

Agenda Report

October 25, 2010

TO: City Council and Community Development Commission

FROM: Michael J. Beck, City Manager/ Chief Executive Officer

SUBJECT: **CONSIDERATION OF ADOPTION OF A RESOLUTION TRANSMITTING THE "REPORT TO THE CITY COUNCIL"; ADOPTION OF THE INITIAL STUDY AND A NEGATIVE DECLARATION FOR THE MERGER AND VILLA-PARKE AMENDMENT; APPROVE A RESOLUTION ADOPTING AN AMENDMENT TO THE REDEVELOPMENT PLAN FOR THE VILLA-PARKE REDEVELOPMENT PROJECT AREA TO INCREASE THE TAX INCREMENT LIMIT; AND INTRODUCE AN ORDINANCE AMENDING THE REDEVELOPMENT PLAN FOR THE VILLA-PARKE REDEVELOPMENT PROJECT AREA TO INCREASE THE TAX INCREMENT LIMIT.**

RECOMMENDATION:

It is recommended that the City Council and Community Development Commission take the following actions:

1. Approve a resolution from the Community Development Commission (Commission) to the City Council that transmits the "Report to the City Council" (Report). *Action Required: Commission;*
2. Adopt the Initial Study and the Negative Declaration for the proposed Merger and Villa-Parke Amendment and direct the City Clerk to file a Notice of Determination for the Villa-Parke Amendment. *Action Required: Joint Action;*
3. Approve a resolution adopting Amendment No. 4 to the Redevelopment Plan for the Villa-Parke Redevelopment Project Area to increase the tax increment limit in accordance with the California Community Redevelopment Law (CCRL; Health and Safety Code, Section 33000, et Seq.) (Villa-Parke Amendment). *Action Required: Joint Action;*
4. Introduce the proposed uncodified ordinance amending the Redevelopment Plan for the Villa-Parke Redevelopment Project Area to increase the tax increment limit as provided by the City Attorney. *Action Required: City Council.*

BACKGROUND:

In February 2008, in a joint action the City Council and the Commission directed staff to begin the merger/amendment process of the five existing Northwest Redevelopment

Project Areas and, in a separate action, to amend the Villa-Parke Project Area tax increment cap limit. Staff recommends postponing action regarding the Merger to a future council meeting to allow for additional analysis on the possible flow of tax increment dollars and the impact on future projects.

In order to merge/amend the project areas California Community Redevelopment Law (CCRL) requires that the Commission prepare a Report and transmit the Report to the City Council (Attachment B). The Report documents blight conditions within the five-redevelopment project areas, identifies projects and programs that are designed to eliminate remaining blight, and proposes an increase to the Villa-Parke Tax Increment Cap. As part of these actions, it recommended that the City Council and the Commission adopt the Initial Study and Negative Declaration for the proposed Merger and Villa-Parke Amendment and direct the City Clerk to file a Notice of Determination for the Villa-Parke Amendment to increase the Tax Increment Cap. These proposed Amendments will not expand the Project Areas nor will they reinstate the Commission's eminent domain authority, which has already expired.

Report to City Council

On July 26, 2010, the Commission authorized the transmittal of the Preliminary Report to the affected taxing entities and responsible State agencies for review and comment. Over the past few months, staff and the Commission's consultant, Urban Futures, Inc. incorporated the taxing entities comments into the Preliminary Report. In accordance with CCRL, the revised final version of the Preliminary Report now becomes the Report to City Council and is the document that the City Council relies upon when making findings of blight in order to merge the project areas and increase the tax increment cap limit for the Villa-Parke redevelopment project area.

The Report found that there are a substantial number of parcels (533) in the Project Areas that suffer from at least one serious physical condition of blight (44% of the Project Areas), and all parcels in the Project Area (1,214) suffer from at least one serious economic condition of blight (100% of the Project Areas). Furthermore, the data shows that conditions of significant remaining blight exist throughout much of the Project Areas.

However, the CCRL and case law are clear that the existence of blighted conditions is not enough to adopt or amend a redevelopment area. Such conditions must also be, according to CCRL Section 33030(b)(1), "so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization to such an extent that it constitutes a serious physical and economic burden on the community that cannot reasonably be expected to be reversed or alleviated without the use of redevelopment." In other words, the area must have more than just physical and economic blight; the blight must also be so problematic that it creates special needs that can only be addressed by the use – or, in this case, the continued use – of redevelopment.

Therefore, only the portions of the community that suffer the most from the combination of existing detrimental physical and economic conditions may be used to justify the Merger Amendments and the Tax Increment Cap Amendment. This is a logical and conservative conclusion as the PCDC acknowledges it has alleviated many of the

original conditions of blight in the Project Areas, but needs the financial flexibility of the Merger Amendments and the additional funding capacity of the Tax Increment Cap Amendment in order to address the remaining blight and complete its primary goal of eradicating blight throughout the Project Areas.

Thus, if the parcels with significant remaining blight are evaluated further to focus on those that have the most severe combination of unsafe or unhealthy conditions that meet the CCRL blight definition the resulting amount of parcels is 89 that are spread throughout the Project Areas, with 41 of those (46%) located in the Villa-Parke Project Area. The significant remaining blight on these 89 parcels cannot reasonably be expected to be alleviated without the continued use of redevelopment that the Merger Amendments and the Tax Increment Cap Amendment would provide.

Villa-Parke Plan Amendment and Tax Increment Limitation Increase

The second component of the Report is to increase the financial cap limitation, or the total amount of tax increment the project area may receive over its lifetime, for the Villa-Parke Project Area. The Villa-Parke Redevelopment Project Area was created in 1972 with an established cap of \$20.4 million. At the end of this calendar year, the Villa-Parke Project Area will reach the maximum amount of tax increment funds permitted four years prior to the expiration of the Redevelopment Plan. The actual tax increment receipts to-date total approximately \$19.6 million dollars. The majority of these funds paid for projects such as the construction of the Villa Park Community Center including the current planned renovation and the current synthetic field installation. Moreover, approximately 150 for-sale and affordable rental units were constructed using tax increment revenues. Without the ability to increase the financial cap, the Villa-Parke Project Area will lose approximately \$6.4 million over the next four calendar years as the Project Area terminates in 2015. Therefore, the Commission is proposing to increase the tax increment limit from \$20.6 million to \$65 million to fund needed projects and programs that will eliminate remaining blight. After subtracting out approximately \$16 million for statutory pass-through payments, the Commission anticipates receiving approximately \$28 million that will be spent on infrastructure improvements, community facility improvements, housing rehabilitation and assistance to businesses.

COUNCIL POLICY CONSIDERATION:

The Council's recommendation will comply with the General Plan's goals and objectives of targeting development in areas of the City that need improvement such as the Northwest, while promoting a stronger economic base. Objective 3 (Affordable Housing) specifically encourages the retention and creation of affordable housing, while Objective 10 (Diverse Economy), encourages the promotion and creation of a diverse economic base that serves residents by providing jobs and City revenue. Furthermore, Policy 10.8 of the General Plan (Regional Economy) intends to attract and provide for Pasadena's share of the region's economic investment and development. As such, the recommendations before the City Council will be in keeping with the intended goals and objectives of the General Plan.

ENVIRONMENTAL REVIEW:

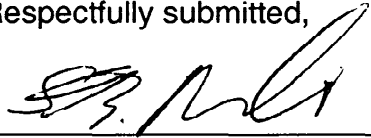
An Initial Environmental Study has been prepared for the project. The determination for the project is a Negative Declaration. The comment period for the Initial Study ran from

June 7, 2010 through July 7, 2010. Staff recommends the City Council and Commission acknowledges the conclusions of the Initial Study and adopt a Negative Declaration for the project.

FISCAL IMPACT:

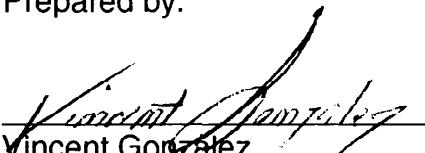
The cost of the proposed action is negligible. Increasing the financial cap of the Villa-Parke Redevelopment Project Area will allow for the collection of approximately \$6.4 million of tax increment funds over the next 4 years to pay for projects and/or programs to eliminate any remaining blight.

Respectfully submitted,



for MICHAEL J. BECK
City Manager, Chief Executive Officer

Prepared by:



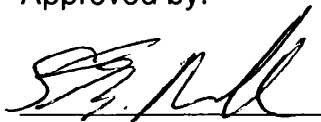
Vincent Gonzalez
Redevelopment Project Manager

Concurred by:



David A. Klug
Redevelopment Manager

Approved by:



STEVE MERMELL
Assistant City Manager

Attachments:

- A. Resolution from the Commission transmitting the Report to City Council
- B. Report to City Council
- C. Negative Declaration for the Merger and Villa-Parke Amendment
- D. Resolution for the Villa-Parke Amendment
- E. Villa-Parke Amendment