



MEMORANDUM

DATE: February 17, 2012

TO: Mayor Romero and City Council Members
City Employees
Members of the Public

FROM: Steve Duran, City Manager

SUBJECT: City Manager's Weekly Report

REDEVELOPMENT AGENCY BOND PAYMENT ISSUES

The Hercules Redevelopment Agency, which as of February 1, 2012 no longer exists, went into technical default on its February 1 bond interest payment of approximately \$2.4 million. The bond holders were paid because they are protected by bond insurance and a separate bond fund from which bond payments may also be drawn. The basic problem is that the Agency has no money and its fund balance is negative, even with the approximately \$4.1 million in tax increment income received in December. The City's pooled cash can simply no longer afford to subsidize the Redevelopment Agency. To do so at this juncture would leave the City's general fund balance insufficient to continue operations.

The Redevelopment Agency bond insurer, Ambac, filed suit in Superior Court in Martinez to force the City to immediately turn over \$4.1 million to the Redevelopment Agency bond trustee and attach certain real property as security. The court ruled against Ambac on January 31, 2012, however a hearing was scheduled for February 21 on to consider the merits of Ambac's request for immediate relief. That hearing has been postponed by mutual consent of the parties to allow more time to negotiate a settlement. The court date is currently scheduled for March 6th, but the parties are continuing to negotiate a settlement agreement. Ambac has signed a confidentiality agreement relating to the City providing information on City assets and finances, and at Ambac's insistence, the details of any settlement agreement will also be confidential.

A special City Council meeting is scheduled for Tuesday, February 21 to discuss this item in closed session with the hope that a settlement agreement will be ready for City Council consideration. Patrick Tang, David Baum, Liz Warmerdam and I continue to work with outside counsel to finalize negotiations.

COMMUNITY AND ECONOMIC DEVELOPMENT UPDATES

ITC - Bayfront Project: This project seeks to move the City toward the ultimate goal of building an inter-modal transit (ITC) center and to provide the Bayfront developer with development entitlements for medium to high density transit oriented development. This project proposes to develop a 42.36 acre portion of the City of Hercules Waterfront District master Plan (WDMP) area with the “Hercules Bayfront Project,” a transit-oriented, mixed-use neighborhood that includes a variety of dwelling unit types with businesses, an associated system of walkable streets, pedestrian interconnections, and public plazas with bay views.

We are nearing the finish line in the complex negotiations for Purchase and Sale Agreements and Development Agreements related to the Bayfront ITC project. Patty Curtain, Charlie Long and I have reviewed the final drafts of the various documents and the last details are being finalized today. It looks as though we will be able to solve the problem a “what if” scenario arises in which the City does not have cash to close escrow by June 30, 2012 on the ITC site.

On January 27, the West Contra Costa Transportation Advisory Committee (WCCTAC) unanimously recommended that the Contra Costa Transportation Authority (CCTA) approve a new funding plan for the Hercules Intermodal Transit Center (ITC), which would provide Measure J funding for acquisition of land for the ITC and other items related to the transit center. The CCTA is scheduled to consider this item on the evening of Wednesday, March 21. Without this funding, the City will have no cash available for site acquisition and future funding would also be delayed.

Sycamore Crossing: The Purchase and Sale Agreement for Sycamore Crossing was approved by the City Council on January 24. The buyer, Property Development Centers (DPC) is a wholly owned subsidiary of Safeway and plans to build a 55,000 to 65,000 Safeway store and gas station near the southwest San Pablo Avenue edge of the site, with restaurants at the corner of San Pablo Avenue and Sycamore, and two or three story residential units on Sycamore facing Sycamore North. The first order of business is removal of a deed restriction, which could be a major obstacle to moving this project forward. The City’s obligation for removal of the deed restriction is capped at \$200,000, so if this costs more, the City and Safeway may negotiate how to fund the cost or walk away Agreement. The project will, of course, need to go through the normal Planning Commission review and approvals. Staff will be engaging the Planning Commission design review sub-committee in particular throughout the design phase of the project. However, until the deed restriction issue is settled, DPC will not be spending much time or money on design.

Sycamore North: The existing structure at Sycamore North is a failed project. The City and Redevelopment Agency tried to develop and fund a project that no developer would touch and could not be financed because the cost to construct greatly exceeds the value when completed. As late as six month ago, the City was considering demolishing the structure, lopping off two stories or and selling it to an affordable housing developer for a 100% low income project. These were all bad options. The project was then declared failed and marketed as a market rate project. Presidio Development Partners was chosen from several qualified buyers due to their responsiveness to the city’s financial obligations and a quick close of escrow. The Purchase and Sale Agreement (PSA) for Sycamore North should be ready for City Council consideration in March. Staff is working with CBRE and Presidio Development Partners to supply all due diligence items necessary to evaluate the property. Presidio has now requested to change most of the ground floor to residential uses,

which will require Planning Commission approval, at least at the design review level. The requested change was requested because the site is not considered a prime retail site in comparison with the competition, including the Market Hall/Red Barn site and Sycamore Crossing, which are the City's two best remaining retail sites. The increase in residential units also makes the project more economically viable and financeable.

Parcel C and Victoria Crescent: These properties are being actively marketed and offers have been received on both properties. Staff is now evaluating the offers to determine the best developer or developers with which to move forward. In marketing the sites, the use of the site was open to retail, office/R&D and or residential; however, only residential offers have been received. This is not surprising, as retail developers and brokers have been enthusiastic about Market Hall/Red Barn and Sycamore Crossing and the only retail interest in Parcel C or Victoria Crescent has been for big box and Parcel C, which would not be compatible with the planned Bayfront-ITC plan or existing uses. As always, any proposed project will be evaluated by the Planning Commission in the areas of existing zoning, CEQA requirements and design review.

PLANNING DEPARTMENT UPDATES

Affordable Housing: The Planning Department, wearing another hat, has been managing the Redevelopment Agency's affordable housing programs for some time. They are currently leading the effort to transition the affordable housing program to the County Housing Authority. They are coordinating with the finance department. Staff is struggling to keep up with the extraordinary burdens brought on by death of Redevelopment as a tool and a source of funds for projects that are not otherwise feasible. The staff cost of transitioning the affordable housing work to the County and winding down the non-housing projects must be subsidized by the general fund, as no redevelopment funds exist.

Interstate 80 (I-80) Integrated Corridor Mobility (ICM) Project: On Monday, Caltrans hosted a public information meeting in Richmond about the I-80 ICM project, a \$93-million regional project that is expected to reduce the impacts of both commute- and incident-related congestion on the freeway, including long delays and stop-and-go traffic, congestion-related traffic collisions, long emergency response times, unreliable commute times, and cut-through traffic. The improvements include: adaptive ramp metering; high occupancy vehicle (HOV) bypass lanes at ramp meters; active management of traffic during freeway incidents using variable advisory speed limits and lane management on the freeway and coordinated traffic signal timing on the local streets; bus priority at traffic signals and ramp meters; enhanced traveler information; and the coordinated operation of all the components.

The project is a cooperative effort between: the California Department of Transportation (Caltrans); the ten municipalities along the corridor (Oakland, Emeryville, Albany, Berkeley, El Cerrito, Richmond, San Pablo, Pinole, Hercules, and Contra Costa County representing the unincorporated areas); AC Transit; WestCAT; Alameda County Transportation Commission; Contra Costa Transportation Authority; West Contra Costa Transportation Advisory Committee; and the Metropolitan Transportation Commission. Construction of the improvements is funded through State transportation bond funds awarded by the California Transportation Commission. As part of this cooperative effort, staff plans to present for City Council ratification on March 13 a

Memorandum of Understanding (MOU) covering the operations and maintenance aspects of the project.

Planning Commission Recruitments: The City is currently recruiting residents to fill two seats on the Planning Commission. The appointments are for two-year terms ending in April 2014.

Applications are available via the City's web site at:

<http://www.ci.hercules.ca.us/index.aspx?page=288>

Applications are due to the City Clerk no later than 5:00 p.m. Wednesday, Feb. 29, 2012. The City Council will conduct interviews on March 21 at 7:00 p.m. and will appoint the positions at the March 27 City Council meeting.

LAFCO Recruitment: The Contra Costa Local Agency Formation Commission (LAFCO) is currently accepting applications for the Regular and Alternate Public Member seats. LAFCO is an independent agency charged with encouraging orderly governmental boundaries and efficient services, discouraging urban sprawl, and preserving agricultural and open space resources. The commission meets these objectives by regulating the boundaries of cities and special districts and conducting municipal service reviews and other special studies. The Commissioners will screen applications and make the appointment. The term of office for the open public member seats is four (4) years expiring in May 2016. Applications must be received in the Contra Costa LAFCO office located at 651 Pine Street, Sixth Floor, Martinez, CA 94553 by 5:00 p.m., Friday, March 9, 2012. More information is available at www.contracostalafco.org, or by calling the LAFCO office at (925) 335-1094.

MUNICIPAL SERVICES UPDATES

Building Permits:

Number of permits issued-----	8
Building permit fees collected-----	\$1,457.77
Number of inspections-----	13
Code Enforcement inspections-----	0

Sewer Lateral Inspection Program:

Applications received-----	3
Inspection fees collected-----	\$375
Certificates issued-----	3
Deficiency notices-----	1
Condominium waivers issued-----	0
Encroachment Permits Issued-----	3
Wide load permits-----	0

On Going Activities:

Stolen wire on San Pablo Avenue between Hercules Avenue and Sycamore has been replaced and all lights are now functional. Lighting between John Muir Parkway and Linus Pauling is still out due to theft. Staff is seeking bids for the work.

Intermittent grading activities continue on Parcel C.

PG&E has requested and been given permission to do pipeline testing at night. They need to do the work at night to avoid stray electrical currents that occur within the electrical grid when BART trains are running. The work will be conducted between the hours of 1 am and 4 am in the railroad area that runs behind Home Depot and between Sycamore and Palm. The work consists of drilling half inch holes through the pathway pavement where it traverses the pipeline. Once the testing is done the holes are plugged. PG&E has assured us that the work is quiet and they will hang door tags before beginning to alert the surrounding neighbors. All work should be completed by March 31st.

Fire sprinkler lines for Sycamore North have been connected and the lines flushed. A temporary fire monitoring system is being installed until the permanent work can be completed.

A large pine tree that had a broken branch that was threatening properties on Falcon Drive was removed by D&H staff.

PARKS AND RECREATION UPDATES

Parks & Recreation

Currently the Park & Recreation Department offers a wide variety of recreation classes and programs that cater to all ages and help to promote a healthy lifestyle. The classes & programs provide a great opportunity to have fun and exercise while interacting with others in a safe environment. You can go online to www.ci.hercules.ca.us to get more information or to register for classes.

Facility Rentals

Looking for a hall to rent to hold a party, wedding reception, graduation, birthday, retirement and baptisms. Check out our many facilities we have to offer by going online to www.ci.hercules.ca.us or call 799-8291 for more information.

President's Camp

Have your child join us for camp during the school break. Activities include arts & crafts, sports and making new friends. Registration opens to the public January 23rd until February 2nd and late registration until February 9th.

Hercules Senior Center Valentine's Day Pancake Fundraiser

Date: Tuesday, February 14, 2012

Time: 7:30am - 10am

Ticket Fee: \$6.00 per person, tickets will be sold at the Hercules Senior Center.

Tickets on sale now thru Thursday, February 9, 2012!

Supported by: Hercules/Rodeo Fire Department & Rotary Club of Hercules

Now hiring for the following part-time positions:

Lifeguard

Sr. Guard

Recreation Leader

Basketball Coach/Referee/Scorekeeper

Should you have any questions regarding the positions listed, please contact the Personnel Department at (510) 799-8214.

WEEKLY POLICE REPORT (Partial List) AS OF FEBRUARY 15, 2012

Warrant Arrest: On February 10, 2012 at 10:02 a.m. an Officer stopped 19 year old Tino Wilson, of Hercules, in the 3000 block of San Pablo Avenue. Tino Wilson had an arrest warrant for possession of controlled substances for sales. He was arrested and transported to Martinez Detention Facility.

Petty Theft: On February 10, 2012 at 12:07 p.m. two Hispanic males attempted to purchase prescription medication at a business in the 1500 block of Sycamore. The subjects were not able to purchase the medication due to not having identification. The subjects left the store with the medication and without paying for the items.

Fraud: On February 11, 2012 at 8:26 a.m. a resident in the 200 block of Coronado reported being a victim of fraud. An unknown suspect accessed the victim's debit card to make purchases.

Fraud: On February 11, 2012 at 2:59 p.m. an Officer contacted 48 year old Kenneth Woodard, of Pinole, in the 100 block of Bobolink. Kenneth Woodard was searched, as a condition of his parole. During the search a copy of a victim's drivers license was located as well as a fraudulent check issued to Kenneth Woodard. Kenneth Woodard also had in his possession a flash drive. The drive was searched and additional fraudulent check images were located. Kenneth Woodard was arrested and transported to Martinez Detention Facility.

Possession of Marijuana: On February 11, 2012 at 9:16 p.m. an Officer contacted a 17 year old juvenile, of Rodeo, during a traffic stop in the 1300 block of Willow Avenue. During a vehicle search a small amount of marijuana was located in the vehicle. The juvenile was cited and released for possessing marijuana to his parents.

Burglary/Stolen Vehicle: On February 13, 2012 at 5:29 a.m. a resident in the 100 block of Dartford reported their vehicle had been stolen from their garage. The theft occurred between 7:30 p.m. and time of call. The garage door had been left open and the car keys had been left in the ignition. The vehicle was located unoccupied at 5:36 a.m. in the 900 block of Dover. The car keys were still in the vehicle.

Domestic Disturbance: On February 14, 2012 at 12:57 p.m. Police were summoned to a residence in the 200 block of Dartford for a domestic disturbance. The victim called to report her boyfriend, 22 year old Alex Aguilar, of El Sobrante, had just choked her. Aguilar and an associate came to the

residence and pounded on the front door demanding entry. When the victim didn't answer, Aguilar's direction the associate to "break it down," started kicking the door. As soon as victim opened the door the victim was pushed to the ground. When she got up Aguilar grabbed her by the waist and started moving her toward a back bedroom; apparently to keep the victim's roommate from hearing her cries for help. Once in the bedroom, the suspect grabbed the victim's throat with both hands causing visible injuries consistent with being choked. The suspects fled the area in a grey Kia with front-end damage, An Emergency Protective Order was granted by the courts.

Warrant Arrest/Possession of Controlled Substance: On February 15, 2012 at 1:18 a.m. an Officer stopped 31 year old Thomas Hernandez, of Richmond. Thomas Hernandez was arrested for a warrant for possession of controlled substance. Thomas Hernandez also was on probation for possession of a controlled substance. During a vehicle inventory search 4.5 grams of methamphetamine was located in the car. Thomas Hernandez was transported to Martinez Detention Facility.

Identity Theft: On February 15, 2012 at 11:01 a.m. a resident in the 100 block of Decatur reported being a victim of identity theft. The victim attempted to file her IRS tax return online, but was rejected due to someone already filing a return with her information.

Identity Theft: On February 15, 2012 at 1:50 p.m. a resident in the 500 block of Turquoise reported being a victim of identity theft. The victim reported someone used her personal information to make online purchases.

Grand Theft Person: On February 15, 2012 at 2:41 p.m. a resident in the 1000 block of Waverly Circle reported he had responded to a Craig's list ad for a subject offering mobile mechanic services. Up front cash was requested to purchase part. During an initial meeting the suspect grabbed the cash from the victim and fled in a vehicle. This case is still under investigation.

Warrant Arrest: On February 15, 2012 at 9:40 p.m. Officers responded to the 100 block of Montego to serve an arrest warrant for 23 year old Alexander Mason for domestic violence. He was arrested and transported to Martinez Detention Facility.

Driving Under the Influence of Alcohol: On February 16, 2012 at 2:01 a.m. an Officer stopped 23 year old Nicole Taylor, of El Sobrante. Nicole Taylor was found to be under the influence of alcohol. She was arrested for DUI and submitted to a blood draw at Hercules Police Department. She was booked and released with a citation.

Parolee at Large/ Fraud: On February 16, 2012 at 1:15 p.m. Hercules Officer assisted Pinole PD with a fraud in progress, where the suspect had fled. The suspect, 21 year old Xavier Watson, of Fairfield, was suspected to be a Parolee at large and considered armed and dangerous. A Hercules Officer located the green Honda traveling eastbound on I-80 near Cummings Skyway. When the Officer attempted to make a traffic stop on the Honda, the driver failed to yield and a pursuit was initiated. The Hercules Officer pursued the vehicle from Cummings Skyway to Redtop Road in Fairfield where he turned over the pursuit to CHP. CHP pursued the Honda to the area of El Bassett Court in the City of Fairfield where the driver and a passenger fled on foot. Watson was located hiding in the attic in a house on El Bassett Court. Watson was taken into custody by Fairfield P.D. S.W.A.T and transported to Solano County Jail.