

## REGULAR MEETING OF THE REDEVELOPMENT AGENCY

MAY 10, 2004

The Redevelopment Agency of the City of Costa Mesa, California met in a regular meeting on Monday, May 10, 2004, in Conference Room 1A of City Hall, 77 Fair Drive, Costa Mesa. The meeting was called to order at 6:35 p.m. by Chairperson Steel, followed by the Pledge of Allegiance to the Flag led by Agency Member Scheafer.

**ROLL CALL**

Agency Members Present: Chairperson Steel  
Vice-Chairperson Mansoor  
Agency Member Cowan  
Agency Member Scheafer

Agency Members Absent: Agency Member Monahan

Officials Present: Agency Counsel Wood  
Executive Director Lamm  
Neighborhood Improvement Mgr. Ullman  
Management Analyst Veturis  
Finance Director Puckett  
Accounting Supervisor Young  
Executive Secretary Rosales

**POSTING** The Redevelopment Agency meeting agenda was posted at the City Council Chambers, Headquarters Police Department, Postal Office and Mesa Verde Public Library on Thursday, May 6, 2004.

**MINUTES** On a motion by Agency Member Cowan, seconded by Agency Member Scheafer and carried 4-0, the minutes of April 12, 2004, were approved.

### OLD BUSINESS

**Affordable Housing Agreement and Amendment to Inclusionary Housing Plan for 1901 Newport Plaza**

Neighborhood Improvement Manager Ullman reported that the 1901 Newport Plaza items were continued from the March 8<sup>th</sup> and April 12, 2004 Agency meetings. Staff met with Rutter Development and although they received some comments from the developer on April 30<sup>th</sup>, Rutter Development requested that the items be continued to the June 14, 2004 meeting in order to provide additional information.

Chairperson Steel thanked Agency Counsel Wood for the confidential memo that everyone received. He said that due to the nature of the memo, he would ask Mr. Wood questions later.

**PUBLIC COMMENT**

Mr. Mike Berry, 2064 Meadow View Lane, Costa Mesa, said the affordable housing agreement has been going on for about three years and Rutter Development keeps continuing the items. There are going to be issues specifically pertaining to 1901 Newport Plaza and if the Agency does not know what to do, it will be hard to deal with said issues when it comes to the budget.

Agency Member Cowan thanked Mr. Berry for his comments. She concurred that Old Business Items 1 and 2 have taken a long time. She intends to have a conversation with Rutter Development to pinpoint the problems and hopefully move forward.

Vice-Chairperson Mansoor asked Finance Director Puckett about page 5 of the staff report where it stated "to date the Agency has spent approximately \$25,000 in legal services and \$21,000 in economic consulting services." Almost all expenses were billed to the Redevelopment Agency Low-Moderate set-aside fund from which the

legal expenditure account was now overdrawn. He further added that on page 7, there were changes in the Redevelopment Budget - some transfers and insufficient funds in the First Time Homebuyer Program balance. Vice-Chairperson Mansoor asked if the Redevelopment Budget was overdrawn or if funds were transferred to cover the overdrawn condition.

Finance Director Puckett explained that “overdrawn” was not in the same sense as a bank account. “Overdrawn” meant that a certain level of spending had been appropriated within the account and more had been expended within the account. To bring the account into balance or to remove an overdrawn condition, a budget amendment would have to be approved. There were funds within the fund as a whole to fund the expenditures.

Vice-Chairperson Mansoor stated the adjustment came from a budget balance that had sufficient funds but the particular account that was accounted to and budgeted for, did not have sufficient funds.

Finance Director Puckett confirmed Vice-Chairperson Mansoor’s statement and added that the actual level of spending had exceeded the estimated level of spending when the budget was adopted.

Chairperson Steel reported that according to a study report, the marketable price for the 1901 Newport Plaza units would be \$400,000. He asked if the developer determined the unit price.

Executive Director Lamm explained that a project the size of 1901 Newport Plaza had both market and affordable housing unit rates. Depending on the market demand, the units can be sold for any price the developer wishes. By the time the units are built, they can still be in the \$400,000 price range. If the market demand goes down, the units might sell in the \$300,000 price range. The affordable unit is tied into the median household income of the County, which goes up at a much slower rate. The seven affordable units are currently estimated at the \$275-\$280,000 price range. By the time they are built, the price range might be slightly higher, as they are tied in with the median income figure.

Chairperson Steel asked if the price range for the 12 units had been determined.

In response to Chairperson Steel’s question, Executive Director Lamm said there are seven units within the 1901 Newport Plaza project that Rutter Development will build and sell to affordable, qualified people. The Agency and the City will facilitate the remaining five units over the next 10 years. The units can be rental properties or ownership properties. The law does not mandate, other than they have to be five dwellings suitable for people of affordable income ranges. Mr. Lamm agreed with Chairperson Steel that it is too early to estimate what the price range of the five units will be.

**MOTION  
Approved  
Carried**

On a motion by Agency Member Cowan, seconded by Chairperson Steel and carried 4-0, Old Business Items 1 and 2 were continued to the Redevelopment meeting scheduled for June 14, 2004.

**Appointment of  
Redevelopment  
and Residential  
Rehabilitation  
(3R) Committee  
Members**

Neighborhood Improvement Manager Ullman reported there were currently two vacant alternate positions on the 3R Committee. All applicants interested in the alternate positions were presented to the Agency at the April 12<sup>th</sup> meeting. The Agency asked that the item be continued and appointments postponed until the Agency had the opportunity to interview the applicants.

Chairperson Steel asked if there were any comments or questions from Agency members.

Vice-Chairperson Mansoor said that at the April Agency meeting he moved to appoint Candidates McGlinchey and Kennedy as alternates to the 3R Committee.

Chairperson Steel asked Vice-Chairperson Mansoor if he wanted to keep that motion or change it.

Vice-Chairperson Mansoor opted to keep the same motion unless someone else had other suggestions.

Agency Member Cowan said she wanted Candidate Penn appointed to the 3R Committee and either of the appointees by Vice-Chairperson Mansoor.

**MOTION**

Agency Member Mansoor made a motion to appoint Candidates Penn and Kennedy to the 3R Committee. Agency Member Scheafer seconded the motion.

**Substitute  
MOTION  
Appoint  
Individuals  
Failed**

Chairperson Steel put forth a substitute motion to appoint Candidates McGlinchey and Kennedy. The motion failed for lack of a second.

**MOTION  
Approved  
Carried**

On a motion made by Vice-Chairperson Mansoor, seconded by Agency Member Scheafer, and carried 4-0, Candidates Michael Kennedy and Ashleigh Aitken-Penn were appointed as alternates to the 3R Committee.

**NEW BUSINESS**

**Consideration of  
Budget Adoption  
for Fiscal Year  
2004-2005**

Finance Director Puckett reported that the total proposed Redevelopment Agency Budget for 2004-2005 was \$3.9 million dollars. The budget covered all three funds within the Redevelopment Agency - the Low-Moderate Housing Fund, the Tax Increment Fund and the Downtown Project Fund. As agreed in the developer agreement with Rutter Development, on page 1 of the staff report, the proposed appropriations of \$1.4 million were inclusive of the \$892,000 that was set-aside for the seven low-moderate housing units at 1901 Newport Plaza. The budget included full funding of the Promissory Note between the Redevelopment Agency and the City. The Note is fully amortized and will be fully repaid to the City within the remaining term of the Redevelopment Agency project area number one. Repayment of the deferred set-aside to the Low-Moderate Housing Fund and a decrease of about \$48,000 in the salaries and benefits previously charged to the Downtown Project Funds were also included in the proposed budget. Those costs are now being borne by the Development Services Department as a result of a review of staff time spent within the project area. A further erosion of the local property tax revenues received by the Redevelopment Agency due to an additional payment to the State ERAF (Education Revenue Augmentation Fund) this year of about \$157,000 was also highlighted. Said funds are required to be transferred to the State and also, are expected to continue to be transferred to the State for the next fiscal year. A reduction in the First Time Homebuyer Program and an increase in funding for the Single-Family Rehabilitation Administration Program up to the amount of about \$153,000, were noted and are also included in the budget.

Vice-Chairperson Mansoor asked what process they would have to go through to change the ERAF.

Finance Director Puckett explained that the ERAF payment was a direct result of the State's attempts to balance their budget. The ERAF can change from year to year. The condition of the State's budget each year, determines whether or not it continues. Hopefully, the ballot proposals on the November ballot will have some effect on mitigating the amount of local funding that will be transferred to the State in the future.

Vice-Chairperson Mansoor added that in theory, the State could take it all, as there was nothing stopping them from doing that.

Finance Director Puckett agreed and said that local units are considered political subdivisions of the State; therefore, lack the legal standing to stop such action from occurring.

Vice-Chairperson Mansoor asked what would happen to the Agency's legal obligations to make payments, in order to fulfill the Agency's obligations.

Finance Director Puckett replied by saying that was a legal question.

Agency Counsel Wood said the State knows there would be a legal challenge if their transfer of funds impaired the City's ability to pay debts that the Agency had contracted. The State would not do that, for if they did, there will be a successful challenge to the funds needed by the City.

Finance Director Puckett pointed out an additional highlight. In the Tax Allocation Bonds, Number 2 under the debt section, the bonds were refunded and in present value terms achieved a \$560,000 savings to the Redevelopment Agency. Year-over-year, the annual debt service savings were reduced by about \$58,000 a year.

Agency Member Cowan thanked Mr. Puckett for the ERAF clarification. She asked if the Agency was budgeting on the basis of what it had transferred this year, assuming that the Agency would also be required to transfer those funds next year.

Finance Director Puckett responded that the Agency budgeted on the basis of information from the State Department of Finance in terms of the required transfer that it will be obligated to make. The level that is anticipated will have to be transferred.

Agency Member Cowan asked if the Redevelopment monies taken by the State included the housing set-aside funds. She wanted to know because she was not sure if the State could take the funds without taking on major issues.

Finance Director Puckett said he believed it was only the tax increment funds.

**PUBLIC  
COMMENT**

Mike Berry, 2064 Meadow Lane, Costa Mesa, said that a year ago the Redevelopment area was going to expand so that in doing so, the City would receive more income from being a Redevelopment area. It was voted down at a time when the Redevelopment Agency owed the City of Costa Mesa taxpayers \$13 million dollars. He did not see anywhere on the budget where a liability for the payment to Rutter Development had been posted. Although the developer had not yet agreed to it, he felt it was an outstanding liability because the Agency had agreed to it. He did not understand why the \$1.6 million that was being given to Rutter Development was not considered "our" contribution to low-income housing.

With the amount of funds owed to the City, and the Redevelopment Agency voting not to expand the Project area to increase their income then alternative financing has to be considered. Many cities put together a Municipal Redevelopment Bond and sell it at the going market rate. Currently, the interest rate to the City would be 8%. A bond could be sold at 6% to pay off the loan and the City could use the money to acquire the property that Orange Coast College is trying to sell. It would solve a lot of problems. A municipal bond would give the Redevelopment Agency a way to get money today for projects tomorrow. When the Redevelopment Agency begins a project and expends funds, they do not receive a return on that tax increment until years later. The bonding process would allow the City to get the money, pay the debt, pay it back at 5 or 6% and be home free.

Chairperson Steel asked staff if the \$1.6 million that the Agency was giving to Rutter Development pertained only to the parking issue, or if it also pertained to housing, or if it mattered.

Neighborhood Improvement Manager Ullman said she believed the \$1.6 million pertained to the housing. The Agency would be lending Rutter Development \$891,000 to build the seven units on-site. Based on an economic analysis by Keyser-Marston, the Agency would have the liability to build the additional five on-site units. The gap was to build the project Rutter Development was building. The Agency has ten years to build the additional five units but did not think the Agency would have to build them. As long as the units were low-income, the developer would fulfill that obligation.

Finance Director Puckett added that the direct financial assistance included for the proposed seven low-moderate affordable units was included in page 3 of the proposed budget under the low-moderate housing fund as a portion of the \$1.4 million that was budgeted. In page 3, under the line item "future affordable housing projects assistance cost, \$891,000". The \$891,000 was in fact the amount identified within the staff report related to the direct financial assistance that would be provided to the developer. That was the same financing mechanism that was used to facilitate the improvements that were made when the Redevelopment Agency was formed. The Agency concurred on bonded indebtedness to fund current projects and pay for that with future tax increments. If, in fact, there were projects flowing from the area of the expanded Redevelopment Agency along the 19<sup>th</sup> Street business district, that would be the financing mechanism that would be considered for those improvements.

**PUBLIC  
COMMENT**

Sam Clark, 3077 Coolidge, Costa Mesa, expressed concern about the agreement the City made with Rutter Development. The City is operating in good faith but had a lot of concern as to whether Rutter Development was operating in good faith. The Agency is about to agree on a budget that includes a dollar amount to which Rutter Development has not yet agreed. He did not know how the Agency would reconcile that if Rutter Development "pulled the plug", changed their mind, or came back saying they wanted another \$1 million dollars. The Agency is trying to go down a budget road with an assumed \$891,000 to which Rutter Development has not yet agreed. He did not think Rutter Development was acting in good faith and felt the Agency had to "come to the table" on that matter.

Agency Member Cowan asked if Rutter Development did not build the 1901 Newport Plaza project, or if the Agency did not come to an agreement on the inclusionary housing plan, would the \$891,000 be spent? If it all fell apart, would the money go away and not be spent?

Neighborhood Improvement Manager Ullman confirmed that the money is not spent. The money is earmarked in the budget for a future affordable housing project but because no executed agreement with Rutter Development exists, the money is not even encumbered for the 1901 Newport Plaza project. If the 1901 Newport Plaza fell through and the Agency decides they do not want to go through with it, staff would immediately ask for direction from the Agency. Staff would ask the Agency to include it with the money they approved in April for the affordable housing request for proposal to a disabled or hopefully senior project. The funds would hopefully be combined to get a better project, but if the project fell through Staff would definitely go to the Agency for direction.

Agency Member Cowan asked if all the money was money that the Agency was obligated to spend on affordable housing and if it was also part of the tax increment as set-aside.

Ms. Ullman confirmed that the Agency was obligated to spend the money on affordable housing. She added that 20% set-aside money was earmarked for this project.

**MOTION  
Approved  
Carried**

On a motion by Agency Member Cowan, seconded by Chairperson Steel and carried 4-0, Redevelopment Agency Resolution No. 02-2004 was adopted approving the proposed Redevelopment Agency Budget for Fiscal Year 2004-2005.

**REPORTS**

**Executive  
Director**

None.

**Agency Attorney**

None.

**WARRANT  
RESOLUTION  
CMRA-323**

On a motion by Agency Member Cowan, seconded by Agency Member Mansoor and carried 4-0, Warrant Resolution CMRA-323 was approved.

**ORAL  
COMMUNICATI  
ONS**

Robin Leffler, 3025 Samoa Place, Costa Mesa, thanked the Agency for their time and work for the City. She also thanked paid staff. She said that everyone she has dealt with had always been pleasant and helpful, and she appreciated that.

On behalf of the Agency, Chairperson Steel thanked Ms. Leffler for her comments.

**AGENCY  
MEMBERS  
COMMENTS  
AND  
SUGGESTIONS**

Agency Member Cowan reported that WROC was making excellent progress. She attended the April meeting and had good reports. She challenged the sub-committees working on WROC to take on hard subjects like density and to start defining them. WROC will be ready to return in August or September at the very latest, with a report. She thanked the WROC Committee members who have “stuck” through it both in the form of CRAC, as well as, WROC.

Chairperson Steel explained to the television audience, that WROC was the Westside Revitalization Oversight Committee who met once a month at the Neighborhood Community Center on the fourth Thursday of every month. He invited the public to attend the meetings especially if they resided in the West Side.

**ADJOURN**

There being no further items for discussion, Chairperson Steel adjourned the meeting at 7:04 p.m.