

DATE ISSUED: March 24, 2010

ATTENTION: Honorable Chair and Members of the Redevelopment  
Docket of May 7, 2010

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: Fiscal Year 2010-2011 Budget for the Redevelopment Projects  
Administered by the Centre City Development Corporation – Centre  
City and Horton Plaza Redevelopment Projects

COUNCIL DISTRICTS: District 2 & 8

STAFF CONTACT: Andrew Phillips, Assistant Vice President/Controller

REQUESTED ACTION: That the Redevelopment Agency of the City of San Diego (“Agency”) approves the Fiscal Year 2010-2011 Budget (“FY11 Budget”) for the Agency projects administered by the Corporation and the Corporation’s Fiscal Year 2010-2011 Administrative Budget.

STAFF RECOMMENDATIONS: That the Agency approves the FY11 Budget for the Agency projects administered by the Corporation and the Corporation’s Fiscal Year 2010-2011 Administrative Budget.

SUMMARY: This memorandum, combined with the attachments, represents the proposed FY11 Budget for the Centre City and Horton Plaza Redevelopment Projects. The FY11 Budget totals \$154.6 million.

FISCAL CONSIDERATIONS: The proposed FY11 Budget totals \$154.6 million and is financed with tax increment, developer proceeds, interest income, and other income.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION: On March 24, 2010 the Centre City Development Corporation approved the FY11 Budget.

CENTRE CITY ADVISORY COMMITTEE RECOMMENDATION: On March 17, 2010, the Centre City Advisory Committee (CCAC) and the Project Area Committee voted unanimously to approve the FY11 Budget as presented.

OTHER RECOMMENDATIONS: On January 13, 2010, Committee discussed the FY11 Budget and received a presentation on Neighborhood and Public Improvement Projects as well as an update on long-term projections. On January 27, 2010, the Corporation discussed the FY11 Budget and received presentations on Parks and Opens Spaces, Fire Stations, C Street and North Embarcadero projects. On February 10, 2010, the Committee discussed the FY11 Budget and received presentations on

Affordable Housing, Economic Development, Business Attraction and Community Outreach, Social Service Capital Funding program, Community Plan & Other Studies, and Land Acquisitions. On February 24, 2010, the Corporation discussed the FY11 Budget and received presentations on the Horton Plaza Project Area, the Community Parking District Budget and the Corporation's administrative budget.

On January 21, 2010, the Budget and Finance Subcommittee of the Centre City Advisory Committee ("CCAC Subcommittee") discussed the FY11 Budget and received a presentation on the Neighborhood and Public Improvement projects and an update on long-term projections. On February 4, 2010, the CCAC Subcommittee discussed the FY11 Budget and received presentations on Parks and Open Spaces, Fire Stations, C Street and North Embarcadero projects and an update on long-term projections. On February 17, 2010, the CCAC Subcommittee discussed the FY11 Budget and received presentations on Affordable Housing, Economic Development, Business Attraction and Community Outreach, Social Service Capital Funding Program, Community Plan & Other Studies and Land Acquisitions.

On March 4, 2010, the CCAC Subcommittee discussed the FY11 Budget and received presentations on the Horton Plaza Project Area, the Community Parking District Budget and the Corporation's administrative budget. The CCAC Subcommittee recommended approval of the FY11 Budget as presented with following modifications: 1) the Bicycle Improvement line item include a pilot program on Island Avenue and implementation of the pilot program is not contingent on adoption of the City's Bicycle Master Plan, 2) increase the budget for the Areawide Way-Finding System to include real-time parking signage, 3) the C Street budget include provision for enhance lighting along C Street, and 4) the capital improvements to the Lyceum Theatre be accelerated.

Additionally, staff has received and distributed to the Committee copies of letters from various neighborhood and community groups regarding each group's priorities for the upcoming FY11 Budget and long-term projections.

**BACKGROUND:** The Corporation was created by the City of San Diego in 1975 to plan, implement and direct redevelopment of San Diego's urban core. Approximately 1,450 acres, which include the Centre City and Horton Plaza Redevelopment Projects, are currently administered by the Corporation.

This memorandum combined with Attachment A, lists potential elements of the FY11 Budget for review and discussion. Within Attachment A, Chart A summarizes the revenue and expenditures for FY11. Schedule I is a Revenue and Expenditure summary. Schedule II is a Revenue and Expenditure summary by "Project Area." Schedule III is a summary listing activities for the continuance of programs under development and for new project activities. Schedule IV is a detailed listing of revenues. Schedule V is a work plan and detailed listing of expenditures consisting of both carryover amounts from Fiscal Year 2010 and new monies proposed in FY11. Schedule VI is a five-year outlook for projected revenues and estimated expenditures. Schedule VII is a long term outlook for projected revenue and expenditures. Exhibit A is the Corporation's Fiscal Year 2010-2011 Administrative Budget; Exhibit B is the Fiscal Year 2011 Work Plan; Exhibit C is the Status of the Fiscal Year 2010 Work Plan; Exhibit D is a list of Completed Residential Projects and Exhibit E is the Economic Gain from Redevelopment.

The budgeting process began earlier than usual this year due to the State's Education Revenue Augmentation Fund (ERAF) payments from redevelopment agencies to the state. Staff began community outreach to inform them of the effects of the ERAF payment on the upcoming fiscal year and beyond. During the months of October and November, staff attended most community groups' monthly meetings encouraging them to get involved in this year's budgeting cycle and long-term planning discussions. To date, staff has received and distributed letters to the Committee from the Downtown Residents Group, Downtown San Diego Partnership, East Village Association, Gaslamp Quarter Association and the Little Italy Residents Association. The Corporation Board held a special meeting on November 4, 2010 to discuss the potential impacts of the ERAF to the upcoming budget and future years. The Committee and the CCAC Subcommittee have each held three public meetings, two in January and one in February, in order to discuss the FY11 Budget and long-term financial projections.

DISCUSSION: The proposed FY11 Budget consists primarily of six components: Low and Moderate Income Housing budgets, Non-Housing Project activities, appropriations for Long-Term Debt, Tax Sharing Payments, Payments to the City, as well as the Corporation's Administrative Budget and City Services/Other Administrative Cost. The six components of the budget have funding sources derived from tax increment, developer proceeds, interest income and other income.

REVENUE:

Tax Increment (\$125.3m) – Total revenue for FY11 is estimated at \$154.6 million. Tax increment is the major source of revenue, which is generated from the incremental growth of the assessed value of properties within the project areas. The FY11 Budget includes \$125.3 million in tax increment revenue. California redevelopment law requires that 20 percent or \$25.1 million be set-aside for use on low- and moderate- project activities. The FY11 projected tax increment is down compared to the prior year. Based on the latest information provided by the County of San Diego, the Fiscal Year 2010 ("FY10") estimated tax increment is down four percent from Fiscal Year 2009. The County Assessor's office has notified staff that the FY11 assessed values will drop by 0.237 percent consistent with the State Board of Equalization's annual CPI factor and that this is the first time in history that the county has applied a negative growth to assessed values across the board since the passage of Proposition 13 in 1979. Estimated revenue for FY11 is \$125.3 million or a three percent decrease compared to FY10. In addition to the County's CPI decrease, the estimate includes additional decreases related to potential appeals that could have an impact on the tax increment.

Other Revenue (\$29.3 m) – The revenue projections also include provisions relating to developer proceeds in the amount of \$1.8 million; \$11.6 million of interest earning which is anticipated to be less than in previous years; revenue from rental income and lease income from various Agency owned sites; interest from notes on various Agency loans; as well as one-time prior year adjustments in the amount of \$15.9 million.

EXPENDITURES:

Project Budgets (\$45.5 m) – Project budgets contain multi-year projects, therefore, the budget includes adjustments to existing project activities and provisions for new activities. The proposed budget contains a total of \$45.5 million of new appropriation for projects and related soft costs. Significant components of the budget include a provision for funding land acquisitions and design cost for Parks and Open Space. Specifically, the budget provides provisions for the acquisition of land associated with St. Joseph’s Square and East Village Green and provisions for development of the west block of East Village Green. In addition, a provision has been made for implementation of Phase I of the North Embarcadero improvements and provides for design of a potential Phase II.

The proposed budget also provides funding for various public improvements in the Cortez, East Village, Little Italy, Gaslamp and Core/Columbia neighborhoods. These include sidewalk improvements, street lights and park improvements. Additionally, provisions have been made in the AreaWide Public Infrastructure line item for a sidewalk assessment study, area-wide street lights, areawide street enhancements including pop-outs, areawide sidewalk reconstruction, and an areawide way-finding system. A listing of these projects is provided in Schedule V.

The FY11 Budget also provides for a carry forward of revenues for future years. Since many of the projects are multi-year in nature, in FY09 staff began to assess the upcoming next five years, analyze potential revenue and expenditures, and plan for those future years. The FY11 Budget contains an amount of \$26.7 million for future year’s project activity on projects that will carry forward into FY11 through Fiscal Year 2015. Schedule VI provides a summary of the next five years as staff estimates the revenues and potential expenditures.

In addition to the \$45.5 million provision for FY11 project activities, it is anticipated that prior year funds totaling \$263.2 million will be carried over for implementation in FY11 from the prior fiscal year and/or subsequent years for a total amount of \$308.7 million of project activity for FY11. Of the \$263.2 million being carried over from the prior year, \$177.8 million is related specifically to Parks and Open Space, Fire Stations, North Embarcadero, C Street Corridor, At- Grade Crossing at the Pedestrian Bridge and the New Main Library, all of which are multi-year projects, most of which will be obligated before the fiscal year ends.

Affordable Housing (\$15.6m) – The proposed budget provides funding for Affordable Housing in the amount of \$15.6 million to be used on various affordable housing projects. A total budget of \$76 million will be available when combined with the carryover from the prior year of \$53.2 million (which could change pending any project approved during the remainder of FY10). A listing of pipeline projects is provided in the Schedule V.

Tax Sharing/ERAF (\$25.1m) – The proposed budget includes funding for tax sharing agreements of \$17.0 million combined with a carryover amount of \$2.5 million from the prior year for a total of \$19.5 million for payments to the taxing entities. In addition, the budget includes \$8.2 million for payment to the State’s ERAF. A listing of tax sharing and ERAF items is provided in Schedule V.

Corporation Administrative Budget (\$8.4 m) & City Services/Other Admin. Cost (\$3.8 m) – The Corporation’s Administrative Budget totals \$8.6 million which represents a decrease of \$532,000 from the current year’s budget.

In addition, a provision for City Services & Other Administrative Costs has been established in the amount of \$3.8 million which includes provisions for City Services such as the City Attorney’s Office, Neighborhood Code Compliance, Homeless Coordinator, Comptroller’s Office and other departments of the City, as well as provisions for the County Administrative/Redevelopment Fee, the Agency’s annual audit, and the Agency’s insurance premiums. A listing of the City Services/Other Administrative items is provided in Schedule V.

The Corporation’s Administrative Budget and the City Services/Other Administrative Cost have amounts allocated to the Affordable Housing component of the budget.

Long-Term Debt (\$44.3m) – The Long-Term Debt appropriations for FY11 totals \$44.3 million which includes a provision for debt service on 11 Centre City Redevelopment Project Tax Allocation Bond issues, two Parking Revenue Bonds and four Horton Plaza Redevelopment Project Tax Allocation Bond issues outstanding. The detailed amounts for each are described on Page 6 of Schedule V.

City Payments (\$13.3) – A provision for a payment to the City related to the Ballpark debt service, in the amount of \$11.3 million, has been provided. In addition, a provision of \$2 million related to the Community Development Block Grant loan repayment has been provided. The details are found in Schedule V.


ENVIRONMENTAL IMPACT: This activity is not a “project” under the definition set forth in CEQA Guidelines Section 15378. Therefore, pursuant to CEQA Guidelines Section 15060(c)(3), the activity is not subject to CEQA.

CONCLUSION: This memorandum, combined with the attachments, represents a proposed FY11 Budget for the Centre City and Horton Plaza Redevelopment Projects. The proposed FY11 Budget totals \$154.6 million and consists primarily of six components: Low and Moderate Income Housing budgets, Non-Housing Project activities, appropriations for Long-Term Debt, Tax Sharing payments, the Corporation’s Administrative Budget and City Payments. The six components of the budget have funding sources derived from tax increment, developer proceeds, interest income and other income.

Respectfully submitted,

Concurred by:

  
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Andrew T. Phillips  
Assistant Vice President/Controller

  
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Frank J. Alessi  
Executive Vice President & Chief Financial Officer

Attachment: Attachment A – Draft Fiscal Year 2010-2011 Budget