan was amended on October 16, 2001, by Ordinance No. 192.13 to add 0.76 acres in two separate properties (located along Interstate 880 & Montague Expressway containing 0.75 acres and along Interstate 680 south of Calaveras Boulevard containing 613 square feet) for the placement and maintenance of freeway signs for the Great Mall of the Bay Area.

Prior Actions

On August 4, 2009, the City Council adopted Resolution No. 7909 designating a redevelopment survey area (“Survey Area”) encompassing the proposed Thirteenth Amendment Added Area for study for possible inclusion in a redevelopment project. The Council’s action included direction to the Planning Commission to formulate a Preliminary Plan and related documents for redevelopment of the Thirteenth Amendment Added Area. On September 9, 2009, by Resolution No. 09-043, the Planning Commission selected the boundaries of the Thirteenth Amendment Added Area and approved the Preliminary Plan. On October 6, 2009, by Resolution No. RA346, the Agency accepted the Preliminary Plan and directed the preparation of a Preliminary Report.

On December 1, 2009, by Resolution No. RA 349, the Agency approved the Preliminary Report for the Thirteenth Amendment to the Redevelopment Plan for Milpitas Redevelopment Project Area No. 1 and the Sixth Amendment to the Redevelopment Plan for the Great Mall Redevelopment Project and authorized transmittal of the report to the affected taxing agencies, the Department of Finance (“DOF”), the Department of Housing and Community Development (“HCD”) and other interested persons and organizations. Also, on December 1, 2009, by Resolution No. RA350, the Agency received and referred the Amendments to the Planning Commission for its report and recommendation to the Agency and Council on the Amendments adoption, to the affected taxing agencies and other interested persons and organizations. In addition, on December 1, 2009, by Resolution No. RA351, the Agency accepted and authorized transmittal of the Draft Environmental Impact Report (Draft EIR) for the proposed Amendments and authorized the circulation of the Draft EIR for review. Finally, on December 1, 2009, by Resolution No. 7942, the City Council determined that a Project Area Committee need not be formed in the preparation of the Amendments and directed the Amendments be provided to and the Agency consult with residents, property owners, and existing civic and business organizations.

On December 9, 2009, by Resolution No. 09-056, the Planning Commission found the proposed Amendments to be in conformance with the Milpitas General Plan. The Planning Commission recommended that the Agency and City Council approve and adopt the proposed Amendments. It is anticipated that on February 16, 2010, prior to the City Council’s action of the same evening the Agency will adopt its Report to the City Council and consent to a joint hearing with the City Council on the Amendments and request that the City Council set the hearing date.

Proposed Actions

The actions before the City Council are: (1) receive the proposed Thirteenth Amendment as incorporated in the Amended and Restated Redevelopment Plan for the Milpitas Redevelopment Project No. 1 and the proposed Sixth Amendment to the Redevelopment Plan for the Great Mall Project; (2) receive the Report to Council prepared for the Amendments; and (3) consent to and call for a joint public hearing with the Agency on the Amendments.

Proposed Amendments

The proposed Amendments will be the subject of the joint public hearing of the Agency and City Council. At the close of the hearing, the Agency and Council may consider taking certain actions related to the approval and adoption of the Amendments. The City Council will consider Ordinances to adopt and make affective the proposed Amendments.

The City of Milpitas is considering amending the Project Area No. 1 Redevelopment Plan to: 1) extend by 10 years the effectiveness time limit and time period to repay debt/collect tax increment for the Amendment Areas; 2) repeal the debt establishment limit for the Amendment Areas; 3) increase the tax increment limit and bonded indebtedness limit and exclude the Midtown Added Area from the tax increment limit; 4) add projects and facilities to the list of eligible projects and facilities the Agency may fund; 5) reinstate eminent domain over non-residential uses in the Amendment Areas; 6) add territory totaling approximately 600 acres (“Thirteenth Amendment Added Area” or “Added Area”); and 7) make certain technical corrections, revise and update the various text provisions within the Redevelopment Plan to

conform to the requirements of the California Community Redevelopment Law (“CRL”). Concurrently, the Agency is proposing to amend (the “Sixth Amendment”) the Redevelopment Plan for the Great Mall Redevelopment Project (“Great Mall Project”) to delete a non-contiguous area developed with a freeway sign (“Sixth Amendment Deleted Area”). The area identified for deletion is within the area proposed to be added to Project Area No. 1. Collectively, the Thirteenth Amendment and Sixth Amendment are referred to as the “Amendments” and Project Area No. 1 and the Great Mall Project are referred to as the “Project Areas.”

Purpose of Amendments

The proposed 10-year extensions of Plan effectiveness and time period for collection of tax increment/repayment of debt would provide the Agency with additional tax increment revenue from the Amendment Areas, which is needed to fund the completion of the Agency’s redevelopment program for blight elimination and production of affordable housing. Given the severe downturn in the economy, the additional 10 years of Plan effectiveness is also needed to provide time to complete the Agency’s projects and programs, which will largely be based upon private sector initiation of the rehabilitation and redevelopment of remaining blighted sites within the Amendment Areas. The additional 10 years will also provide needed time for the Agency to implement an extensive infrastructure improvement program.

The Agency is proposing to repeal the debt establishment limit currently set at January 1, 2014 for the Amendment Areas. By repealing this limit, the Agency will be able to establish debt during the length of the proposed effectiveness period, which includes issuing bonds and entering into agreements that would pledge tax increment revenues such as a development agreement.

It is currently projected that the Agency would reach the tax increment limit of \$2.4 billion in 2030 or 19 years before the Agency would otherwise be authorized to collect tax increment. To allow the Agency sufficient revenue to fund its redevelopment program for the Amendment Areas, it is proposed that the tax increment limit be increased to \$6.7 billion and that it be made applicable only to the Amendment Areas. Under the CRL, neither the Midtown Added Area nor the Thirteenth Amendment Added Area is required to have a tax increment limit. The proposed increase in the tax increment limit is necessary to allow the Agency to collect the additional tax increment that would be generated in the 10-year extension period for the Amendment Areas. The bonded indebtedness limit is also proposed to be increased. The increase in this limit is necessary to provide bonding capacity in relationship to the proposed tax increment limit for the Amendment Areas. Furthermore, unlike the tax increment limit, the bonded indebtedness limit applies to the Midtown Added Area and the proposed Thirteenth Amendment Added Area and needs to be large enough to provide adequate bonding capacity for these areas in addition to the Amendment Areas.

The Redevelopment Plan includes a description of public improvements and facilities that the Agency may install or construct or cause to be installed or constructed. The description of public improvements is also being updated and expanded as necessary to reflect the Agency’s anticipated public improvement projects and facilities over the remaining effectiveness period of the Redevelopment Plan.

The Agency proposes to reinstate eminent domain authority within the Amendment Areas and to establish eminent domain in the Added Area, in each case with the limitation that eminent domain authority would not be authorized to acquire real property that is occupied as a residence. Eminent domain will be established for a 12-year period from the date of adoption of the Thirteenth Amendment. Eminent domain may be needed to assemble small and irregularly shaped industrial and commercial sites to accommodate contemporary businesses that will contribute to the elimination of obsolete facilities, high vacancy rates and low lease rates.

The Thirteenth Amendment Added Area includes two primarily multiple-family residential areas referred to as the Adams and Selwyn/Shirley Subareas. These areas are being considered for inclusion in a redevelopment project to continue the City's efforts to alleviate blighting conditions in these areas. The City, exclusive of the Agency, has been working with property owners and managers over several years to alleviate code violations and deter crime, particularly gang activity. Although these efforts produced short-term improvements, these largely residential areas continue to be impacted by blighting conditions. Redevelopment is proposed as another tool to improve these areas. As a result of a high industrial vacancy rate and aging and obsolete buildings, the Agency is also proposing to include a portion of the Town Center in a redevelopment project. The Agency is proposing to assist in rehabilitating and redeveloping property to meet contemporary user needs thereby reducing vacancies and increasing property values.

The Agency is proposing to make certain technical corrections to the Redevelopment Plan to update and clarify the provisions of the Redevelopment Plan. The proposed Thirteenth Amendment will be incorporated in a new Amended and Restated Redevelopment Plan that will apply to the Existing Project Area and Added Area. The following summarizes the time and financial limits of the proposed Thirteenth Amendment.

Milpitas Redevelopment Project Area No. 1 Redevelopment Limits Existing and Proposed

Area	Debt Establishment	Plan Effectiveness	Debt Repayment	Tax Increment	Bond Debt	Eminent Domain
Original Area						
Existing	1/1/14	9/21/19	9/21/29	\$2.4 billion merged	\$498 million merged	None
Proposed	Repeal	9/21/29	9/21/39	\$6.7 billion merged	\$1.3 billion merged	12 years nonresidential
Amendment Area No.1						
Existing	1/1/14	9/4/22	9/4/32	\$2.4 billion merged	\$498 million merged	None
Proposed	Repeal	9/4/32	9/4/42	\$6.7 billion merged	\$1.3 billion merged	12 years nonresidential
Amendment Area No. 2						
Existing	1/1/14	5/4/25	5/4/35	\$2.4 billion merged	\$498 million merged	None
Proposed	Repeal	5/4/35	5/4/45	\$6.7 billion merged	\$1.3 billion merged	12 years nonresidential
Midtown						
Existing	6/17/23	6/17/34	6/17/49	\$2.4 billion merged	\$498 million merged	6/17/15
Proposed	No change	No change	No change	Limit repealed	\$1.3 billion merged	No change
Proposed Added Area	5/4/30	5/4/40	5/4/55	None required	\$1.3 billion merged	12 years nonresidential
Great Mall (deletion of territory no change to limits)	Not Applicable	11/3/33	Not Applicable	Not Applicable	Not Applicable	None

The Sixth Amendment will amend the legal description of the Great Mall Project to reference the deletion of the freeway sign. No other amendment is proposed for the Great Mall Project. The proposed Sixth Amendment is a technical amendment necessary to avoid splitting or dividing a parcel within the proposed Added Area. The area proposed for deletion from the Great Mall Project includes only a freeway sign. The sign is not on a separate parcel but part of a parcel proposed to be included in the Added Area. Rather than try to exclude the sign from the parcel in the Added Area, it is proposed to be included as part of the Added Area and deleted from the Great Mall Project.

Purpose of the Report to the City Council

The purpose of the Report to the City Council is to provide the facts and evidence required for the Agency and City Council to make necessary findings in connection with the adoption of the proposed Amendments.

Contents of Report

The Report to the City Council includes the blight and financial feasibility analyses contained in the Preliminary Report and is revised and supplemented as necessary in response to taxing agency consultations and to include additional information or clarification on the information contained in the Preliminary Report between transmittal and incorporation in the Agency's Report to the City Council. A notable change in the information presented in the Preliminary Report is an increase in the amount of revenues that are anticipated to be received by the Agency. Subsequent to the completion of the Preliminary Report, the County provided the Agency with a required report which indicates the base year assessed value for the proposed Added Area. The base year value was higher than what was estimated in the Preliminary Report and as a result, the anticipated projected revenues available for projects and programs have increased by approximately 1% over the estimates included in the Preliminary Report.

The Report to the City Council has 13 sections. The first seven sections are substantially the same as presented in the Preliminary Report approved by the Agency on December 1, 2009. The following is an outline of the contents of the Report to the City Council and a brief summary of the new sections provided in the Report to the City Council.

- I. Introduction**
- II. Urbanization Status of the Added Area**
- III. Description of Blighting Conditions**
- IV. Proposed Projects and Programs**
- V. Proposed Method of Financing the Projects and Programs within the Merged Project Area**
- VI. Implementation Plan Amendment**
- VII. Neighborhood Impact Report**

New Sections/Information

VIII. Method or Plan for Relocation. This section states the requirements of the law that the Agency must provide relocation benefits to any persons or families proposed to be relocated from the Project Area (Existing Project Area and proposed Added Area) as a result of any Agency action.

IX. Analysis of the Preliminary Plan. The Preliminary Plan describes the Added Area boundaries and contains general statements of the land uses, layout of principal streets, population densities, building intensities and building standards. The Preliminary Plan states that the land uses and development standards will be those defined in the General Plan as it currently exists or may be amended from time to time. The Preliminary Plan is the basis from which the Amended and Restated Redevelopment Plan was prepared.

X. Report and Recommendation of the Planning Commission. On December 9, 2009, the Planning Commission adopted its report finding that the proposed Amendments are consistent with the City's General Plan and recommended that the Agency and City Council adopt the proposed Amendments.

XI. Summary of Community Consultations. On December 1, 2009, the City Council adopted a resolution acknowledging that the Agency will not have eminent domain authority over residential uses (property that is occupied as a residence) and determining that a project area committee (PAC) need not be formed. The Agency was directed to make available the Amendments to and consult with persons and organizations concerning policy matters affecting the residents of the Project Area. The Agency will be sending notices to all owners and occupants within the Project Areas and Added Area of the joint public hearing on the proposed adoption of the Amendments. The notice will also include an invitation to attend a community information meeting prior to the hearing to provide an informal forum for community input and to answer questions regarding the Amendments. Copies of the Amendments will be made available at the meeting.

XII. Environmental Compliance (Environmental Impact Report). In accordance with the Community Redevelopment Law and the California Environmental Quality Act ("CEQA"), a Program Environmental Impact Report ("EIR") has been prepared for the adoption and implementation of the proposed Amendments. The Draft EIR is incorporated within the Report to the City Council by reference. It was the conclusion of the EIR that the Amendments would encourage development that could result in potential environmental impacts that may be significant and unavoidable even with mitigation measures. These impacts may include greenhouse gas emissions that exceed air district thresholds and contribute to global climate change, further reductions in traffic levels of service within the Amendment Areas and proposed Added Area at currently impacted intersections and street segments, and further reductions in levels of service on currently impacted freeway segments.

XIII. The Report of the County Fiscal Officer and the Agency's Analysis Thereof, Including a Summary of Consultations with Affected Taxing Entities. The County of Santa Clara transmitted the base year report to the Agency in a letter dated October 21, 2009. The base year report is a document that identifies the property value in the Added Area and the taxing agencies share of the property tax revenue. Based on the information provided in the base year report, the City of Milpitas derives the largest portion of its taxes from the Added Area at 14%. Milpitas Unified School District receives 10.4%. All other entities receive less than 2% of their property tax revenues from the Added Area. The base year report did not provide an estimate of the first year of tax increment to be received from the Added Area. According to KMA's estimate, the Agency will receive \$676,000 in tax increment from the Added Area in 2011-12 (the first year tax increment would be received). This estimate is based on a 5% annual growth rate over the base year assessed value. Of the projected increment, \$151,000 will be payments for statutory pass-throughs to the taxing entities, \$7,000 will be charged by the County to administer the allocation of the tax increment and \$135,000 will be deposited into the Agency's affordable housing fund. The remaining \$382,000 will be the net tax increment revenue available to the Agency for redevelopment activities.

On September 2, 2009, the Agency transmitted a letter to each school district, county office of education and the community college district notifying those entities of the Agency's intent to

add territory and asked for any projected change in facilities needs. On September 11, 2009, the Agency sent notice to all taxing agencies of the intent to amend Milpitas Redevelopment Project Area No. 1. On September 16, 2009, the Milpitas Unified School District (MUSD) responded to the Agency's letter of September 2, 2009, requesting clarification on the Agency's build-out assumptions. Also, on September 16, 2009, the Santa Clara Water District sent a letter acknowledging receipt of the notice of intent to amend the Redevelopment Plan. On October 7, 2009, the County Department of Planning and Development sent a letter to the Agency acknowledging receipt of the notice of intent to amend the Redevelopment Plan. On October 19, 2009, the Agency responded to the MUSC letter of September 16, 2009, and modified the build-out assumptions using the District's latest student multiplier. On October 30, 2009, the Agency notified the taxing agencies of a minor boundary adjustment to include a freeway sign that was in the Great Mall Project. On December 4, 2009, the Agency sent the Preliminary Report and Amendments to the taxing agencies and offered to meet with the taxing agencies to discuss the Amendments.

Next Steps

If the Redevelopment Agency and the City Council take the actions recommended by staff, then the Agency and the City Council will consent to holding the joint public hearing, and the City Council will set the hearing date for April 6, 2010.

Public notice for the joint public hearing is done in accordance with California Redevelopment Law (CRL) and consists of the following:

1. A first class letter will be mailed to every property owner, business and resident within the Milpitas Redevelopment Project Area No. 1, the Great Mall Project Area and proposed Added Area. Contact information for property owners is based on the information from the latest assessed valuation property tax roll from Santa Clara County. Agency staff will use its best efforts to notify all property owners, residences, and businesses within the Project Areas and Added Area including utilizing a mailing house service to generate an occupant list and handle the mail. The letter is mailed out thirty days prior to the joint public hearing.
2. A letter will also be mailed by certified mail, return receipt requested, to every affected taxing entity that receives property taxes from the Project Areas and Added Area, the Department of Housing and Community Development and the Department of Finance. This letter will be sent out 45 days prior to the joint public hearing and will be accompanied by the Report to the City Council on the Amendments.
3. Notice of the joint public hearing will also be published in a local newspaper of general circulation once a week for five consecutive weeks prior to the joint public hearing.

As mentioned above, in addition to the proposed joint public hearing, Agency staff is planning a community information meeting. The meeting will be scheduled for mid to late March. Notice of the community meeting will be included with the notice of the joint public hearing mailing to all property owners, residents and businesses in the Project Area and will be published twice in advance of the meeting.