

County eases demand for redevelopment share

By BOB SMITH

Santa Cruz County officials have apparently softened their demands for a portion of the tax money from the Capitola Redevelopment Agency.

With less than two hours to go last Thursday evening before the beginning of a pro-forma public hearing on the city's Redevelopment Plan for the 41st Avenue area, Capitola City Manager Steve Burrell was handed a letter Thursday evening by County Administrative Officer George Newell and his assistant, Pat Busch setting down new conditions for the county's acceptance of the Capitola Redevelopment Project.

City officials have no comment on the letter so far, saying they are still analyzing the county's proposal for a large share of the \$44.3 million in property tax revenues that could be funneled

into the city Redevelopment Agency over the next 30 years.

The county proposal was entered into the record of a public hearing on the Redevelopment Project Thursday night, but was not discussed otherwise by the City Council or city officials.

City Manager Burrell said the council will probably discuss the city's response to the county proposal during a special budget study session Thursday at 7 p.m. in the second floor city hall conference room.

Busch and Newell are suggesting that the Redevelopment Agency share its incremental property tax revenues — the tax money generated by the increased value of property in the Redevelopment Area as a result of public works improvements made there — on a sliding scale that changes three times in a 30 year

period.

Initially, the county was demanding 35.6 percent of the incremental property taxes from the redevelopment area and a minimum \$200,000 a year in city sales tax revenue as its price for not contesting the redevelopment project. The county's newest proposal has softened those demands considerably and the money would be split between the county general fund, library, county special districts and the "bail-out" fund now used to prop up the fire and library districts.

The county is now asking for 22.96 percent of the incremental property tax revenue for its general fund over the next 30 years. But it has dropped its proposal for \$200,000 a year in city sales tax money.

During the first 10 years of the project, the Agency would keep 77.04 percent of the incremental property tax revenues.

In years 11-20, the Redevelopment Agency share drops to 61.91 percent because 15.13 percent of the property tax increment money would be deposited in the county-controlled Special District Augmentation Fund.

The county general fund share of 22.96 percent remains untouched.

In years 21-30, the distribution changes again.

The Agency share drops fractionally to 61.04 percent, the Special District Augmentation Fund to 10 percent with the excess divided between the county library fund (3 percent) and a county special district fund (2.7 percent).

The county officials are proposing that the city also provide the Live Oak and Soquel fire protection districts with a site for a new fire station — allowing the districts to close their Thurber Lane and Soquel fire stations.

The city would also buy the Capitola Fire Protection District land for a new fire station.

The county is also demanding that the city use Redevelopment Agency funds to build a new 7,000-square-foot library for the Capitola-Live Oak area, and commit nearly \$9 million to low and moderate income housing projects, with about half of the money being used in the unincorporated areas of the county.

Busch said the latest county proposal "represents a substantial compromise of the county's concerns. It is tendered as a construction compromise of our differences which allows the agency to accomplish its objectives, provides public improvements of regional significance and alle-

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viates some of the financial burden and detriment resulting from the use of tax increment financing."

City officials used a stage play-like script during the public hearing held last Thursday on the Redevelopment Project plan.

Capitola's proposal to use the state Redevelopment law to finance public works improvements in the 41st Avenue is based on the contention that the Capitola Mall and surrounding commercial area is economically "blighted".

Redevelopment consultant Jim Burns defended that assumption Thursday night, telling the City Council-Redevelopment Agency Board of Directors that traffic circulation in the freeway interchange would be at service level "D" (very poor with long waits at intersections) in the next couple of years without the mall expansion now proposed.

The state does not now show 41st Avenue freeway interchange improvements its five year plan, Burns said, meaning that it would be at least six years before design work would start on the project, and eight or nine years before it was completed.

In the Grace Street residential area, the lack of curbs, gutters and sidewalks as well as drainage facilities, presents a hazard to small children.

Overhead utility lines on 41st Avenue and Capitola Road are unsightly and unsafe, Burns added in his justification of the Redevelopment Project.

He said retail sales rose only six percent in the Mall in 1979-80 while sales countywide rose eight percent — an early warning of future problems at the Mall.

The \$34.5 million project cost, raised to \$45 million last Thursday by the council, would include all project costs including bonds and interest costs.

Raising the project cost to \$45 million would give the city some leeway to meet the county's demands for providing sites for fire stations as well as a county library.

The Redevelopment Agency does not have the power, special redevelopment attorney David Beatty told the council, to condemn residential property.

Trying to offset some audience worries that the agency would buy up homes in the 42nd Avenue-Grace Street area and then demolish them for new development, Beatty said "the only way that the agency would acquire residential property is if the seller wished to sell it voluntarily. The city can not condemn.

"We do not expect any displacement at all, but if there is, it can only be commercial displacement."

"The heart of this plan is the construction of basic public improvements for environmental and economic reasons," Beatty added.

Only three audience members spoke against the plan during the public hearing which lasted about one hour and included all of the elements of a hearing required by the state.