

FINDINGS OF BENEFIT
(California Health & Safety Code Section 33445)

SUBJECT IMPROVEMENTS: EAST VILLAGE GREEN BUILDING DEMOLITION, ENVIRONMENTAL, AND INTERIM PUBLIC IMPROVEMENTS (BLOCK BOUNDED BY 13TH, 14TH, F AND G STREETS) – REQUEST TO BID – EAST VILLAGE REDEVELOPMENT DISTRICT OF THE EXPANSION SUB AREA OF THE CENTRE CITY REDEVELOPMENT PROJECT

The following findings are for the construction of the proposed public improvements located on the block bounded by 13th, 14th, F and G streets within the East Village Redevelopment District of the Expansion Sub Area of the Centre City Redevelopment Project (“Project Area”). The proposed public improvements shall consist of demolition of three Redevelopment Agency-owned buildings, abatement of hazardous building materials, and removal of the concrete footings and slabs of the three demolished buildings, environmental cleanup work to remove all contaminated soil from the block, removal of an underground tank and a potential second underground tank, grade the site as level as possible and install an interim asphalt parking lot with lights, install a storm water collection system to reduce site runoff to the public storm water system per City of San Diego (“City”) and state codes, install six-foot perimeter fencing on the south half of the parking lot and remove and replace all old and in poor condition sidewalks and unused driveways in the public right-of-way adjacent to the site as an interim public safety measure until construction of the future park begins, as well as permanent reconstruction of all of the perimeter sidewalks (“Improvements”).

I. FINDINGS OF BENEFIT TO THE PROJECT AREA BY HELPING TO ELIMINATE BLIGHT

The installation of the Improvements to be located on the block bounded by 13th, 14th, F and G streets within the Project Area, for which the Redevelopment Agency of the City of San Diego (“Agency”) proposes to pay using Agency tax increment funds from the Project Area, will benefit the Project Area by helping in the elimination of one or more blighting conditions inside the Project Area, in that:

- A. The Improvements will demolish three vacant Agency-owned buildings.
- B. The Improvements will replace inadequate public improvements and provide a catalyst for new development by implementing off-site improvements.
- C. The Improvements will provide “systematic elimination of toxic substances in soils and groundwater” to contribute to blight removal as is included on page four of the work program of the Fourth Five-Year Implementation Plan for the Project Area, adopted June 14, 2009, pursuant to California Health and Safety Code section 33490.

II. NO OTHER REASONABLE MEANS OF FINANCING

There are no reasonable means available to the community (i.e., City of San Diego) for financing the Improvements for which the Agency proposes to pay, in that:

City of San Diego

- A. The City's General Fund is dependent on the financial health of the local economy in addition to the state and nationwide economy. Some economic indicators are currently still lagging and could possibly restrain economic stabilization or expansion in the economy in Fiscal Year 2011 (FY11). The improvement in municipal budgets appears to be also lagging the overall economy. Overall, the economic outlook remains very uncertain in the upcoming fiscal year.
- B. The City's General Fund Budget is funded from various sources, but the four largest revenue sources are property tax, sales tax, transient occupancy tax (TOT), and franchise fees, and account for approximately \$710.8 million or 64.8 percent of the total General Fund revenues. The decline in these four major revenues in the FY11 Adopted Budget accounts for approximately \$31.6 million or 94.3 percent of the total General Fund decline of \$33.5 million compared to the Fiscal Year 2010 (FY10) Adopted Budget.
- C. In FY11 sales tax is budgeted at \$187.5 million, which represents a decrease of \$22.7 million or 10.8 percent from the FY10 Adopted Budget due to the decline in per capita income and consumer spending, and the high unemployment rate in the City. TOT is budgeted at \$66.1 million, a decrease of \$9.8 million or 12.9 percent from the FY10 Adopted Budget due to the decline in local tourism. Franchise fees are budgeted at \$67.2 million, a decrease of \$6.5 million or 8.9 percent from the FY10 Annual Budget due to a decline in refuse haulers tonnage.
- D. The City's FY11 Adopted Budget reflects General Fund revenues and expenditures of \$1.10 billion, representing a decline of \$33.5 million or 3.0 percent over the FY10 Adopted Budget. The FY11 Adopted Budget includes 7,067.98 budgeted full time equivalent (FTE) positions, a decrease of 328.94 FTE positions over the FY10 Budget. The net decrease in General Fund positions is primarily due to the reduction of 485.16 FTE positions as part of the revised FY10 Budget approved by the City Council that has been incorporated in the FY11 Adopted Budget. These reductions were to City's critical services including brownouts in the Fire Department, reductions in lifeguard positions, and reductions in library hours. If the City's revenues improve, then the City's first priority would be to restore those critical services funded by General Fund that have been reduced this year due to the loss of revenue in FY11.
- E. The City's FY11 Adopted Budget, approved by City Council in June 2010, includes reduced revenue projections adjusted for a continuation of slow economic growth and a continued constriction of economic activity. Growth in revenues is anticipated to be

negative in most major revenue categories such as property tax, sales tax, TOT, and franchisee fees.

- F. The City's Capital Improvements Program (CIP) budget allocates existing funds and anticipated revenues to rehabilitate, restore, improve, enhance, and increase the City's capital facilities. This budget supports the design and construction of a wide range of infrastructure improvement projects and other significant capital infrastructure investments. The FY11 CIP Adopted Budget totals \$299.6 million. This is a reduction of \$153.6 million or 33.9 percent from the FY10 CIP Adopted Budget of \$453.2 million.
- G. Deferred capital projects remain one of the eight significant areas identified in the Five-Year Financial Outlook. Since Fiscal Year 2008, approximately \$142 million has been appropriated for facilities, streets, storm drain and other deferred capital projects, funded by proceeds from land sales, bond financing, and Proposition 1B funding. Another proposal for bond financing is anticipated to come before City Council in Fiscal Year 2012 (FY12). FY12 to continue efforts to address the City's approximately \$900 million backlog of deferred projects.
- H. The cost of the Improvements is approximately \$1,480,906. There are currently no funds allocated in the FY11 Adopted CIP Budget to fund the Improvements.

III. CONSISTENCY WITH THE IMPLEMENTATION PLAN

The payment of Agency funds toward the cost of the Improvements is consistent with the Fourth Five-Year Implementation Plan adopted June 19, 2009 ("Implementation Plan") for the Project Area pursuant to California Health and Safety Code 33490, in that:

- A. The Improvements address the specific goals and objectives of the Implementation Plan, as identified on Page seven of the work program which states in pertinent part as follows: "Replacement of public improvements allows new development to occur" and "Eliminate general blighting characteristics of specific properties to be identified". A copy of the Implementation Plan is on file with the Agency as Document No. D-04405e.
- B. By furthering the specific goals and objectives of the Implementation Plan, the Improvements and the Agency's payment thereof are a means to eliminate blight within the Project Area and to facilitate the objectives of the Implementation Plan.
- C. The Improvements will provide "systematic elimination of toxic substances in soils and groundwater" to contribute to blight removal as is included on page four of the work program of the Fourth Five-Year Implementation Plan for the Project Area, adopted June 14, 2009, pursuant to California Health and Safety Code section 33490.