



Agenda posted according to PAMC Section 2.04.070. A binder containing supporting materials is available in the Council Chambers on the Friday preceding the meeting.

8:00 PM or as Soon as Possible Thereafter

Call to Order

Oral Communications

Staff Reports

1. Adoption of the Resolution of the Redevelopment Agency Adopting the Budget for Fiscal Year 2012 and Response to Council's Request for Additional Information

Adjournment

PUBLIC COMMENT

Members of the Public are entitled to directly address the City Council/Committee concerning any item that is described in the notice of this meeting, before or during consideration of that item. If you wish to address the Council/Committee on any issue that is on this agenda, please complete a speaker request card located on the table at the entrance to the Council Chambers or by the City Clerk, and deliver it to the City Clerk prior to discussion of the item. You are not required to give your name on the speaker card in order to speak to the Council/Committee, but it is very helpful.

AMERICANS WITH DISABILITY ACT (ADA)

Persons with disabilities who require auxiliary aids or services in using City facilities, services or programs or who would like information on the City's compliance with the Americans with Disabilities Act (ADA) of 1990, may contact (650) 329-2550 (Voice) 24 hours in advance.



City of Palo Alto

Palo Alto Redevelopment Agency Staff Report

(ID # 1859)

Report Type: Meeting Date: 6/27/2011

Summary Title: Follow-up to Redevelopment Agency Discussion

Title: Adoption of the Resolution of the Redevelopment Agency Adopting the Budget for Fiscal Year 2012 and Response to Council's Request for Additional Information

From: City Manager

Lead Department: Administrative Services

Recommendation

Adoption of the Resolution of the Redevelopment Agency Adopting the Budget for Fiscal Year 2012 and Response to Council's Request for Additional Information

Executive Summary

On June 20, 2011, the City Council discussed the budget for the Palo Alto Redevelopment Agency (RDA) for Fiscal Year 2012 (Attachment 1). This report provides information that addresses Council questions that were raised at the meeting.

Background

On July 9, 2001, the Palo Alto City Council adopted an ordinance declaring the need for a redevelopment agency. City Council also declared that it would act as the Agency Board and made the finding that the formation of a redevelopment agency "will serve the public interest and promote the public safety and welfare in an effective manner" in accordance with the Health and Safety Code Section 33200.

On September 19, 2001, the Edgewood Redevelopment Project Area was designated as a Survey Area and the process for the adoption of the Redevelopment Plan was initiated. The Redevelopment Plan for Edgewood Plaza was not ultimately adopted by the City Council. The City has not designated any Redevelopment Project Areas for revitalization.

Discussion

Information to Council questions about the RDA is presented below:

1) What steps are involved to dissolve the RDA?

Answer: The City Council may adopt an ordinance to dissolve the RDA by declaring

that there is no further need for the RDA. This ordinance would require a first and second reading. A certified copy of the ordinance shall then be filed with the Secretary of State. The capacity of the RDA to exercise any powers is then suspended until the City Council adopts an ordinance declaring the need for the RDA to function.

2) How much would it cost to reestablish the RDA in the future if it were to be eliminated this year?

Answer: As a threshold matter, the Governor has launched a major initiative to eliminate or significantly reform redevelopment legislation. As of the writing of this memo, the two major budget rider bills dealing with redevelopment have not yet been submitted to the Governor. At this point, it is not certain whether and to what extent legislative reforms will be adopted. The League of Cities is actively monitoring this situation and has been actively opposing the Governor's plan. It is possible that new legislation could make it more difficult to re-activate a redevelopment agency once it has been dissolved and for this reason before dissolving the agency altogether, staff recommends waiting a few months in order to further assess the ramifications of immediate dissolution.

Assuming no change in law, the cost would include estimated filing fees of \$2,000 as well as staff time required to prepare an ordinance to reestablish the RDA. Additional costs would be incurred should the RDA Board opt to hire a consultant to prepare an analysis of a proposed redevelopment area. This is not a required step. In 2001/2002 consultants worked to evaluate a proposed redevelopment area at a cost of approximately \$151,000.

Short of eliminating the RDA the Council could decide to not approve the RDA budget by taking no action. This would be in violation of RDA state reporting guidelines, which require annual RDA financial reports to be filed with the state. It is possible that the City would be subject to fines for not filing a annual RDA financial report.

3) What is a "blighted area"?

Answer: In order for a Redevelopment Agency to designate a "redevelopment area" the area must meet the statutory definition of "blight." Since 1993, there have been a series of legislative reforms which have progressively narrowed and tightened the definition of "blight." Currently, in order to qualify as "blighted" the area must satisfy four criteria.

First, the area must be "predominantly urbanized."

Second, the area must be characterized by one or more conditions of *physical* blight. These conditions are statutorily defined as:

(1) Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities.

(2) Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard, defective, or obsolete design or construction given the present general plan, zoning, or other development standards.

(3) Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area.

(4) The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions.

Third, the area must be characterized by one or more conditions of *economic* blight. These conditions are statutorily defined as:

(1) Depreciated or stagnant property values.

(2) Impaired property values, due in significant part, to hazardous wastes on property;

(3) Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.

(4) A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.

(5) Serious residential overcrowding that has resulted in significant public health or safety problems.

(6) An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety, or welfare problems.

(7) A high crime rate that constitutes a serious threat to the public safety and welfare.

Fourth, these blighting conditions must predominate in such a way as to affect the utilization of the area, causing a physical and economic burden on the community.

4) What are the arguments for maintaining the RDA as a benefit in the case of a disaster?

Answer: The RDA may form a project area specifically to aid recovery from a natural disaster. Section 34001 of the California Community Redevelopment Disaster Project Law states:

A community may establish a redevelopment agency, and adopt and implement a redevelopment plan pursuant to this part, within a disaster area if the community has commenced the adoption of the redevelopment plan within six months after the President of the United States has determined the disaster to be a major disaster.

Designation of a project area may allow focused attention on recovery. Redevelopment activities associated with a disaster recovery project area are subject to a ten-year time limit. In San Bernardino County, the Cedar Glen Disaster Recovery Project Area was established to help rebuild the community of Cedar Glen after firestorms devastated the area in 2003.

Further, given the uncertainty surrounding the Governor's proposal to dissolve all redevelopment agencies, there may be additional benefits in compromise legislation that staff cannot predict at this time.

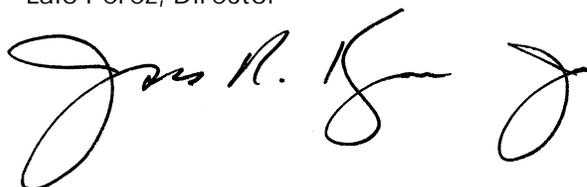
Another aspect to consider is the use of RDA funding for public infrastructure facilities. Staff is looking into this further, but the possibility exists that the RDA could support the City's infrastructure objectives.

Attachments:

- Attachment 1: Adoption of the Resolution of the Redevelopment Agency Adopting the Budget for Fiscal Year 2012 (Staff Report #1765) (PDF)
- Attachment 2: Redevelopment Agency Minutes (PDF)

Prepared By: Dale Wong, Senior Financial Analyst

Department Head: Lalo Perez, Director



June 27, 2011
(ID # 1859)

Page 4 of 5

City Manager Approval:

James Keene, City Manager



City of Palo Alto

Palo Alto Redevelopment Agency Staff Report

(ID # 1765)

Report Type: Meeting Date: 6/20/2011

Summary Title: FY 2012 Redevelopment Agency Budget

Title: Adoption of the Resolution of the Redevelopment Agency Adopting the Budget for Fiscal Year 2012

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that the Council, acting in its capacity as the City of Palo Alto Redevelopment Agency Board, adopt the resolution adopting the budget for the Palo Alto Redevelopment Agency for Fiscal Year 2012 (Attachment 1).

Executive Summary

The Palo Alto Redevelopment Agency (RDA) is legally required to produce an annual budget. Although there are no activities to be reported, the RDA is required to complete an annual audit. The estimated cost for the audit is \$8,500 and is the only item in the FY 2012 budget.

Background

On July 9, 2001, the Palo Alto City Council adopted an ordinance declaring the need for a redevelopment agency. City Council also declared that it would act as the Agency Board and made the finding that the formation of a redevelopment agency "will serve the public interest and promote the public safety and welfare in an effective manner" in accordance with the Health and Safety Code Section 33200.

On September 19, 2001, the Edgewood Redevelopment Project Area was designated as a Survey Area and the process for the adoption of the Redevelopment Plan was initiated. The Redevelopment Plan for Edgewood Plaza was not ultimately adopted by the City Council. The City has not designated any Redevelopment Project Areas for revitalization.

Discussion

Redevelopment law requires that each agency adopt an annual budget that contains the activities to be financed by the Low and Moderate Income Housing Fund, proposed expenditures and indebtedness, anticipated revenues, a work program and a comparison between the previous year's achievements and goals. Since Palo Alto does not have a Redevelopment Project Area, there are no activities to be reported. However, the RDA is required by law to complete an annual audit. The estimated cost for the audit is \$8,500 and

remains the only item in the FY 2012 budget.

The expenditures and indebtedness of the Agency must be in conformance with the proposed budget, and the City Council, acting as the Agency Board, must approve the annual budget.

Resource Impact

Funding in the amount of \$8,500 for the Palo Alto Redevelopment Agency is advanced by the City of Palo Alto and is considered a loan from the City to the Agency to cover expenses related to annual audit activities. The loans are to be re-paid from tax-increment revenues that will be collected in future years if the City were to adopt a Project Area. In accordance with City procedures, a corporate agreement has been established between the City and the Agency. Expenses incurred on behalf of the Redevelopment Agency will be incorporated into the loan agreement for prior years.

Policy Implications

This recommendation does not represent any change to existing City policies.

Environmental Review

This is not a project under the California Environmental Quality Act and therefore environmental review is not required.

Attachments:

- a: Attachment 1 - Resolution Adopting Agency Budget for 2012 (PDF)
- b: Exhibit A - Proposed Redevelopment Agency Budget for 2012 (PDF)

Prepared By: Dale Wong, Senior Financial Analyst

Department Head: Lalo Perez, Director

City Manager Approval:


James Keene, City Manager

Not Yet Approved

Resolution No. RDA_____
Resolution of the Redevelopment Agency of the City of Palo
Alto Adopting the Budget for Fiscal Year 2012

WHEREAS, Section 33606 of the California Health and Safety Code requires that a
redevelopment agency shall adopt an annual budget, which may be amended from time to time
as determined by the agency; and

WHEREAS, the Redevelopment Agency of the City of Palo Alto (Agency) desires to
adopt the annual budget for fiscal year 2012.

NOW, THEREFORE, the Agency does hereby RESOLVE as follows:

SECTION 1. The Agency does hereby adopt the annual budget for fiscal year
2012 in the form set forth in Exhibit "A," which is attached hereto and incorporated herein by
reference.

SECTION 2. The annual budget hereby adopted, and future adopted budgets,
may be amended from time to time by resolution.

SECTION 3. The Agency finds that this Resolution is not a project under the
California Environmental Quality Act ("CEQA"), therefore, no environmental assessment is
required.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

APPROVED:

Secretary

Chairperson

APPROVED AS TO FORM:

General Counsel

Attachment: Attachment 1: Adoption of the Resolution of the Redevelopment Agency Adopting the Budget for Fiscal Year 2012 (Staff Report

Not Yet Approved

EXHIBIT A

**Palo Alto Redevelopment Agency
Fund Summary
2012 Proposed Budget**

Revenues

Interest Income	\$	-
Loan Interest		-
Other Income		-
		<hr/>

Subtotal -

Operating Transfers

 8,500

Total Source of Funds \$ 8,500

Expenses

Administrative Cost	\$	-
Professional Services Cost (1)		8,500
Interest Expense		-
		<hr/>

Total Use of Funds \$ 8,500

Net To/(From) Reserves \$ -

(1) Cost of Annual Audit and State Controllers Report

EXHIBIT A

**Palo Alto Redevelopment Agency
Fund Summary
2012 Proposed Budget**

Revenues

Interest Income	\$	-
Loan Interest		-
Other Income		-
		<hr/>

Subtotal -

Operating Transfers 8,500

Total Source of Funds \$ **8,500**

Expenses

Administrative Cost	\$	-
Professional Services Cost (1)		8,500
Interest Expense		-
		<hr/>

Total Use of Funds \$ **8,500**

Net To/(From) Reserves \$ -

(1) Cost of Annual Audit and State Controllers Report

PALO ALTO REDEVELOPMENT AGENCY

Special Meeting
June 20, 2011

The Redevelopment Agency of the City of Palo Alto met on this date in the Council Chambers at 11:09 P.M.

Present: Burt, Espinosa, Holman, Klein, Price, Scharff, Schmid, Yeh

Absent: Shepherd

Oral Communications

None

1. Adoption of the Resolution of the Redevelopment Agency (RDA) Adopting the Budget for Fiscal Year 2012.

Mayor Espinosa asked if Staff had a presentation.

Mr. Keene stated no, that the Resolution is perfunctory.

Herb Borock stated his belief was that the Redevelopment Agency should be dissolved, and gave the history behind the City's Redevelopment Agency. The money the RDA is being asked to approve is for the same staff.

Agency Member Klein stated that if there is a Resolution to vote on, he would vote no. He stated that there was no need for the RDA and tried 5 years ago to dissolve it, but was unsuccessful.

Agency Member Scharff asked how long the RDA has been in affect.

Mr. Keene stated approximately a decade.

Mayor Espinosa stated since 2001.

Agency Member Scharff asked if it has ever been used.

Mr. Keene stated no.

Agency Member Scharff asked what the current definition of blight was and if the City had any blighted areas.

City Attorney, Molly Stump stated she did not have the current technical definition of blight however, there is a wide disparity of the use.

Agency Member Price asked if there are any difficulties in moving along the lines to dissolve the RDA. She stated she realizes there has been no use of it, and asked if any other Charter Cities with similar socioeconomic status as Palo Alto had used it.

Mr. Keene stated it was unknown as to the last part of Council Member Price's question, but there is no impediment to dissolve it. There is also no compelling argument to keep it. It has been in existence for 10 years and has never been used. Although RDA's have been good for other cities around the state, in our situation it doesn't make sense.

Agency Member Price asked if we eliminated it, how easy would it be to recreate it in the future.

Ms. Stump stated there is great uncertainty at the State level. If Council chooses to not approve the Resolution and decides to dissolve it tonight, Staff will bring back to Council the steps necessary to dissolve it.

Agency Member Yeh stated that knowing we haven't used it is helpful, and if we are not in a time crunch, it would be helpful for Staff to bring back the information on how to dissolve it.

Agency Member Schmid stated he remembered that one of the reasons for the RDA was for use during an emergency. It was a legal framework to get assistance to rebuild a part of the community that may have been adversely affected by a disaster.

Ms. Stump stated that her understanding was that there was one jurisdiction in the State that did use it to respond to emergency situation, and it was an unusual use of the RDA.

Agency Member Schmid stated that when the new Emergency Services Manager is appointed that they could check into this topic.

Agency Member Burt stated that the RDA was created around the Edgewood Plaza, and the only other area of town that was talked about was Charleston/San Antonio section. Additionally, there was a discussion around using the RDA in response to an emergency disaster. He stated that if that is the only value, he would not be inclined to keep it. Based on current

status for setting up an RDA, he asked if Staff had any sense of costs to resurrect the RDA and how long it would take in the event of emergency.

Mr. Keene stated no, not at this time.

Agency Member Burt asked if Agency Member Klein would be agreeable to hold this discussion over for further discussion.

Agency Member Klein stated that there was not a Motion, he was in favor of bringing this back and asked if the City would be incurring additional costs by delaying the decision.

Assistant Director of Administrative Services, David Ramberg stated no.

Agency Member Holman stated she would like to know how much it would cost and how long it would take to reinstitute the RDA if they chose to dissolve it now.

MOTION: Agency Member Holman moved, seconded by Agency Member Schmid to continue this item to the next feasible Council Meeting to allow for Staff to return with answers.

Mr. Keene stated that Staff could probably come back as early as next week with responses to the questions.

MOTION PASSED: 8-0 Shepherd absent

ADJOURNMENT: The meeting was adjourned at 11:27 P.M.