

Southeastern
Economic
Development
Corporation

Memorandum

DATE ISSUED: October 16, 2007 Report No. SEDC 07-011

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of October 30, 2007

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SUBJECT: Under the Provisions of Senate Bill 1045 (SB1045) -One year extension of the time limits for the effectiveness of the Central Imperial, Central Imperial 2 & 3, Southcrest, Gateway Center West and Mount Hope Redevelopment Plans and;
Under the Provisions of Senate Bill 1096 (SB1096) - Additional two year extension of the time limits for the effectiveness of the Gateway Center West and Mount Hope Redevelopment Plans

REQUESTED ACTION:

1. Should the Redevelopment Agency (Agency) under the provisions of SB1045 recommend to the City Council adoption of ordinances extending by one year the time limits for the effectiveness of the Central Imperial, Central Imperial 2 & 3, Southcrest, Gateway Center West and Mount Hope Redevelopment Plans and the date all debt must be repaid to receive tax increment; and under the SB1096 recommend to the City Council adoption ordinances extending additional year of the time limits for the effectiveness of the Gateway Center West and Mount Hope Redevelopment Plans and the date all debt must be repaid to receive tax increment?
2. Should the City Council under the provisions of SB1045 adopt ordinances extending by one year the time limits for the effectiveness of the Central Imperial, Central Imperial 2 & 3, Southcrest, Gateway Center West and Mount Hope Redevelopment Plans and the date all debt must be repaid to receive tax increment; and under the SB1096 recommend to the City Council adoption ordinances extending additional year of the time limits for the effectiveness of the Gateway Center West and Mount Hope Redevelopment Plans and the date all debt must be repaid to receive tax increment?

STAFF RECOMMENDATION TO THE REDEVELOPMENT AGENCY:

That the Redevelopment Agency recommends to the City Council adoption of ordinances extending by one year the time limits for the effectiveness of the Central Imperial, Central Imperial 2 & 3, Southcrest, Gateway Center West and Mount Hope Redevelopment Plans and the date all debt must be repaid to receive tax increment; and under the SB1096 recommend to the City Council adoption ordinances extending additional year of the time limits for the effectiveness of the Gateway Center West and Mount Hope Redevelopment Plans and the date all debt must be repaid to receive tax increment.

STAFF RECOMMENDATION TO THE CITY COUNCIL:

That the City Council adopt ordinances extending by one year the time limits for the effectiveness of the Central Imperial, Central Imperial 2 & 3, Southcrest, Gateway Center West and Mount Hope Redevelopment Plans and the date all debt must be repaid to receive tax increment; and under the SB1096 recommend to the City Council adoption ordinances extending additional year of the time limits for the effectiveness of the Gateway Center West and Mount Hope Redevelopment Plans and the date all debt must be repaid to receive tax increment.

SUMMARY:

In September 2003, SB1045 was passed which mandated a \$135 million statewide funding shift in fiscal year 2003-04 from redevelopment agencies to the Educational Revenue Augmentation Fund (ERAF) to balance the State Budget. To offset the loss of tax increment revenue diverted to ERAF, the bill included a provision allowing agencies to adopt by ordinance one year extensions of redevelopment plans and the date all debt must be repaid to receive tax increment.

Additionally, on August 5, 2004, SB1096 was passed which provided up to 2 years additional extension, for ERAF payments made in FY 2004-05 and FY 2005-06. To qualify for the 2 years extension, under SB 1096, the Redevelopment Plan's effective life would have to be less than 20 years from the 2004-05 and 2005-06 ERAF payments. Hence, Gateway Center West and Mount Hope Project Area Plans qualify for the additional two -year extension. The amendment in Mount hope where it has a surety in lieu of a cash-funded debt service reserve, the extra 3 years are attractive to the bond insurers who would look to tax increment to reimburse for a draw on the surety reserve.

Approval of the requested actions would extend the time limits of the effectiveness of the redevelopment plans and the dates all debt must be paid as shown in the following table:

| Project Area | Current Time Limit for Effectiveness of Plan | Extended Time Limit for Effectiveness of Plan | Current Time Limit to Repay All Debt | Extended Time Limit to Repay All Debt |
|----------------------|---|--|---|--|
| Central Imperial | 2032 | 2033 | 2042 | 2043 |
| Central Imperial - 2 | 2026 | 2027 | 2041 | 2042 |
| Central Imperial - 3 | 2030 | 2031 | 2045 | 2046 |
| Gateway Center West | 2016 | 2019 | 2026 | 2029 |
| Southcrest | 2026 | 2027 | 2036 | 2037 |
| Mount Hope | 2022 | 2025 | 2032 | 2035 |

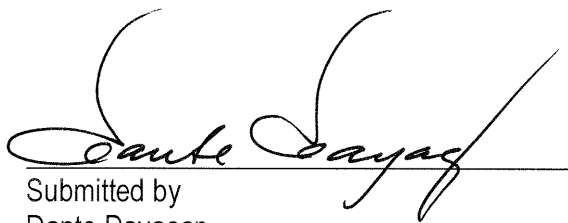
There is no assurance that in the future the Legislature will eliminate the Agency's ability to extend the time limits of the effectiveness of the redevelopment plans. By proceeding to adopt the ordinances today, the Agency is protected from any possible legislative changes in the future that will preclude the Project Areas to receive additional tax increment to pay debt.

FISCAL CONSIDERATIONS

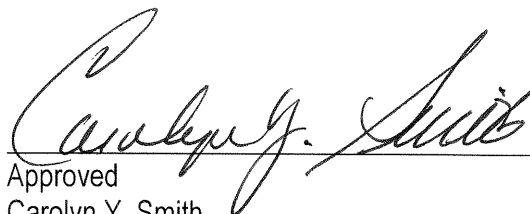
None with this action.

PREVIOUS COUNCIL ACTIONS:

On April 4, 2006 the City Council approved an ordinance to extend the time limits of the effectiveness of the Centre City and Horton Plaza Project Areas. Additionally, on June 20, 2006 the City Council approved ordinances to extend the time limit of the effectiveness of the Barrio Logan, City Heights, College Grove, College Community, Naval Training Center, North Bay, North Park and San Ysidro Redevelopment Plans.



Submitted by
Dante Dayacap
Director of Finance



Approved
Carolyn Y. Smith
President

CYS:eb