AUTHORIZE THE ALLOCATION OF STRONG NEIGHBORHOODS INITIATIVE REDEVELOPMENT REVENUE BOND PROCEEDS, AUTHORIZE A REIMBURSEMENT AGREEMENT, AND AMEND THE FISCAL YEAR 2015-2016 BUDGET TO FUND PUBLIC AND CAPITAL IMPROVEMENT PROJECTS LOCATED WITHIN THE NORTH STOCKTON AND MERGED MIDTOWN REDEVELOPMENT PROJECT AREAS

RECOMMENDATION

It is recommended that the City Council adopt a resolution:

1. Approving the allocation of $5,237,814 in Strong Neighborhoods Initiative Redevelopment Revenue Bond Proceeds to fund public and capital improvement projects within the North Stockton and Merged Midtown Redevelopment Project Areas;

2. Amending the Fiscal Year (FY) 2015-16 Budget;

3. Authorizing the City Manager to execute a Reimbursement Agreement with Grupe Commercial Company for capital infrastructure improvements relating to University Park; and

4. Authorizing the City Manager to appropriate expenditures and transfers, make associated transfers, and take appropriate and necessary actions to carry out the purpose and intent of this resolution.

Summary

Approximately $5.2 million in excess Strong Neighborhood Initiative redevelopment bond loan proceeds were transferred to the City in April 2015 to carry out the work of the former Redevelopment Agency. These proceeds must be used within, or of benefit to, the North Stockton and Merged Midtown project areas. The North Stockton project area is very spread out and stretches to Harding Way to the south, Interstate 5 to the west, Morada Lane to the north, and the Union Pacific Railroad to the east (see Attachment A - North Stockton Project Area Map). The Merged Midtown project area is generally bound by Martin Luther King Jr. Boulevard to the south, Occidental Avenue to the west, Alpine Avenue to the north, and Highway 99 to the east (see Attachment B - Merged Midtown Project Area Map). Excess proceeds in the amount of $518,315 remain for the North Stockton Project area, and $4,719,499 for the Merged Midtown Project area. Staff is recommending that a series of public and capital improvement projects be funded using these excess loan proceeds and that the necessary appropriations be made.
DISCUSSION

Background

In 2006, the Strong Neighborhoods Initiative Redevelopment Revenue Bond program provided $116 million in gap financing for numerous City capital projects within, or of benefit to, the Midtown Merged, North Stockton, and South Stockton Merged Project areas, and for affordable housing projects within the City. Funds were used to complete projects that improved neighborhood conditions, enhanced community safety, expanded community services, or provided affordable housing. Projects included 42 miles of street resurfacing, traffic calming and street beautification, newly constructed or rehabilitated community centers, and several affordable housing developments.

As part of the bond issuance, loan agreements were entered into which pledged revenues from the three project areas and the low and moderate income set aside funds for debt service payments. In May 2010, due to declines in property tax revenues, the Council and Redevelopment Agency approved a reallocation of the remaining proceeds and authorized the purchase and cancellation of up to $20 million in outstanding bonds in an effort to reduce the debt service burden on the project areas. In 2011, additional unspent proceeds were identified, but were not used due to the Dissolution Law which prevented redevelopment agencies from entering into new contracts.

As allowed by the Dissolution Law, the City elected to become the Successor Agency which took effect on February 1, 2012. The Successor Agency is responsible for winding down the affairs and paying obligations of the former Redevelopment Agency. The Successor Agency was unable to use the loan proceeds until the State Department of Finance (“DOF”) issued a Finding of Completion. A finding of completion is issued to successor agencies that meet certain payment obligations. The Successor Agency did not have any of these obligations, and received a Finding of Completion on October 30, 2014.

Present Situation

Health and Safety Code section 34191.4(c) authorizes the Successor Agency to enter into an agreement, subject to the approval of its Oversight Board, to expend excess loan proceeds. On April 21, 2015, the City Council authorized an Agreement Regarding Expenditure of Excess Loan Proceeds from these bonds to permit the excess loan proceeds to be transferred to the City, and requires the City to use the proceeds in accordance with the bond covenants (Attachment C - Resolution No. 2015-04-21-1501-01). At that time, staff indicated that they would return to Council with a recommended plan for appropriation and expenditure of the proceeds.

The agreement ensures that the excess loan proceeds from these bonds be used for the purposes for which they were issued. The use of these proceeds will benefit the community and the City as a whole by addressing goals of the 2006 Strong Neighborhoods Initiative and the Economic Development Strategic Plan. As such, staff is recommending that the City Council authorize the following allocation of funding for public and capital improvements located within the North Stockton and Merged Midtown Redevelopment Project Areas.
North Stockton Redevelopment Project Area

A total of $518,315 in bond proceeds remain for the North Stockton project area and must be used within, or for the benefit of, the North Stockton project area. It is proposed that the funds be used for the following project:

Oak Park Ice Arena

The Oak Park Ice Arena opened in 1970 and continues to operate with its original ice plant. The ice plant was thoroughly assessed in 2011 by the incoming operator, SMG. At that time, the plant was found to be functioning, but well beyond its expected life span. Since that time, some components of the plant have been replaced, such as a compressor, and some piping has been patched and repaired. Due to continuing financial constraints, the system is currently running at a third of its designed capacity, specifically running on one of three compressors. Despite the obvious needs in the infrastructure and systems, the ice rink remains a valued recreational asset to the Stockton community and the region. Youth hockey leagues and up and coming figure skaters rely on the use of the facility daily, as well as some adult free skate and curling clubs. In addition, the rink offers public skating time with themed nights including the popular Neon Skate Nights and offers free skating programs once a month highlighting either hockey or figure skating with an emphasis to help promote the Learn to Skate Program. Without Stockton’s Oak Park Ice Rink, many of the regional supporters and users would likely be forced to give up their sports as the distance to another facility would be prohibitive; these alternate facilities are located in Fresno, Roseville and Dublin. The City also has a contractual obligation to provide a facility with an ice rink for the Stockton Heat hockey team, an American Hockey League affiliate of the Calgary Flames, to use for practice when the Arena is unavailable.

Current estimates for replacing the existing ice plant and infrastructure are in the $900,000 range. Thorough assessment of the facility, including the ice plant is recommended to fine tune the immediate replacement costs and develop sustainable near and long term plans for the future. It is recommended that $80,000 of the $518,315 be appropriated in the current fiscal year to fund the assessment of the Oak Park Ice Arena. The remainder of the bond proceeds will be earmarked for repairs identified in the assessment and included in the upcoming five-year Capital Improvement Plan as part of the FY 2016-17 budget process.

Merged Midtown Redevelopment Project Area

A total of $4,719,499 in bond proceeds remain for the Merged Midtown project area must be used within, or for the benefit to, the Merged Midtown project area. It is proposed that the funds be used for the following projects:

Wilson Way Corridor

The Economic Development Department is currently working with property owners and merchants along the Wilson Way corridor in exploring the possible formation of a Property and Business Improvement District (PBID), similar to the Downtown Stockton Alliance and Miracle Mile Improvement District. Staff has held numerous meetings with its consultant, Civitas, as well as Police Department personnel to share the benefits of forming a PBID to the property and business owners
in that neighborhood. During these discussions, the participants expressed concerns regarding safety and maintenance. In response to these concerns, staff is proposing that $825,000 be allocated towards public infrastructure improvements along Wilson Way (between Weber Avenue and Harding Way). The public improvements would include enhanced lighting, security cameras, sidewalk repairs, installation of trash receptacles, and/or other similar improvements.

It is recommended that $40,000 of the $825,000 be appropriated in the current fiscal year for design and engineering costs with the remainder of the Wilson Way Corridor funding earmarked for inclusion in the upcoming five-year Capital Improvement Plan as part of the FY 2016-17 budget process.

**Harding Way Corridor**

A portion of Harding Way falls within the Miracle Mile Improvement District (MMID). The MMID, which includes segments of Harding Way and Pacific Avenue, is a PBID that was formed in 2007 upon the affirmative vote of the property owners located within the district to assess themselves. Although Pacific Avenue does not fall within a Redevelopment project area and is not eligible for funding, Harding way is within the former Merged Midtown Redevelopment project area and is eligible for funding. Working with the MMID, staff identified public improvements along the Harding Way corridor (between Lincoln and El Dorado Streets) that would enhance the area. As such, it is recommended that the Council approve the allocation of $604,499 for enhanced lighting, sidewalk repairs, tree wells, trash receptacles, bike racks, landscaping, and/or other such improvements for the Harding Way corridor.

It is recommended that $25,000 of the $604,499 be appropriated in the current fiscal year for design and engineering costs with the remainder of the Harding Way Corridor funding earmarked for inclusion in the upcoming five-year Capital Improvement Plan as part of the FY 2016-17 budget process.

**University Park**

Located in Central Stockton, University Park consists of just over 100 acres and is bound by Park Street to the south, California Street to the west, Harding Way to the north and the Union Pacific Railroad to the east. Designated as a national historic site, University Park’s primary land use is education with the California State University, Stanislaus-Stockton Center at its core surrounded by office, retail, medical and residential uses. The property is owned by the State of California and managed and developed by Grupe Commercial Company under a 90-year lease agreement with the Stockton Center Site Authority, a Joint Powers Authority (JPA) formed between Trustees of the California State University and the City of Stockton. Several medical and educational facilities are located on the campus, including Quest Diagnostics, Dignity Health Medical Group, Valley Mountain Regional Center, Pittman Elementary School, and Stockton Unified School District’s Health Career Academy. University Park is currently in negotiations with a potential 50,000 sf. healthcare related facility that would bring approximately 150 highly-skilled positions. However, the campus is in need of capital improvements, such as utilities and storm drain, to support the addition of medical and educational facilities.

In addition to the direct jobs that will be created by the new healthcare facility, the completion of the capital improvements mentioned above has the potential to attract additional office and professional uses, as well as retail services, to the business park. This project has a direct correlation to the
Council adopted Economic Development Strategic Plan (February 2015) in that it serves to attract one of the core industries identified in the strategy, specifically office-related services, brings jobs and services to a lower income neighborhood, and aids in the revitalization of the Midtown area. To encourage the creation of additional health and education related job opportunities and support the implementation of the Economic Development Strategic Plan, it’s recommended that $3.29 million be allocated towards public and capital improvements within University Park and that a Reimbursement Agreement (Exhibit 1 to the Resolution) be executed between the City of Stockton and Grupe Commercial Company for the construction of the public improvements, which include site preparation, installation of underground utilities such as storm drain and water lines, landscaping and other similar improvements.

Design and engineering work will begin this year for the Oak Park Ice Arena, Wilson Way and Harding Way public improvement projects. Council will be asked to approve construction contracts relating to these projects at a later date. The University Park capital improvements will begin upon execution of the Reimbursement Agreement and is expected to be completed by 2017.

**FINANCIAL SUMMARY**

Approximately $5.2 million in excess redevelopment bond loan proceeds were transferred to the City in April 2015 to carry out the work of the former Redevelopment Agency. These proceeds must be used within, or of benefit to, the North Stockton and Merged Midtown project areas. Excess proceeds in the amount of $518,315 remain for the North Stockton Project area, and $4,719,499 for the Merged Midtown Project area. It is recommended that the following public and capital improvement projects be funded using the excess loan proceeds:

<table>
<thead>
<tr>
<th>Project Area</th>
<th>FY 2015-16</th>
<th>FY 2016-17</th>
<th>Total</th>
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<tbody>
<tr>
<td>North Stockton Project Area</td>
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<tr>
<td>Oak Park Ice Arena</td>
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<td>Merged Midtown Project Area</td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>$1,364,499</strong></td>
<td><strong>$4,719,499</strong></td>
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The excess loan proceeds of $5,237,814 are available in the fund balance of Project Area Capital Improvement Fund 305 to make the recommended appropriations to the projects, as listed below, in Fiscal Year 2015-16.

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<tr>
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<th>Code</th>
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<td>$3,435,000</td>
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The remaining balances will be included in the upcoming five-year Capital Improvement Plan as part of the FY 2016-17 budget process.

Attachment A - North Stockton Project Area Map
Attachment B - Merged Midtown Project Area Map
Attachment C - Resolution No. 2015-04-21-1501-01