

DATE ISSUED: November 12, 2003

REPORT NO. 03-226

ATTENTION: Honorable Mayor and City Council
Docket of November 17, 2003

SUBJECT: Fiscal Year 2004 San Diego Model School Development Agency Costs

SUMMARY:

Issues:

1. Should the City Council accept a loan repayment of up to \$71,479 from the City Heights Redevelopment Project Area (Fund 98211) to the City CDBG program (Fund 18502)?
2. Should the City Council amend the Fiscal Year 2004 CDBG Program Budget to accept the loan repayment and authorize the allocation of up to \$71,479 from the City CDBG program (Fund 18502) to provide funding for the City's share of Fiscal Year 2004 San Diego Model School Development Agency costs and program management services?
3. Should the City Council authorize the transfer of \$71,479 from the CDBG Program Income Fund (18502) to the Fiscal Year 2004 CDBG Fund (18539) and the appropriation and expenditure of \$71,479 for the City's share of Fiscal Year 2004 San Diego Model School Development Agency costs and program management services?
4. Should the City Council direct the City Manager to periodically provide informational reports regarding the proposed activities, including potential costs, of the San Diego Model School Development Agency?

City Manager's Recommendations –

1. Accept a loan repayment of up to \$71,479 from the City Heights Redevelopment Project Area (Fund 98211) to the City CDBG program (Fund 18502).

2. Amend the Fiscal Year 2004 CDBG Program Budget to accept the loan repayment and authorize the allocation of up to \$71,479 from the City CDBG program (Fund 18502) to provide funding for the City's share of Fiscal Year 2004 San Diego Model School Development Agency costs and program management services.
3. Authorize the transfer of \$71,479 from the CDBG Program Income Fund (18502) to the Fiscal Year 2004 CDBG Fund (18539) and the appropriation and expenditure of \$71,479 for the City's share of Fiscal Year 2004 San Diego Model School Development Agency costs and program management services.
4. Direct the City Manager to periodically provide informational reports regarding the proposed activities, including potential costs, of the San Diego Model School Development Agency.

Other Recommendation: This item was on the agenda of the City Heights Project Area Committee for its meeting on October 13, 2003, and was continued for discussion at the next meeting scheduled for November 17, 2003.

Fiscal Impact: Funds are available in the Redevelopment Agency Fiscal Year 2004 Budget to provide loan repayments to the City from the City Heights Redevelopment Project Area (Fund 98211) for various purposes. This action will provide funds to the City in the amount of \$71,479 which is recommended to be allocated to provide the necessary funding for the City's share of Fiscal Year 2004 San Diego Model School Development Agency costs and program management services.

BACKGROUND

On June 25, 2002, the City of San Diego, the Housing Authority, the Redevelopment Agency, and the San Diego Unified School District entered into a Joint Powers Agreement to establish the San Diego Model School Development Agency (SDMSDA), in order to determine the viability of planning, financing and building an urban village in City Heights, to include: a new elementary school to alleviate classroom overcrowding; multi-family housing development; open space; joint-use recreation areas; underground parking; retail; and family services such as a health clinic and daycare.

The participating agencies have made the following appointments to the SDMSDA Board of Directors:

City of San Diego:	P. Lamont Ewell, Assistant City Manager
Housing Authority:	Sal Salas, Chair, Housing Commission
Redevelopment Agency:	Hank Cunningham, Assistant Executive Director
San Diego City Schools:	Lou Smith, Chief Operating Officer, Facilities Management Gil Johnson, Chair, Independent Citizens' Oversight Committee Mary Hopper, Deputy Chancellor, Institute for Learning, San Diego City Schools

Community member: Jim Varnadore, Vice-Chair, City Heights Area Planning Committee

The chief executive officer of the San Diego Housing Commission acts as chief executive officer of the SDMSDA. Each director has one vote and serves a three-year term. Reappointments and replacements will be made by the appointing agencies. The participating agencies approved the appointments at Council and Board of Education meetings in August 2002. As contemplated by the Joint Powers Agreement, special legislation, AB 2867, was adopted by the Legislature and signed into law on September 26, 2002. Sponsored by Assembly Member Christine Kehoe, the legislation (California Government Code section 6531) clarifies the powers of the agency.

The SDMSDA Board has public meetings approximately every four weeks. Its agenda, reports and meeting minutes are available on the Model School website (www.sdmodelschool.net).

On November 7, 2002, the SDMSDA Board approved a Memorandum of Understanding with the San Diego Housing Commission to provide staff and services to the SDMSDA. On February 20, 2003, the SDMSDA Board directed staff to issue a Request for Qualifications for a Program Manager for the proposed Model School Project. On April 3, 2003, the SDMSDA Board approved the Fiscal Year 2004 Budget totaling \$100,775, and authorized the allocation of costs equally among the four member agencies, requiring an estimated contribution of \$25,194 each from the City of San Diego, the Redevelopment Agency, the San Diego Unified School District and the Housing Commission. These costs will be billed on a quarterly basis to each agency on an actual cost basis.

The adopted budget is an estimate of the costs that would be incurred by the Housing Commission under the MOU to provide staffing, office space, equipment, supplies and expertise to the SDMSDA during Fiscal Year 2004. These proposed costs represent only the time and effort that would be expended to conduct SDMSDA business. The budget does not include costs the Housing Commission/Housing Authority would incur as a partner in the SDMSDA pursuing affordable housing opportunities (e.g., housing development staff) or costs associated with the hiring of a Program Manager by the SDMSDA. In addition, the proposed budget includes estimated costs through June 30, 2004 for legal services, insurance, sundry expenses and an audit.

On August 14, 2003, the SDMSDA Board approved a contract for program management services with Sedona Pacific/Lankford & Associates, Inc., for a total not-to-exceed cost of \$185,140. The Board also approved an equal allocation of these costs to the four member agencies, and authorized the chief executive officer to invoice each of the member agencies for \$46,285 (25% of the contract cost) in advance to ensure timely payment of the program management invoices.

DISCUSSION

Due to the current fiscal constraints within the City's General Fund budget and the interest by the Redevelopment Agency to ensure the success of the Model School concept and project, it is recommended that the Redevelopment Agency provide a loan repayment to the City CDBG program in an amount up to \$71,479 from the City Heights Redevelopment Project Area to provide sufficient funds to allow the City to pay its share of the SDMSDA obligations. Funds

were included in the Redevelopment Agency Fiscal Year 2004 Budget in order to make loan repayments to the City from the City Heights Redevelopment Project Area for a variety of purposes. This action would provide funds to the City CDBG Program in the amount of \$71,479, and it is recommended that these funds be allocated for the purposes of providing funds for the City's share of Fiscal Year 2004 San Diego Model School Development Agency costs and program management services.

As the activities of the SDMSDA will impact the City and the Redevelopment Agency, and will potentially require the commitment of additional funding in future years, it is recommended that the City Manager periodically provide informational reports on the actions taken by the SDMSDA board, and to identify possible policy issues which may require action by the City Council and/or the Redevelopment Agency.

ALTERNATIVE

Do not accept the loan repayment from the City Heights Redevelopment Project Area, and do not authorize the allocation of these funds for this purpose. Direct the City Manager to identify an alternate source of funding for the City's share of Fiscal Year 2004 costs for the SDMSDA and its program management obligations.

Respectfully submitted,

Hank Cunningham
Community and Economic Development
Director

Approved: P. Lamont Ewell
Assistant City Manager