

**OFFICE OF INDEPENDENT BUDGET ANALYST
CITY OF SAN DIEGO
M E M O R A N D U M**

No. 07-8

DATE: May 14, 2007

TO: Honorable Council President and Members of the City Council

FROM: Andrea Tevlin, Independent Budget Analyst

SUBJECT: CDBG Loan Repayment of \$3,781,193 from the Redevelopment Agency
(Centre City Redevelopment Project Area)

On Tuesday, May 15, 2007, the City Council and the Redevelopment Agency will hear a request to authorize a CDBG loan repayment from the Redevelopment Agency in the amount of \$3,781,193 from the Centre City Redevelopment Project Area. These monies could be used to fund CDBG-eligible projects; including social service expenses (maximum 15% or \$567,179). As of June 30, 2006, a total of \$109.2 million is outstanding; including \$43.2 million in principal and \$66.0 million in interest. The proposed action would apply this repayment to outstanding principal. The IBA suggests the possibility of repaying interest be explored. It is our understanding that interest is not compounded, thus there appears to be minimal long term impact to apply the repayment to outstanding interest versus principal.

CCDC proposes to defund projects identified for funding in their Fiscal Year 2006-2007 Budget. No specific information has been provided on projects that may be impacted by approval of this action. In order to evaluate this request, the City Council should discuss and understand these specific impacts before making a decision.

Also, in our Report 07-50 which reviewed the Agency's Fiscal Year 2008 Budget, the IBA noted that CCDC is projecting to receive \$96.1 million in tax increment revenue for Fiscal Year 2007, which is \$17 million in excess of the FY07 budgeted revenue of \$79.1 million. An alternative proposal could be to review this and/or other revenue sources to see if an amendment could be made in the current fiscal year to offset any impact of the repayment. Again, any amendment should be fully discussed including possible impacts from proposed changes.