

## CITY QUALIFIES FOR CASH CREDITS

# Santa Cruz Can Get 'Free' \$3.5 Million Renewal Job

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SANTA CRUZ — City of Santa Cruz can carry out a new \$3.5 million federal urban renewal project without putting out a nickel of its own money. In fact, the city would start off with \$300,000 in hand.

This is because of "cash credits" the city qualifies for as a result of its San Lorenzo Park redevelopment project.

The "surplus" carryover has come to light as the local Redevelopment Agency prepares to close out its books on the existing project.

A "free" project is too good to be true?

Not from the city's standpoint. The project would be subsidized by the Federal Government.

Besides direct benefits from the existing urban renewal project, the city has benefited with federal support for indirect public improvements.

Such improvements include \$360,000 for widening Soquel avenue bridge; \$187,270 for Water street bridge and street work; \$49,402 for the Ocean street improvement and bridge work there; and a city park including a \$17,275 comfort station.

Agency funds were spent for these projects because they indirectly benefitted the project area.

Martha Gion, Agency executive director, says there are two main reasons why they were able to pile up so many cash credits.

One reason, she said, is that the Agency was successful in getting the Federal Government to increase its share of the project from two-thirds to three-fourths of the net cost of the project.

Another reason is improvements the city has made that directly helped the project

area. Part of the money the city spends for such a project is considered local "cash credits," which goes toward the city's one-fourth share of the net project cost.

In Santa Cruz' case, the cash credits exceed its local contribution.

Here's the way it works. The city spent \$100,000 for a park in the project area. But the city gets the money back in the form of cash credits because the park benefits the overall project.

The city also got cash credits for the Santa Cruz County Government Center located in the project area.

It also is seeking \$400,000 in cash credits for the new main library and new City Hall addition. "These projects are about two blocks from the project area but close enough to help benefit it," said Mrs. Gion.

Fancy paper work?

Mrs. Gion says the federal money is available to help smaller cities help themselves by improving their lot.

"The city had the fortitude to go ahead with the project and it is now getting the benefits," she said.

The question of whether the city will start a new project is up to the City Council. The council officially has taken no stand on the matter, but unofficially has indicated it isn't too keen on the idea.

There's also the question of whether federal funds are available for a new project because of the current tight money situation, said Mrs. Gion.

City officials, however, have made it clear they would like to get \$300,000 surplus the agency will have when it closes its books. The officials want the agency to use the money for a parking garage to help solve the downtown parking problem.

The "surplus" isn't really a surplus. The agency in 1962 issued \$281,000 in bonds to pay off the local agency's cash contribution for the project. Called tax increment bonds, they are being retired annually from tax revenue collected from the project area.

It works this way. The project area, before redevelopment, was assessed at \$721,700. The same area in 1968-69 was assessed at \$1,590,530.

The tax revenue collection over and above the \$721,700 goes to pay off the bonds.

Agency members say the various taxing agencies, such as schools and the county, get

the same amount in taxes that they would before the land was redeveloped. The rest of the revenue goes to pay off the bonds.

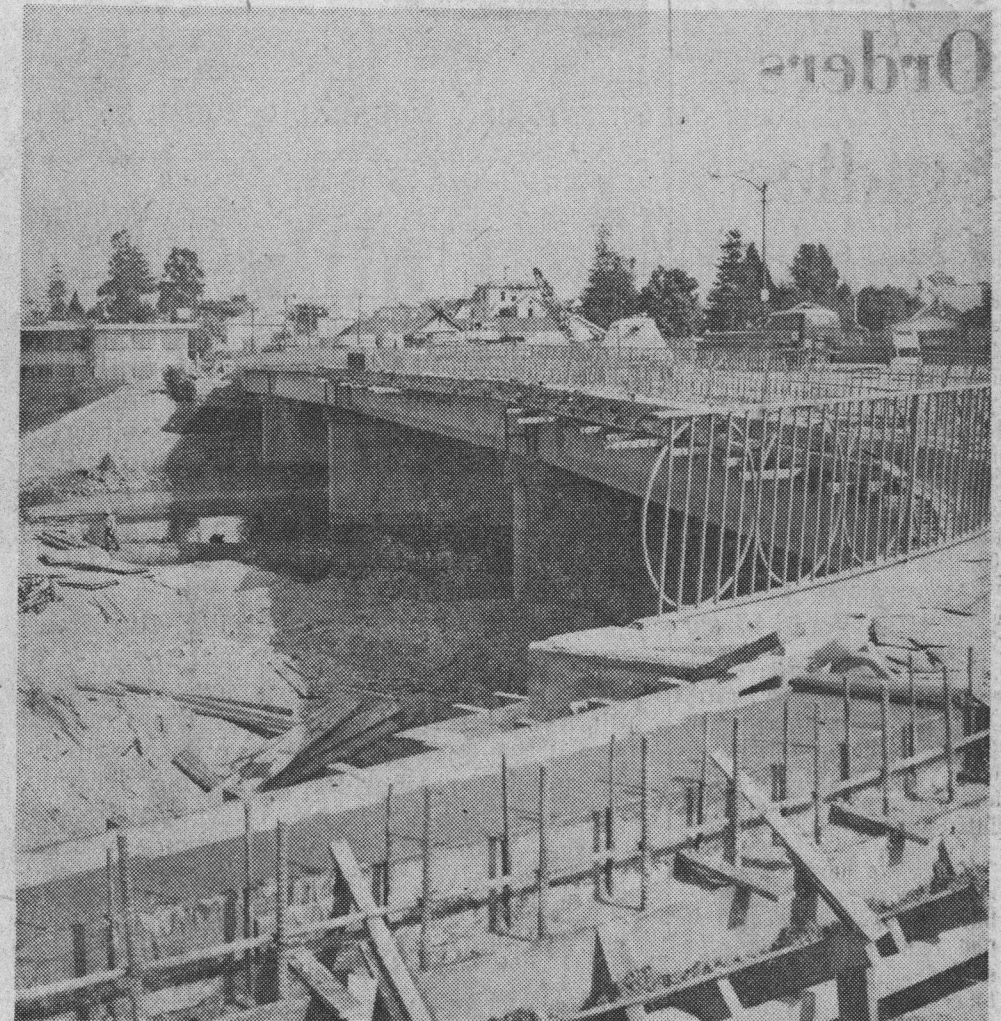
This, however, poses the possible legal problem.

The project has a \$300,000 surplus that could buy out the bonds sold to cover the local cash deficit.

If this is done, then the school districts and other local taxing agencies would get the full amount of taxes from the project area.

The Agency, however, has

One of the "side" benefits City of Santa Cruz is getting from its federal urban renewal project is widening of Soquel avenue bridge. Santa Cruz Redevelopment Agency authorized \$360,000 for the job.



## Bridge Benefit

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indicated the \$300,000 surplus should go for some of their use. Agency members at a meeting this week indicated they favored the parking proposal.

Mrs. Gion said this is another benefit the city started because of the project.

"What would have happened to the area if it wasn't redeveloped?" she said.

Mrs. Gion said that federal money is available to help cities like Santa Cruz improve their downtown

core area.

"After all, if your downtown core area fails economically, so does the entire city."

The gross cost of the project is given as \$6,140,535, including local non-cash credits of \$1,626,402. The overall cost includes buying the property, razing buildings on it, and redeveloping the site.

The sale of the land brought in \$2,157,884. This brings the net cost of the project to \$3,982,651, of which federal government pays three-fourths and the city one-fourth.