



## THE CITY OF SAN DIEGO

DATE ISSUED: April 30, 2010 REPORT NO: RA-10-22

ATTENTION: Honorable Chair and Members of the Redevelopment Agency,  
Budget and Finance Committee  
Docket of May 7, 2010

SUBJECT: Fiscal Year 2011 Redevelopment Agency Proposed Budget for the  
Redevelopment Project Areas Managed by the City Redevelopment  
Division

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

**Mission and Goals:** The mission of the Redevelopment Agency (Agency) is to revitalize redevelopment project areas through community collaboration, public/private partnerships, public and private development activities and improvements in support of the City's General Plan. To accomplish this mission the Agency has established five goals, as follows:

1. **Eliminate Blight:** To eliminate blight and urban decay.
2. **Improve Public Infrastructure:** To provide, upgrade, restore, and enhance public infrastructure and facilities.
3. **Increase Housing Opportunities:** To increase the supply of housing, improve housing conditions, and increase affordable housing opportunities.



### Redevelopment Agency

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City Planning & Community Investment



4. **Economic Development:** To promote economic development activities that retain and expand business and employment opportunities.
5. **Neighborhood Preservation:** To enhance and preserve neighborhood character, and rehabilitate historical properties.

The Agency endeavors to achieve these goals through support of community planning activities, public outreach, and through sound fiscal management practices, including the leveraging of Agency resources and enhancing private investments.

As a means to convey how the Agency's goals are implemented, the budget documents for City Redevelopment, SEDC, and CCDC include Work Plans for each Project Area.

**Note: The remainder of this report pertains exclusively to the City Redevelopment Budget. Refer to the reports of SEDC and CCDC for further information budgets and project areas managed by SEDC and CCDC.**

CITY REDEVELOPMENT BUDGET:

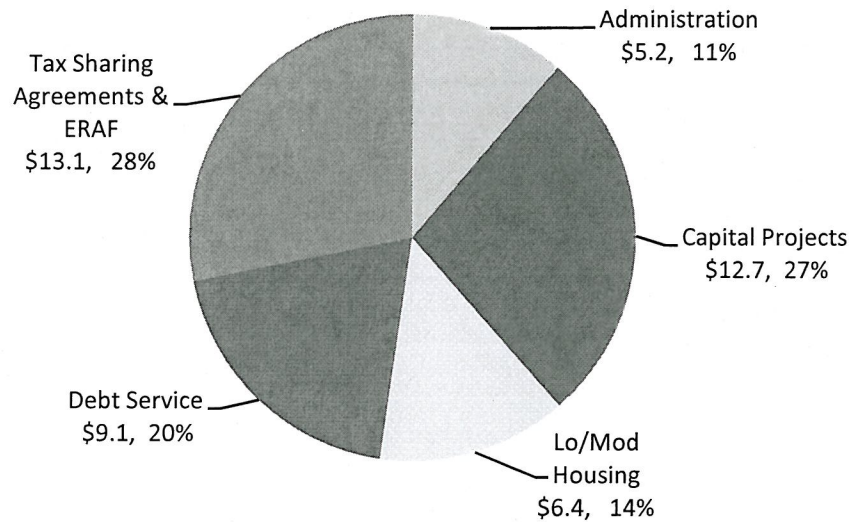
Attached for consideration is the Fiscal Year 2011 Proposed Budget for the eleven Redevelopment Project Areas managed by the City Redevelopment Division as listed below:

- |                      |                          |
|----------------------|--------------------------|
| 1. Barrio Logan      | 7. Linda Vista           |
| 2. City Heights      | 8. Naval Training Center |
| 3. College Community | 9. North Bay             |
| 4. College Grove     | 10. North Park           |
| 5. Crossroads        | 11. San Ysidro           |
| 6. Grantville        |                          |

EXPENDITURES

The FY 2011 Proposed Budget for the Redevelopment Project Areas managed by the City Redevelopment Division (City Redevelopment) is \$46.5 Million. The following table depicts the City Redevelopment budget by expense category:

CITY REDEVELOPMENT  
FY 2011 BUDGET  
\$46.5 MILLION

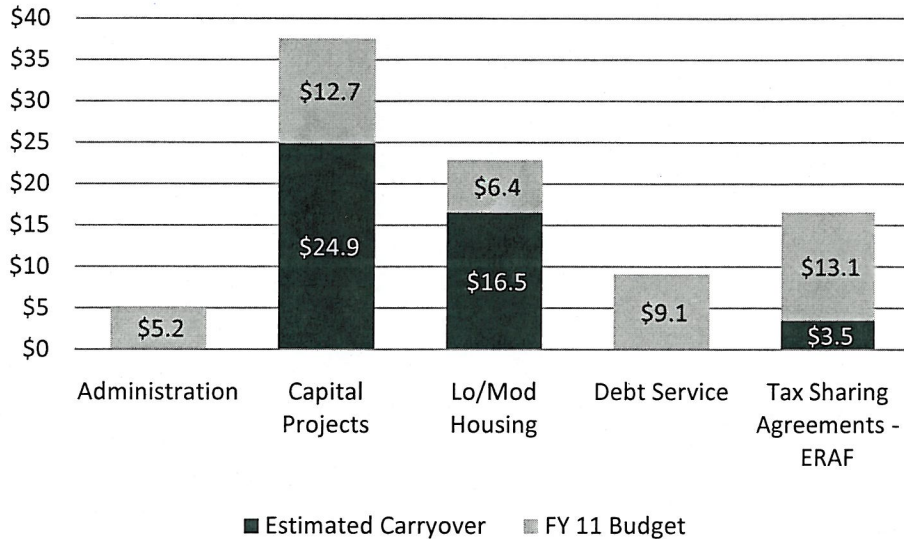


Figures in Millions

CARRYOVER

Due to the size and scope of many redevelopment projects, revenues received in one year are often expended over the course of two, three, or even more years. As a result, the Agency typically has carryover funds that augment the Annual Budget for any given fiscal year. The expenditures by category with carryover is displayed in the chart below. For City redevelopment, the total estimated carryover going into FY 2011 is \$44.9 Million. This carryover is combined with the FY 2011 Budget of \$46.5 Million to result in a consolidated expenditure plan of \$91.4 Million. This is illustrated in the chart on the next page.

**CITY REDEVELOPMENT  
FY 2011 EXPENDITURES WITH CARRYOVER  
\$91.4 MILLION**



Figures in Millions

**EXPENDITURE CATEGORIES**

**Capital Projects.** This category represents the Agency’s investment directly related to the execution of the respective project areas’ Redevelopment Plans. Examples of expenditures include land acquisition, public works, property rehabilitation and a variety of expenditures in support of these activities such as legal and economic analyses, planning and surveys, appraisals, property management, site clearance, and relocation activities. Details of the capital projects expenditures are provided by project area starting on page 5 of the budget document.

**Unallocated Projects:** Upon examination of the budget document, you will observe that the Capital Projects Budget for most project areas has a budget line titled Unallocated Projects. This budget line item contains funding for various redevelopment activities under consideration and analysis. This budget category line includes “placeholder” funds for projects and activities to be brought to the Agency for consideration during the fiscal year. The line item provides funding for costs associated with these future “opportunity” projects as well as property acquisitions. As projects and major acquisitions are brought forward and approved by the Agency throughout the year, new budget line items will be created for the “new” projects, essentially transferring funds from the “unallocated projects” line item to the “new” line item.

**Low and Moderate Income Housing:** Under Redevelopment Law, 20% of Tax Increment funds are to be allocated to activities directly related to the expansion and retention of Low and Moderate Income Housing. These funds are restricted for this purpose. The nature of Low/Mod category expenditures are similar as for Capital Projects category above, with the caveat that such expenditures are directly associated with low and moderate income housing. Details of the low and moderate income housing expenditures are provided by project area starting on page 5 of the budget document.

**Housing Enhancement Loan Program:** The Housing Enhancement Loan Programs (HELP) fulfill the objectives of the redevelopment plans by advocating for the rehabilitation of existing dwellings to improve physical deficiencies and preserve positive neighborhood characteristics. The Fiscal Year 2010 Budget includes the following allocations of Low and Moderate Income Housing to HELP.

City Heights	\$450,000	
College Grove	\$150,000	
Crossroads	\$262,000	
Grantville	\$50,000	(plus \$160,500 carryover)
Linda Vista	\$20,604	
North Park	\$250,000	

**Debt Service:** Over the years, the Agency has issued bonds on various occasions to fund capital and low and moderate income housing projects. The Debt Service category represents the monies set aside for the required debt service payments on the bonds. In addition to bonds, the agency has debt service obligations under credit agreements with San Diego National Bank. The Agency also has number of outstanding loans with private developers. Annual payments for all these items are budgeted as debt service. A schedule of the budgeted debt service items for City Redevelopment is provided on page 19 of the budget document.

**Anticipated Bonding:** The Agency has lines of credit in the City Heights, NTC, North Bay, and North Park project areas. The lines of credit will expire on July 5, 2010, and the Agency is seeking to extend the credit agreements for an interim time period of 3-6 months to enable refinancing via bond issuances. Details of the proposed line of credit extension and bond issuances were not available in time for inclusion in the proposed budget. As such, a budget amendment will be proposed in concert with the Agency's consideration of the line of credit extension and bond issuance proposals.

**CDBG Debt Repayment to the City:** In December, 2008, the Office of Inspector General of the United States Department of Housing and Urban Development (HUD OIG) issued a report to the City pertaining to the City's Community Development Block

Grant (CDBG) Program. Among the findings, the report called for repayment of CDBG funds utilized in redevelopment project areas that were booked as Agency debt to the City. The City and HUD have reached tentative agreement whereby the Agency will repay \$78.8 million to the City's CDBG Program Income Fund over ten years<sup>1</sup>. The repayment will occur pursuant to a Repayment Agreement between the Agency and the City. The proposed Repayment Agreement is being finalized and it is anticipated the Repayment Agreement will be presented for the Agency Board and City Council consideration and approval before or at the time the Proposed Budget is adopted. The Debt Service budget includes funding for the anticipated FY 11 payment pursuant to this agreement.

**Tax Sharing Agreements:** As required under Redevelopment Law, the Agency is required to share a portion of Tax Increment revenue with other local government agencies. The required payments to these agencies is budgeted in this category. The Tax Sharing category also includes the budget for the anticipated FY 11 payment to the State Education Revenue Augmentation Fund (ERAF). The Agency-wide FY 11 ERAF is \$11,457,211. (Refer to Staff Report # RA-10-11, RTC- 10-015, dated February 17, 2010)

**Administration:** This category represents the administrative costs of the City Redevelopment Division and consists primarily of Division staff cost and the cost of services provided by City Departments. A detail of these costs are provided on page 16 of the budget document and a staffing schedule is provided on page 17.

**City Services:** The Administration Category includes the costs of services provided to the Agency by City Departments. A summary of these costs are provided on page 18 of the Budget Document.

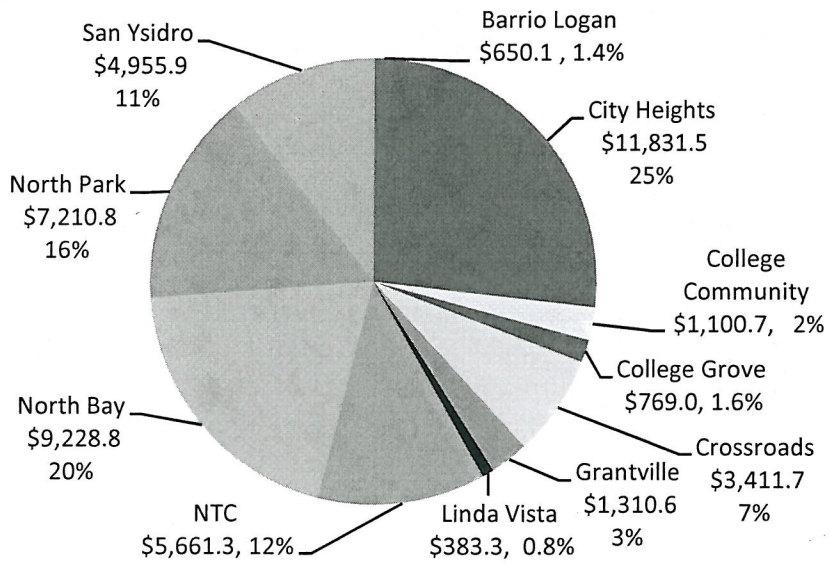
**Code Enforcement:** City Services for Fiscal Year 2011 includes Agency funding of two (2) City Zoning Investigators, one each for the Crossroads and City Heights Redevelopment Project Areas. The investigators will play a pivotal role in eliminating blight by the enforcement of Land Development Code regulations, monitoring of multi-family housing conditions, addressing vacant foreclosed properties, and other related tasks.

<sup>1</sup> This obligation is Agency-wide and includes obligations from CCDC, SEDC, and the City Redevelopment Project Areas.

EXPENDITURES BY PROJECT AREA

The following table depicts the FY 2011 City Redevelopment expenditures by Project Area:

CITY REDEVELOPMENT  
FY 2011 BUDGET BY PROJECT AREA  
\$46.5 MILLION



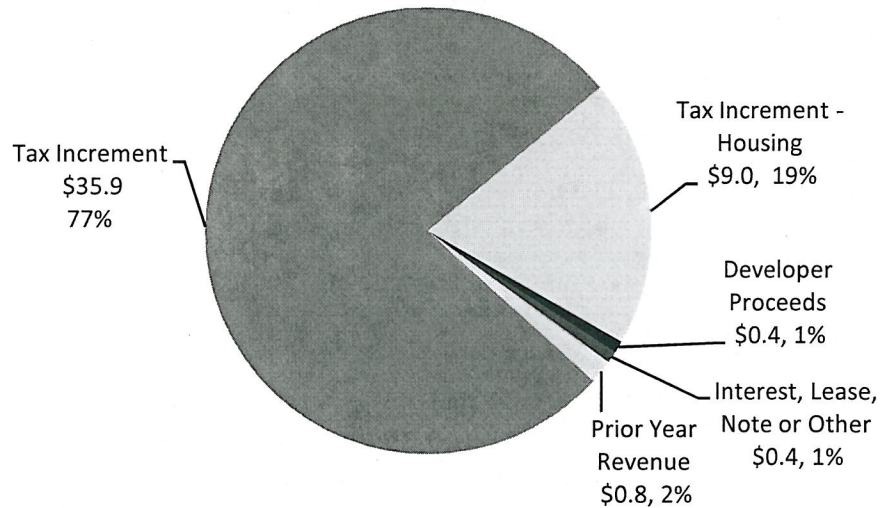
In Thousands

A detail of the expenditures for each project area is provided starting on page 5 of the budget document.

REVENUE

The consolidated revenue for the project areas managed by City Redevelopment is depicted in the table below:

CITY REDEVELOPMENT  
FY 11 REVENUE  
\$46.5 MILLION



Figures in Millions

**Tax Increment:** 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 table above displays the split of tax increment between that which is statutorily restricted for low and moderate income housing purposes (**Tax Increment – Housing**) and the unrestricted tax increment. Overall, tax increment revenue is projected to be down 4.4% from the FY 10 budget.

**Prior Year Revenue:** This category accounts for revenue received during Fiscal Year 2010 in excess of budget. This is predominately tax increment received in excess of budget for the Grantville, Linda Vista, Naval Training Center, and North Bay project areas.

**Developer Proceeds:** This category typically accounts for anticipated developer proceeds associated with Agency development agreements. Developer deposits typically fund Agency consulting costs during negotiations and provide “good faith” deposits through project completion.

**Interest/Lease/Notes/Other:** This category accounts for other miscellaneous revenue received by the Agency, typically interest, lease revenue, or notes due to the Agency.



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Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Janice L. Weinrick", is written over a horizontal line. The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

Janice L. Weinrick  
Deputy Executive Director  
Redevelopment Agency

Attachment: Fiscal Year 2011 Proposed Budget for the redevelopment project areas managed by the City Redevelopment Division.