

## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

**Date Issued:** May 18, 2006

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**Redevelopment Agency Agenda Date:** May 23, 2006

**Item Number:** 332

**Item:** FY 2007 Proposed Budgets for the Redevelopment Agency, which includes Centre City Development Corporation (CCDC), Southeastern Economic Development Corporation (SEDC) and City of San Diego's Redevelopment Division.

### OVERVIEW

The Redevelopment Agency's Fiscal Year 2007 Proposed Budget, which includes the City's Redevelopment Division, CCDC, and SEDC, are being submitted for approval. The Redevelopment Agency's FY 2007 Proposed Budget is \$454.9 million. This is an increase of \$88.2 million from the Fiscal Year 2006 Budget of \$366.6 million. The increase is primarily related to the increased Tax Increment revenue received by the Centre City Development Corporation, Southeastern Economic Development Corporation and the City's Redevelopment Division.

#### Redevelopment Agency

The Redevelopment Agency of the City of San Diego was created by the City Council in 1958 to alleviate conditions of blight in older, urban areas. Redevelopment activities in the Redevelopment Agency's 17 project areas are carried out by the City's Redevelopment Division, and two public, nonprofit City corporations: CCDC, and SEDC.

#### Centre City Development Corporation (CCDC)

CCDC was established in 1975 by the City Council as a non profit public corporation to implement redevelopment projects in the downtown area. CCDC administers two of the Redevelopment Agency's 17 project areas.

#### Southeastern Economic Development Corporation (SEDC)

SEDC was established in 1981 by the City Council as a non profit public corporation to carry out redevelopment in southeastern San Diego. SEDC administers four of the Redevelopment Agency's 17 project areas and one study area.

#### City Redevelopment Division

The Redevelopment Division manages eleven of the Redevelopment Agency's 17 project areas and one study area.

## FISCAL/POLICY DISCUSSION

The following charts show the Redevelopment Agency's FY 2007 Budget, consisting of CCDC, SEDC and the City Redevelopment Division:

<b>FY 2007 Redevelopment Agency Budget (In Thousands)</b>					
<b>Revenues</b>	<b>CCDC</b>	<b>SEDC</b>	<b>City Redev.</b>	<b>Agency Total</b>	<b>% of FY 07 Budget</b>
Tax Increment	\$79,058	\$5,094	\$39,519	\$123,671	27.2%
Prior Year Revenues	25,459	0	4,583	30,042	6.6%
Bond Proceeds	51,000	60	263	51,323	11.3%
Reloans	0	400	0	400	0.1%
Interest/rent	15,704	343	276	16,323	3.6%
Developer Proceeds	5,140	1,269	287	6,696	1.5%
City Loans	0	85	0	85	0.0%
Other	0	0	200	200	0.0%
<i>Subtotal FY 2007 Revenue</i>	<i>\$176,361</i>	<i>\$7,251</i>	<i>\$45,128</i>	<i>\$228,740</i>	<i>50.3%</i>
Continuing Revenue	156,367	18,617	51,170	226,154	49.7%
<b>Total Revenues</b>	<b>\$332,728</b>	<b>\$25,868</b>	<b>\$96,298</b>	<b>\$454,894</b>	<b>100.0%</b>
<b>Expenditures</b>					
Capital Projects	\$82,489	\$17,111	\$24,023	\$123,623	27.2%
Low/Mod Housing	42,142	2,309	13,995	58,446	12.8%
Administration	8,107	1,925	12,945	22,977	5.1%
Tax Sharing Payments	10,435	243	16,997	27,675	6.1%
ERAF	0	0	0	0	0.0%
Debt Service/Loan Repayment	33,188	4,280	28,338	65,806	14.5%
<i>Subtotal FY 2007 Expenditure</i>	<i>\$176,361</i>	<i>\$25,868</i>	<i>\$96,298</i>	<i>\$298,527</i>	<i>65.6%</i>
Continuing Expenditures	156,367	0	0	156,367	34.4%
<b>Total Expenditures</b>	<b>\$332,728</b>	<b>\$25,868</b>	<b>\$96,298</b>	<b>\$454,894</b>	<b>100.0%</b>

The difference between the Redevelopment Agency's FY 2006 Budget and the FY 2007 Proposed budget is as follows:

	<b>FY 2006 Budget (In Thousands)</b>	<b>FY 2007 Proposed Budget (In Thousands)</b>	<b>Difference (In Thousands)</b>	<b>% Difference</b>
CCDC	\$258,450	\$332,728	\$74,278	28.7%
SEDC	\$23,949	\$25,868	\$1,919	8.0%
City Redev. Division	\$84,250	\$96,298	\$12,048	14.3%
<b>Total</b>	<b>\$366,649</b>	<b>\$454,894</b>	<b>\$88,245</b>	<b>24.1%</b>

### **Reorganizing the Redevelopment Agency**

Over the next several months, the City Council's Committee on Land Use and Housing along with City's Redevelopment Division will look at options to restructure the Redevelopment Agency to maximize efficiency and effectiveness. This restructuring process is already underway by the Land Use and Housing Committee which has received recommendations regarding best practices.

Several issues will need to be considered during this reorganization process such as:

- The Mayor's input and recommendations to the Redevelopment Agency;
- A Redevelopment Commission;
- Standardization of all budgets for similar content information and format;
- Detailed justification for budget changes and requests;
- Projects should include Gross Tax Increment information along with all associated costs including annual yield to City;
- Review of Developer contracting and Consultant services;
- Review of subsidies; and
- Online information for better public access

There are many other issues that will be considered as part of the reorganization of the Redevelopment Agency.

### **CITY'S REDEVELOPMENT DIVISION**

The following charts show the City's Redevelopment Division's FY 2007 Budget:

<b>Redevelopment Division Budget (In Thousands)</b>				
<b>Revenues</b>	<b>Red. Div FY 2006</b>	<b>Red. Div FY 2007</b>	<b>Difference</b>	<b>% of FY 07 Budget</b>
Tax Increment	\$28,270	\$39,519	\$11,249	41.0%
Prior Year Revenues	3,532	4,583	1,051	4.8%
Bond Proceeds	557	263	(294)	0.3%
Re loans	0	0	0	0.0%
Interest/rent	267	276	9	0.3%
Developer Proceeds	(4,563)	287	4,850	0.3%
City Loans	100	0	(100)	0.0%
Other	200	200	0	0.2%
<i>Subtotal FY 2007 Revenue</i>	\$28,363	\$45,128	16,765	46.9%
Continuing Revenue	55,887	51,170	(4,717)	53.1%
<b>Total Revenues</b>	<b>\$84,250</b>	<b>\$96,298</b>	<b>\$12,048</b>	<b>100.0%</b>
<b>Expenditures</b>				
Capital Projects	\$24,491	\$24,023	(\$468)	24.9%
Low/Mod Housing	10,848	13,995	3,147	14.5%
Administration	10,966	12,945	1,979	13.4%
Tax Sharing Payments	13,135	16,997	3,862	17.7%
ERAF	1,520	0	(1,520)	0.0%
Debt Service/Loan Repayment	23,290	28,338	5,048	29.4%
<i>Subtotal FY 2007 Expenditure</i>	\$84,250	\$96,298	12,048	100.0%
Continuing Expenditures	0	0	0	0.0%
<b>Total Expenditures</b>	<b>\$84,250</b>	<b>\$96,298</b>	<b>\$12,048</b>	<b>100.0%</b>

The major priorities for FY 2007 will be to implement the Redevelopment Agency restructuring options working with the Land Use & Housing Committee.

#### **SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

The following charts show the Southeastern Economic Development Corporation's FY 2007 Budget:

<b>SEDC Budget (In Thousands)</b>				
<b>Revenues</b>	<b>SEDC FY 2006</b>	<b>SEDC FY 2007</b>	<b>Difference</b>	<b>% of FY 07 Budget</b>
Tax Increment	\$4,292	\$5,094	\$802	19.7%
Prior Year Revenues	179	0	(179)	0.0%
Bond Proceeds	46	60	14	0.2%
Re loans	605	400	(205)	1.5%
Interest/rent	991	343	(648)	1.3%
Developer Proceeds	90	1,269	1,179	4.9%
City Loans	153	85	(68)	0.3%
Other	0	0	0	0.0%
<i>Subtotal FY 2007 Revenue</i>	\$6,356	\$7,251	895	28.0%
Continuing Revenue	17,593	18,617	1,024	72.0%
<b>Total Revenues</b>	<b>\$23,949</b>	<b>\$25,868</b>	<b>\$1,919</b>	<b>100.0%</b>
<b>Expenditures</b>				
Capital Projects	\$14,623	\$17,111	\$2,488	66.1%
Low/Mod Housing	2,297	2,309	12	8.9%
Administration	1,962	1,925	(37)	7.4%
Tax Sharing Payments	187	243	56	0.9%
ERAF	356	0	(356)	0.0%
Debt Service/Loan Repayment	4,524	4,280	(244)	16.5%
<i>Subtotal FY 2007 Expenditure</i>	\$23,949	\$25,868	1,919	100.0%
Continuing Expenditures	0	0	0	0.0%
<b>Total Expenditures</b>	<b>\$23,949</b>	<b>\$25,868</b>	<b>\$1,919</b>	<b>100.0%</b>

### **SEDC City loan repayment/Re loan to SEDC**

It is requested that the Redevelopment authorize a CDBG loan repayment to the City of San Diego in the amount of \$400,000 from the Southcrest Redevelopment Project Area, then accept the transfer of the \$400,000 from the City of San Diego as an interest bearing CDBG loan to be used in the Fiscal Year 2007 project budget for the Central Imperial Redevelopment Project Area for project implementation costs. The Central Imperial Redevelopment Project Area is undergoing several new projects and requires additional revenues. Some of the new Housing development projects include: Ouchi Courtyard, Hilltop Drive and Euclid Avenue and units developed as part of the implementation of the Imperial Avenue Master Plan.

## CENTRE CITY DEVELOPMENT CORPORATION

The following charts show the Centre City Development Corporation's FY 2007 Budget:

<b>CCDC Budget (In Thousands)</b>				
<b>Revenues</b>	<b>CCDC FY 2006</b>	<b>CCDC FY 2007</b>	<b>Difference</b>	<b>% of FY 07 Budget</b>
Tax Increment	\$63,274	\$79,058	\$15,784	23.8%
Prior Year Revenues	12,054	25,459	13,405	7.7%
Bond Proceeds	49,000	51,000	2,000	15.3%
Re loans	200	0	(200)	0.0%
Interest/rent	6,200	15,704	9,504	4.7%
Developer Proceeds	11,572	5,140	(6,432)	1.5%
City Loans	0	0	0	0.0%
Other	0	0	0	0.0%
<i>Subtotal FY 2007 Revenue</i>	\$142,300	\$176,361	34,061	53.0%
Continuing Revenue	116,150	156,367	40,217	47.0%
<b>Total Revenues</b>	<b>\$258,450</b>	<b>\$332,728</b>	<b>\$74,278</b>	<b>100.0%</b>
<b>Expenditures</b>				
Capital Projects	\$73,915	\$82,489	\$8,574	24.8%
Low/Mod Housing	15,686	42,142	26,456	12.7%
Administration	7,182	8,107	925	2.4%
Tax Sharing Payments	5,500	10,435	4,935	3.1%
ERAF	5,200	0	(\$5,200)	0.0%
Debt Service/Loan Repayment	34,817	33,188	(\$1,629)	10.0%
<i>Subtotal FY 2007 Expenditure</i>	\$142,300	\$176,361	\$34,061	53.0%
Continuing Expenditures	116,150	156,367	40,217	47.0%
<b>Total Expenditures</b>	<b>\$258,450</b>	<b>\$332,728</b>	<b>\$74,278</b>	<b>100.0%</b>

### CCDC's FY 2007 Work Program

CCDC has included some allocation for facilities such as the Main Library, Parks and Fire Stations, Transit Projects, North Embarcadero, Pinnacle Park, Historic Balboa Theatre, Community Plan Implementation, Affordable Housing and various public improvements.

Although the Development Corporation allocates funding to design and construct the facilities, the City needs to be in a position to maintain and operate the facilities.

### Pending Issue - Winter Shelter

The San Diego Housing Commission's FY 2007 Budget currently does not include their funding of the homeless winter shelter for FY 2007. The Commission has identified a possible funding solution for FY 2007 and FY 2008 that involves an agreement between

the Housing Commission and Centre City Development Corporation regarding a loan buyout. If CCDC and the Housing Commission are unable to finalize the identified funding for the Winter Shelter Program prior to June 30<sup>th</sup>, then the City will need to identify other revenue to fund this program.

**CONCLUSION**

The Redevelopment Agency's FY 2007 Proposed Budget includes information for FY 2007 for CCDC, SEDC, and the City's Redevelopment Agency. The Agency is currently undergoing a reorganization process. The IBA recommends approving the Redevelopment Agency's FY 2007 Budget including CCDC, SEDC and the City's Redevelopment Agency

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