



Office of the Independent Budget Analyst

**Proposed Mayor and Council Response
to County Grand Jury Report:
Redevelopment Is Dead!
Long Live Redevelopment!**

**Presentation for
City Council
September 9, 2013
Item - S401**



Overview

- The Grand Jury filed this report with the Mayor and City Council on April 30, 2013.
- The report examines activities of the City's former Redevelopment Agency (RDA) and highlight concerns related to the:
 - dissolution and winding down of the former RDA's affairs, and
 - need to identify funding sources for future neighborhood revitalization.



Overview

- The Report includes 15 Findings and 12 Recommendations
- Council required to respond to all Findings and 10 Recommendations (4 are directed to Council and 6 to the Mayor and Council; 2 are directed to the Mayor)
- Mayor and City Council required to provide response to Presiding Judge by September 27, 2013.



Overview

- For each item, Council may:
 - Join the Mayor's response
 - Modify the Mayor's response
 - Respond independently from the Mayor
- Our office was provided a copy of the Mayor's draft response; we provided input and worked collaboratively with City staff and have reached agreement on all items.
- We are recommending that the Interim Mayor and Council provide a joint response.



Overview

Prescribed responses include:

- For each Finding:
 - Agree
 - Disagree wholly or partially
- For each Recommendation:
 - Has not been implemented
 - Has not yet been implemented, but will be
 - Requires further analysis
 - Will not be implemented because it is not warranted or not reasonable



Summary of Proposed Response

- 15 Findings
 - 11 Agrees
 - 4 Partially Disagrees
- 12 Recommendations
 - 4 Have been implemented
 - 5 Have not yet been implemented, but will be in the future
 - 1 Needs further analysis
 - 2 Will not be implemented because it is not warranted or reasonable



Highlights of Findings

1. Continued redevelopment in San Diego is desired and is important for the future growth and economic vitality of the City. *-Agree.*
2. A vigorous effort will be required to identify new funding sources and compete successfully for the money to fund the many projects that are ready for development. *-Agree*
3. Because Civic San Diego lacks sufficient qualified staff, it does not have the capacity to compete successfully for funds from these new sources, but it is well positioned to utilize such funds effectively if they can be obtained. *- Partially Disagree*
 - *Highly qualified Civic San Diego staff supplemented with specialist consultants*
 - *Additional staff may be required in future*



Highlights of Findings

4. By examining RDAs outside of California, a new revenue model could be identified for Civic San Diego to replace the tax increment funds the State diverted. -*Agree.*
 - *Civic San Diego has researched and shall continue to find new funding sources and models used in other cities and states to identify best practices*
 - *Potential new sources include New Market Tax Credits, grants, public-private investment funds, Development Impact Fees, State cap and trade revenues, etc.*
5. The Governor of California and the State Legislature have an ethical responsibility to assure that the items that legitimately comprise redevelopment debt are paid out of tax increment revenues. The provisions of Proposition 18 and AB 26 clearly establish this responsibility. -*Agree*



Highlights of Findings

6. The citizenry of San Diego need to remain informed and alert to the actions of the State regarding redevelopment debt. The impact of these actions on the City of San Diego is of particular concern to its citizenry. A means must be found for the citizenry to communicate their concerns to Sacramento effectively. *-Agree*
 - *Staff have contacted local representatives in the State Legislature*
 - *The Interim Mayor and Council are committed to expeditiously hiring a professional lobbying firm which is critical to represent and advocate for the City's interests*
7. The Mayor and City Council need a means of communicating to the Governor and the Legislature in an impactful manner the adverse consequences of the dissolution and the burden of redevelopment debt on the City of San Diego. *-Agree*



Highlights of Findings

8. Despite the stated intent of AB 26 to pay the obligations out of tax increment funds, approval to pay the obligations is not automatic. Rather, it is subject to a multi-tiered approval process that has become contentious. This process creates uncertainty and difficulty for cities in planning budgets, and requires reserves far beyond the ordinary. *-Agree*
9. The ROPS process involves extensive lists of obligations that must be prepared and submitted in compliance with firm deadlines and formatting requirements established by the DOF. The complexity of the process creates the possibility of costly omissions and errors and the rejection of items for minor deficiencies. *-Partially Disagree*
 - *Staff developed processes and procedures to minimize errors*



Highlights of Findings

10. Civic San Diego has insufficient personnel to focus on both the ROPS process and other important responsibilities assigned to the corporation. Preparing and submitting ROPS is not the only task consuming the time of employees. Responding to items the DOF has disputed and to audit requests and findings is also distracting from the ability of Civic San Diego employees to focus on the full range of their duties. -
Agree
 - *Dissolution legislation provides insufficient funding to adequately manage the wind down process*
 - *Dissolution legislation provides no funding to cities for a transition to secure substitute funding for tax increment financing*



Highlights of Findings

11. Because the ROPS approval process is likely to continue for 40 years or more, its time demands as well as the potential for costly errors and oversights cannot be ignored. These issues cannot be addressed effectively without additional qualified staff who can focus on ROPS preparation and submission. *-Partially Disagree*
 - *ROPS preparation expected to significantly ease within three years*
12. The Five-Year Work Plan held out a realistic hope of making substantial progress in reducing homelessness downtown. *-Agree*
13. The present state of homelessness in the City heavily detracts from the urban renewal progress San Diego has achieved. *-Agree*



Highlights of Findings

14. A means must be found to continue the construction of supportive housing and keep the Five-Year Work Plan active. - *Agree*
 - *The Council-approved Affordable Housing Master Plan places a priority on homeless housing*
 - *New state and local funding must be secured*
15. Information regarding the status of legacy redevelopment projects, the ROPS process, and the other activities of Civic San Diego is difficult for the public to obtain, resulting in a lack of transparency. - *Partially Disagree*
 - *Information available through open meetings and websites*



Highlights of Recommendations

Directed to the Mayor:

- 13-1 Lead a comprehensive, organized, sustained effort beginning September 30, 2013 to advocate for San Diego's interests in the ROPS approval process. In addition to the Mayor's personal leadership, this effort should include a broad spectrum of interested private citizens as well as the President of Civic San Diego. The goal of this advocacy effort is to communicate---in an impactful manner that draws the attention of the Governor and the State Legislators---the adverse consequences of the dissolution and the negative, contentious nature of the ROPS approval process.. - *Will be implemented in the future*
- 13-2 As a last resort, be prepared to recommend legal action to require the State of California to pay the items on the ROPS that San Diego's Successor Agency has submitted to the DOF. - *Implemented*



Highlights of Recommendations

Directed to the Council:

- 13-3 Direct Civic San Diego to form a special working group that will give San Diego every competitive edge possible in identifying new funding sources and applying for the funds needed to continue redevelopment throughout the City.
- Will be implemented in the future
- 13-4 Direct Civic San Diego to begin surveying redevelopment agencies in other states to identify a revenue model that does not depend on property taxes to support redevelopment.
- Implemented
- 13-5 Direct Civic San Diego to establish a ROPS Processing Unit that is solely dedicated to the preparation and submission of accurate and timely ROPS in compliance with DOF requirements. *- Will not be implemented because it is not warranted*
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Highlights of Recommendations

Directed to the Council:

13-6 Instruct Civic San Diego to keep the public informed about its actions in winding down the affairs of the dissolved RDA and its other activities. It should post this information on a website and keep it updated. This information should include:

- The progress of redevelopment projects;
- The implementation status of the major plans developed by CCDC;
- The total current debt and assets of the Successor Agency and the Housing Successor Agency; and
- The ROPS submitted and any items rejected or being disputed by the DOF.

- Implemented

- *Civic San Diego created a new website in 2012 that provides this information and other updates*



Highlights of Recommendations

Directed to the Mayor and Council:

13-7 Establish a formal program of soliciting and evaluating a wide range of ideas and suggestions to make the continued revitalization of San Diego possible. The strong encouragement and unequivocal support of redevelopment efforts that have characterized past City administrations should be continued.

- *Will be implemented in the future*
- *City is developing a comprehensive approach to neighborhood revitalization and economic development.*

13-8 Make funds available for Civic San Diego to hire additional personnel who have specialized knowledge and experience in identifying new funding sources, applying for the funds available, and a track record of success in getting such funds awarded. - *Requires further analysis*

- *Civic San Diego will evaluate resource needs as new role evolves*



Highlights of Recommendations

- 13-9 Adopt a new revenue model that will provide ongoing support for Civic San Diego to continue redevelopment.
- *Will be implemented in the future*
 - *Civic San Diego to prepare comprehensive strategic plan by end of 2013*
- 13-10 Make funds available for Civic San Diego to hire an Administrative Analyst who will be assigned to the ROPS Processing Unit. This Analyst should be assigned responsibility for creating procedures that support the systematic collection of data regarding the obligations due for payment and the compilation of this data in each ROPS.
- *Implemented*



Highlights of Recommendations

- 13-11 Vigorously pursue Federal and State contacts to find the means and ways to keep the Five-Year Work Plan Toward Goal of Eliminating Homelessness in Downtown San Diego active and adequately funded.
- *Will be implemented in the future*
 - *Professional lobbyist services in Sacramento are critical to represent the City's interests and move toward this goal.*
- 13-12 Establish as a major priority the construction of sufficient supportive housing units to meet the goal of the Five-Year Work Plan. Realistic annual goals should be specified and progress measured to keep this humanitarian crisis and blight upon our City in the forefront of our thinking and assure a sustained effort is made to achieve the five-year goal.
- *Will not be implemented because it is unreasonable*
 - *The primary funding source is no longer available to the City.*



Conclusions

We believe this is a robust response that demonstrates the City's commitment to these important issues, including the:

- Effective and efficient wind down of the former RDA's affairs,
- Identification and pursuit of funding sources for neighborhood revitalization, economic development, and affordable housing; and
- Development of a Comprehensive Citywide strategy for neighborhood revitalization and economic development.