



# **CITY COUNCIL STUDY SESSION REPORT**

---

MEETING DATE: FEBRUARY 8, 2011

ITEM NUMBER: 6

SUBJECT: REDEVELOPMENT AGENCY UPDATE

DATE: FEBRUARY 3, 2011

FROM: DEVELOPMENT SERVICES DEPARTMENT/REDEVELOPMENT AGENCY

PRESENTATION BY: KIMBERLY BRANDT, AICP, DIRECTOR

FOR FURTHER INFORMATION CONTACT: KIMBERLY BRANDT (714) 754-5604

---

City Council requested an update of the following items related to the Costa Mesa Redevelopment Agency.

## ***What is the Status of the Governor Brown's Recent Proposal to Eliminate Redevelopment Agencies in California?***

The proposal is currently being considered in concept by both the Senate and Assembly Budget Subcommittees. At this time, the enabling legislation has not been drafted, and therefore, the specific impacts of this proposal cannot be analyzed. It is important to remember that the authority for Redevelopment Agencies is established in the California constitution, and, therefore any changes to that authority would require our State Legislators to adopt a corresponding constitutional amendment.

Attached is a flyer published by the California Redevelopment Association that summarizes key "talking points" on this issue.

There is considerable discussion as to whether the State can take either existing and/or future tax increment funds that are currently encumbered for Agency projects and/or debt service. Many Agencies are taking steps to encumber their undesignated funds, although it is currently not known what will be the definition of "encumbered" funds should this proposal be eventually passed. Please see the discussion below related to the Agency's undesignated funds.

## ***What is the Status of the City of Costa Mesa Loan to the Costa Mesa Redevelopment Agency (RDA)?***

As of June 2010, the City has loaned the RDA a total of \$10,715,073 from the General Fund. The interest rate for this loan is 8% and it was used to fund the initial RDA-related activities. Based on the current amortization repayment schedule, the Agency's remaining annual payment to the City is \$1,299,704 through 2023/24.

Should the Agency choose to refinance the loan with a different lender, the City would be repaid the full amount, which would be deposited into the City's General Fund.

For the RDA, it is likely that the loan refinancing will result in a more favorable interest rate, and therefore, reduce the overall cost of the debt. The RDA could designate these

additional funds for capital improvements in or of benefit to the Downtown Project Area or for affordable housing projects located anywhere in the City.

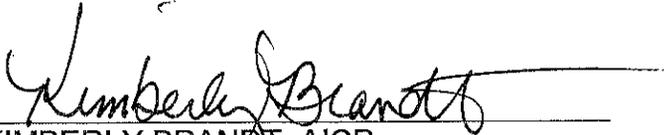
However for the Project Area's remaining life, the loan repayment will result in a total of \$18,195,865; composed of \$10,715,073 in principal payments and \$7,480,792 in interest revenue. If the loan is refinanced with a different lender the City would not receive the interest revenue portion of \$7,480,792.

Until the precise details of the Governor's proposal to eliminate Redevelopment Agencies are known, staff does not know if this loan would be affected.

***How Much Money is Unencumbered in the Redevelopment Agency's Budget for the Downtown Fund?***

Table 1 summarizes the adopted 2010/11 Budget for the Agency's Downtown Fund. As you will note approximately \$540,000 is unencumbered and available for capital improvements in the Downtown Project Area. Additionally this money could be used for capital improvements that are of benefit to the Downtown Project Area or for affordable housing projects that are located anywhere in the City.

Given the Governor's proposal, the Agency may be at risk at losing these unencumbered funds. Staff will bring to the Agency a list of potential projects that are eligible for these funds and seek Agency direction.



KIMBERLY BRANDT, AICP  
Development Services Director/  
Redevelopment Agency Director

DISTRIBUTION: City Manager  
Assistant City Manager  
City Attorney  
Assistant Finance Director  
Budget Officer  
Management Analyst  
City Clerk (2)  
Staff (4)  
File (2)

ATTACHMENTS: 1 Table 1- Summary of Redevelopment Agency Downtown Budget  
2 CRA Flyer

TABLE 1

**SUMMARY OF RDA 10/11 DOWNTOWN FUND BUDGET  
FEBRUARY 2011**

<b>AVAILABLE DOWNTOWN FUNDS 7/01/2010:</b>	<b>\$2,149,125</b>
<b>ADOPTED BUDGET EXPENDITURES:</b>	
Administration	(376,263)
Economic Development	(74,750)
Transfer to the City	(118,669)
Lions Park Ball Field Lighting	(340,000)
Harpers Pointe Senior Apartment Project	(700,000)
<b>TOTAL ADOPTED EXPENDITURES:</b>	<b>(\$1,609,682)</b>
<b>UNENCUMBERED FUNDS:</b>	<b>\$539,443</b>

RECEIVED  
CITY CLERK

2011 FEB -3 PM 3:10

CITY OF COSTA MESA  
BY \_\_\_\_\_



**STOP THE STATE'S REDEVELOPMENT PROPOSAL**  
**PROTECT LOCAL JOBS AND THE ECONOMY**

**Talking Points on the Administration's  
 Proposal to Eliminate Redevelopment**

*Keep in mind:* It is most powerful to highlight real projects that would be impacted by the administration's proposal to eliminate redevelopment. Time will be limited for giving testimony to the committee, and your example of a local redevelopment success will have the greatest impact. Examples that include job creation are particularly helpful.

**30-second Sound Bite:** This proposal is yet another attempt by the state to raid local tax dollars and thwart the will of the voters who have repeatedly said local taxes should fund local services. It would provide little financial gain for the state, yet would cause significant financial pain in communities throughout California. Each year, redevelopment directly supports 300,000 jobs, more than \$40 billion in statewide economic activity, and \$2 billion in local tax revenues.

**The proposal to kill redevelopment represents more of the same state raids of local funds that voters have repeatedly and overwhelmingly acted to stop.**

- Last November, 61% of voters, 5.7 million voters, passed Proposition 22 to prevent state raids of local government funds, including redevelopment funding.
- The Administration's proposal flies in the face of the clear will of the voters and yet again raids local government resources to solve the State's budget problems.

**Little financial gain, huge economic pain.**

- The State's own numbers show that killing redevelopment will bring very little financial relief for the State. That's because redevelopment agencies have more than \$87 billion in bond and other contract obligations in place that must be repaid before funds are available for other purposes. *In fact, after this budget year, the State Department of Finance acknowledges zero State savings from shutting down redevelopment.*
- However, killing redevelopment will cause serious and permanent economic damage at the local level. Annually, redevelopment activities in California:
  - Support 304,000 jobs
  - Contribute over \$40 billion to California's economy
  - Generate more than \$2 billion in state and local taxes

**Proposal is bad for our environment, bad for working families.**

- Redevelopment is a valuable tool to focus housing, jobs and infrastructure in the urban areas, and to meet the land-use goals to focus development on the urban core.
- Redevelopment is also the second largest funding source of affordable housing behind the federal government. Since 1993, redevelopment has built 98,000 units of affordable housing.
- And by revitalizing downtrodden and rundown communities, redevelopment helps reduce crime and make safer, more vibrant communities for families.