

Alameda Chamber opposes proposed SunCal initiative as ‘development by ballot box’

As you recently read or heard, the Chamber Board of Directors voted no to support the Ballot Initiative proposed by SunCal. While the Chamber supports economic development at Alameda Point, it does not support the initiative as written because of the significant economic risks it places on the City's citizens and businesses. These risks expose Alameda's citizens and businesses to significant decreases in services or increases in taxes, from non-negotiable terms included in the initiative. These risks include:

Redirection of redevelopment funds for other areas of Alameda

In Alameda, and across California, ongoing redevelopment is funded partially by setting aside property tax increment from current redevelopment projects for future needs. Alameda has funded many successful redevelopment projects this way. This initiative, however, diverts 100 percent of the property tax increment from this development directly back to Alameda Point's developers. With the State's dramatic cuts to deal with the fiscal crisis, and all property tax increment devoted solely to the Point, without significant new taxes other crucial Alameda redevelopment will

be robbed of funding. (See Note 1.)

Limitation of property taxes normally assuring fiscal neutrality

The initiative places many decisions affecting long-term operating costs in the hands of the developer, yet firmly caps the City's property tax increment to pay for those costs at 2 percent — including the current tax rate. It makes no allowance for higher costs that may be required to address traffic, seawall rise, monitoring of toxics barriers or other factors unique to development of the Point. Nor does it account for higher rates of inflation generally expected over the next several years, or for decisions that reduce development investments — but at the cost of higher future maintenance requirements. These risks are all transferred to our City's citizens and businesses. (See Note 2.)

Spending cap on public benefits

The public benefits directed to be built in the initiative certainly would be assets to Alameda. According to the City's initiative reports, however, it's unclear that the \$200 million cap will be adequate to fund them. If the developer considered the funds sufficient, what would

have been the value of the initiative's cap?

Of most concern is the size of capital investments required for the on-site and off-site traffic and transit improvements included in the cap. For example, the recent estimate for a pedestrian and transit bridge over the estuary was \$150 million.

The public benefit funds also are not indexed for inflation, which may make the actual spending power substantially less. This is particularly concerning when considering the initiative's provisions allowing the developer or its successors to build (a) on a schedule driven only by their business judgment, and (b) to extend the building time period (and property tax cap) for litigation, delayed toxics remediation and other probable events. To provide some economic perspective on a delay, if Alameda had set aside \$200 million 25 years ago for improvements, consumer price inflation would require it to set aside at least \$425 million for those same improvements today. (See Note 3.)

Taking of lease revenues offsetting current city costs

Lease revenues from existing Alameda Point tenants pay for building maintenance, and for other City

services a developer cannot provide, such as police and fire. (See Note 4)

Other limitations to ordinary city revenues and fees

The initiative requires the City to waive \$82.4 million in fees and revenues the developer would ordinarily pay to the City to offset the costs of the development's impact on public utilities and other infrastructure. How will the City's taxpayers fund those costs before new residents and businesses even move in? The initiative also requires the City to credit other payments the developer would ordinarily pay to the City until it is fully reimbursed for its costs related to those areas, such as the land and building costs for police and fire. These are not fiscally neutral impacts for the City's existing taxpayers. (See Note 5.)

Unfair negotiating position

The initiative has taken the unusual step of incorporating the Development Agreement within the initiative. This agreement retains the developer's right to request a revision, but only allows the City that right through a special ballot initiative. The agreement removes the City's right to negotiation and oversight

for several aspects relating to the project, and reduces the developer's commitment to fiscal neutrality to an obligation to negotiate in "good faith", an admirable goal, but a presumption often difficult and costly to prove violated. (See Note 6.)

Sharing of risk

The developer of Alameda Point has a right to shared carrying of costs and risks. It is inappropriate, however, to use the ballot box to limit negotiation or the City's ability to recover costs from the ultimate end users of Alameda Point, in favor of forcing the assignment of those risks and costs to be spread across all of Alameda's taxpayers.

NOTE 1

City summary p.17, p.18; Development Agreement

NOTE 2

City summary p.11, p.19-21; Development Agreement p.10 Article 3.2 Public Benefits Contingency, p.12 Article 4.6 Overall Tax Rate Cap.

NOTE 3

Initiative, p. 3 (s), p.5 (s); City summary p.11, p. 10; Development Agreement p.3-4 Article 1 Term, p.5-6 Article 2.4.3 Changes in State and Federal Laws, p.7 Article 2.8 Development Timing, p.8 Article 2.9 No Other

Requirements, p.9-10 Article 2.12.1 Conditions of Subsequent Approvals – General, p.10 Article 3 Public Benefits, Exhibit 4 Public Benefits, p.19 Article 8.3 Other Governmental Permits and Approvals, p.22 Force Majeure; City Council Agenda Item #6-E, September 15, 2009, Acceptance of the Estuary Crossing Feasibility Study; Historical data – Consumer Price Index.

NOTE 4

Initiative, p.8 Section 8 Development Agreement; Development Agreement p.1-4 relating to transfer of City's rights in property

NOTE 5

City summary p.19-21, p.18; Development Agreement p.8-9 Article 2.11.3 Exactions and Exhibit 3 Exactions.

NOTE 6

Initiative p.10 Section 14(a), p.3 Section 2(t); City summary p.10 Amendments to Initiative; Development Agreement p.6 Article 2.5 Subsequent Approvals, p.7 Article 2.6 Processing Subsequent Approvals, p.11 Article 4.2 Fiscal Neutrality, p.15 Article 6.1 Amendments to or Cancellation of Development Agreement and Article 6.3 Amendments to Vested Elements (Including Subsequent Approvals.)