

EXECUTIVE SUMMARY

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: May 9, 2011

IBA Report Number: 11-28

Redevelopment Agency Agenda Date: May 12, 2011

Item Number: 1

Fiscal Year 2012 Proposed Redevelopment Agency Budget

The Fiscal Year 2012 Proposed Budget for the Redevelopment Agency is \$193.2 million, a reduction of approximately \$18.6 million from the FY 2011 Adopted Budget. The Redevelopment Agency consists of 14 project areas that are administered by three operating entities, the City Redevelopment Department, the Centre City Development Corporation (CCDC), and the Southeastern Economic Development Corporation (SEDC)¹. Each operating entity has separate project area and administrative budgets; collectively, these budgets make up the budget of the Redevelopment Agency.

On January 10, 2011, Governor Jerry Brown released his proposed State of California Budget for 2011-12. Included in the budget was a proposal to disestablish redevelopment agencies statewide as of July 1, 2011. While this proposal has not been adopted by the State legislature to date, budget negotiations are ongoing and the disestablishment of redevelopment agencies remains a very real possibility. It is anticipated that the Governor's Revised Budget to be released in mid-May (May Revise) will continue to include this proposal.

One of the most significant budgetary issues for the Redevelopment Agency in FY 2012 is the transfer of funding to the City pursuant to the Cooperation Agreement approved by the Agency Board and City Council on February 28, 2011. Under the terms of this Cooperation Agreement, the Agency will transfer funds to the City on an annual basis, and the City will implement certain redevelopment projects on behalf of the Agency. As a result, the FY 2012 Proposed Redevelopment Agency Budget includes funding for both non-housing and affordable housing projects that will be transferred to the City pursuant to the Cooperation Agreement.

The FY 2012 Proposed Redevelopment Agency Budget also includes \$3.8 million for payments to the City pursuant to the CDBG Repayment Agreement, approved in June 2010. In addition, \$1 million is budgeted for other debt repayment to the City, of which approximately \$800,000 may be used for General Fund purposes. Redevelopment Agency repayment of General Fund debt was one of the items included in the Budget Resolution adopted by the City Council on April 12, 2011.

¹ In FY 2011, four project areas managed by SEDC – Central Imperial, Gateway Center West, Mount Hope and Southcrest – were merged into the consolidated Southeastern San Diego Merged Redevelopment Project Area.