

MINUTES

Joint Meeting of the Scotts Valley City Council and Redevelopment Agency Board of Directors

Date: March 3, 2010

POSTING:

The agenda was posted on 2-25-10 at City Hall and the SV Senior Center, and on 2-25-10 at the SV Library, by the City Clerk.

CALL TO ORDER 6:00 p.m.

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

Present:

Mayor Reed
Vice Mayor Bustichi
Council Member Aguilar
Council Member Johnson
Council Member Lind

City Manager Ando
City Attorney Powell
Public Wks Director Anderson
Police Chief Weiss
Interim Community Dev Dir Westman
Senior Planner Bateman
Recreation Division Manager Sudduth
Civil Engineer (Traffic) Yamin
City Clerk Ferrara

COMMITTEE REPORTS VM Bustichi reported that the Santa Cruz Metropolitan Transit District met and discussed transportation funding.

VM Bustichi reported that the Affordable Housing Subcommittee met with Habitat for Humanity (HFH) to discuss the possibility of HFH purchasing land on Blake Lane and building three units. He stated that HFH is looking for affordable housing funds and will be coming before the City Council some time in the next few months with their request.

CM Lind reported that LAFCO recently formed a Water Policy Subcommittee that is working on revising the water policies for LAFCO, and that SB211 has been removed from the table. She also reported that a Single Use Bag Subcommittee has been formed to review this issue and develop a rough draft ordinance.

Mayor Reed reported that the Library Subcommittee met to review the latest library plans that will be presented to the Planning Commission on March 25.

Mayor Reed reported that the Budget Subcommittee met and gave direction to staff for upcoming budget discussions.

Mayor Reed reported that the Library Joint Powers Authority Board met and reviewed three and five year budget projections at their meeting. He stated that the current library system is not sustainable at this point, and the Board is going to have to make some critical choices.

PUBLIC COMMENT

Frank Kertai, SV resident and President of the Heritage Parks Homeowners Association, speaking on behalf of his community, read the attached letter (Attachment A).

Michelle Williams, new Executive Director for the Cultural Council of Santa Cruz County, introduced herself, thanked the Council for their support, and gave some history on the Cultural Council. She invited the Council to participate in a panel for funding artists and arts organizations, and announced that the Cultural Council's annual event/fundraiser called "Primavera" is being held on March 28 at Chaminade. She stated that additional information for this event is available on the Cultural Council's website at www.ccscc.org.

VM Bustichi responded to Mr. Kertai's comments.

CM Johnson responded to Mr. Kertai's comments.

Mayor Reed responded to Mr. Kertai's comments.

Mayor Reed announced that he attended the Brook Knoll Elementary School Auction. He stated that it was very successful and that many Vine Hill parents volunteered to help out at the Brook Knoll event.

Mayor Reed announced that Vine Hill Elementary School will be holding their annual fundraising auction on March 27, 2010.

Mayor Reed announced that the Scotts Valley Relay for Life, sponsored by the American Cancer Society, will be held July 10 & 11, 2010 at the Scotts Valley High School. He stated that this is a 24-hour event to increase cancer awareness while raising much needed funds for the American Cancer Society's research, education, advocacy efforts, and patient services.

CM Lind announced that the Scotts Valley Host Lions Club is holding its Annual Cioppino Feed/Dance/Raffle, on March 13 at the CPDES Hall at Harvey West Park. She stated that the ticket price is \$40 per person and additional information and tickets are available by calling 438-2356.

**ALTERATIONS TO
CONSENT AGENDA**

***M/S: Aguilar/Bustichi
To approve the Consent Agenda.
Carried 5/0***

Consent Agenda:

- A. Approve Joint City Council/RDA meeting minutes of 2-17-10
- B. Approve check register – 2-22-10
- C. Approving second reading and adoption of Ordinance No. 16.127, amending Section 17.56.189. C.1 of the Scotts Valley Municipal Code (Commercial Center Identification Signs)
- D. (1) Whispering Pines Drive Rehabilitation Project:
 - (A) Award contract for construction in the amount of \$179,751 to Earthworks Paving Contractors, Inc.

- (B) Approve the Contract for Professional Services by Bauldry Engineering, Inc. in the amount of \$4,900 for geotechnical services
- (2) Whispering Pines Drive Transportation Enhancement Project:
 - (A) Approve the First Amendment to Contract for Professional Services with Bauldry Engineering, Inc. in the amount of \$3,325

**ALTERATIONS TO
REGULAR AGENDA**

***M/S: Johnson/Aguilar
To approve the Regular Agenda.
Carried 5/0***

REGULAR AGENDA

1. **Consideration of Mt. Hermon Road traffic mitigations and fair share contribution**

PWD Anderson presented the written staff report and responded to questions from Council.

Frank Kertai, SV resident and President of the Heritage Parks Homeowners Association, speaking on his own behalf, questioned the cost differential and stated that the two drawings had not been included online and made available to the public for review.

***M/S: Bustichi/Aguilar
To adopt the following policy for Mt. Hermon Road traffic mitigations/fair share contribution, which will be included as a condition of approval for all qualifying projects:***

Any project which meets the trip generation threshold of an additional five peak hour trips in both AM and PM peak hours at Scotts Valley Drive/Mount Hermon Road, or five additional PM peak hour trips at Mt. Hermon Road/La Madrona Drive will be conditioned to pay, in addition to all regular impact fees, the additional fees as follows:

- ***\$240 per peak hour trip (the sum of AM and PM trips) for improvements to Mount Hermon Road/Scotts Valley Drive.***
- ***\$712 per PM peak hour trip for improvements to Mt. Hermon Road/La Madrona Drive.***

Any project whose traffic generation causes the subject intersections to degrade to levels below those allowed by the General Plan (LOS C at Mount Hermon Road/La Madrona Drive, LOS D at Scotts Valley Drive/Mount Hermon Road) will not be approved until the improvements are complete.

The fee imposed shall be adjusted automatically on July 1st of each fiscal year by a percentage equal to the Construction Cost Index published by Engineering News Record for the preceding twelve (12) months.

Carried 5/0

PUBLIC HEARINGS

2. **Consideration of Planning Commission recommendation of approval for a planned development, design review and use permit for a 23,868 square foot three-story Dining Hall/Student Center at Bethany University / 800 Bethany Drive, Scotts Valley / APN's 023-041-09 and 023-033-05**

SP Bateman presented the written staff report and responded to questions from Council.

Larry Wenell, WMB Architects, gave a presentation on the proposed project, presented some slides, and responded to questions from Council.

PUBLIC HEARING OPENED - 7:00 PM

No one came forward.

PUBLIC HEARING CLOSED - 7:01 PM

CM Aguilar recommended that a condition be added requiring repair of any damage that may occur to the road due to heavy equipment. Council concurred with this recommendation.

CM Aguilar recommend the revision of the language in Condition 13 to Exhibit A, Conditions of Approval, for Resolution No. 1841.1, stating that the tree removal not occur until immediately prior to construction. Council concurred with this recommendation.

M/S: Bustichi/Lind

To approve Resolution No. 1841 certifying the negative declaration for a new 23,868 square foot dining hall/student center on the Bethany University Campus // APN's 023-041-09 & 023-033-05.

Carried 5/0

M/S: Bustichi/Aguilar

To introduce for first reading Ordinance No. 16-ZC-219 approving a Planned Development Zoning (PD09-001) for a new 23,868 square foot dining hall/student center on the Bethany University Campus // APN's 023-041-09 & 023-033-05, and waive the reading thereof.

Carried 5/0

M/S: Bustichi/Aguilar

To approve Resolution No. 1841.1 approving a Planned Development permit (PD09-001), Design Review (DR09-010) and U09-006 for a new 23,868 square foot dining hall/student center on the Bethany University Campus // APN's 023-041-09 & 023-033-05, as amended above.

Carried 5/0

3. **Consideration of Planning Commission recommendation of approval for the subdivision of an existing 46,693 square foot parcel into two parcels in the R-1-20 zoning district (MLD09-002) / 4 Casa Way / APN 023-132-07 (Franich)**

SP Bateman presented the written staff report and responded to questions from Council.

PUBLIC HEARING OPENED - 7:20 PM

No one came forward

PUBLIC HEARING CLOSED - 7:21 PM

M/S: Bustichi/Aguilar

To approve Resolution No. 1844 approving Minor Land Division No. MLD09-002 to create two parcels from one existing 46,693 square foot parcel located at 4 Casa Way (APN 023-132-07).

Carried 5/0

REGULAR AGENDA
(Resumed)

4. Future Agenda Items

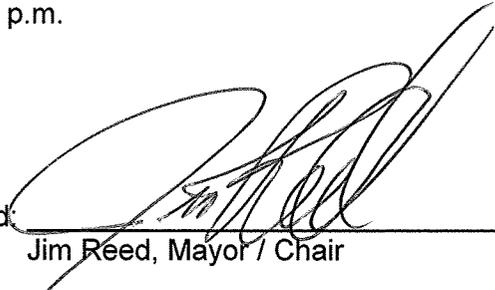
VM Bustichi requested a future agenda item regarding Planning Commission minutes.

Frank Kertai, SV resident and President of the Heritage Parks Homeowners Association, speaking on behalf of his community, read the attached letter (Attachment B) requesting future agenda items to discuss the City's budget situation and asking for a specific financial plan for the Town Center.

ADJOURNMENT

The meeting adjourned at 7:26 p.m.

Approved: _____


Jim Reed, Mayor / Chair

Attest: _____


Tracy A. Ferrara, City Clerk / Secretary

Good Evening. I am Frank Kertai, Scotts Valley resident, President of the Heritage Parks Association, here tonight representing both myself and my community.

In Mayor Reed's latest Press Banner submission titled "Setting the record straight on Town Center acquisitions", **Mr. Reed does everything but** set the record straight. His commentary reminds me of the fairy tale "The Emperor's New Clothes". It is filled with factual errors, half-truths and the wrong kind of transparency. You don't have to look very hard to see the naked truth.

Mayor Reed claims that *every* property the city has purchased for the Town Center has been backed by an appraisal or an assessment of comparable sales. **These claims are simply not true.** First the city council put itself in a bidding situation for an undeveloped parcel, paying more than needed to make the purchase. A year later, in the midst of one of the most severe real estate recessions in decades, the city paid the same price per square foot for another property – *without any appraisal whatsoever!*

Mayor Reed claims that the city paid **20%** less than appraised value for the Suburban Propane property. I do not know how the Mayor calculated this figure. The city's own documents show the price paid was about **8.5%** less -- not **20%** less. Dividing the **\$1,900,000** purchase price by the **25,000** square foot lot size gets you **\$76** paid per square foot. City documents note this was **\$7** less per square foot than the **May 2008** appraisal. This gives you an original appraisal value of **\$83** per square foot. Dividing **\$7** by **\$83** gives you slightly less than **8.5%**. Note also this nearly two year old appraisal was produced at the **peak of the real estate cycle** as calculated by the MIT Center for Real Estate. (**see attached graph:** <http://mit.edu/cre/research/credl/rca.html>). When paying nearly \$2 million dollars for a property, wouldn't you insist upon a current appraisal?

Mayor Reed states that today's depressed economy is a perfect time to get a good deal on undeveloped land. **I agree.** However, paying top dollar for properties far above their current economic value is not what I consider a good deal for the city or for tax payers. The Suburban Propane transaction also sets bad precedent. The Amerigas property purchase and facility move has yet to be negotiated. Recent city council transactions have set arbitrarily high prices far in excess of current values.

Somehow Mayor Reed is of the opinion that I am opposed to the Town Center. I am, in fact, in favor of this project. However, I am also concerned about how the Town Center project is being financed. It does not take much effort to see that not only has this city council paid high prices for the properties they have purchased, they have been robbing Peter to pay Paul every step of the way. Shortly there will be no one else to rob.

Mayor Reed claims that *every* property the city has purchased has been with RDA, non-general fund money. He makes it sound like millions of dollars of RDA income stream is limitless and uncommitted – it is neither. He fails to mention that the Redevelopment Agency has borrowed millions of dollars to make these purchases. Sources of funds include the city's general fund, the wastewater treatment fund and city issued bonds. What is the Mayor's plan to pay these borrowings back? What are the timelines?

Also, is Mayor Reed “betting the farm” on the Town Center? What is the projected payback from this giant retail project? If this is plan “A”, what is plan “B” if economic realities do not meet projections?

Finally, we come to the most important aspect of Mr. Reed’s commentary. What message does Mayor Reed send when he attacks members of the public for asking questions about the appropriateness of city council actions, raising issues and expressing concerns? Mr. Reed accuses me and a select few others of “**attacking the city**” for doing so. Meanwhile he shows no compunction in attacking members of the public by name himself. This speaks volumes about Mr. Reed’s character *and his ethics*. It seems to me that Mr. Reed is the one, as he puts it, “**poisoning the civic well**”.

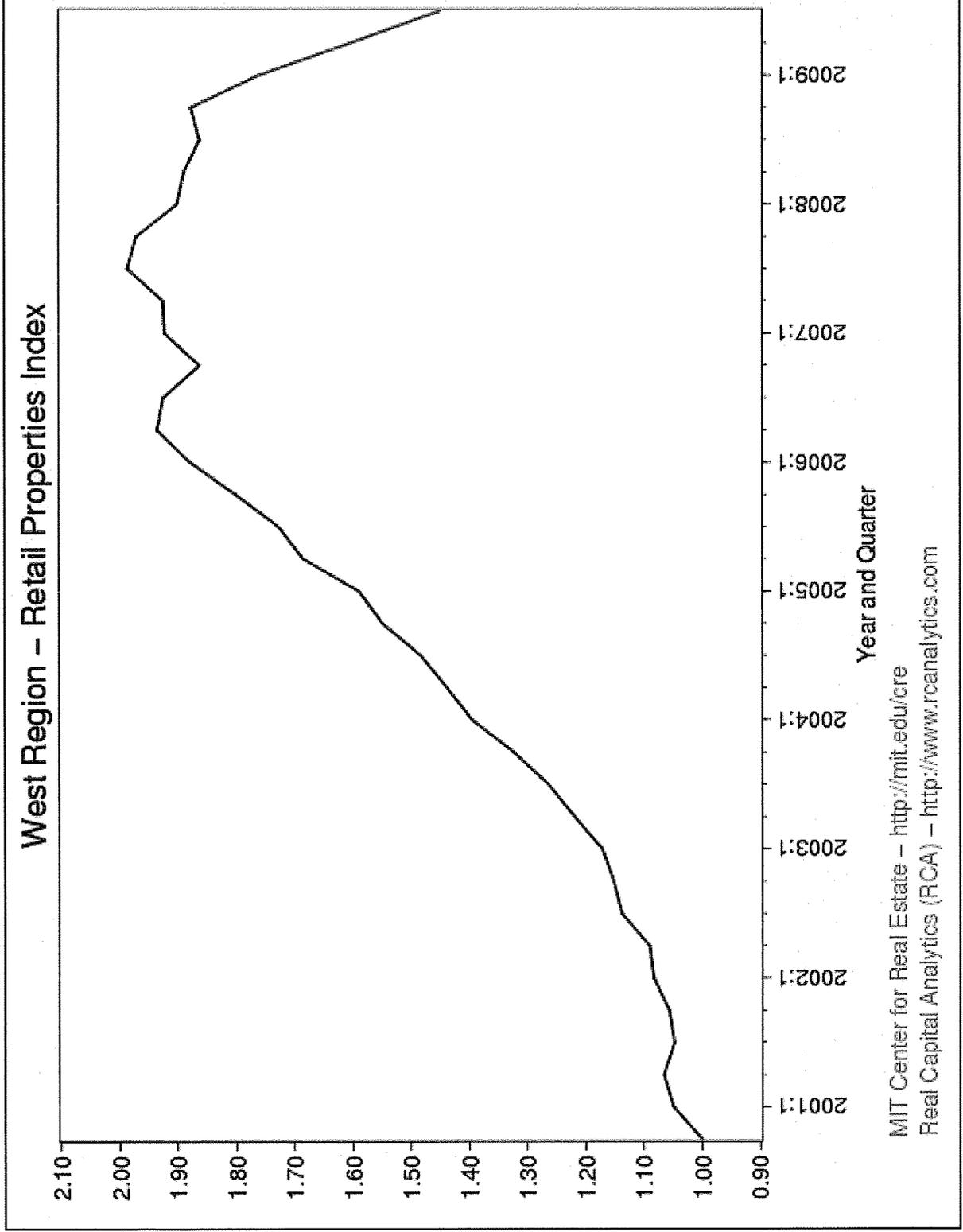
The message Mayor Reed is sending is this: don’t look too closely at what the city council is doing, don’t ask any questions, don’t try to understand calculations and verify facts, and don’t bother participating in public discussions on a regular basis. Why? Because your views do not matter -- they will not be given due consideration. And if you do, you will be discredited and attacked by the Mayor and other city council members. Mr. Reed does not appear to be interested in civic discourse – he simply wants the last word. Is Jim Reed someone you want representing you and your city? With great power comes great responsibility. This is a lesson Mayor Reed has yet to learn.

I close today with a quote from Thomas Jefferson:

“If a nation expects to be both ignorant and free, it expects what never was and never will be.” -Thomas Jefferson, 1816

Respectfully,

Frank Z. Kertai



Commentary: Setting the record straight on Town Center acquisitions

by Jim Reed/ For the Press-Banner
Feb 18, 2010

In his latest letter attacking the city and its progress on the Town Center project, Frank Kertai said Scotts Valley paid “recklessly” high prices for the key Town Center parcels it purchased with Scotts Valley Redevelopment Agency money — funds that cannot be used for any general fund expenses. In particular, he attacked the city’s recent decision by an unanimous vote to buy the critical land owned by Suburban Propane and finally relocate their propane tanks away from Mt. Hermon Road.

To my amazement, he made this charge without informing readers that the city paid 20 percent less than the appraised value for that parcel, a price that was reaffirmed by the appraiser shortly before purchase.

I don’t know how anyone could exclude these facts and still cling to any pretense of fairness or accuracy. Tough but fair criticism, although unpleasant to receive, is good for any organization that knows how to listen and typically leads to better public policy decisions. Deceiving fellow citizens about the most basic facts in public discourse, however, shows a lack of respect for neighbors and potentially poisons the civic well that our city, schools and community draw their strength from. Indeed, we are fortunate that virtually nobody in Scotts Valley, outside of Mr. Kertai and his small circle, regularly conduct themselves in such a manner.

Every property the city has purchased with this non-general fund money has been backed by an appraisal or an assessment of comparable sales performed by respected real estate professionals. In every instance, the city has consistently spent either at or below market value, as determined by these real estate professionals or the market itself, as we did most recently in using non-general fund money to finally relocate the propane tanks from Mt. Hermon Road, thus clearing the way for the Town Center.

I believe moving these propane tanks and buying this land with our redevelopment agency funds can fairly be called a momentous development in Scotts Valley’s relatively short history. The city has been trying for two decades to relocate the propane tanks and bring the area’s land owners together behind a Town Center plan. This action does that and adds to the council’s work on the Town Center, which is making progress even in today’s depressed economy. What’s more, the economy makes this the perfect time to get a good deal on undeveloped land, as the city has done.

Last year, the city eliminated staff positions, instituted a furlough, kept employees doubled-up doing more than one job and further tightened its belts to prepare for an increasingly lean fiscal future. While this stinginess, which has resulted in a general fund increase far behind the rate of inflation over the last four years, continues to be essential with our general fund, it also presents opportunities for our redevelopment agency fund.

As people can guess from the name, a redevelopment agency is intended primarily for redeveloping and revitalizing distressed or under-performing properties. It has an annual revenue stream of millions of dollars that will continue flowing to Scotts Valley through the year 2040. These dollars cannot be used for general fund activities, such as police pay, park maintenance, road re-surfacing and the like.

Instead of being assailed by Mr. Kertai and the same two or three others who have relentlessly attacked the city for years, Scotts Valley's recent unanimous action to use these redevelopment funds to move the Suburban Propane tanks from Mt. Hermon Road. should be praised for clearing the way for the Town Center. With this action, an economy-enhancing destination development of 100,000 square feet or more of upscale retail space will provide our community with a pedestrian-friendly common gathering place, a village green, outdoor cafes and the like all integrated with Skypark, along with our new library, a project that is also funded 100 percent with non-general fund money.

This is an exciting development, one worth celebrating, and a harbinger of good things to come.
• *Jim Reed is the mayor of Scotts Valley*

Good Evening. I am Frank Kertai, Scotts Valley resident, President of the Heritage Parks Association, here tonight representing both myself and my community.

History has a habit of repeating itself – especially if we don't learn from our prior experiences. About two decades ago, the City of Scotts Valley faced a fiscal crisis. That crisis is eerily familiar to what we see looming before us today. That predicament was created as a result of good intentions by the then city council and city manager.

The city was searching for additional sources of revenue. In an attempt to build such a revenue source, the city embarked on a program of buying up land for the purpose of creating an auto row -- a group of car dealerships which would provide a source of sales tax revenue for the city. This program failed miserably. In fact, it nearly resulted in financial ruin for the city. The project was undermined by the economic realities of the time – there was simply not enough of a market for car dealerships in this area then.

Fortunately for the city, a bargain hunter saved the city from ruin. That buyer was Borland. The land that the city had purchased at high prices was sold cheaply to get the city out from under the burden of on-going payments for undeveloped land. The site was used to build the Borland headquarters complex.

I see a very similar pattern emerging today with this city council's series of purchases of land in the Town Center area at higher than current economic value. I sincerely hope that history does not repeat itself here. Given today's economic climate, I suspect it will be much more difficult to find a "white knight" to save the city from the financial cliff it appears to be headed for at full tilt.

The city is currently operating at a deficit, with a run rate of several hundred thousand dollars a year above the income it receives. Measure C expires next year. When it does, the city's operating deficit will be in excess of \$1 million dollars per year. What is this council's plan to avert this crisis? What is the city's bonding capacity? How much has been used? What is the projected income stream to repay these bonds? What are the timelines? **I would like these issues and questions addressed as a future agenda item.**

Another agenda item I would like to see is a specific financial plan for the Town Center. The city has purchased properties at relatively high prices using borrowed monies. The sources of funds include money from the city's general fund, waste water treatment fund and bonds issued by the city. What is the city's plan to repay these borrowings? What are the timelines? How and when will this occur? How will the city's use of Affordable Housing Funds affect the development of the Town Center? Will the city unload properties purchased at high prices to a developer at a low price to make the Town Center a reality? **What is the city's plan for the Town Center?**

Respectfully,

Frank Z. Kertai