



OFFICE OF THE CITY MANAGER

February 10, 2003

TO: CITY COUNCIL

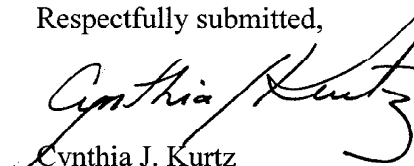
FROM: Cynthia Kurtz, City Manager

SUBJECT: **Repeal of Redevelopment Area Debt Incurrence Time Limits and Proposed Merger of Northwest Redevelopment Project Areas**

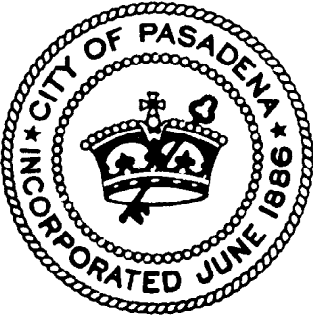
On February 5, 2003, the attached report was presented to the Economic Development and Technology Committee. The Committee took the following actions:

1. Recommended that the Pasadena Community Development Commission and the City Council direct the City Attorney to prepare summary ordinances for each of the five-Northwest Pasadena redevelopment project areas.
2. Continued discussion of the merging of the five Northwest Pasadena redevelopment project areas and directed staff to work with the appropriate advisory bodies and the community and return in six weeks with a process defining the role and configuration of the proposed Project Area Committee and how the funds in the merged area will be allocated.

Respectfully submitted,

  
Cynthia J. Kurtz  
City Manager

2/10/2003  
5.A.(1)



# Agenda Report

DATE: February 10, 2003

TO: Pasadena Community Development Commission and City Council

THROUGH: Economic Development and Technology Committee

FROM: Chief Executive and Officer/City Manager

SUBJECT: **Repeal of Redevelopment Area Debt Incurrence Time Limits And Proposed Merger of Northwest Redevelopment Project Areas**

## **RECOMMENDATION**

It is recommended that the Pasadena Community Development Commission and the City Council:

1. Direct the City Attorney to prepare summary ordinances for each of the five-Northwest Pasadena redevelopment project areas, which include the Fair Oaks Redevelopment Project, Lincoln Avenue Redevelopment Project, Lake/Washington Redevelopment Project, Villa-Parke Redevelopment Project, and Orange Grove Redevelopment Project, repealing their respective existing debt incurrence time limits per the provisions of Senate Bill 211.
2. Support the merging of the five Northwest Pasadena redevelopment project areas in accordance with the requirements of the Health and Safety Code. As part of the merger process, staff will initiate a citizen participation that will include consideration of merging the Project Area Committees (PACs) as well.

## **ADVISORY COMMISSION AND COMMITTEE RECOMMENDATIONS**

### **Community Development Committee Recommendation**

On October 24, 2002, the Community Development Committee recommended that the Pasadena Community Development Commission and the City Council adopt the aforementioned summary ordinances and support merging the Northwest Pasadena redevelopment project areas. In doing so, care should be taken to ensure that each of the five Northwest Pasadena redevelopment project areas are given appropriate attention and resources if ultimately merged.

### **Northwest Commission Recommendation**

On January 14, 2003 the Commission recommended approval of the staff recommendation to repeal the respective existing debt incurrence time limits and to merge the five Northwest Redevelopment Project Areas. In addition, the Commission recommended that if the Project Area Committees were ultimately merged, that the Northwest Commission and the existing PACs would have the opportunity to review and approve, in advance, the configuration of the new "merged" PAC and the criteria by which monies will be allocated and applied under the new PAC.

### **Lincoln Avenue Project Area Committee:**

On December 18, 2002, the Lincoln PAC recommended approval to repeal the debt incurrence time limits, but did not recommend support for the merger of the redevelopment areas. The PAC expressed concerns that funds from the Lincoln Project Area would be diverted to other project areas. In addition, the PAC opposed a merger of project area committees due to concern regarding adequate representation on the newly formed PAC and the lack of assurance that Lincoln Avenue would receive priority in funding for proposed projects. The PAC also recommended denial of the dissolution of the Lincoln Avenue PAC.

### **Fair Oaks Project Area Committee:**

On January 8, 2003, the Fair Oaks PAC opposed the merger of the redevelopment areas and recommended that each redevelopment area be governed by an independent Project Area Committee. PAC members believe that project area management is best accomplished by grassroots representatives who are intimately familiar with the communities. The Fair Oaks Redevelopment area needs additional monies to continue its redevelopment, however, the subcommittee members do not favor siphoning off monies from other communities that are equally or more needy.

## **BACKGROUND**

### **Repeal of the debt limits**

Repeal of the debt limits would provide the Pasadena Community Development Commission with additional time to incur debt and make loans to assist future redevelopment projects. Similarly, a merger of the redevelopment project areas would provide the Commission with the flexibility to move the increment revenues among the merged projects.

Attachment 1 summarizes the effect of repealing the existing debt incurrence limits per SB 211. Statutory pass through payments to affected County-taxing entities (such as Fire, Library, Flood, etc.) would be triggered. The obligatory pass through percentage of gross tax increment (tiers) is shown in Attachment 2. In repealing the current debt incurrence time limits, SB 211 would permit the incurrence of future indebtedness up to the effective dates of the respective redevelopment plans (as late as FY 2025-26). A summary of the provisions of SB 211 is as follows:

- In October 2001, Governor Gray Davis signed into law SB 211 which authorized redevelopment agencies to adopt an ordinance to repeal the time limit for making

loans and establishing debt for all previous 1994 project areas without complying with normal amendment procedures.

- Under SB 211, *Section §33333.10* of the Health and Safety Code was amended to allow the City Council, by adoption of a summary ordinance, to eliminate the time limit on the establishment of loans, advances, and indebtedness.
- In adopting this ordinance, neither the Commission nor the City Council is required to comply with *Section §33354.6* or Article 12 (Commencing with *Section §33450*) or any other provision of this part relating to the amendment of redevelopment plans.

### **Merger of the Project Areas**

A merger of the five Northwest redevelopment project areas would provide the Commission with the ability to share tax increment funds within the merged project area, thereby achieving greater leveraging of tax increment resources. For example, the proposed merger would allow tax increment revenues from the Orange Grove area, which has met its redevelopment goals, to be invested in other areas that have a continued need for blight removal. The separate redevelopment plans, as amended, would continue to govern the individual project areas with respect to all matters other than the pooling of tax increment revenue.

Currently, each of the five-redevelopment project areas is generating tax increment funds. As shown in Attachment 3, the Fair Oaks Project carries a substantial debt, while the other project areas generate small amounts of tax increments. After repaying current debt obligations, the combined tax increments could provide significant financial assistance to potential projects. With the exception of Fair Oaks Avenue, revenues would be available in the first year of the merger to be allocated throughout the merged project area.

The estimated timeframe for merging the redevelopment areas is approximately nine months. The major steps in the process include preparation of an amendment to each plan, preparation and circulation of the appropriate environmental analysis for the merger; review of the amendments by advisory bodies and the community; and a public hearing on the proposed amendments (noticed to all residents and businesses within the project area). Finally, the State Department of Housing and Community Development must be notified of the intent to merge project areas before reading of the ordinance providing for the merger.

As part of the merger process, staff will initiate a community participation process through the Northwest advisory bodies to provide the opportunity for affected residents, businesses and community organizations to discuss how the merger would impact the existing Project Area Committees as well as how the funds would be allocated to potential projects in the merged area.

### **FISCAL IMPACT**

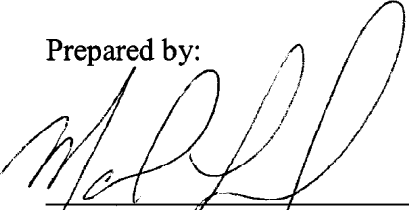
A comparative bonding capacity matrix was prepared to illustrate the difference in future bonding flexibility (Attachment 4). Repeal of the current debt incurrence time limits will allow the incurrence of future indebtedness up to the effective dates of the respective redevelopment

plans (as late as FY 2026). The repeal of the existing limits would allow the Community Development Commission to realize a bonding capacity ranging from \$7,716,000 in FY 2003 to a maximum of \$18,614,000 in FY 2015 for the merged area.

Respectfully submitted:

  
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Prepared by:

  
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Approved:

  
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