

Five-Year Implementation Plan, 2005-2009

Savo Island Redevelopment Project Area

June 2004

Prepared by

**City of Berkeley
Redevelopment Agency
2118 Milvia Street, 3rd Floor
Berkeley, CA 94704**

I. INTRODUCTION

The Community Redevelopment Reform (CRR) Act of 1993 requires redevelopment agencies to adopt a five-year implementation plan for every redevelopment project area for each five-year period that the project area is in operation and until the project area is complete. After the implementation plan is adopted by the redevelopment agency, the Agency is required to prepare a mid-term review of the plan and conduct a public hearing between the second and third year after the plan adoption. This Five-Year Implementation Plan for the Savo Island Redevelopment Project Area, referred to for the remainder of this report as the “Plan”, has been prepared in accordance with the CRR Act of 1993.

This Plan presents a brief description of key blighting conditions, the goals and objectives of this Five-Year Implementation Plan, and the Savo Island Redevelopment Area’s programs and budget.

II. BLIGHTING CONDITIONS

Sections 33030-33039 of the California Health and Safety Code outline the legal framework for establishing a redevelopment area. The code states that redevelopment may be required in the interest of the health, safety, and general welfare of people in communities that are plagued by blighted areas, which constitute physical and economic liabilities. It must also cause a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.¹

In order to establish a redevelopment area, California Redevelopment Law requires that blighting in the area be substantiated by at least one physical *as well as* one economic condition. Although the City of Berkeley has an anti-blight ordinance, it is the guidelines under California Redevelopment Law that determine blighted conditions and the criteria for establishing a redevelopment area.

III. BACKGROUND


History and Location

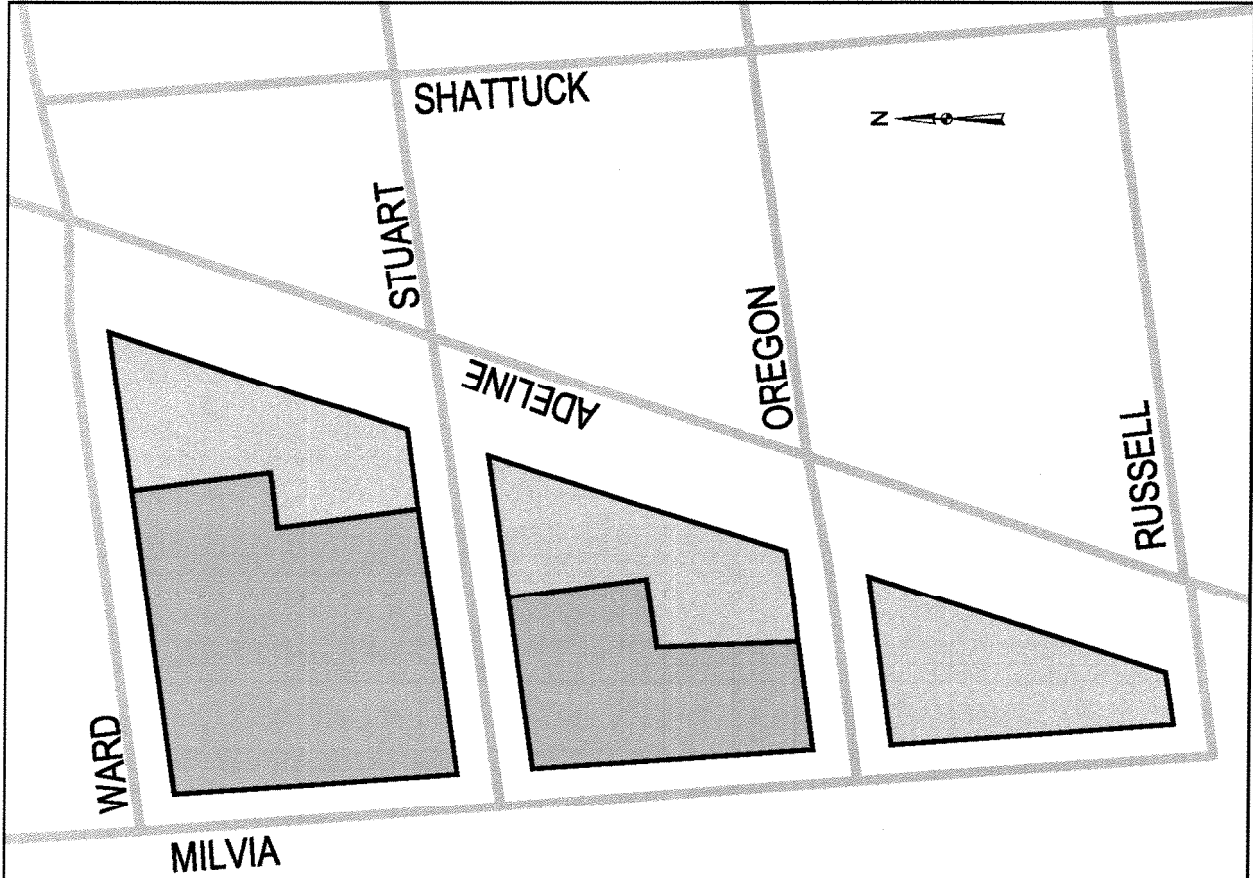
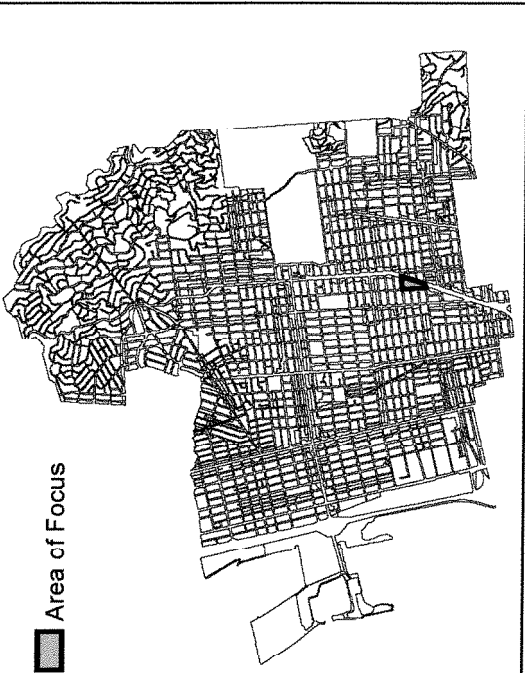
The Savo Island Redevelopment Project Area Plan was originally adopted on September 9, 1975. The Project Area is a rather small triangular shaped area consisting of three City blocks in South Berkeley bound by the following streets: Adeline, Russell, Milvia and Ward (Map 1).

¹ California Health and Safety Code, Sections 33030-33039.

Savo Island Redevelopment Area

	South Area Commercial
	Restricted Multi-Family Residential

 Area of Focus



Map is for illustrative purposes only
Last updated: June 28, 2003
Prepared by the City of Berkeley Planning and Development Department
"Planning a Safe and Sustainable Future for Berkeley"

Conditions of Blight

At the time of its establishment in 1975, the Savo Island Project Area was characterized by existing buildings and structures that were used or intended to be used for habitation and were considered unfit or unsafe to occupy; economic dislocation, deterioration or disuse due to faulty planning; the subdivision and sale of lots of irregular form and shape and inadequate size for proper usefulness and development; the existence of inadequate streets, open space and utilities; the prevalence of depreciated values and impaired investments; social and economic maladjustments; and, in some parts of the Project Area, a growing or total lack of proper utilization of areas that resulted in stagnate and unproductive conditions.

The Project Area Plan addressed these conditions of blight by identifying the following goals and objectives:

- To strengthen neighborhood definition;
- To build new low- and moderate-income housing;
- To construct new commercial facilities;
- To eliminate blighting conditions;
- To make public improvements in the Project Area;
- To develop neighborhood facilities; and
- To ensure high quality urban design.

Project Area Time Limits

According to California Community Redevelopment Law, the Project Area's key plan date limits are as follows:

- Time Limit to Incur Debt: December 31, 2014
The Agency cannot issue bonds, receive loans or accept cash advances after this date, except to incur debt that will be paid from the Low and Moderate Income Housing Fund (LMIHF) to fulfill the agency's housing obligations.
- Time Limit on Plan Effectiveness and Activities: September 9, 2015
After this date, the Agency cannot undertake any activities under the plan except to pay previously incurred debt and enforce existing contracts and obligations.
- Time Limit to Collect Tax Increment: September 9, 2025
The Agency may not pay indebtedness or receive tax increment after the above date.

IV. REDUCTION OF BLIGHT THROUGH PAST ACTIVITIES

The Agency's only capital and/or housing project in the Project Area was the development of the Savo Island Cooperative Homes in 1980. This limited equity cooperative consists of 57 units spread over Ward, Stuart, Milvia and Adeline Streets. The project provides two-, three- and four-bedroom units of family housing with ten of the units reserved for seniors. The Cooperative is

partially funded by Section 8² and Section 213³ subsidies. Since 1994, the Section 8 contract has been renewed annually in November.

Between 1980 and 2002 there were no other capital or housing projects completed by the Agency in the Savo Island Project Area. In the spring of 2002, the Savo Island Cooperative Homes approached the City's Housing Department to request a loan to renovate and rehabilitate the 20-year-old development. Since the property is within the Savo Island Project Area, the Agency borrowed \$600,000 from the City's Retiree Medical Trust Fund⁴ in order to offer this loan to the Savo Island Cooperative Homes. Meanwhile, the Housing Department began negotiating with the Cooperative. As part of this process, the Housing Department requested documentation stating the residents' income and monthly cooperative payments. The Cooperative was unable to provide this information and the negotiations stalled. Since then, the Cooperative has found other funding to complete rehabilitation of the development project.

Since the City was unable to loan the funds to the Cooperative, the Housing Department requested to use a portion of the \$600,000 for an alternative affordable housing project. In 2003, the Agency transferred \$275,000 of the original \$600,000 loan from the City to the Housing Trust Fund (HTF) to assist in the development of the Senior Jubilee Apartments affordable housing project at 2577 San Pablo Avenue.

V. IMPLEMENTATION GOALS AND OBJECTIVES

Over the next five years, the Berkeley Redevelopment Agency proposes to focus on the following goals for the Savo Island Redevelopment Project Area:

Goal 1: To use the remaining \$325,000 in funds, previously borrowed from the City, to expand and improve the City's supply of affordable housing.

Goal 2: To use the Savo Island Tax Increment to meet the State-imposed Educational Revenue Augmentation Fund (ERAF⁵) obligation.

² Section 8 is a federally subsidized housing program administered by the US Department of Housing and Urban Development (HUD) where the tenant pays up to 30% of his or her adjusted monthly income and HUD pays the difference between that amount and the market rent.

³ Section 213 insures lenders against loss on mortgage defaults. Section 213 enables nonprofit cooperative housing corporations or trusts to develop or sponsor the development of housing projects to be operated as cooperatives. Section 213 also allows investors to provide good quality multifamily housing to be sold to non-profit corporations or trusts upon completion of construction or rehabilitation.

⁴ In 2002, the Agency borrowed \$600,000 from the City with the goal of providing a rehabilitation loan to the Savo Island Cooperative Homes. The Cooperative then declined the loan, and the Housing Department is now looking to support other affordable housing opportunities with the money.

⁵ Educational Revenue Augmentation Fund (ERAF) was established as part of the reallocation of property taxes mandated in fiscal years 1992-93 and 1993-94 by the State during the State's last budget crisis. Property taxes were reallocated from counties, cities, and special districts to school districts via the ERAF, thereby reducing State General Fund allocations to school districts. These reallocations were made a part of the tax allocation process and, as part of this transfer, California redevelopment agencies must now pay a portion of tax increment funds to the ERAF.

VI. PROPOSED AGENCY ACTIVITIES AND BUDGET

Proposed Activities

There are currently no capital projects or programs in the Savo Island Redevelopment Project Area, and there are none planned for the future. There is only one parcel in the Project Area that meets the conditions of blight and the property owner is currently submitting plans to the Planning Department to develop the property into a live-work space. There are no streetscape or infrastructure improvements required. The Project Area's build out capacity has been reached and there are no potential vacant sites for infill development.

The Savo Island Capital Project's Fund has a beginning available cash balance of \$325,000, which consists entirely of the remaining balance from the \$600,000 loan that the Agency borrowed from the City's Retiree Medical Trust Fund in 2002. Since the Housing Department is primarily responsible for addressing issues that relate to the City's affordable housing stock, the Agency proposes transferring the Savo Island Project Area fund's remaining balance of \$325,000 into the Housing Trust Fund (HTF) at the beginning of fiscal year 2005. This action will expend the entire balance of the Savo Island Project Area fund.

The Agency will continue to satisfy the annual 20% housing set-aside⁶ funding required by the State, however, the blighting conditions in the Savo Island Project Area have been addressed. The Project Area and the City would now benefit by contributing these funds to the HTF and supporting the development of additional affordable housing through out the City.

Low- and Moderate-Income Housing Fund Requirements

Since 1994, California Redevelopment Law has required redevelopment agencies to set aside 20% of a project area's tax increment for the production of Low- and Moderate-Income Housing (LMIHF). As a result of this new law, the Agency is required to set aside a minimum of 20% of the tax increment per year for affordable housing production until its closure in 2025. In fiscal year 2003, the Agency transferred \$128,485 for nine years (1994 to 2003) of previously unpaid set-aside to the LMIHF. In fiscal year 2004, the Agency resumed annual payments to the LMIHF in order to satisfy the 20% housing set aside obligation.

2004-2009 Projected Budget

As illustrated in Table 1, the five-year budget for the Savo Island Project Area includes the annual projected tax increment revenue, the State required 20% Housing Set Aside, the debt service⁷, and the Agency's ERAF payments. As of June 30, 2003, the starting available cash balance in the Debt Service Fund was \$170,240⁸.

⁶ For each redevelopment plan adopted, an agency is generally required to set aside at least 20% of all tax increment generated from the project area for the purpose of increasing, improving, and preserving the community's supply of low- and moderate-income housing.

⁷ The Debt Service is for the \$600,000 loan that the Agency borrowed from the City's Retiree Medical Trust Fund in 2002.

⁸ This Fund balance consists of the total tax increment remaining after the Housing Set Aside and debt service have been paid.

The available cash balance in the Debt Service Fund consists entirely of the tax increment received for the Savo Island Project Area. The Fund's expenditures include the 20% Housing Set-Aside obligation and the debt service for the \$600,000 City loan. After these expenditures, the Agency proposes using the remaining tax increment to pay the State required ERAF. The balance in the Debt Service Fund will pay for the Agency's entire ERAF obligation through fiscal year 2005-2006. Beginning with fiscal year 2006-2007, staff projects that there will be insufficient tax increment from the Savo Island Project Area to pay the entire ERAF amount and it will have to be supplemented with the tax increment from the West Berkeley Project Area in order to meet this obligation. At the end of fiscal year 2008-2009, the Agency projects that there will not be any surplus tax increment and no available cash balance.

The Savo Island Capital Projects Fund balance is \$325,000 and consists entirely of the remaining \$600,000 City loan. The Agency will transfer these funds to the HTF at the beginning of fiscal year 2005 to assist with the production of affordable housing in the City. Once the funds are transferred, the ending available cash balance will be \$0 and there are no current or future capital projects planned for the Savo Island Project Area.

Table 1. Projected Five-Year Budget for the Savo Island Project Area

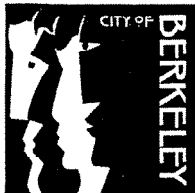
Year	REVENUES		EXPENDITURES				TOTALS	
	Tax Increment ¹	Interest Income	Required 20% Housing Set Aside	Required Debt Service	Trustee Fee-Savo Island	ERAF Payments ⁴	Debt Service Fund Projected Year-End Available Cash	Savo Island Capital Projects Fund (Transferred to HTF) ³
2004-2005	\$130,543	\$700	\$26,249	\$58,240	\$6,000	\$145,00	\$40,176 ²	\$325,000
2005-2006	\$133,153	\$719	\$26,774	\$58,320	\$6,000	\$82,954	\$0	\$0
2006-2007	\$135,816	\$733	\$27,309	\$57,360	\$7,000	\$44,880	\$0	\$0
2007-2008	\$138,532	\$748	\$27,856	\$57,360	\$7,000	\$47,064	\$0	\$0
2008-2009	\$141,302	\$763	\$28,413	\$58,240	\$7,000	\$48,412	\$0	\$0
Totals	\$679,346	\$3663	\$136,601	\$289,520	\$33,000	\$486,34	\$0	\$0

¹ Projected tax increment is based on a 2% annual growth rate.

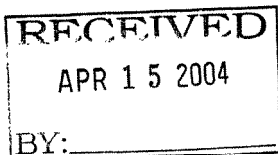
² This total includes the previous year's fund balance of \$144,422.

³ This is the remaining balance from the \$600,000 loan that the Agency borrowed from the City's Retiree Medical Trust Fund in 2002.

⁴ These are projected payments, however, the Governor may revise agency contributions in future years. Beginning in fiscal year 2006-2007, there will be insufficient surplus tax increment in the Savo Island Debt Service Fund to pay the entire ERAF obligation.



Housing Department
Office of the Director



April 12, 2004

Tamika Hopson, Board President
Savo Island Cooperative Homes
2017 Stuart Street
Berkeley, CA 94703

Dear Ms. Hopson:

I am writing to close out a request received by the City in 2001 from Savo Island Cooperative Homes for a grant or loan to renovate the property. It is my understanding that the Savo Island Cooperative has obtained other financing and that City assistance is not needed.

In 2001 the City lent the Redevelopment Agency funds to use for this project or for other affordable housing projects in the City. We plan on assigning these funds to the Housing Trust Fund, which is open to a wide range of proposals to support affordable housing projects. Should the Savo Island Cooperative need City assistance in the future, it is eligible to apply to the Housing Trust Fund. Proposals for the next funding cycle will be due in July 2004.

For information about the Housing Trust Fund, please contact Ruth Nazario at 981-5419. Should you have any questions about this letter please feel free to call me at 981-5401.

Sincerely,

A handwritten signature in cursive script that reads "Stephen Barton".

Stephen Barton, PhD
Director of Housing

cc: Dan Marks, Planning Director
Ruth Nazario, Community Development Project Coordinator

