



CITY OF MARTINEZ

**CITY COUNCIL AGENDA
MAY 19, 2010**

TO: Mayor and City Council

FROM: Philip Vince, City Manager

SUBJECT: Proposed Work Program to Update Redevelopment Blight Analysis and Feasibility Data

DATE: May 19, 2010

RECOMMENDATION:

Approve Proposed Work Program from Seifel Consulting Inc., in the amount of \$45,000 to further analyze the financial feasibility of redevelopment in Downtown, the Marina and North Pacheco Area (currently under annexation proceedings).

BACKGROUND:

The City of Martinez seeks a qualified redevelopment consultant to advise on the potential adoption of a redevelopment project area which could encompass the Downtown, Martinez Marina and/or North Pacheco Area. The North Pacheco Area is not currently part of the City of Martinez, but is under consideration for annexation. This would enable the City to take advantage of the tools provided by redevelopment to revitalize select parts of the community.

Given the recent changes in legislation affecting redevelopment plan adoption and the current fiscal environment for taxing entities that would potentially be affected by this adoption, Seifel Consulting proposes that the City first undertake an updated feasibility study. As discussed in program outreach meetings conducted by two council members of the Redevelopment Subcommittee, this first step is critical to understanding whether, how and where to proceed with the adoption, as it would enable the City to better understand blighting conditions within the proposed projects areas and the potential fiscal impacts on the affected taxing entities.

Seifel Consulting Inc. will leverage prior work completed for the City, as well as prior collaborations with the City's redevelopment legal counsel (Goldfarb & Lipman). Seifel began working with the City of Martinez in 2004, providing real estate, economic and redevelopment consulting services. Seifel has conducted due diligence on development, rehabilitation and lease proposals in Downtown Martinez and the Marina and assisted City staff in negotiations with potential partners. In 2006, Seifel analyzed the financial feasibility of redevelopment in Downtown and the Marina and advised on a redevelopment plan aimed at revitalizing those areas.

Seifel Consulting Inc., has advised on over 50 redevelopment plan amendments and adoptions. Their recent experience with redevelopment plan adoptions and amendments since the passage of Senate Bill 1206 has provided the company with additional expertise in the approval process pursuant to its new requirements and procedures.

As described above, the purpose of the proposed work program is to prepare information and a recommendation for the City regarding whether, how and where to proceed with the Plan Adoption in accordance with the provisions of Community Redevelopment Law (CRL)

FISCAL IMPACT:

At a prior Council meeting on April 21, Council approved the appropriation of up to \$80,000 for downtown revitalization and redevelopment feasibility studies and work programs. There are sufficient funds programmed into this year's FY 09/10 General Fund.

ACTION:

Direct Staff to proceed with authorizing a contract with Seifel Consulting in the amount of \$45,000 to complete a feasibility study and update the blight findings and tax allocation methodology completed in 2006.

Attachments:

- 1) Exhibit A: Proposed Work Program and Scope of Services from Seifel Consulting Inc.

Exhibit A: Proposed Work Program

Project Understanding

The City of Martinez (City) seeks a qualified redevelopment consultant to advise on the potential adoption of a redevelopment project area which could encompass the Downtown, Martinez Marina and/or North Pacheco Areas.¹ This would enable the City to take advantage of the tools provided by redevelopment to revitalize select parts of the community.

Given the recent changes in legislation affecting redevelopment plan adoption and the current fiscal environment for taxing entities that would potentially be affected by this adoption, Seifel Consulting Inc. (Seifel) proposes that the City first undertake a feasibility study. As we have discussed with City staff, we believe that this first step is critical to understanding whether, how and where to proceed with the adoption, as it would enable the City to better understand blighting conditions within the proposed project area and the potential fiscal impacts on the affected taxing entities.

We look forward to this opportunity to leverage our prior work for the City, as well as our prior collaborations with the City's legal counsel (Goldfarb & Lipman). Seifel began working with the City of Martinez in 2004, providing real estate, economic and redevelopment consulting services. Seifel has conducted due diligence on development, rehabilitation and lease proposals in Downtown Martinez and the Marina and assisted City staff in negotiations with potential partners. In 2006, we also analyzed the financial feasibility of redevelopment in Downtown and the Marina and advised on a redevelopment program aimed at revitalizing those areas.

In addition to our work for Martinez, Seifel has advised on over fifty redevelopment plan amendments and adoptions. Our recent experience with redevelopment plan adoptions and amendments since the passage of Senate Bill 1206 has provided us with additional expertise in the amendment process pursuant to its new requirements and procedures.

Project Approach

As described above, the purpose of the proposed work program is to prepare information and a recommendation for the City regarding whether, how and where to proceed with the Plan Adoption in accordance with the provisions of Community Redevelopment Law (CRL).

In summary, we will begin the project with an initial team meeting to solidify project objectives, gather information, and establish project roles and responsibilities among Seifel, City staff and Goldfarb & Lipman. We will then undertake an assessment of blight in the areas being considered for redevelopment plan adoption and prepare a preliminary tax increment and fiscal analysis. The final step in the work program will be a recommendation to City staff and then to the City Council regarding how best to approach the full scope of the amendment.

The following work program is based on our initial discussions. Specific tasks will be refined during Task 1.

¹ The North Pacheco Area is not currently part of the City of Martinez, but is under consideration for annexation.

Task 1. Project Initiation and Management

Seifel will initiate the project by leading a meeting to review and refine the work plan with City staff and Goldfarb & Lipman. The key focus of this initial session will be to:

- Review and refine the scope for the redevelopment advisory services based on a discussion of the City's goals, priorities and parameters for the feasibility study.
- Agree upon the Survey Area for investigation, which is expected to include:
 - Downtown Martinez, including adjacent residential neighborhoods
 - Martinez Marina
 - North Pacheco (potential annexation area)
- Compile a master list of relevant materials required, such as past studies, maps, aerial photos, plans, graphics, and prior cost estimates on proposed improvements in the Survey Area.
- Review key information that has been previously compiled by the City and consultants in past studies.
- Review the proposed timeline for completion of each task and establish a schedule for the assembly of information and the preparation of draft documents.

Task 2. Eligibility Analysis

The purpose of this task is to determine if all or portions of the Survey Area could qualify to be included in a redevelopment project area, under the requirements of the California Community Redevelopment Law (CRL), as amended by Senate Bill (SB) 1206. In doing so, special attention will be given to the issues of urbanization and blight:

- **Urbanization.** This requirement specifies that at least 80 percent of a redevelopment project area must be urbanized (i.e., currently or previously developed or is a non-urbanized area that is substantially surrounded by an urbanized area).
- **Blight.** Blighting physical and economic conditions must both be present, such conditions must be (1) prevalent, (2) substantial and (3) a burden on the community.

Urbanization

Seifel will review existing maps and reports, conduct a field survey and discuss technical issues related to urbanization with Agency counsel, to make a preliminary finding regarding whether 80 percent or more of the area can be considered urbanized.

Blight

In 2005, the City of Martinez undertook a study of blight in the Downtown with Keyser Marston Associates (KMA). We will build on this study, updating it to be in conformance with the current definitions of blight (per SB 1206) and extending the analysis to the other portions of the Survey Area.

Seifel will conduct a field reconnaissance windshield survey with staff to evaluate the extent of physical and economic blight in the survey area under consideration and to determine how to proceed with the blight analysis. As needed, additional field survey(s) will be conducted to gather data and prepare photographic documentation.

The field surveys will be supplemented by previous reports and other data provided by the City, discussions with City staff, and an analysis of data on adverse physical and economic conditions. Documentation will be gathered in order to evaluate the adverse physical and economic conditions as defined in the CRL, which can be summarized as follows:

Adverse Physical Conditions

Unsafe/unhealthy buildings
Conditions hindering use of buildings/lots
Incompatible uses
Irregular lots in multiple ownership

Adverse Economic Conditions

Depreciated or stagnant property values
Property values impaired by hazardous wastes
Poor business conditions
Serious lack of neighborhood commercial facilities
Serious residential overcrowding
Excess of problem businesses
High crime rates

As discussed in Task 7, we will meet with City staff to review our initial urbanization, blight and financial feasibility (Task 3) findings. Based on this discussion and staff input, we will prepare a summary of the urbanization and blight findings and maps.² Photographs illustrating typical blighting conditions throughout the area will be taken and mapped.

Task 3. Financial Feasibility Analysis

The purpose of the financial feasibility analysis is to evaluate potential tax increment revenue to be generated by redevelopment. We will project tax increment revenues for the Survey Area based on potential development, estimated increases in assessed value due to reassessment and the annual inflation allocation. We will take the unique property tax profile of the Survey Area into account, including the high concentration of non-taxable/tax exempt property in the Downtown and County practices regarding assignments of boats without locations identified in registration papers to the Marina. (The City will provide a FY 2009/10 parcel database with assessed value for the Survey Area (or work with the County to gather the data), and we will work closely with City staff to develop projected assessed value and absorption for new development, building on the assumptions contained in the 2006 financial feasibility analysis.)

Seifel will project potential tax increment revenues from the potential redevelopment area that will be available to fund project activities, including the 20 percent housing set-aside for affordable housing, and the amount of funds to be allocated to all affected taxing entities (pass-through payments). We anticipate that these projections will be broken out by subarea (Downtown and adjacent residential neighborhoods, the Martinez Marina, and North Pacheco) to inform the City’s decision regarding the location and extent of a potential redevelopment project area.

Task 4. Redevelopment Program

Seifel will work closely with City staff to identify an effective redevelopment program for the Survey Area. A number of studies completed for the City will inform this effort, including recommendations regarding the redevelopment program completed by Seifel and City staff in 2006, annexation studies completed for the North Pacheco area, the City’s capital improvement

² Seifel will rely on City staff to provide a GIS base map of the survey area.

program, the Downtown Specific Plan (2005), opportunity site and economic analyses from 2003, and other documents regarding revitalization in these parts of the City.

Under the CRL, redevelopment agencies must demonstrate that proposed redevelopment activities are directly related to the alleviation of blight. Based on the blighting conditions identified during Task 2, the studies outlined above, staff's knowledge of the area and compilation of potential redevelopment activities, we will identify potential programs that would alleviate blight in the Survey Area.

Task 5. Steps in Redevelopment Plan Adoption Process

If the City decides to proceed with a redevelopment plan adoption, we will recommend how best to undertake it. We will summarize the key requirements for plan adoption and prepare a summary schedule of actions pursuant to CRL requirements.

Task 6. Redevelopment Strategy Report and Recommendations

Seifel will prepare a presentation and a Redevelopment Feasibility Report summarizing our findings on redevelopment project feasibility and outlining the steps needed to adopt a redevelopment plan. Major issues to be covered include the extent of urbanization in the area, the presence of blighting conditions, redevelopment program recommendations, and estimates of potential tax increment revenue. Recommendations will also be presented on the potential boundaries for a project area.

Task 7. Meetings and Presentations

Team Meetings

Consultant team coordination meetings or conference calls with City staff will be held regularly through the duration of the project. In addition to the kick off meeting described in Task 1, we anticipate a check in meeting with City staff to review initial findings regarding blight, urbanization and financial feasibility (Tasks 2 & 3). Other calls with staff will be scheduled to evaluate progress, obtain additional information, and review work performed to date.

Public Agency Presentation

Seifel staff will prepare for and participate in one formal presentation to the City Council. Formal presentations in excess of those set forth above will be billed on a time and materials basis and invoiced as additional services.

Task 8. Additional Services

This scope of services is based on our initial understanding of our role and tasks to be performed in the first phase of this assignment. Seifel will provide additional services upon client approval, which may include, but are not limited to:

- Preparing additional analyses, written products or drafts, as mutually agreed upon.
- Preparing presentations for and/or participating in additional meetings beyond those described above.

- Providing redevelopment advisory services, as mutually agreed upon.

These additional services will be billed on a time and expenses basis based on the attached billing rates.

Work Products

The work products will be determined during Task 1 and may be refined as work progresses. Based on our initial understanding, we will provide a Redevelopment Feasibility Report and Public Presentation, with one final and one draft of each. We also anticipate interim work products to include tables summarizing analysis performed as part of Tasks 2, 3 and 4. We will submit all work products in electronic PDF format.

Schedule

A detailed schedule will be determined with City staff during Task 1, based in part on timing for taking the matter to the City Council. Typically, a feasibility study takes roughly three months.

Compensation

Budget

Based on our initial understanding of the scope of work, Seifel proposes to bill on a time and materials basis up to a budget maximum of \$45,000, as shown in Table 1.

Table 1
Proposed Budget and Hours by Task
Martinez Redevelopment Feasibility
City of Martinez

Task Descriptions		Total Budget
Tasks		
1.	Project Initiation and Management	\$4,000
2.	Eligibility Analysis	\$12,000
3.	Financial Feasibility Analysis	\$8,000
4.	Redevelopment Program	\$4,000
5.	Steps in Redevelopment Plan Adoption Process	\$2,000
6.	Redevelopment Strategy Report and Recommendations	\$7,000
7.	Meetings and Presentation	\$7,000
Subtotal Labor		\$44,000
Expenses (Estimated @ 2% of labor cost)		\$1,000
Subtotal Labor and Expenses		\$45,000
8.	Additional Services	TBD
Total Labor and Expenses		\$45,000

Billing Rates

Seifel Consulting Inc. bills on a time and materials basis, using the following rates for 2010. Billing rates are subject to annual revision.

2010 Hourly Rates (Time)

President	\$250
Senior Managing Consultant	\$195
Managing Consultant	\$175
Senior Consultant	\$145
Consultant	\$125
Analyst	\$115
Research Analyst	\$105
Technical Staff	\$105
Administrative Support	\$75

Testimony as expert witness at court trials, administrative hearings, and depositions will be billed at 200 percent of the above rates. Expedited work at client's request will be billed at 150% time (Rush Fee).

Expenses (Materials)

Seifel Consulting Inc. bills expenses as follows:

- In order to lessen time-consuming paperwork and processing costs, a 2% overhead charge will be added to each invoice to cover a portion of reimbursable expenses, including phone charges, in-house photocopying/printing, delivery charges and miscellaneous other charges under \$25. Other costs as itemized below, which differ significantly by client, will continue to be billed separately.
- Photocopying/report reproduction charges with a combined total exceeding \$25 per month will be billed at 10 cents per black & white single-sided letter page (20 cents for a ledger-sized page) and one dollar per color single-sided letter page (two dollars for a ledger-sized page), except for bulk reproduction of reports, which is charged on a direct reimbursable basis.
- Delivery service charges above \$25 per month will be billed at cost.
- Travel costs will be billed on a direct reimbursable basis. Automobile mileage charges will be billed based on the Internal Revenue Service Optional Standard Mileage Rate. Other travel and per diem expenses, including airfare, automobile rental and hotel (if necessary) are charged at actual cost.
- Interest on all outstanding invoices that are past 30 days will be calculated based on a 10% yearly rate or a daily rate of .0274%.

MEMORANDUM

July 5, 2006

To: City Manager June Catalano and Members of the Martinez City Council
From: Elizabeth (Libby) Seifel and Jessica Zenk, Seifel Consulting Inc.
Subject: Martinez Redevelopment Financial Feasibility Analysis

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Seifel Consulting Inc. (SCI) has been retained to perform a financial feasibility analysis and advise on a potential redevelopment program for the City of Martinez. This memorandum contains the results of that effort and is organized as follows:

- Summary of Findings
- Project Background
- Redevelopment Program
- Tax Increment Projections
- Financial Feasibility Findings

SCI relied on information provided by City staff in the Economic Development, Public Works, and Parks and Community Services Departments, and members of the City Council Redevelopment Subcommittee. SCI reviewed reports and other documents provided by staff, including the Downtown Specific Plan (2005), Opportunity Sites Memorandum (2003) and a series of reports authored by Strategic Economics (2003). SCI also analyzed parcel data from Contra Costa County, as well as real estate sales transaction data from DataQuick and Craigslist. The findings of this memorandum are based on this information.

Summary of Findings

- The feasibility analysis is preliminary, based on the best information presently available. If the City of Martinez moves forward with a redevelopment project, the City will revisit the issues and assumptions outlined in much greater detail.
- The proposed redevelopment program would include activities in six categories: economic development, building rehabilitation and façade improvement, site preparation and development, community infrastructure and facilities, improvements to the marina, and affordable housing.
- The assessed value of a redevelopment project based on the Study Area is projected to grow from a base assessed value of roughly \$78 million to approximately \$1.4 billion in nominal dollars. This base is relatively small, and a sizable part of anticipated growth is attributable to new development.
- The redevelopment project is projected to generate approximately \$56 million in constant 2006 dollars in gross tax increment revenues. Of this, roughly \$11 million would be set aside for affordable housing, \$16 million passed through to affected taxing entities, \$4 million used for non-housing program administration, and \$24 million would be available for non-housing projects.
- While the proposed redevelopment project is projected to generate a modest amount of tax increment in the early years, it would provide the City with considerably more money for downtown revitalization than is currently available.

1. Project Background

a. Description of Feasibility Study Area

The City of Martinez is evaluating two areas for potential inclusion in a redevelopment project. Together these comprise the Martinez Feasibility Study Area (Study Area):

- **Downtown Martinez**—The Downtown Martinez portion of the Study Area includes the commercial and civic core, as well as a portion of the surrounding neighborhoods. It is bounded on the north by the Martinez Regional Shoreline and Martinez Waterfront Park; on the east by Willow Street and the Grandview District; on the south by Susana Street; and on the west by cemeteries, Rankin Park, Talbart and Richardson Avenues, and by Thomas Hill, the bluff to the west of Berrellesa Street.
- **Martinez Marina**—The Martinez marina lies along the Carquinez Strait, just west of Suisun Bay. The marina portion of the Study Area is north of the Downtown, across the railroad line. It includes the Martinez Waterfront Park, major sections of the Martinez Regional Shoreline, and the existing piers and slips. The marina offers opportunities for both water and land recreation.

For the purposes of this analysis, the Study Area is assumed to be designated as the project area for the redevelopment project. (See Figure 1 for a map of the Study Area.)

2. Redevelopment Program

The City of Martinez is considering the adoption of a redevelopment project in order to revitalize the downtown and improve the Martinez Marina. Redevelopment is California's most significant funding tool for local revitalization efforts. California redevelopment requires that the redevelopment program be designed to alleviate adverse ("blighting") conditions that exist in a redevelopment project area and meet an agency's affordable housing obligations. An Agency must undertake the redevelopment program activities within 30 years and can collect tax increment to fund those activities for a maximum of 45 years from the time of redevelopment plan adoption.

a. Recommended Redevelopment Program

Given the City's revitalization objectives and state redevelopment requirements, staff and consultants recommend the following programs and activities. The proposed redevelopment program distinguishes between affordable housing and non-housing activities.

Redevelopment agencies in California are required to set aside and spend a portion of their revenues on affordable housing.¹ Activities that can be undertaken to promote affordable housing include those that maintain and improve the existing housing stock; provide funding assistance for the rehabilitation of housing affordable to low and moderate income households; facilitate development of attractive housing affordable to low and moderate income households; and facilitate the development of housing for elderly and special needs populations.

The proposed non-housing program identifies activities in five categories: economic development, building rehabilitation and façade improvement, site preparation and development, community infrastructure and facilities, and improvements to the marina. Potential activities are listed by category in Exhibit 1. Categories and activities are presented in no particular order.

¹ Housing funds can be spent outside the project area if certain findings are made.

Figure 1
Study Area Map
Martinez Redevelopment Financial Feasibility Analysis

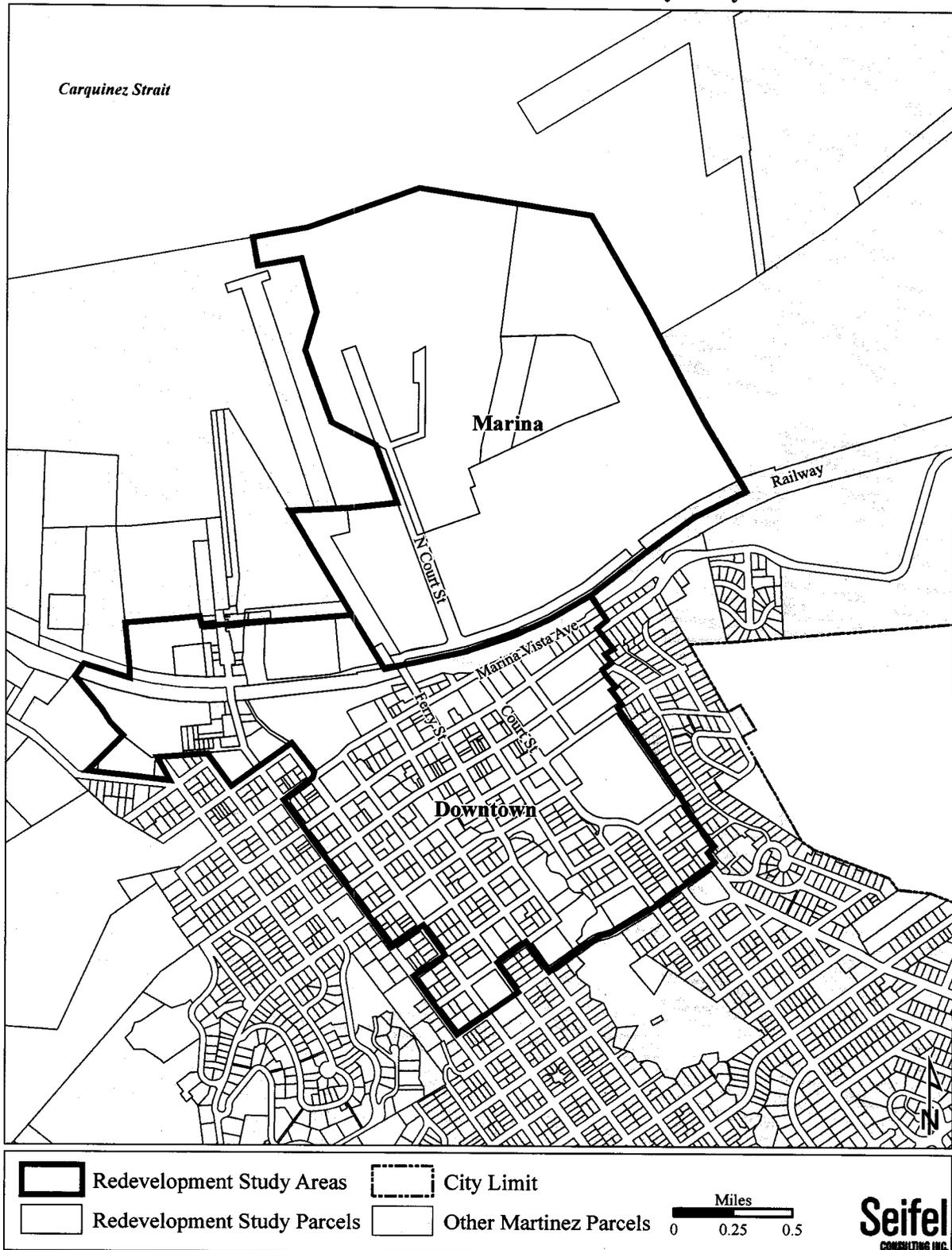


Exhibit 1
Proposed Redevelopment Program Non-Housing Projects and Activities
Martinez Redevelopment Financial Feasibility Analysis

Project and Activities Descriptions
<p>1. Economic Development</p> <ul style="list-style-type: none"> • Design and implement a program to attract and retain business, including assistance in the preparation of marketing materials. • Encourage revitalization through business incentives, including assistance in the rehabilitation and expansion of commercial properties. • Provide assistance for business districts or organizations or main street programs. • Undertake economic development initiatives to attract and promote tourism. • Establish gateways to the project area that could potentially feature banners, monument and other directional or interpretative signs, and an information kiosk. • Establish visual landmarks throughout the area to guide visitors to major activity areas.
<p>2. Building Rehabilitation and Façade Improvement</p> <ul style="list-style-type: none"> • Assist in rehabilitation, seismic strengthening and historic preservation of commercial buildings. • Assist with façade improvements in commercial areas. • Establish development standards and design guidelines to improve the appearance of buildings and businesses along commercial corridors. • Encourage neighborhood revitalization and improvement including replacement, renovation or conversion to alternative uses of buildings in serious disrepair. • Redevelop dilapidated and abandoned buildings. • Support enforcement of the municipal ordinance sections regarding trash collection and disposal in residential yards, and the replacement or renovation of dilapidated or unsafe residential buildings.
<p>3. Site Preparation and Development</p> <ul style="list-style-type: none"> • Facilitate site assembly and preparation. • Facilitate the development of underutilized properties. • Facilitate the clean-up of property that are contaminated with hazardous materials. • Assist with the environmental mitigation of properties. • Facilitate the development of key opportunity sites.
<p>4. Community Infrastructure and Facilities</p> <ul style="list-style-type: none"> • Assist in providing streetscape and road improvements. • Implement infrastructure expansion and improvements to help revitalize the Project Area, such as improvements to the sewer system and flooding mitigation. • Build additional water and storm drainage improvements. • Provide additional parking in or on the perimeter of commercial areas both through conventional on-site spaces and construction of parking structures. • Assist in providing community facilities to service residents in the Project Area, such as a community center, education and training facility, parks, and/or recreational facilities.
<p>5. Marina Improvements</p> <ul style="list-style-type: none"> • Assist in providing infrastructure upgrades to accommodate future restaurant, retail and other amenities to serve visitors to the Martinez marina. • Build a railroad crossing to increase safety and improve access. • Help construct a maritime museum. • Facilitate the provision of landscaping and lighting throughout the marina. • Assist in reconfiguring parking lots. • Upgrade recreational amenities for youth and adult sports.

Source: City of Martinez, Seifel Consulting Inc.

b. Sources of Funding

A major goal of the redevelopment program is the stimulation of private investment within the redevelopment project area. Public investment in the form of redevelopment funding is used to encourage private investment.

Private investment is anticipated to include both the rehabilitation and new construction of residential and commercial buildings, as provided for in the City's General Plan and envisioned in the Downtown Specific Plan. Over time, private investment could be significant; however, it will require the improvement of public facilities, elimination of blighting conditions and establishment of a positive climate for private participation. This needs to be accomplished in a manner that both respects the environment and complies with the General Plan and Zoning Codes.

The use of tax increment financing is typically the primary tool for funding the redevelopment program. In addition to tax increment, the Agency would leverage public and private sources, including funding from the federal government and the State of California. Other sources could include City Capital Improvement Project (CIP) funds, developer contributions, private donations, and other local public and private sources. However, funding sources without the use of tax increment would be unlikely to reach the level of funding needed to revitalize the Study Area.

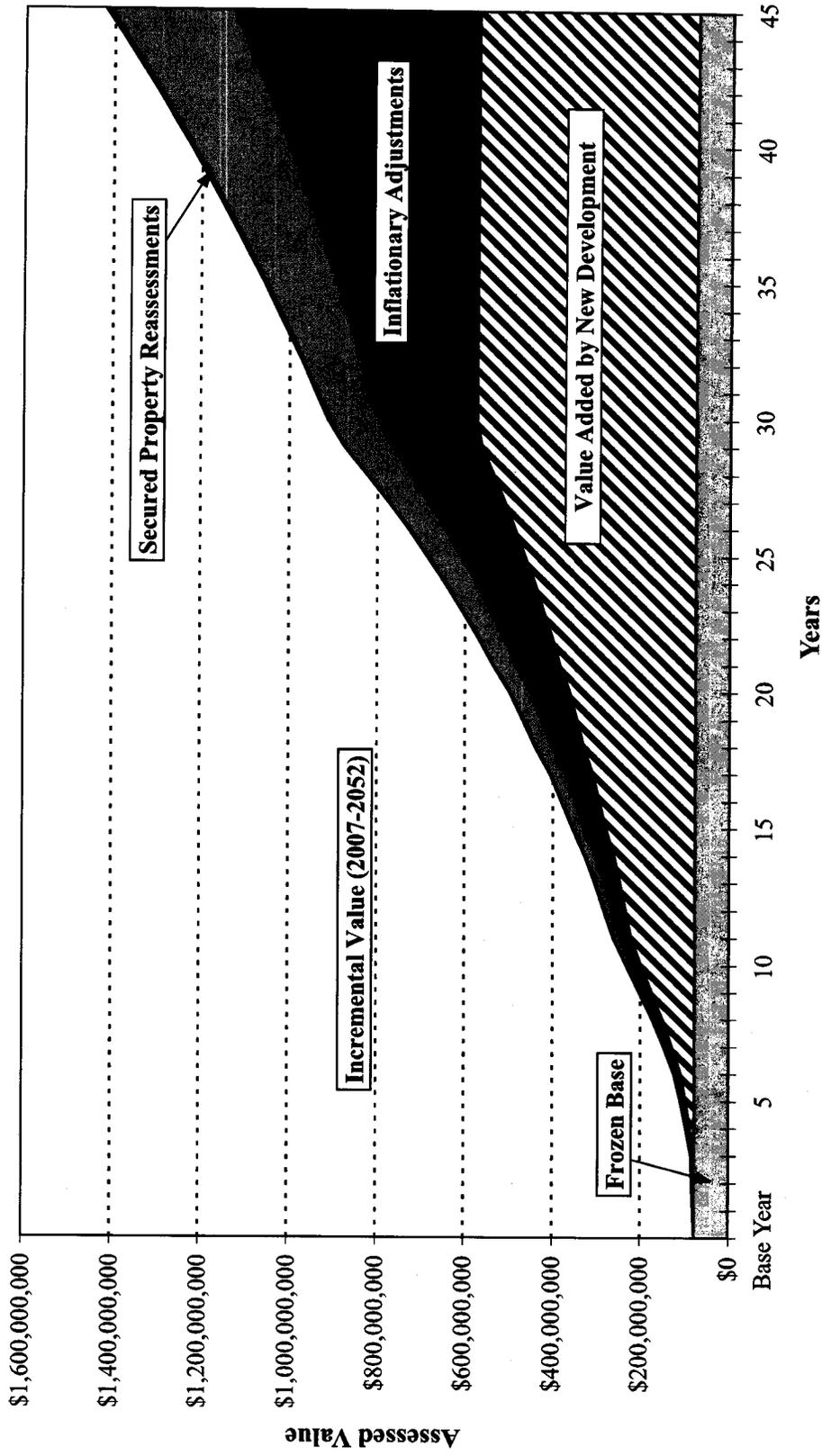
3. Tax Increment Projections

Tax increment revenue is generated by the increase in property values within a project area, as authorized by California Community Redevelopment Law and the State constitution. Tax increment financing is based on the premise that redevelopment increases the value of property within a project area, and therefore the resulting increases in taxes can be used to help finance redevelopment projects. Under redevelopment, property taxes are not increased. Rather, the redevelopment agency receives a portion of future property tax increases that result from new development and future increases in property values. A portion of these increases is also forwarded to the taxing entities that normally accrue the property taxes from within the project area, and twenty percent must be dedicated to a housing set aside fund to pay for an agency's affordable housing programs. Detailed information on tax increment calculations, obligations, assumptions, and projections are contained in a technical supplement.

a. Incremental Growth of Assessed Value

Assuming that the redevelopment project is adopted by July 2007, the Agency would begin to collect tax increment in FY 2008/09, and could continue receiving tax increment through FY 2051/52. Tax increment revenues are generated by the incremental growth in the assessed value of the Project Area over the base assessed value. Through FY 2051/52, the Study Area's assessed value is projected to grow from a base assessed value of roughly \$78 million to approximately \$1.4 billion in nominal dollars. Graph 1 demonstrates this projected growth and its components over time.

Graph 1
Projected Assessed Valuation Growth
Martinez Redevelopment Financial Feasibility Analysis



New Development

As is evident in Graph 1, new development accounts for a significant amount of anticipated incremental assessed value. The value of the new development expected over the life of the project area is estimated at roughly \$218 million in constant 2006 dollars.²

Assumptions regarding new development are based on information provided by and discussions with City staff, as well as real estate trends and market studies conducted by Strategic Economics in 2003. Table 1 summarizes these assumptions.

b. Tax Increment Projections

Graph 2 illustrates the growth in projected tax increment revenues over the life of the potential redevelopment project. Graph 3 and Table 2 summarize these revenues and their distribution under California redevelopment law.

The Study Area is projected to generate approximately \$270 million in nominal dollars in gross tax increment revenues, approximately \$56 million in constant 2006 dollars. Of this \$56 million, 20 percent or about \$11 million would be set aside for affordable housing and \$16 million would be passed through to affected taxing entities. Assuming 15 percent of the remaining funds (approximately \$4.3 million) are used for administration,³ roughly \$24 million would be available for non-housing projects.

² The estimated growth in assessed value is attributable to both new development on vacant land and the redevelopment of existing residential and commercial properties. The values in constant 2006 dollars were calculated by discounting future tax increment revenues by an annual rate of 5.5 percent. This discount rate accounts for the cost of inflation, as well as the cost of issuing bonds secured by tax increment, to approximate the present value of future dollars.

³ Fifteen percent of tax increment revenues net of housing set aside and pass through payments are estimated to meet administration costs for non-housing programs. Administration costs for housing programs are assumed to be paid out of the housing set aside fund. Administration costs include those staffing and operations costs, legal and consultant fees, and payments for services rendered by other City departments that are not directly related to projects or activities.

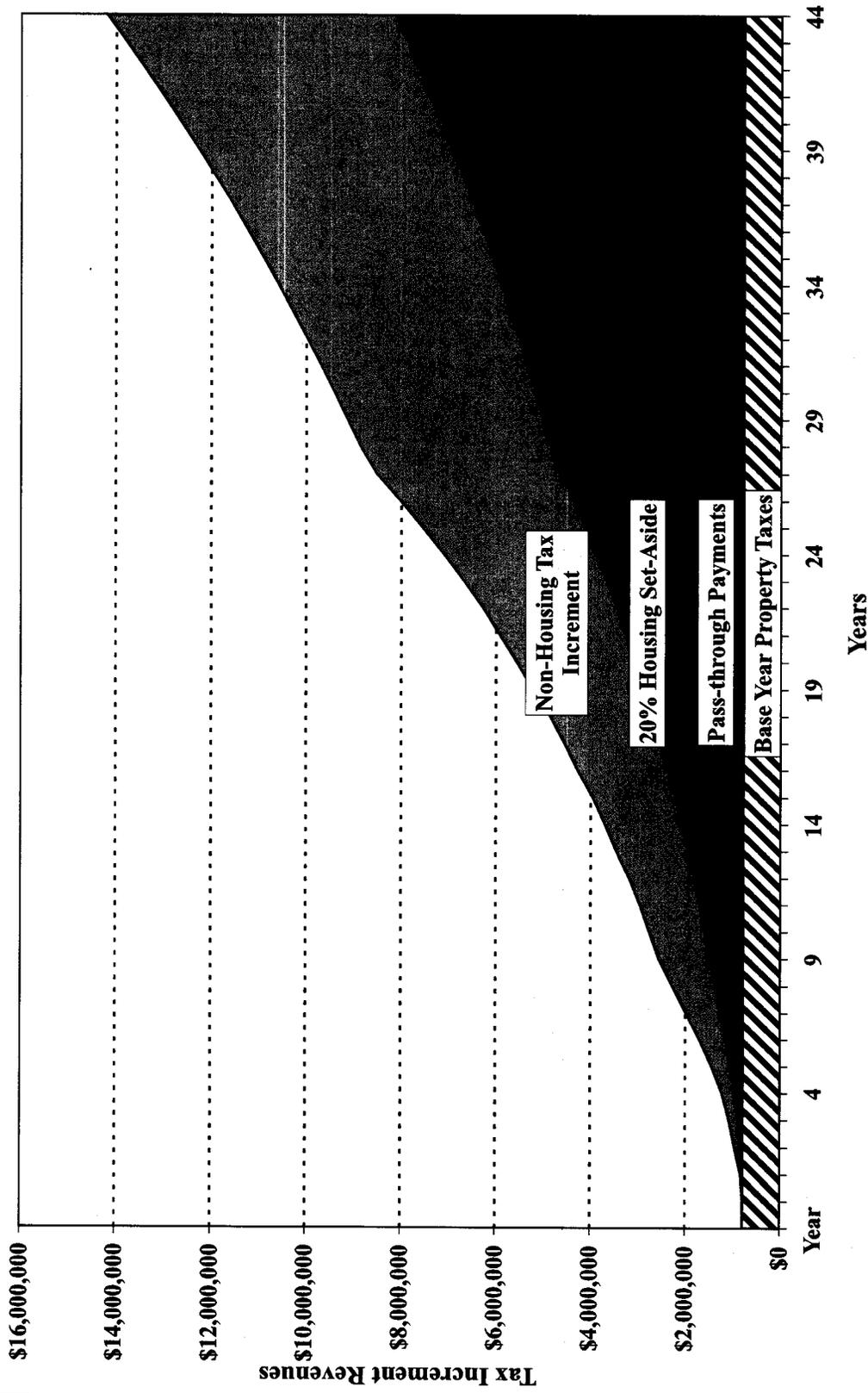
Table 1
New Development Assumptions^a
Martinez Redevelopment Financial Feasibility Analysis

Development Type	Amount	Unit or SF	Incremental Value Per Unit or SF	Incremental Value^g
Lower Density Residential ^b	118	units	\$525,000	\$61,950,000
Higher Density Residential ^c	582	units	\$200,000	\$116,400,000
Commercial ^d	58,600	SF	\$150	\$8,790,000
Industrial ^e	242,000	SF	\$95	\$22,990,000
Marina ^f	54,000	SF	\$150	\$8,100,000

- a. Unless otherwise noted, assumptions categorized by development type are based on opportunity sites information provided by the City of Martinez, as discussed with SCI.
- b. Includes Single Family and Town House Residential Units.
- c. Includes Multifamily and Live Work Residential Units.
- d. Includes Retail/Commercial and Office Square Footage and 3,000 SF of commercial development at 630 Court Street.
- e. Opportunity sites 1 & 2 are assumed to be redeveloped with new industrial space at a 0.5 floor to area ratio (FAR) intensity level.
- f. Total square footage based on structures in the Martinez Marina Site Plan less 7,000 SF museum, assumed to be non profit, and therefore tax exempt.
- g. SCI reviewed County Assessor parcel data and found that the value of existing industrial and commercial improvements (structures) is negligible compared to the value per SF of new residential and commercial development.

Source: City of Martinez, Seifel Consulting Inc.

Graph 2
Tax Increment Projections
Martinez Redevelopment Financial Feasibility Analysis
(Constant 2006 Dollars)



Graph 3
Distribution of Tax Increment Revenue Remitted to the Agency
Over the 45 Year Life of the Project
Martinez Redevelopment Financial Feasibility Analysis
(Constant FY 2006/07 Dollars)

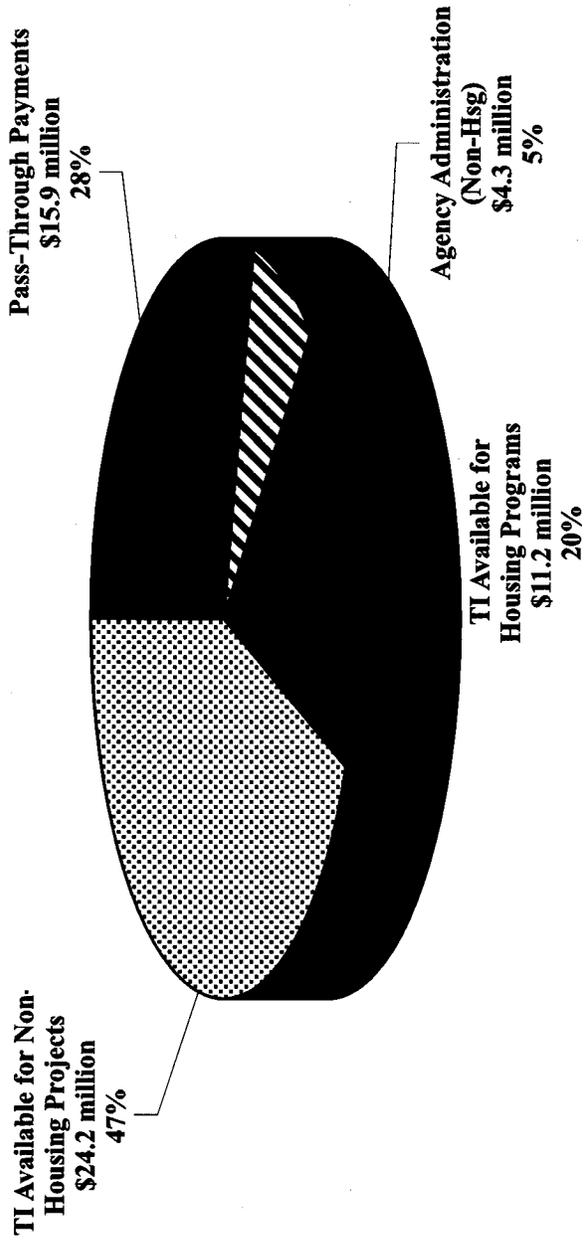


Table 2
Summary of Tax Increment Over the Life of the Project
Over the 45 Year Life of the Project
Martinez Redevelopment Financial Feasibility Analysis

	Nominal Dollars	Constant FY 2006/07 Dollars^a
Incremental Tax Revenues	\$269,800,000	\$56,200,000
Less: County Property Tax Administration	<u>\$3,000,000</u>	<u>\$600,000</u>
Net Taxes Remitted to Agency	\$266,800,000	\$55,500,000
Less: Pass-Through Payments to Taxing Entities	<u>\$81,800,000</u>	<u>\$15,900,000</u>
Tax Increment for Housing and Non-Housing Projects	\$185,000,000	\$39,700,000
Less: 20% Set-Aside for Affordable Housing	<u>\$54,000,000</u>	<u>\$11,200,000</u>
Tax Increment Available for Non-Housing Projects	\$131,000,000	\$28,400,000
Less: Redevelopment Administration	<u>\$19,700,000</u>	<u>\$4,300,000</u>
Net Available for Non-Housing Projects	\$111,300,000	\$24,200,000

a. Equal to net present value of future revenue stream discounted at 5.5% per year, which accounts for the cost of inflation as well as the cost of issuing bonds secured by tax increment.

Note: Amounts may not precisely match, due to rounding.

Source: City of Martinez, Seifel Consulting Inc.

4. Financial Feasibility Findings

a. Study Area Financial Strength

The financial strength of the Study Area is greatly impacted by the current size and composition of its taxable assessed value. According to information provided by Contra Costa County staff, roughly 70 percent of the value of secured property in the Study Area is either exempt from property taxes or considered non-taxable.⁴ This is due in large part to the concentration of publicly owned land and buildings in the downtown and marina.⁵ The value of publicly owned or other exempt property is not considered part of the assessed value base established at the adoption of a project area, and non-taxable property does not generate incremental property tax revenues.

The precise value and stability of unsecured property in the Study Area is also somewhat uncertain. Through data provided by and discussions with the Contra Costa County Assessor's Office, SCI learned that Study Area property on the unsecured roll is comprised largely of boats and related equipment associated with the Martinez marina. In fact, as Martinez is the County seat, the Assessor's Office frequently assigns the value of boats without locations identified in registration papers to parcels in the marina. SCI estimated the value of unsecured property actually present in the marina so that tax increment revenue projections would not be distorted by this practice.⁶ Planned improvements to the marina will likely have a positive impact on the value of unsecured property in the Study Area.

The relatively small amount of taxable assessed value in the Study Area makes tax increment growth highly dependent on new development. As illustrated in Graph 1 and discussed above, new development comprises a significant share of the value added to the Study Area over the life of a potential redevelopment project. Furthermore, once the value of new development is on the property tax roll, its value will increase from reassessment due to future property sales and annual inflationary adjustments on property that remains in the same ownership. Staff and consultants have estimated the timing, value and amount of future development in the Study Area. However, new development cannot be predicted with certainty. Variations between actual development and new development assumed in these projections could impact the amount of tax increment revenue generated by the Study Area.

Finally, a redevelopment project area's ability to raise money through bonds is related to its financial strength. One way the bond market assesses this strength is in terms of the amount of taxable value in a project area. The market also looks for stability and relative certainty surrounding future increases in taxable value, as tax increment revenues will be used to repay bondholders. The relatively small amount of taxable assessed value currently in the Study Area and its reliance on new development for tax increment growth could limit the Study Area's potential bonding capacity.

⁴ The County Assessor maintains separate tax rolls for secured and unsecured property. The secured roll includes property on which any property tax levied by the County becomes a lien on that property. The unsecured roll typically includes the value of tenant improvements, personal property or possessory interest.

⁵ Records from and conversations with representatives of the Contra Costa County Assessor and Auditor-Controller Offices show that the secured assessed value of Study Area parcels totals approximately \$233.5 million as of FY 2005/06. However, roughly \$10.7 million of that value is exempt from property taxes due to ownership by non-profit organizations. Another \$152.6 million is publicly owned and therefore non-taxable, with the City of Martinez, Contra Costa County, Federal Government (Post Office), Martinez Unified School District, Contra Costa County Community College District, Association of Bay Area Governments, Contra Costa County Housing Authority, and East Bay Regional Parks District each owning property in the Study Area. Only approximately 30 percent of the secured assessed value of Study Area property is taxable.

⁶ SCI based this estimate on the average value of unsecured property per boat credited to the Martinez marina multiplied by the actual number of slips presently occupied according to the City of Martinez.

b. Redevelopment Program Funding

SCI assessed the amount of funding available for the proposed redevelopment program in relation its potential costs given the projected tax increment revenues. If the City moves forward with redevelopment, it will develop a targeted approach to funding specific activities in its redevelopment program based on its annual revitalization priorities.

Funding Availability

The affordable housing component of the redevelopment program will be funded by the statutorily mandated housing set-aside fund. Redevelopment law requires that twenty percent of the gross tax increment revenues generated by the proposed redevelopment project be used to increase, preserve and/or improve the community’s supply of low and moderate income housing. In other words, the Agency must spend 20 cents out of each tax dollar generated during the life of the redevelopment plan on affordable housing activities. The housing set aside fund is projected to accrue an estimated \$11 million in 2006 dollars over the life of the redevelopment project, all of which must help to fund affordable housing.

Table 1 contains projected revenue available to fund the proposed non-housing redevelopment program. Funding is distributed evenly among non-housing program categories, although this allocation would be refined during plan implementation.

**Table 3
Proposed Funding for Non-Housing Redevelopment Program¹
Martinez Redevelopment Financial Feasibility Analysis**

Potential Non-Housing Redevelopment Program	Net Cost to Agency*	
	First 10 Years	Project Life
Economic Development	\$466,000	\$4,833,000
Building Rehabilitation and Façade Improvement	\$466,000	\$4,833,000
Site Preparation and Development	\$466,000	\$4,833,000
Community Infrastructure and Facilities	\$466,000	\$4,833,000
Marina Improvements	\$466,000	\$4,833,000
Total	\$2,331,000	\$24,167,000

1. Projected tax increment revenues distributed evenly among non-housing program categories. This distribution is for illustrative purposes and subject to future refinement.
 2. Figures are rounded to the nearest \$1,000. Figures may not precisely add, due to rounding.
- Source: City of Martinez and Seifel Consulting Inc.

Redevelopment Program Costs

The costs of a redevelopment program vary widely depending on factors such as activities undertaken, the structure of funding for those activities, and other sources of funding that can be leveraged to complement tax increment revenues. For the purposes of this analysis, potential non-housing program cost ranges were estimated. These estimates are based on conversations with City staff and knowledge of similar programs in redevelopment agencies throughout California; actual costs may be higher or lower. All costs are shown in 2006 dollars.

- Economic Development—Program costs typically range from \$150,000 to \$300,000 annually, or \$4.5 to \$9 million over the 30 years during which an agency can undertake redevelopment projects and activities.
- Building Rehabilitation and Façade Improvement—Reinforcing URM buildings and improving façades will likely cost between \$5 and \$12 million. The amount of funding required is highly dependent on the number of reinforcement and/or façade improvement projects undertaken. This

assistance can be structured as either grants or loans, depending on funding availability and other policy considerations.

- **Site Preparation and Development and Community Infrastructure and Facilities**—Costs vary widely depending on the scope of community facilities and the extent and type of development assistance. In order to most efficiently generate tax increment, these activities should be targeted towards securing private investment and new development through the provision of infrastructure and other assistance, especially in the early years of the redevelopment project. Typically, agencies use tax increment funds to leverage outside public finding and private investment.
- **Marina Improvements**—According to City staff, the estimated cost of infrastructure improvements at the marina is roughly \$16 million. The City has secured public funding for some of the activities, and the Marina Master Developer projects that future increases in lease revenues from the new and improved slips and the landside improvements will help secure new debt that can pay for a portion of these marina improvements. However, redevelopment tax increment could be an important source to help meet projected funding gaps.

The costs listed above exceed \$24 million, the amount of tax increment revenue projected for non-housing programs. Redevelopment could therefore be expected to pay for some, but not all, of the proposed redevelopment program.

The Study Area would make for a modest redevelopment project, but one that would provide the City of Martinez with considerably more money for revitalization efforts than is currently available.