

DATE ISSUED: May 17, 2006

REPORT NO: RA-06-22
RTC-06-049

ATTENTION: Honorable Chair and Members of the Redevelopment Agency,
Council President and City Council
Docket of May 23, 2006

SUBJECT: Redevelopment Agency Fiscal Year 2007 Budget

REFERENCE:

REQUESTED ACTION:

Should the Redevelopment Agency:

1. Approve the Fiscal Year 2007 Redevelopment Agency budget for:
 - a) projects administered by the Centre City Development Corporation;
 - b) projects administered by the Southeastern Economic Development Corporation;
 - c) projects administered by the City's Redevelopment Division;
 - d) the administration of Centre City Development Corporation; and
 - e) the administration of Southeastern Economic Development Corporation?
2. Authorize a CDBG loan repayment to the City of San Diego in the amount of \$400,000 from the Southcrest Redevelopment Project Area?
3. Accept the transfer of \$400,000 from the City of San Diego as an interest bearing CDBG loan to be used in the Fiscal Year 2007 project budget for the Central Imperial Redevelopment Project Area?
4. Determine that the planning and administration expenses included in the Low- and Moderate-Income Housing Funds in the Fiscal Year 2007 Redevelopment Agency Budget are necessary and in proportion to the funding for the production, improvement, and/or preservation of affordable housing for low- and moderate-income households?

Should the City Council:

1. Accept a CDBG loan repayment from the Southcrest Redevelopment Project Area to the City of San Diego in the amount of \$400,000?
2. Authorize the transfer of \$400,000 as an interest bearing CDBG loan to be used in the Fiscal Year 2007 project budget for the Central Imperial Redevelopment Project Area?

STAFF RECOMMENDATION:

It is recommended that the Redevelopment Agency adopt resolutions to:

1. Approve the Fiscal Year 2007 Redevelopment Agency budget for:
 - a) projects administered by the Centre City Development Corporation;
 - b) projects administered by the Southeastern Economic Development Corporation;
 - c) projects administered by the City's Redevelopment Division;
 - d) the administration of Centre City Development Corporation; and
 - e) the administration of Southeastern Economic Development Corporation.
2. Authorize a CDBG loan repayment to the City of San Diego in the amount of \$400,000 from the Southcrest Redevelopment Project Area.
3. Accept the transfer of \$400,000 from the City of San Diego as an interest bearing CDBG loan to be used in the Fiscal Year 2007 project budget for the Central Imperial Redevelopment Project Area.
4. Determine that the planning and administration expenses included in the Low- and Moderate-Income Housing Funds in the Fiscal Year 2007 Redevelopment Agency Budget are necessary and in proportion to the funding for the production, improvement, and/or preservation of affordable housing for low- and moderate-income households.

It is recommended that the City Council adopt resolutions to:

1. Accept a CDBG loan repayment from the Southcrest Redevelopment Project Area to the City of San Diego in the amount of \$400,000.
2. Authorize the transfer of \$400,000 as an interest bearing CDBG loan to be used in the Fiscal Year 2007 project budget for the Central Imperial Redevelopment Project Area.

SUMMARY:

Agency Organization

The Redevelopment Agency of the City of San Diego was created by the City Council in 1958 to alleviate conditions of blight in older, urban areas. The Redevelopment Agency is able to use special legal and financial mechanisms to eliminate blight and improve economic and physical conditions in designated areas of the City. This authority is conferred on the Agency through the state of California's Health and Safety Code (Section 33000-et.seq.), also known as the California Community Redevelopment Law.

The City Council serves as the Board of Directors of the Redevelopment Agency; the Mayor serves as the Executive Director. Project implementation for the Agency is provided by three organizations:

- City’s Redevelopment Division
- Centre City Development Corporation (CCDC)
- Southeastern Economic Development Corporation (SEDC)

City Redevelopment

The Redevelopment Division manages eleven redevelopment project areas, and one survey area. The division also performs general administration for the Redevelopment Agency, coordinating budget and State reporting requirements and maintaining the Agency's meeting docket, official records, and website.

The project areas managed by the division include:

- | | |
|---------------------|-------------------------|
| · Barrio Logan | · Linda Vista |
| · City Heights | · Naval Training Center |
| · College Community | · North Bay |
| · College Grove | · North Park |
| · Crossroads | · San Ysidro |
| · Grantville | |

In addition, the division oversees the Barrio Logan Expansion Study Area.

Centre City Development Corporation

In 1975, the City Council established the Centre City Development Corporation as a non profit public corporation to implement redevelopment projects in the downtown area. The Corporation is governed by a seven member Board of Directors appointed by the City Council. CCDC administers the Centre City and Horton Plaza project areas and reports to the Council on such matters.

Southeastern Economic Development Corporation

The Southeastern Economic Development Corporation was established as a non profit corporation by the City Council in 1981 and is governed by a nine member Board of Directors appointed by the City Council. SEDC also carries out projects for the City in Southeastern San Diego and reports to the Council on such matters.

SEDC administers four adopted project areas, and one study area:

- Central Imperial
- Gateway Center West
- Mount Hope
- Southcrest
- Dells Imperial Study Area

The budget for each of the three entities is attached to this report. The following information summarizes the three budgets to reflect the combined Redevelopment Agency Budget for Fiscal Year 2007.

The Redevelopment Agency's Fiscal Year 2007 revenue is estimated to total \$228.74 million, and \$69.8 million in revenue will be carried over from the prior year for multi-year projects, for a grand total of \$298.5 million. Due to the size and scope of many redevelopment projects, revenues are received in one year and expended over the course of two to three (or more) years. Sources of revenues include tax increment, interest and rents, bond proceeds, developer proceeds, and loans and grants to the Agency from the City and other agencies.

The Agency's major source of revenue is tax increment, which is generated from the growth in the assessed value of properties within each project area. The Fiscal Year 2007 budget includes \$123.6 million in tax increment revenue. The Agency has statutory and contractual obligations that dictate the use of portions of the tax increment revenue it receives: 1) California redevelopment law requires the Agency to set-aside 20% of the tax increment revenue that it receives from each project area for low and moderate income housing projects; 2) Some project areas that were adopted prior to 1994 are subject to tax-sharing agreements with the school districts, the County, and other impacted taxing entities within the project area; and 3) Project areas adopted since January 1, 1994 are subject to a statutory, three-tiered tax-sharing formula, which for the first ten years results in 20% of tax increment to be allocated to the taxing agencies in those project areas.

Gross tax increment to be generated in Fiscal Year 2007 is estimated to reach \$123.7 million. A significant amount of this revenue is committed to low and moderate income housing set-asides, tax-sharing agreements/requirements, and debt service and loan repayments. After these obligations are met, net tax increment available to the Agency for public and private development in Fiscal Year 2007 will be \$34.1 million.

In addition to tax increment, the Agency expects to receive approximately \$51 million from the proceeds of the proposed sale of tax allocation bonds for the Centre City project area.

Fiscal Year 2007 expenditures total \$298.5 million, including continuing revenue. Of the total, \$124.6 million is allocated to capital projects, \$57.4 million is allocated to low and moderate income housing projects, \$23.0 million to administration (which for City Redevelopment includes legal and planning efforts, and support from several City departments), with \$27.7 million allocated to tax-sharing agreements/requirements, and \$65.8 million to be appropriated for debt service and loan repayments, and reserve requirements.

Affordable Housing

Redevelopment Law requires the Agency to set-aside 20% of the tax increment revenue from each project area into a separate fund for low and moderate income housing. The Agency has obligations for low income housing beyond the 20% set-aside. At least 15% of all new housing within a redevelopment project area must be restricted to low and moderate income households, and all low and moderate income housing units demolished as part of a redevelopment project within a project area must be replaced by the Agency, one for one, within four years. The

Agency leverages the 20% set-aside with additional funds to meet this requirement. If new market rate housing or commercial development removes low and moderate income housing as part of the redevelopment program, replacement and inclusionary requirements must be met.

The Redevelopment Agency released the Notice of Funding Availability (NOFA) in February 2003 to seek proposals from qualified developers and development teams to construct new affordable housing units in the City of San Diego. This program seeks proposals for residential or mixed-use developments; housing that is all low-income or mixed-income; multi- and/or single-family dwelling units; as well as rental and/or for-sale units.

Pursuant to Section 33334.3 (d) of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) it is the intent of the California State Legislature that the amount of money spent for planning and general administration from the Low and Moderate Income Housing Fund not be disproportionate to the amount actually spent for the cost of production. Because of this, it is necessary that the Redevelopment Agency take specific action indicating that it has determined that amounts budgeted for administrative and planning activities within the Agency's Low and Moderate Income Housing Funds are necessary for its plans and are in proportion to the funding to be provided for the production, improvement, and/or preservation of low-and moderate-income housing during Fiscal Year 2007.

City Loan Repayments/Re loans

Other funding sources for the Agency include loans from the City. The Fiscal Year 2007 Agency Budget includes a loan repayment to the City, and a reloan of these funds back to the Agency to fund project implementation costs for project areas that have no other sources of funding.

The budget proposes the repayment of a CDBG loan in the amount of \$400,000 from the Southcrest Redevelopment Project Area. It is recommended that these funds be reloaned to the Central Imperial Redevelopment Project Area, to fund project implementation activities.

Administration

Administration expenses include staff and non-personnel expenses. For City Redevelopment project areas, administration also includes fees for consultant services, payments to the City for General Government Services, City Attorney and Auditor Services, as well as City staff charges related to the Planning and Development Services Departments for their work related to Redevelopment Agency projects. The Agency funds reimburse the City for Redevelopment staff services, and SEDC and CCDC cover a portion of the administration expenses incurred by City Redevelopment for coordinating Agency-wide activities, and also pay their respective portions for work done on their behalf by other City departments.

The administration budgets of each of the corporations are included with their memoranda to the Agency in the materials attached to this report. Also attached are project budget details, including objectives and accomplishments for each respective entity.

FISCAL CONSIDERATIONS:

Fiscal Year 2007 expenditures total \$298.5 million, including continuing revenue. Of the total, \$124.6 million is allocated to capital projects, \$57.4 million is allocated to low and moderate income housing projects, \$23.0 million to administration (which for City Redevelopment includes legal and planning efforts, and support from several City departments), with \$27.7 million allocated to tax-sharing agreements/requirements, and \$65.8 million to be appropriated for debt service and loan repayments, and reserve requirements.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The Budget/Finance and Administration Committee discussed the Fiscal Year 2007 Centre City Development Corporation Budget at its March 8, 2006 and March 29, 2006 meetings, and approved the budget at its April 12, 2006 meeting. The CCDC Board approved Fiscal Year 2007 budget at its meeting on April 26, 2006. The vote was unanimous, with the recusal of Secretary Gil Johnson on Capital Project Items 6 and 15, related to North Embarcadero and the Balboa Theatre, respectively.

The SEDC Board of Directors and Personnel & Budget Committee heard the item on April 7, 2006 and the full SEDC Board approved the Fiscal Year 2007 Budget at its meeting on April 26, 2006.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: The full Centre City Advisory Committee unanimously approved the the CCDC Fiscal Year 2007 Budget at its April 19, 2006 meeting.

Efforts are underway to provide budget updates to each of the project area committees within the City Redevelopment project areas, and to provide information on a regular basis on the Redevelopment Agency's website.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: Residents and businesses within and near the project areas of the Redevelopment Agency will benefit from the enhanced quality of life resulting from the investment of resources in projects, including public improvements, planned for implementation with the resources contained in the proposed budget.

Maureen Ostrye
Deputy Executive Director
Redevelopment Agency

Approved: James T. Waring
Assistant Executive Director
Redevelopment Agency/
Deputy Chief Operating Officer,
Land Use and Economic Development

ATTACHMENTS

1. [Redevelopment Agency Fiscal Year 2007 Budget Summary](#)
2. [CCDC Fiscal Year 2007 Project and Administrative Budget](#)
3. [SEDC Fiscal Year 2007 Project and Administrative Budget](#)
4. [City Redevelopment Fiscal Year 2007 Budget](#)