

Modesto **Redevelopment** Agency



Budget **Fiscal Year 2005-06**

Adopted June 7, 2005





1010 Tenth Street, Suite 3300
PO Box 642
Modesto, CA 95353-0642
209.571.5111
Fax 209.491.5798
Email rda@modestogov.com

June 7, 2005

To: Chair and Members of the Modesto Redevelopment Agency

I am very pleased to present the Agency with the Modesto Redevelopment Agency budget for Fiscal Year 2005-2006. In accordance with State Health & Safety Code Section 33606 et seq., the Agency's FY 05-06 budget includes the following:

- (1) The proposed expenditures of the Agency, including administrative expenses
- (2) The proposed indebtedness of the Agency
- (3) The anticipated revenues of the Agency
- (4) The proposed work program for FY 2005-2006, including goals
- (5) A review of FY 2004-2005 achievements and a comparison of these achievements with the goals set by the Agency in FY 2003-2004

We have provided the Agency with a budget that complies with Redevelopment Law and details the uses for each fund within the budget. The Agency budget document is organized into three major sections: (1) Agency History, Work Program, Accomplishments and Future Plans; (2) Proposed Agency budget for FY 2005-2006; and (3) Capital Improvement Project Programs. These sections define each of the Agency's projects and detail the corresponding funds needed to complete these projects. The enclosed Executive Summary outlines the overall revenues, expenditures and projects. A summary financial proforma detailing the revenue and expenditures for FY 2005-2006 is shown on Page 11.

I would like to identify an important financial impact for this budget year. The Tenth Street Place construction project accounting is complete. As indicated in the Agency budget for FY 2004-2005, there are excess Agency bond funds remaining in the Joint Powers Agency's construction account in the amount of \$1,399,212. These excess bond funds will be rebated to the Agency for the final closure of the Tenth Street Place construction account. This one-time closeout of excess bond funds must be used to pay the annual debt service for the Tenth Street Place project.

Because of this one-time closeout of excess bond funds, the Agency will not experience a financial gap in FY 2005-2006 and will not require a General Fund loan from the City. We will continue to include the Tenth Street Place (TSP) fund (9070) within the Agency's budget for purposes of the ongoing administration of the First Floor Retail Space, the Plaza area and the 10th Street Garage. To date, the Agency has been using tax increment revenue to pay for the Tenth Street Place debt service. In FY 2005-2006, the tax increment revenue will be used for Administration costs and for proposed Agency Projects.

Throughout the coming year, the Agency will continue to review the adoption of a repayment schedule to repay City loans from 1984 to the present.


George W. Britton, Executive Director

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Executive Summary

The Modesto Redevelopment Agency (RDA) was formed to eliminate the amount of physical and economic blight in Modesto's downtown, as well as areas west of State Route 99 and along Scenic Drive. Since 1983, the Agency has accomplished many of the strategies set forth in the Implementation Plan, which is the framework used to guide the Agency's activities.

The Agency budget for FY 2005-06 is outlined below. The increase in tax increment revenue will eliminate the need for a loan from the City of Modesto's General Fund.

• "ACTUALS" vs. "PROJECTED REVENUE" •

The estimated gross tax increment for FY 2005-06 is \$4,010,000, an increase of 11.3% over the estimated gross tax increment for FY 2004-05. In addition, the Agency will receive approximately \$453,000 in miscellaneous revenue from property leases and interest from funds within the RDA reserves. During this fiscal year, the Tenth Street Place project will be closed out which will provide one-time monies of excess project funds to the Agency of approximately \$1,399,212. These excess Project Funds can be used only for Tenth Street Place debt service and will be placed into Fund 9020 (Debt Service).

From the gross revenue of \$5,862,212, we deduct the following non-discretionary, statutory payments:

1. \$470,000 - Tax revenue pass-throughs to outside agencies based on gross tax increment
2. \$802,000 - 20% revenue transfer to the Housing Set-aside fund based on gross tax increment
3. \$103,008 - County administrative expenses
4. \$254,900 - Education Revenue Augmentation Fund (ERAF) payment to State (Year Two of a 2-Year mandatory payment)

After these deductions, it is estimated that the Agency will net approximately \$4,232,304.

• EXPENDITURES •

For annual debt service, approximately \$3.43M is budgeted for FY 2005-06. For staff services, approximately \$255,000 is budgeted and is shown in the form of service credits from the Agency to the City. The Agency does not employ staff. Instead, the Agency provides service credits to certain City staff for needed services including legal, financial and administrative.

In addition, approximately \$105,000 is budgeted for contracts with outside service providers including McDonough, Holland and Allen for legal review, and Keyser-Marston for financial review of prospective development agreements. Urban master planning is also funded from Account 9080 for changes to land uses within the Project Area.

The Housing Set-aside fund is expected to receive approximately \$873,600 in tax increment and interest on reserves for FY 2005-06. The current reserves, including Capital Improvement Project funds, total approximately \$4.47M. The Agency will be using these funds to assist in funding several affordable housing projects, including one in the downtown area. The Agency will combine their funds with Community Development Block Grant Funds (CDBG) and HOME funds to maximize the financial leverage.

• FY 05/06 WORK PROGRAM •

The Agency has identified the following projects and programs for FY 2005-2006. For detailed descriptions and objectives of the Capital Improvement Project (CIP) accounts, please refer to the Capital Improvement Project section in this budget document.

Total CIP: \$ 6,174,963

Project 1:	Gallo Center for the Arts	Est. Start:	April 2004	Est. Comp.:	October 2006
Status:	Under Construction				
Objective:	See CIP Section for details.				

Executive Summary

(cont.)

Project 2:	Renaissance Office Project	Est. Start:	April 2004	Est. Comp.:	April 2006
Status:	Under Construction				
Objective:	<p>The Renaissance Office Project is intended to meet two key objectives of Downtown redevelopment. First, the parking garage will add more than 700 spaces to Downtown, where the lack of parking is a major concern. Approximately 75 spaces will be available for public parking. The remaining spaces will be portioned between the Stanislaus County office staff parking and parking for the retail users. The second objective for this project is to add space for retail and office users in the Downtown core as well as added space for the Stanislaus County government offices.</p> <p>The Agency entered into an Owner Participation Agreement (OPA) with Westland Development in September 2002. The OPA included the following conditions:</p> <ol style="list-style-type: none"> 1. The Agency purchased a 44-space City parking lot and sold it to Westland for fair market value of \$245,000 2. Westland entered into an agreement with Stanislaus County wherein the County will construct a 86,400 square foot building and the ownership will be divided between three entities: (1) County – 50%; (2) StanCERA – 17% (3) Westland – 33% 3. There will be an adjoining parking garage, constructed and owned by the County, wherein approximately 100 public spaces will replace the 44-space public parking lot 4. Over 15 years, the Agency will rebate tax increment received from the private sector portion of the building for a total of \$132,000 over 15 years. This rebate will be used to offset the parking payments to the County for the public spaces. 				

Project 3:	Downtown Wayfinding Signage	Est. Start:	September 2004	Est. Comp.:	January 2006
Status:	Under Construction				
Objective:	<p>The Downtown Wayfinding Signage Project is intended to meet the dual objectives of (1) Promoting the Downtown to new visitors as a destination; and (2) Providing directions to key landmarks. Per the Implementation Plan, the Agency has focused on facilitating the construction of an entertainment and retail district. There are numerous destination locations, including the McHenry Mansion/Museum, the Gallo Center for the Arts, the Courthouse, Tenth Street Place and the theater and restaurant district.</p> <p>The Agency provides \$200,000 each year for use in beautification and general street improvement projects. For FY 2003-04, the Agency used these funds to create two public projects: (1) Construction plans for downtown streetscape and (2) Design and construction plans and specifications for wayfinding signage for the downtown area. In FY 2005-06, the Agency will use these funds for the actual construction of streetscape along 10th Street and for construction of the wayfinding signage throughout the downtown.</p>				

Executive Summary

(cont.)

Project 4:	Additional Affordable Housing Projects	Est. Start:	June 2005	Est. Comp.:	January 2007
Status:	Under Consideration				
Details:	Projects under review.				

Project 5:	Agency Master Plan and EIR (Update)	Est. Start:	July 2004	Est. Comp.:	March 2006
Status:	Under Consideration				
Details:	See CIP Section for details.				

Project 6:	Kansas-Woodland Business Park	Est. Start:	Summer 2005	Est. Comp.:	Summer 2007
Status:	Under Consideration				
Details:	See CIP Section for details.				

Project 7:	Mixed-Use Project - 10th & H Streets	Est. Start:	January 2005	Est. Comp.:	June 2007
Status:	Under Consideration				
Details:	<p>This Mixed-use Project is intended to meet several Agency objectives, including: (1) Add covered public parking; (2) Add retail space; (3) Add hotel/market-rate residential. The proximity of this project to existing destinations is critical to its success. The Gallo Center for the Arts is across 10th Street and the main theater and restaurant district is within one block of this location.</p> <p>The Agency owns four (4) parcels of land at the southwest corner of 10th & H Streets (the "Project Site"). The Agency Board has distributed a Request for Proposal (RFP) to solicit a public-private partnership for the development of a high-quality, Mixed-Use Project on this 31,500 square-foot Project Site. The purpose of this RFP is to select a qualified and experienced Developer who can deliver the desired development and provide for the redevelopment of this Project Site.</p> <p>It is the Agency's desire to partner with a qualified Developer, negotiate an acceptable development agreement (including a detailed scope of development and respective responsibilities of both the Agency and the Developer), determine financing needs and details, and complete project clearance and development within a two-year period ending January 2007. The Agency is seeking Developers or Developer Teams who have the proven experience, financial resources and professional expertise to deliver the highest quality, economically feasible mixed-use development.</p>				

Project 8:	Downtown Public Parking Garages	Est. Start:	Pending	Est. Comp.:	Pending
Status:	See CIP section for details.				
Details:	<p>Parking within the Downtown Area is in extremely short supply. This project is intended to meet the Agency objective of providing needed infrastructure to support the variety of uses within the Downtown Core, including proposed residential.</p> <p>The Agency staff is working with private sector developers to identify new sites for parking garages. There is a severe parking shortage in the downtown and the Agency will continue to find partnerships to develop additional spaces to meet the growing demand.</p>				

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Why Have Redevelopment?

The purpose of forming a Redevelopment Agency is to eliminate physical and economic blight in a specific area of a community. The State of California enacted the Redevelopment Law for the specific purpose of assisting cities and counties in breathing new life into those targeted areas of cities that had fallen into economic and physical ruin. The heart of Modesto, our downtown, was one of those targeted areas. Modestans remember what the downtown was like before 1999. Back then, many were hesitant to walk alone in certain areas of the downtown because of the vacant buildings and seedy areas that seemed to be everywhere.

The only way to bring a blighted area to life is to attract private investment dollars to rebuild and redevelop the blighted properties. But, as one can imagine, investors are not anxious to put money into a dilapidated area with high risk and a very low rate of return. Understanding this, a Redevelopment Agency is formed for the specific purpose of providing a small amount of public funding to encourage investors to make a commitment within a blighted area. The Redevelopment Agency is given the role of using minimal public funds to leverage a much larger amount of private investment dollars to transform the blighted area from high risk to high activity --- which is what we have done with the new Tenth Street Place and other projects within the Redevelopment Project Area.



There are two key points to understand about a Redevelopment Agency. First, the Agency is a distinct political body that is totally separate from the City. In some cities, such as San Jose, the redevelopment agency is a separate board with separate offices and staff. In Modesto, as in many other California cities, the City Council agreed to become the Agency board. This provides a cost savings to the Agency since the same offices and staff are used for both the City and the Agency. But, while it is a cost savings, it can be confusing. It is important to remember that the Agency and the City are separate agencies with separate laws, separate budgets and separate funding sources.

The second key factor is the source of funding for the Redevelopment Agency. The funds for redevelopment come from the property taxes of only those properties within the Redevelopment Project Area. The Redevelopment Project Area was established by law when the Redevelopment Agency was formed and it includes the downtown and areas along Carpenter Road, Paradise Road and Scenic Drive. The Agency receives a specified percentage of the property taxes as properties are improved and then incurs debt by reinvesting this money back into the Project Area to improve even more properties. Again, the goal is to leverage a small amount of public funds with private investment dollars to redevelop the Project Area before the Agency is terminated. The Agency can operate for 40 years and then there is an additional 10 years to pay off all debt. For Modesto, the Agency will terminate in November 2031 and all debt will be paid by November 2041.

State law allows a redevelopment agency to invest in very specific uses. For example, a redevelopment agency cannot build a new city hall nor can they use the funds for operation or maintenance of any private or government-owned facility. The Redevelopment Agency can invest in many types of private projects including office buildings, parking garages and retail centers within the Project Area. For example, Modesto's Agency has partnered with the private sector to construct Tenth Street Place and two new office buildings on Tenth Street and 12th Street. Also, the Agency has joined with the private sector and Stanislaus County to construct the Gallo Center for the Arts. This Center will not only provide a benefit to the downtown but it will also increase the assessed value of the properties in the Project Area that, in turn, will increase the assessed property value. When the assessed value goes up, the taxes go up which means there is more money for the Agency to repay the debt they

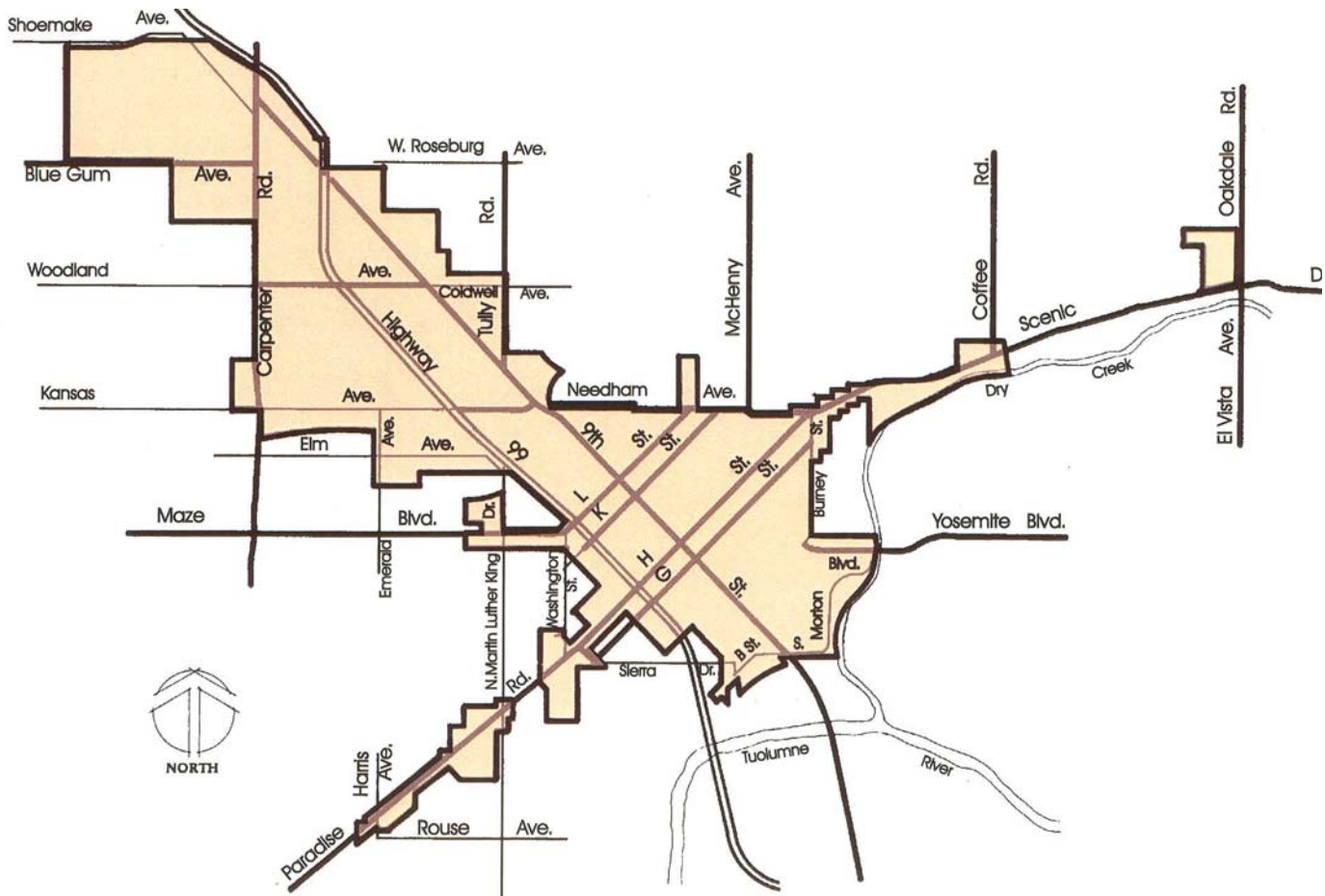


Why Have Redevelopment?

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have incurred and contribute towards future projects. This is a perfect example of the redevelopment funding cycle and the role of redevelopment in a community.

Redevelopment has been an important and successful tool in renovating many cities. In Modesto, we think that it has been the main reason for attracting new investors into the downtown and for creating alliances between the City and the County to provide better services for our citizens in a central location. Also, we have added entertainment destinations in the downtown along with restaurants and new retail stores. All in all, redevelopment is performing its job well here in Modesto. Beyond the projects now under construction, housing is another objective for the Redevelopment Agency and we expect to see new housing projects starting within the next year.



Implementation Plan

The Redevelopment Agency's goal is to eliminate blighting influences and stimulate new private and public investment in the Redevelopment Area. The Agency can help to stimulate investment through land assembly, construction of upgraded public improvements, incentive programs for building renovation, participation in catalyst projects aimed at spurring other complementary private investments, and expenditure of its low and moderate income housing funds for development of affordable housing.

To create a framework to guide the Agency's activities the Agency has adopted a Vision and an Implementation Plan. This Plan will be updated in FY 2005-06 as part of the Update to the Agency's Master Plan and Environmental Impact Report.

• THE STRATEGIES •

The Agency has identified nine key strategies or programs for implementing this vision.

• THE VISION •

"Redevelopment is an economic development and community development program of prime importance to the Modesto Community, one that capitalizes upon all of the area's assets and natural resources.

The Modesto Redevelopment Project Area will be the focal point of community life and the social, cultural, business, governmental and entertainment center of the northern San Joaquin Valley.

Housing will be an integral part of the Project Area, complemented by and stimulated by creation of a safe and attractive, tree-lined environment. Modern transportation systems shall provide convenient transportation to and within the Project Area.

This vision will be achieved through partnerships between private enterprise and government agencies. The Redevelopment Agency shall take the lead through strategic investments in public infrastructure and by recruiting and assisting with new private investment".

Strategy No.:	1	Project:	J Street Arts, Entertainment and Retail District
Details:	Downtown Modesto shall be the center for arts and cultural events, entertainment, restaurants, and specialty retailers. These activities shall be encouraged to cluster around a corridor centered on J Street. This corridor runs roughly from 9th Street to McHenry, and from H to L Streets.		

Strategy No.:	2	Project:	Downtown Office Core
Details:	Downtown Modesto shall be the location for all new major public and private office buildings with the exception of medical buildings. These offices shall generally be within walking distance of the J Street District.		

Strategy No.:	3	Project:	New Housing Construction and the Preservation of Existing Housing
Details:	Downtown Modesto should be a desirable place to live as well as work or visit. The residential strategy should focus both on new construction and the preservation and renovation of existing housing.		

Strategy No.:	4	Project:	Incubator Area Between Highway 99 and 9th Street
Details:	This district east of Highway 99 and west of 9th Street should continue to serve as an "incubator" area for small and start-up commercial and industrial uses.		

Implementation Plan

(cont.)

Strategy No.:	5	Project:	Industrial District - Woodland to Kansas Avenues
Details:	This area provides the best opportunity with the Redevelopment Area for creation of a new, modern industrial park subdivision. The Agency should work with the property and business owners in the area to coordinate its redevelopment.		

Strategy No.:	6	Project:	Upgrade Commercial and Residential Uses Along Paradise Road
Details:	Major upgrading of both the commercial and residential areas along Paradise Road is needed to strengthen this portion of the Redevelopment Area.		

Strategy No.:	7	Project:	Develop New Community Commercial Areas
Details:	Two areas are proposed for new community scale commercial and/or industrial development. These areas are the current County Center No.3 at Scenic and Oakdale, and the eastern and northern portions of the West Campus of Modesto Junior College.		

Strategy No.:	8	Project:	Tuolumne River Family Learning/Recreation Center
Details:	The Tuolumne River is the foremost natural asset in the Redevelopment Area. Bluff property overlooking the park should be investigated as a site for a regional educational and recreational facility oriented primarily to children and families.		

Strategy No.:	9	Project:	Historic Preservation
Details:	The Agency has worked with the Landmark Preservation Commission to identify buildings in the downtown area worthy of preservation. The Agency's activities and projects should respect these buildings and make every effort to preserve them.		

Agency Achievements

Completed Projects



- Modesto Centre Plaza
- DoubleTree Hotel
- 9th Street Garage



- Facade Grants - 5 years
(More than 100 buildings)



- City Towers Office Building



- Tenth Street Place
 - Parking Garage
 - Brenden Theatres
 - First Floor Retail



- Affordable Housing
 - Gateway
 - Ashwood Village
 - Woodstone
 - Dan West Court



- Shopping Center on Paradise Road



- The Shops at Lincoln School

FY 2003 - 2004 Goals

- Update to Agency Master Plan and Environmental Impact Report
- Gallo Center for the Arts
- Kansas-Woodland Business Park
- Renaissance Office Building at SE Corner of 12th & I Streets
- Wayfinding Signage & Downtown Streetscape Design
- Mixed-Use Project at SW Corner of 10th & H Streets
- Affordable Housing Projects in Downtown Area

FY 2004 - 2005 Accomplishments

- Update to Agency Master Plan is in progress
Projected Completion: March 2006
- Gallo Center for the Arts is in progress
Projected Completion: October 2006
- Kansas-Woodland Business Park is in progress
Projected Completion: October 2006
- Renaissance Office Building is in progress
Projected Completion: April 2006
- Wayfinding Signage is in progress
Projected Completion: January 2006
- Mixed-Use Project: Developer under review
Projected Completion: June 2007
- Affordable Housing Projects: Site identified at 17th & G Sts
Projected Completion: January 2007

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Budget Summary

FY 2005-2006		Debt Service 9020	Administration 9050	Housing Set-aside 9060	Tenth Street Place 9070	RDA Project Fund 9080
Beginning Reserve						
Estimated Beginning Reserve	\$	540,000	(36,000)	1,888,791	1,399,212	285,000
Reallocations into Debt Service						
a. 9070 - TSP Closeout (1)	\$	1,399,212			(1,399,212)	
Adjusted Reserves	\$	1,939,212	(36,000)	1,888,791	0	285,000
Bond Reserve Fund (COPS)	\$	1,977,050				
Revenues						
Total Projected Tax Increment: \$4,010,000						
Tax Increment	\$	1,416,249	422,470	802,000		899,281
Tax Increment for Pass-thrus (2)	\$	470,000				
(Less ERAF)	\$	(254,900)				
Interest	\$	132,499		71,620	12,380	
Miscellaneous	\$					
Leases (3)	\$	236,500				
General Fund Loan						
Total	\$	2,000,348	422,470	873,620	12,380	899,281
Expenditures						
Debt - Centre Plaza (4)	\$	1,961,610				
Debt - TSP	\$	893,152				
County Admin Costs	\$	103,008				
Admin	\$					
Professional Services	\$		104,497			50,000
Staff	\$		255,103	6,821	12,380	
Internal Services	\$		13,976			
RDA Master Plan/EIR	\$					
Pass-thrus	\$	470,000				
Taxes	\$		12,894			
Housing Set-aside	\$			866,799		
Project Area Revitalization	\$					200,000
Total	\$	3,427,770	386,470	873,620	12,380	250,000
Transfer Out: Q244 - Housing CIP	\$			(1,888,791)		
Transfer Out: Q244 - Housing CIP	\$			(866,799)		
Transfer Out: Q246 - KWBP CIP	\$					(200,000)
Transfer Out: RDA Public Improvements	\$					(734,281)
Ending Balances						
Available Working Capital	\$	511,790 *				
Housing CIP - Q244 (5)	\$			4,468,682		
KWBP CIP - Q246 (5)	\$					200,000
Mixed-use: RDA Public Improvements (5)	\$					734,281
Debt Reserve (Restricted)	\$	1,977,050				

1. Excess bond funds from Tenth Street Place (TSP) Project
2. Formula from Keyser-Marston projections
3. Lease = First Floor Retail (JPA Space) Plus 9th Street Garage Lease Payment from DoubleTree Hotel

4. Includes \$6500 Trustee Fee
5. CIP Accounts to be expended on Housing, Business Park and Mixed-use Projects in FY05-06

* Restricted use under bond covenants for TSP debt service only

Debt Service

9020-DS92

Revenue	Actual 2004	Adopted 2005	Estimate 2005	Adopted 2006
Tax Increment	\$ 2,277,704	\$ 2,272,000	\$ 2,272,000	\$ 1,416,249
Tax Increment/Pass-thrus	\$	\$ 372,000	\$ 372,000	\$ 470,000
(Less ERAF)	\$ (121,142)	\$ (254,900)	\$ (254,900)	\$ (254,900)
Interest	\$ 109,259	\$ 132,499	\$ 132,499	\$ 132,499
Misc	\$ 0	\$ 38,000	\$ 38,000	\$
Leases	\$ 300,070	\$ 236,500	\$ 236,500	\$ 236,500
General Fund Loan	\$ 407,000	\$ 315,500	\$ 315,500	\$ 0
Total Source of Funds	\$ 2,972,891	\$ 3,111,599	\$ 3,111,599	\$ 2,000,348

Expenditures				
Debt - Centre Plaza	\$ 1,959,590	\$ 1,962,570	\$ 1,962,570	\$ 1,961,610
Debt - TSP	\$ 852,575	\$ 877,647	\$ 879,992	\$ 893,152
County Admin Costs	\$	\$ 79,000	\$ 79,000	\$ 103,008
Pass-thrus	\$	\$ 372,000	\$ 372,000	\$ 470,000
Total Use of Funds	\$ 2,812,165	\$ 3,291,217	\$ 3,293,562	\$ 3,427,770

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Note: \$ 1,399,212 in excess bond funds from the closeout of Tenth Street Place (TSP) will be included as additional revenue for payment of Tenth Street Place debt service.

Explanation

This fund maintains the accumulation of resources for and the payment of general long-term debt principal and interest. It also receives tax increment designated for the pass-through agreements with various school districts.

Administration

9050-1490

Revenue	Actual 2004	Adopted 2005	Estimate 2005	Adopted 2006
Tax Increment	\$ 366,306	\$	\$	\$ 422,470
Miscellaneous	\$ 38,476	\$	\$	\$
General Fund Loan	\$ 84,000	\$ 163,500	\$ 163,500	\$
Total Use of Funds	\$ 488,782	\$ 163,500	\$ 163,500	\$ 422,470

Expenditures				
Administration	\$	\$	\$	\$
Professional Services	\$ 86,045	\$ 109,843	\$ 109,843	\$ 104,497
Staff Charges	\$ 184,690	\$ 251,021	\$ 251,021	\$ 255,103
Internal Service Fund Charges	\$ 13,332	\$ 13,171	\$ 13,171	\$ 13,976
County Admin Charges	72,834			
Pass-thrus	\$ 378,877	\$	\$	\$
Taxes	\$ 12,399	\$ 12,750	\$ 12,750	\$ 12,894
Total Use of Funds	\$ 748,177	\$ 386,785	\$ 386,785	\$ 386,470

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Explanation

This fund contains expenditures for services provided to the Redevelopment Agency by City staff in Community & Economic Development, Finance and the City Attorney's office.

Housing Set-aside

9060-1491

Revenue	Actual 2004	Adopted 2005	Estimate 2005	Adopted 2006
Tax Increment	\$ 661,003	\$ 661,000	\$ 661,000	\$ 802,000
Interest	\$ 40,422	\$ 70,000	\$ 70,000	\$ 71,620
Total Use of Funds	\$ 701,425	\$ 731,000	\$ 731,000	\$ 873,620
Expenditures				
Housing Set Aside	\$ 0	\$ 724,313	\$ 724,313	\$ 866,799
Administrative Costs	\$ 41,104	\$	\$	\$
Staff Charges	\$ 6,610	\$ 6,687	\$ 6,687	\$ 6,821
Total Use of Funds	\$ 47,714	\$ 731,000	\$ 731,000	\$ 873,620

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Explanation

This is a special revenue fund created pursuant to the Health and Safety Code section 33334.3 and are restricted to uses for the development of affordable housing projects. All transactions related to the Housing Set-Aside Fund must be accounted for in this separate fund.

Planning and administrative costs are paid from the housing fund and are related to the creation and presentation of affordable housing.

Tenth Street Place

9070-1492

Revenue	Actual 2004	Adopted 2005	Estimate 2005	Adopted 2006
Interest	\$ 2,808	\$ 14,000	\$ 14,000	\$ 12,380
Tenth Street Place Closeout	\$	\$ 1,400,000	\$ 1,400,000	\$
Total Use of Funds	\$ 2,808	\$ 1,414,000	\$ 1,414,000	\$ 12,380
Expenditures				
Staff Charges	\$ 11,900	\$ 12,138	\$ 12,138	\$ 12,380
Total Use of Funds	\$ 11,900	\$ 12,138	\$ 12,138	\$ 12,380

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Explanation

This fund pays for legal services associated with the ongoing administration of the Tenth Street Place project. These services are provided by the City Attorney's Office.

RDA Projects

9080-1493

Revenue	Actual 2004	Adopted 2005	Estimate 2005	Adopted 2006
Tax Increment	\$	\$	\$	\$ 899,281
Interest	\$ (6,464)	\$	\$	\$
Transfer - CIP	\$	\$	\$	\$
General Fund Loan	\$ 425,000	\$	\$	\$
Total Use of Funds	\$ 418,536	\$ 0	\$ 0	\$ 899,281

Expenditures				
Internal Service Fund Charges	\$	\$	\$	\$
Professional Services	\$ 1,048	\$ 9,382	\$ 9,382	\$ 50,000
RDA Master Plan/EIR	\$	\$ 325,000	\$ 325,000	\$
Westland Project	\$	\$	\$	\$
Project Area Revitalization	\$ 64,928	\$ 100,000	\$ 100,000	\$ 200,000
Total Use of Funds	\$ 65,976	\$ 434,382	\$ 434,382	\$ 250,000

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Explanation

This fund pays for various Agency projects within the Redevelopment Area, including streetscape, signage, and other beautification projects. This fund also includes market and financial studies and public-private partnership projects.

Modesto **Redevelopment** Agency

Capital Improvement Program
Fiscal Year 05-06 • Adopted June 7, 2005

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Capital Improvement Program

Program Summary	Current Balance
Restricted Use*	
Downtown Housing (Q244)	\$ 4,468,682
Gallo Center for the Arts (Q260)	\$ 602,000
Kansas-Woodland BP-Land (Q243)	\$ 50,000
Kansas-Woodland BP-Plan (Q246)	\$ 200,000
Total Restricted CIP	\$ 5,320,682

Unrestricted Use	
Master Plan Update/EIR (K871)	\$ 120,000
RDA Public Improvements (K732)	\$ 734,281
Total Unrestricted CIP	\$ 854,281

Total CIP	\$ 6,174,963
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* Pursuant to Redevelopment Agency law and existing contracts.

Capital Improvement Project

9080-K732

RDA Public Improvements



Project Manager: Linda Boston

Budget: \$ 734,281

Construct various public improvements within the RDA Project Area to support public-private development partnerships. Improvements may include, but are not limited to, various types of construction such as: street construction, streetscape, signage, public garages, land acquisition/disposition.

• HISTORY •

Over the past several years, the Agency has focused on assisting commercial and retail businesses within the Project Area in various ways. These programs have included the Façade Improvement Rebate Program that assisted commercial/industrial property owners and tenants with improvements to the exterior appearance of commercial buildings located in the Redevelopment Project Area. This program offered rebates ranging from 10% to 50% (maximum \$10,000 per project) of improvement costs for each property. In addition, the Agency has produced designs for wayfinding signage and will be constructing signage throughout the Downtown area to guide visitors to specific landmarks and destinations.

The Agency will now be focusing on a variety of public works projects that will include street construction, streetscape, signage, public garages, land acquisition/disposition and other projects that will grow from public-private partnerships in accordance with the Redevelopment law. These projects may include mixed-use projects, public parking, public amenities for market-rate housing, etc.

• NEXT STEPS •

1. Identification of Developers and Developable sites: The Agency staff continues to identify well-financed development partners in an increased effort to combine RDA funds with multiple funding sources for the production of various types of commercial buildings as well as market-rate housing within the Project Area. The Agency staff is also reviewing possible sites in the Project Area for public-private commercial developments. This fund will provide monies for the public amenities associated with these developments.

2. Additional parking: The Agency staff is working with other City departments to identify parcels near the downtown core that could be developed into multi-story parking garages. This additional parking inventory could provide alternative parking for downtown workers as well as for visitors.

Capital Improvement Project

9060 - Q244

Affordable Housing Projects



Project Manager: Linda Boston

Budget: \$ 4,468,682

Beginning in 2000, the Agency has focused on producing an affordable housing project in the Downtown. The primary barriers to this project have been:

- a. Increased land prices coupled with unwilling sellers that could necessitate eminent domain proceedings
- b. Reduced site acreage available for purchase
- c. Increased need for parking for the housing development and for the general population of downtown workers, customers and merchants

Because of the above issues, the Agency determined that additional funds would be needed for a downtown housing project versus a housing project in another area of the City. The Agency placed funds into this CIP Account in order to accumulate Housing Set-aside monies specifically for a downtown project.

As of June 2004, the Agency has worked with three downtown sites and three developers in an effort to create an affordable housing project. To date, the above impediments have prevented the completion of a project.

• NEXT STEPS •

- Additional funding: The Agency staff continues to partner with the private sector and City Parks, Recreation & Neighborhood staff in an increased effort to combine multiple funding sources for the production of affordable housing downtown. The funding can come from private sources, the Redevelopment Agency, Community Development Block Grant (CDBG) funds and other housing agencies.
- Developable sites: The combined staff is reviewing possible sites in and around the downtown for a housing project. One objective is to identify City-owned parcels (e.g. parks) that may no longer be needed for City uses and develop these into affordable housing sites. In addition, the Agency staff has prepared an "Opportunity Map" to identify private property owners who would consider selling their property or developing a residential development.
- Additional parking: The Agency staff is working with other City departments to identify parcels near the downtown core that could be developed into multi-story parking garages. This additional parking inventory could provide alternative parking for downtown workers as well as for residents of those housing developments who are in proximity to the new parking facilities.

Capital Improvement Project

9080 - Q260

Gallo Center for the Arts



Project Manager: Brad Kilger
Budget: \$ 601,604.24

The Gallo Center for the Arts is a \$31 Million project, planned for the block between 10th and 11th Streets and H and I Streets in downtown Modesto. The center will feature a 1,200-seat theater, a 400-seat theater and art gallery. Though construction will be primarily funded by contributions from the community and Stanislaus County, the Agency approved using \$602,000 in tax increment revenue for construction/replacement of such public improvements as deteriorated curb, sidewalks and streetlights, new street trees and street reconstruction.

The estimated cost for constructing the necessary street, streetscape and traffic signal improvements is \$602,000. Of this amount \$473,000 will be used to reimburse the County for the cost of constructing their portion of these improvements. The remaining \$129,000 will be used to reimburse the city for the cost of constructing their portion of the street improvements for the GAC.

On March 25, 2003, the City of Modesto approved a loan to the Modesto Redevelopment Agency in the amount of \$602,000 to fund this CIP Account. Also, the Agency will enter into an agreement with Stanislaus County in the amount of \$473,000 for reimbursement of costs associated with construction of the improvements.

• NEXT STEPS •

- Construction: The County will be the project manager for this project. The Agency will provide funding for public improvements as the construction moves forward.
- Loan repayment: The loan amount will be added to the existing loan between the City and the Agency, including interest. The repayment of this loan will be as approved between the City and the Agency.

Capital Improvement Project

9080 - Q246

Kansas Woodland Business Park Concept Master Plan



Project Manager: Linda Boston

Budget: \$ 200,000

On November 6, 2002, the Agency approved the terms and conditions of a Purchase Option for the 45-acre FMC property. In summary, FMC and the Agency have agreed to the following:

- Agency receives the exclusive right to purchase the FMC property for a period of up to 3 years.
- The purchase price will be \$1,000,000 plus five percent (5%) of any amount received by the City upon sale of the Property in excess of \$1,000,000.
- Agency has paid an option payment of \$50,000 concurrent with the completion of the Property Option Agreement in consideration for the exclusive right to purchase the property.
- When the Agency elects to exercise the Property Option, the Agency will pay an Exercise Option payment of \$50,000.
- Both option payments (Total of \$100,000) will be applied to the purchase price.

• NEXT STEPS •

Staff is working concurrently on the following critical path items:

- Negotiations for the Developer Agreement (DA) and revisions to the Property Option Agreement.
- Completion of the following Specific Plan items:
 - Design and Use Guidelines and Standards
 - Traffic study and traffic mitigation measures
 - Conceptual infrastructure and design plans
 - Financing Plan
 - Tentative Subdivision Map
- Completion of the Program Environmental Impact Report (EIR)

Capital Improvement Project

9080 - Q243



Kansas Woodland Business Park Property Opt.

Project Manager: Linda Boston

Budget: \$ 50,000

On November 6, 2002, the Agency approved the terms and conditions of a Purchase Option for the 45-acre FMC property, located in the center of the proposed Kansas-Woodland Business Park. In summary, the FMC Corporation and the Agency have agreed to the following:

- Agency receives the exclusive right to purchase the property for a period of up to 3 years.
- The purchase price will be \$1,000,000 plus five percent (5%) of any amount received by the City upon sale of the Property in excess of \$1,000,000.
- Agency has paid an option payment of \$50,000 concurrent with the completion of the Property Option Agreement in consideration for the exclusive purchase rights.

When the Agency elects to exercise the Property Option, the Agency will pay an Exercise Option Payment of \$50,000.**

- Both option payments (Total of \$100,000) will be applied to the purchase price.
- FMC will secure approval from the State of California for a Site Cleanup Plan.
- FMC is responsible for remediation of the property as identified and ordered by the Dept. of Toxic Substances Control and the Regional Water Quality Control Board. The Agency has the right to purchase the property in an "As Is" condition once the remediation plan is approved and the site plan has been agreed upon between FMC, the Agency and the regulatory agencies.

• **NEXT STEPS** •

Staff will process the Property Option and release the Exercise Option Payment to the FMC Corporation once the State approvals are received and all development agreements are completed.

Capital Improvement Project

9080 - K871



Redevelopment Agency Master Plan

Project Manager: Linda Boston

Budget: \$ 120,000

In November 1991, the Redevelopment Agency (RDA) adopted the Amended Project Area and the Redevelopment Plan for a Project Area of approximately 2000 acres. This Project Area encompasses the downtown, a portion of the West side, as well as a smaller portion along Scenic Drive. As a part of this Project Area adoption, an

Environmental Impact Report (EIR) was approved in accordance with the State law.

Subsequent to these actions, in 1994, a RDA Master Plan was also adopted to implement the goals and objectives of the RDA Plan. The purpose of this Master Plan is to provide a policy guideline document to identify specific types of land uses that the Agency should encourage and promote within the Project Area.

As a continuing part of this long-term strategy, the RDA staff - in consultation with the RDA General Counsel - has determined that both the RDA EIR and Master Plan should be updated. Considering the dramatic changes that have taken place since the early 1990's, both documents are out of date and must be revised to reflect the current conditions and to ensure legal compliance.

For the entire RDA Master Plan Update, the physical improvement strategies will include:

- Land Use policy direction
- Building massing for key sites
- Circulation, including pedestrian connections
- Streetscape character and urban design
- Focal points and gateways

• NEXT STEPS •

Staff will proceed with administration of the contract with EDAW, Inc.

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**MODESTO REDEVLEOPMENT AGENCY
RESOLUTION NO. 8-2005**

**A RESOLUTION ADOPTING THE ANNUAL REDEVELOPMENT AGENCY
OPERATING AND CAPITAL IMPROVEMENT (CIP) BUDGET FOR THE
FISCAL YEAR ENDING JUNE 30, 2006**

WHEREAS, pursuant to Health & Safety Code Section 33606, a proposed budget for the 2005-06 Fiscal Year has been submitted to the Redevelopment Agency by the Executive Director and the Redevelopment Agency has made such revisions as it has deemed advisable and is attached hereto as Exhibit "A", and made a part hereof by this reference, and

WHEREAS, the Citizens Redevelopment Advisory Commission reviewed the proposed budget on May 4, 2005, and recommended its adoption, and

WHEREAS, the proposed budget was reviewed by the Finance Committee on May 16, 2005 and the Committee recommended the budget to the Agency for approval which approval includes, but is not limited to, the following specific recommendations more particularly described in the Budget Summary located on Page 11 of the budget document:

- A. The Tax Increment revenues for FY 05-06 are budgeted in the amount of \$4,010,000 and will be allocated between the following funds in the amount stated:
 - a. Debt Service Fund 9020 (Debt Service) - \$1,416,249
 - b. Debt Service Fund 9020 (Pass-throughs) - \$470,000
 - c. Administration Fund 9050 - \$422,470
 - d. Housing Set-Aside Fund 9060 - \$802,000

- e. RDA Project Fund 9080 - \$899,281
- B. The excess bond funds of \$1,399,212 have been transferred into the Debt Service Fund 9020 per bond counsel's recommendation for payment of the debt service for the Tenth Street Place bonds. This transfer is expected to create a \$511,790 fund balance to be used for the Fiscal Year 2006-2007 that will also be restricted for debt service payments for the Tenth Street Place bonds.
- C. No General Fund loan is needed for Fiscal Year 2005-2006
- D. For the purpose of assisting with an affordable housing project(s), transfer funds into the existing Capital Improvement Project Account Q244 (Current balance: \$1,713,093) from various Housing Set-aside revenues as follows:
- i. Transfer the 20% Housing Set-aside tax increment allocation for FY 05-06 budgeted at \$802,000 from Account No. 9060-140-1491
 - ii. Transfer the interest for FY 05-06 budgeted at \$64,799 from Account No. 9060-140-1491
 - iii. Transfer the Reserves budgeted at \$1,888,791 from Account No. 9060-140-1491
- E. Create a new Capital Improvement Project (CIP) entitled "Project Area Capital Improvements" for the purpose of assisting with various construction projects within the Redevelopment Project Area for the budgeted amount of \$734,281 from Account No. 9080-140-1493

F. Transfer funds into the existing Capital Improvement Project Account Q246 for Kansas-Woodland Business Park development in the budgeted amount of \$200,000 from Account No. 9080-140-1493, and

WHEREAS, in accordance with Health & Safety Code Section 33606, public hearings were held on May 24, 2005 and on June 7, 2005 to review the proposed Agency budget and allow for public comment, and

WHEREAS, copies of the proposed budget have been and are available for inspection by the public at the office of the Agency Secretary, and

WHEREAS, the Agency has reviewed the budgetary control and authority policy report prepared by staff,

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Modesto that the Fiscal Year 2005-2006 Annual Budget is hereby adopted.

BE IT FURTHER RESOLVED that the Tax Increment revenues for FY 05-06 budgeted in the amount of \$4,010,000 shall be allocated between the Agency funds as set forth in said budget document and this resolution.

BE IT FURTHER RESOLVED that the excess bond funds of \$1,399,212 shall be transferred into the Debt Service Fund 9020 for payment of the debt service for the Tenth Street Place bonds.

BE IT FURTHER RESOLVED that no General Fund loan is needed for Fiscal Year 2005-2006.

BE IT FURTHER RESOLVED that for the purpose of assisting with an affordable housing project(s), funds shall be transferred into the existing Capital

Improvement Project Account Q244 from various Housing Set-aside revenues as set forth in the budget document and in this resolution.

BE IT FURTHER RESOLVED that a new Capital Improvement Project (CIP) entitled "Project Area Capital Improvements" shall be created for the purpose of assisting with various construction projects within the Redevelopment Project Area for the budgeted amount of \$734,281 from Account No. 9080-140-1493.

BE IT FURTHER RESOLVED that funds shall be transferred into the existing Capital Improvement Project Account Q246 for Kansas-Woodland Business Park development in the budgeted amount of \$200,000 from Account No. 9080-140-1493.

BE IT FURTHER RESOLVED that the Finance Officer is hereby authorized to take the necessary steps to implement the provisions of this resolution.

BE IT FURTHER RESOLVED that the budgetary control and authority policy defined in Exhibit "B", which is attached hereto and made a part hereof by this reference is hereby adopted for the Fiscal Year 2005- 2006.

The foregoing resolution was introduced at a special meeting of the
Redevelopment Agency of the City of Modesto, held on the 7th day of June, 2005, by
Agencymember Marsh, who moved its adoption, which motion being duly seconded by
Agencymember Hawn, was upon roll call carried and the resolution adopted by the
following votes:

AYES: Agency Members: Dunbar, Hawn, Jackman, Keating, Marsh,
O'Bryant, Chair Ridenour

NOES: Agency Members: None

ABSENT: Agency Members: None

ATTEST: 
JEAN ZAHR, Secretary

(Seal)

APPROVED AS TO FORM:

By: 
MICHAEL D. MILICH, General Counsel

Exhibit “B” Budgetary Control & Authority

The Redevelopment Agency’s Budgetary Control & Authority policy is adopted by the Agency as a part of the resolution adopting the annual budget.

Basic Policy

The Agency budget is adopted at the fund level, and the authorized amount of expenditure for each fund is listed in Exhibit “A” of the budget resolution.

Multi-year appropriations authorized in previous years and not yet expended continue to be valid until explicitly revoked, notwithstanding the annual appropriation shown on Exhibit “A.”

Executive Director’s Authority

The Executive Director may take the following budgetary actions without Agency approval:

- Transfer appropriations between and within a fund
- Appropriate unbudgeted Agency revenues
- Appropriate reserves approved for litigation on a case-by-case basis
- Revoke multi-year appropriations and close CIP projects

Finance Officer’s Authority

The Finance Officer may take the following budgetary actions without Agency approval:

- Appropriate unbudgeted grant interest
- Make technical budget corrections to implement the intent of Agency-approved actions and resolutions
- Transfer appropriations between sub-funds of a single fund.

Assistant Executive Directors’ Authority

The Agency Assistant Executive Director may take the following budgetary actions without Agency approval:

- Transfer appropriations between non-salary line-items within a department, within a single fund

Actions Reserved to the Agency

All other budgetary actions require the approval of the Agency. In addition, the following specific actions always require Agency approval, any other provision of this policy notwithstanding.

- Appropriation of undesignated reserves
- Appropriation of revenues
- Budgeting of inter-fund transfers
- Budgeting of inter-fund loans
- Creating or increasing any multi-year appropriation including CIP projects