



MEMORANDUM

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DATE: October 29, 2010

TO: Mayor Kris Valstad and City Council Members  
City Employees  
Members of the public

FROM: Charlie Long, Interim City Manager

SUBJECT: City Manager's Weekly Report

**Citizen's Input Meeting Held:** As we discussed at the Council Meeting on Monday, October 25, I held a community meeting to get input from residents on the Bayfront Project. Approximately 50 community members attended to express their concerns about the status of the project. Many had questions as to when they can expect to see real progress, but were encouraged by the meeting. The meeting was recorded, so anyone interested in the meeting discussion can view the video on the website. I also gave a similar presentation to the City Council on Tuesday and incorporated much of the feedback I received on Monday. A copy of [Tuesday's presentation](#) is available on the website.

**Council Subcommittee meetings:** As I announced at the Council meeting, I am suggesting that the community and organization experiment with a two-month suspension of all Council/Redevelopment subcommittee meetings. The purpose of this experiment is to discuss creating new and better ways to involve and inform the Council and public in City affairs. Options include creating citizen forums at convenient times for citizen access; more comprehensive use of the City Manager's Weekly Report; more workshops. The first sub-committee meetings that would be impacted take place on Tuesday, November 2 and the City Clerk has proceeded with posting cancellation notices. I hope during this two-month time that we can receive lots of suggestions from the public. I will report on the suggestions as they are received and will facilitate a public meeting in December to discuss formulating recommendations that will be presented to the Council in January.

**Bayfront Citizen Survey:** Attached is a copy of the [SRI Community Survey](#) on the Hercules Bayfront and ITC project. This is scheduled for presentation and discussion at the November 9 City Council meeting.

The summary of the survey results is as follows:

- Over one third (35%) of local residents view the Bayfront Project as being a ‘top priority’ for the City; slightly less than half view it as being a ‘medium priority’; 15% see this project as not being a priority, at all
- After hearing arguments both for and against moving forward with the Hercules Bayfront Project at the earliest possible moment, support within the community-at-large does not increase
- Local residents do not support the notion of subsidizing the Bayfront project by waiving, or significantly reducing, Development Impact Fees that are traditionally charged for any housing, commercial, or industrial project within a given community
- Local residents agree with the City’s perspective that it would be fiscally irresponsible to pay significantly more for the property that is needed for the Intermodal Transit Center than the appraised value
- The risk of losing \$8 million in grant money is not a compelling argument or justification for employing eminent domain to secure the acreage needed for constructing the Intermodal Transit Center
- Local residents support the City’s position that the developer should be made to reimburse it for the cost of conducting an Environmental Impact Study before agreeing to move forward with the Bayfront Project
- Hercules residents do not believe the developer should be released from his obligation to address the need for affordable housing
- Well over 2/3rds of local residents believe the Bayfront Project and the Intermodal Transit Center can stand on their own merits
- After learning of both sides of the argument between the City and the developer, 2/3rds of the respondents support the City’s position to hold firm
- Hercules voters will not authorize any form of tax to underwrite or kick-start the Bayfront Project and/or the Intermodal Transit Center

There has been a lot of controversy about this study, with many citizens and the developer feeling that it was an attempt by the City to coerce the developer into agreeing to deal points in a public private partnership. My request and suggestion is that we all recognize that the survey results were gathered outside of the negotiation process without the benefit of all the information related to the issues. The results, consequently, lack context and do not in any way replace the hard work that the City and developer must do to negotiate a fair, open and transparent deal on Bayfront. This means that the poll results

are somewhat beside the point since the survey was conducted without information on project economics, funding sources, accountability, gain sharing, and the many options for land conveyance. These are the issues that the developer and I, with the Council and public's involvement, will be addressing in the next few months as we craft a public private partnership that meets fiduciary standards.

**Bayfront Negotiations:** As I reported at the Council meeting, I met with Jim Anderson for 2 hours on October 25 followed by a phone call on October 26. We have provided him valuation information on the property we need for the Intermodal Transit Center and have requested him to respond with his own information. We have also directed the environmental impact consultants to prepare the EIR for release next week, though we will consult with Jim Anderson before releasing the EIR for public comment. Jim Anderson is transmitting to the City the approximately \$244,000 that is due from his company to pay for the EIR.

As I stated at the Council meetings we are seeking to establish a norm that all issues in the public private partnership are addressed in an information-based discussion.

**Organizational Changes:** Today, I am announcing several changes to the City's organizational structure. The purpose of these changes is to increase operational efficiencies, contain costs and enhance the City's management of staff and projects. The revised [organizational chart](#) is attached.

With the Hercules Municipal Utilities moving in-house and Mike Sakamoto's departure, I have asked Erwin Blancaflor to assume the new job of Utility Manager. This means that he will be responsible for both of our utilities: Wastewater and HMU.

I am creating a new department, Municipal Services and have appointed John Stier as the Municipal Services Director. This department will have four divisions: utilities, asset management, operations and capital project management.

I have asked Liz Warmerdam to become the City's Finance Director and Gloria Leon will serve as Assistant Finance Director. Responsibility for monitoring the contract with Affordable Housing Services will also be placed in the Finance Department. Details on this new organizational change are still being worked out. I welcome comments from the public and the Council.

**Intermodal Transit Center:** Progress on this project the past week includes:

- Working with Amtrak on the schedule adjustment to prepare for the Capitol Corridor train stop in Hercules

- Confirming support of the revised railroad track alignment with Union Pacific; reviewing details of the Bay Trail alignment in the vicinity of Bio-Rad
- Logging comments on the ITC EIR/EIS
- Verifying final wetland delineation with the US Army Corp of Engineers
- Obtaining final signatures on the agreement between the City and East Bay Regional Park District for funding and management of the Bay Trail section at Bio-Rad
- Coordinating with Hercules Bayfront staff on the retaining wall engineering
- Working with the Metropolitan Transportation Commission to move funds for the Bayfront Bridge to the larger ITC project's station construction
- Preparing the \$3.4M Rail Line Relocation grant for submittal on October 29<sup>th</sup>

We are also in the process of scheduling a public meeting to discuss the retaining wall aesthetic design and the interpretive art program.

**Sycamore North Project:** A public Request for Qualifications (RFQ) has been released for qualified parties to submit proposals for the provision of Marketing and Sales Services for the For-Sale portion of Sycamore North. The documents have also been posted to the website: [Marketing/Sales RFQ](#) for those interested in submitting a proposal. Responses to the RFQ are due by Wednesday, November 3, 2010.

**Affordable Housing Activity:** The Affordable Housing Solutions Group (AHSB) also known as NEO Consulting, has prepared the attached Activity Report on all Affordable Housing Programs and other services they have been providing the past several years. The report also shows the investment by the Redevelopment Agency into each program.

Our contracts with AHSB total over \$1.1 million. AHSB reports that it has 5.4 Full Time Employee equivalents assigned to our work, with 3 people located on-site at city hall in Hercules and others off-site. With Mike Sakamoto leaving, many of the services are moving in house. In addition, I believe that some services are not needed. I have asked Walter McKinney to give me a revised scope of work that addresses these obvious issues.

On November 9, I will be bringing a revised scope of work to the Council and Agency implementing an interim adjustment of scope of work to more accurately reflect current organizational needs. This will be followed soon with an assessment of how submit these services to a competitive selection process. I would appreciate comments from members of the public on the Affordable Housing Activity Report.

**Damaged Sound Wall Replaced:** Two damaged sound wall panels were removed and replaced this week at the end of Ben Lomond Street. The damage was caused by two Eucalyptus trees nearby. In addition to installing new panels, the surrounding trees were removed to prevent future damage. The cost for the replacement is \$8,240 plus \$600 for the removal of the trees.

**2010 Street Repaving Project:** Work began on the 2010 Street Repaving Project. The following areas are to be repaved and restriped in this year's program:

- Area 1: Refugio Valley Road from Redwood Road to Miramar
- Area 2: Pheasant Drive from Partridge Rd to Starling Way, Partridge Rd from Pheasant Dr to Swallow Way, and Starling Way from Pheasant Dr to Sparrow Way
- Area 3: Jade Court, Onyx Court, Beryl Court, Lapis Court and Diamond Court
- Area 4: Left Turn Lane on San Pablo Avenue and John Muir Parkway

This week, Area 1, 4 and parts of 2 including Pheasant and Partridge were repaved. Next week, repaving will continue as the weather holds on the remaining sections. Crews will also work on bringing the manhole covers and water valves to the grade of the new pavement. This work requires crews to jackhammer around the manholes which can be alarming to a resident who see someone 'tearing up' the freshly paved road, however, there is no cause for concern. The repaved sections have not yet been striped, as this work takes place a few weeks after the repaving is complete.

**PG&E Air Switch Replacement:** During the week of November 1-5, PG&E will be changing a switch at their substation on Willow Avenue. This change will create a very brief power outage for HMU customers. HMU will be providing temporary power to all its customers during this equipment change. PG&E customers will not be affected by the equipment change. PG&E had planned the replacement for earlier this year but postponed the installation. Some HMU customers may remember that notification. Staff believes the planned installation will take place on November 4<sup>th</sup> or 5<sup>th</sup>. A notice was sent this week to HMU customers to let them know of the upcoming outage.

**Upcoming Events:** Beginning Friday, the Teen Youth Council (T.Y.C.) will be hosting the 11<sup>th</sup> Annual Halloween Haunted House at Market Hall (4000 San Pablo Avenue). There are hours for non-scary tours and regular tours on Friday, Saturday and Sun. Affordable Housing will be holding a Program Orientation on Wednesday, 11/3 in the Gui Van Domselaar room. The orientation provides information on program guidelines, income requirements and the process of obtaining financial assistance. For additional information on these events, or other events happening in Hercules, please visit [the calendar page](#) on the website.

**Earn It! Keep It! Save It!:** On Monday, we posted a [news update](#) to the website on behalf of Earn It! Keep It! Save It! Contra Costa. The program is seeking volunteers to assist with their program of providing low income families tax filing services. I am also encouraging City staff to become volunteers at one of the many sites throughout Contra Costa County. One of the main focuses of the Earn It! Keep It! Save It! (EKS) program is to inform families about the Earned Income Tax Credit (EITC). Depending on household size and income, low income works can receive up to \$5,657 in EITC tax benefits. This translates into more money in the pockets of residents and more spending dollars in the community.

**Golf Tournament Funds Raised:** Parks and Recreation reported this week that the 2010 Golf Tournament held on October 1, 2010 raised \$25,000. The Hercules Titans Boosters and Hercules Explorers will receive \$10,000 each for their participation and the Hercules Education Foundation will receive \$5,000. A check to each organization will be presented at the City Council meeting on November 9, 2010.

**Housing Element:** The Planning Department had a conference call with the California Department of Housing and Community Development (HCD) to discuss the Housing Element draft they submitted in September. HCD asked for clarification on processing, affordable housing criteria, conditional use permit procedures and meeting the required affordable housing allocation. HCD has until November 15 to submit written comments. Once those are received, the draft housing element will be revised and an environmental analysis will be conducted. After the City Council adopts the housing element and certifies the environmental determination, both documents will be submitted to HCD. This is expected to occur in April 2011.

**Monopine Tree at McLeod Ranch:** Last week the branches were added to AT&T's artificial pine tree at McLeod's Ranch, however, it appears inconsistent with the approved drawings. The tree resembles a straight, up and down cypress tree, rather than a conical shape tree as approved. The Planning Department is following up with a company representative to get a more realistic tree installed.

**Political Signs:** The Code Enforcement staff continued to confiscate signs placed illegally on public property. Over 90 signs have been collected, many of which are for ballot measures or Contra Costa County seats.

**Police Department Operations:** On Tuesday October 26, Officers Tellez and Gallegos assisted our school resource officers with event security at the "Big Time Rush Concert" for the Hercules High and DeAnza seniors. The event was held in the Hercules High School Gym from 1:00 to 3:00 pm. The event went well and no incidents were reported.

**Parking Citation Administration:** With the closure of the Office of Revenue Collection (ORC) this year, the city elected to contract with Clancy Systems to administer our Parking Ticket Program. The service is paid for by our parking fines and Clancy sends us our share each month after deducting their costs and fees. This week we received our first check from Clancy Systems in the amount of \$1,521.83.

**Crime Lab Billing:** This week the police department received a letter from the Office of the Sheriff indicating that we were overbilled for drug testing at the crime lab since August 2009. The error will be corrected by giving us a \$7,606 credit toward current and future services by the crime lab. This should be very helpful in offsetting the crime lab costs for the recent multiple homicide case on Crepe Myrtle.

**AFFORDABLE HOUSING SOLUTIONS GROUP (AHSG)**  
**An Overview of Activities, Costs and Contract Term**

Affordable Housing Solutions Group (AHSG) was selected by the City Council / Redevelopment Agency first in 2003 and again in 2005, pursuant to Solicitation of Proposals to provide professional Affordable Housing Services and Sycamore North Development Services, respectively. Over the years the Affordable Housing Program scope and services continued to grow and expand, adding additional scope amendments to the base affordable Housing Services agreement.

AHSG has contracted for seven service areas as follows:

<b>AFFORDABLE HOUSING SERVICES</b>	
Affordable Housing Programs	\$408,500
Community Pride and Neighborhood Clean Up Program	\$150,000
Business Development and Financial Assistance Loan Program	\$50,000
Portfolio Management Program	\$60,000
<b>ADMINISTRATIVE SUPPORT SERVICES</b>	
Support Services	\$120,000
Wastewater Treatment Program	\$90,000
<b>SYCAMORE NORTH DEVELOPMENT SERVICES</b>	
<b>TOTAL CONTRACT COST</b>	
	\$1,118,500

Here is a breakdown of the programs currently managed by AHSG:

**Affordable Housing Programs**

*First Time Homebuyer Program:* This program provides income eligible households with deferred low- interest financial assistance to facilitate their purchase of a home within the City of Hercules.

- 105 First Time Homebuyer Program loans currently in place
- Total amount of Redevelopment Agency monies loaned: \$4,388,490

*Homebuyer Education Program:* This program provides for the required comprehensive education for all financial assistance program participants. The most important component is the financial literacy education and the one-on-one personal financial workshop that is conducted with each participant.

- 469 Participants have attended the Homebuyer Education Program

*Housing Rehabilitation Program:* This program provides for housing preservation efforts through the provision of low-interest loans to eligible households.

- 35 Households have received Housing Rehabilitation Loan assistance
- Total amount of Redevelopment Agency monies loaned: \$640,216.83

*Housing Grant Writing / Execution:* AHSO wrote and prepared all grant/loan applications for funding and continue to track, manage and provide financial and program reporting to the responsible State agencies. AHSO obtained \$6,070,000 in pre-development, construction and down payment assistance funds for the Sycamore North Development.

- \$1,600,000 Housing Enabled by Local Partnership Program (CalHFA)
- \$3,750,000 Residential Development Loan Program (CalHFA)
- \$720,000 Building Equity and Growth in Neighborhoods Program (CalHCD)

The following programs have been added as amendments to the base Affordable Housing Services agreement.

*Citywide Employee Incentive Program:* This program provides a financial assistance incentive to eligible employees and workforce partners (e.g. teachers, firefighters, police officers and nurses) who work in the community to purchase a home and also live in the community.

- 14 Eligible Households have received Citywide Employee Incentive Program assistance
- Total amount of Redevelopment Agency monies provided: \$471,590

*Homeownership Retention and Loss Mitigation Program:* This program is to assist existing Affordable Housing Homeownership Households facing financial distress and foreclosure to prevent or mitigate to the extent possible the personal financial destruction and loss of their homes. Further, the program is also focused on protecting the Redevelopment Agency's investment into these properties.

- 17 Homes have been purchased by the Redevelopment Agency (Total amount of Redevelopment Agency monies spent: \$4,337,822.91)
- 9 families are loan holders with the Redevelopment Agency as the primary lender
- 8 of the remaining homes are either being rented or prepared for sale to new eligible First Time Homebuyers

*Gas Shut-Off Valve Replacement Program:* This program is to assist residents in meeting safety and code compliance requirements. The automatic gas breaker shut-off valve reduces the chances of fire and explosion in the event of a pipeline breakage from earthquake or other disaster.

- 457 Gas Shut-Off Valves have been installed

*Secure Mailbox Program:* This program is a joint Police Department and Affordable Housing initiative to assist residents in securing their mail and ultimately preventing identity theft.

- 1,177 locking mailboxes and 386 accompanying structures have been installed to date

### **Community Pride and Neighborhood Cleanup Program**

The program provides pre-planned focused clean up services to residents for improved curb appeal. This is done by zone to maintain and improve the existing neighborhoods.

- 14 clean ups have been conducted
- 1,221 households have been served
- 298 volunteers have performed 1,290 volunteer hours for this program
- 170 tons of refuse was removed from the neighborhoods

### **Business Development and Financial Assistance Loan Program**

This program, while not an Affordable Housing Program but an economic development program comes under the general AHSG contract as an amended scope. The program provides low-interest loans to eligible businesses for enhancement, expansion, debt consolidation and other business improvements that will benefit the community.

- 24 eligible businesses have received Business Development Loans
- Total amount of Redevelopment Agency monies provided: \$1,907,600

### **Portfolio Management Program**

The program provides comprehensive administering, continuous servicing, and annual compliance monitoring for all Affordable Housing loan programs.

- \$11,000,000 (approximated) in total loan portfolio is under management

### **Administrative Support Services**

*Inclusionary Housing:* The AHSG team has provided additional support services to the City Manager / Executive Director which include: Inclusionary Housing / Ordinance related staff work on various developments (Bayfront, Hill Town, New Town Center & Sycamore Crossing); assistance to other departments in grant application preparation and preparation of state controller's report; completion of state housing report; participation and assistance in preparation of data for state mandated documents (Five-Year Redevelopment Plan and the Housing Element of the General Plan).

*Public Safety Infrastructure:* AHSB is providing direct pre-development and project management of a public safety wireless mesh project in collaboration with the Police Department. This project is the result of the need to provide current and future public safety infrastructure to enhance security and livability during all new development within the project areas, commencing with the Sycamore North Development.

*Annexation:* AHSB is also providing project management and coordination services for the current sphere of influence annexation process.

*Wastewater Treatment Program:* AHSB is assisting with coordination services for the wastewater treatment and discharge planning project (Note: the wastewater treatment effort is funded through the sewer fund).

### **Sycamore North Development Services**

The 2004 City / Redevelopment Agency Solicitation of Proposals for the Sycamore North Development Services requested that the bidding entity perform the following services: Entitle; Oversee, Administration and Coordination of Pre-Development, Pre-Construction, Construction Coordination, and Development of Funding Sources for the development. The first AHSB agreement was for a period of 18-months and has been subsequently amended each year by the City Council / Redevelopment Agency.

The AHSB team completed all entitlement work for the development. This work included collaborating with the neighboring community to refine the project to assure the delivery of a community-centered development.

The AHSB team managed all pre-development tasks through direct contracts with professional consulting firms preparing the project for construction.

The AHSB team manages the project's financial tracking and reporting, overseeing and participating in weekly construction and project management meetings, and tracking and accounting for all tasks which were eligible for funding under the various State loan programs.

The AHSB team is preparing the Affordable Housing Implementation Plan for the development which includes rental, for-sale market rate and for-sale below market rate planning. This housing planning component also includes the management of income eligible applications for participation. The City / Redevelopment Agency have received over 700 potential rental and or homeownership applicants for the development.