

Redevelopment may benefit neighborhoods

Capitola's proposed redevelopment project in the 41st Avenue area will result in a lot of money being channeled into fixing up the surrounding residential neighborhoods.

Under the state's redevelopment laws, City Planning Director Dick Steele said recently, 20 cents of every dollar spent by a Redevelopment Agency such as Capitola is proposing must be used for low and moderate income housing in the project area.

This means, in Capitola's case, Steele said, that with a public works budget that could grow — with the impact of inflation — to \$8 million in five years, that the city will have another \$2 million or so to either build new housing for low and moderate income families in the area or channel the money into fix-it-up projects in the residential areas east of 41st Avenue and north of Capitola Road.

In 1982 dollars, the city wants to spend about \$5

million on public works projects that include widening the 41st Avenue freeway bridge from two lanes to four lanes, extending Clares Street around the Capitola Mall to link up with Capitola Road, and widening that street to handle increased traffic.

All of these improvements are supposed to make it conducive for new commercial development in the Capitola Mall area, and lessen the chance of major department stores and their satellite shops being syphoned off to other parts of Santa Cruz County.

The city has already budgeted \$495,000 for housing rehabilitation in the project's residential areas, and another half million dollars for improvements to 42nd, 43rd and 44th Avenues and Capitola Road east of 41st Avenue.

But if inflation continues, the present \$5 million estimate for the public works improvements could be pushed up 50

percent in the next five years, Steele estimated, and that will raise the amount that the city, under state law, must spend on housing for low and moderate income families.

Likewise, he said, any costs incurred by the Redevelopment Agency such as bond interest, would also raise the housing share of the total project.

Low and moderate income limits are spartan in Santa Cruz County.

State guidelines that would be followed in a redevelopment project defines a low income family as making less than 80 percent of the median income for all Santa Cruz County families of the same size.

For a family of four, that means that the yearly W-2 form can't exceed \$17,300.

A moderate income family is defined as a household in the 81 to 120 percent of median income range. The four person family income there must

be under \$24,840, Steele said.

The city's redevelopment plan limits the total expenditure for the project area to \$11,000,000 if no bonds are issued, and a maximum of \$34,500,000 if the agency decides to issue revenue bonds to finance major portions of the project.

Currently, Steele said, the city plans to finance most of the work, particularly the housing rehabilitation work, on a pay-as-you-go basis. But revenue bonds could be issued by the agency to finance major portions of the project when there wasn't enough money otherwise available, Steele said.

Those bonds and the pay-as-you-go work would be paid for from property tax increment increases channelled into the Redevelopment Agency's coffers.

The process is controversial one for other governmental agencies to accept because it entails freezing the property tax roll at its current value for the Redevelopment Project area, with taxes derived from any increases in assessed valuation going into the

Redevelopment Agency's coffers to pay off bonds or finance work done by the agency.

Everything goes back to normal once the Redevelopment Agency bonds are paid off or the work is completed, but that could take as long as 30 years.

Santa Cruz County officials led a recent fight against a Scotts Valley redevelopment proposal, basing its opposition on the tax loss to other agencies in the county that now receive property taxes. The effect, the county computed, could be measured as far away from Scotts Valley as Aptos in the amount of money that the Midcounty fire department would receive in property tax collections.

A draft environmental impact report prepared for the city and now being reviewed by the public and other governmental agencies estimates that the agency's share of the

property tax receipts from the project area would rise from \$44,291 in 1981/82 to \$1,001,251 in 1986/87 if all proposed redevelopment projects are completed in the area, including expansion of the Capitola Mall.

Property tax receipts would continue to grow in the area as the assessed valuation increases.

In the first six years of its existence, the agency, according to the draft EIR, would receive \$3.2 million in property tax receipts.

But the EIR does not forecast as wide an impact on other taxing agencies as does the county-prepared report on Scotts Valley's effort.

It limits its estimates of adverse financial impact to the county, Capitola and the Central Santa Cruz County Fire Protection Districts, schools and other agencies that levied taxes on the area before the passage of Prop. 13.