

**BARRIO LOGAN REDEVELOPMENT PROJECT AREA
SAN DIEGO, CALIFORNIA**

**SUMMARY PERTAINING TO THE USE OF TAX INCREMENT
FOR A BARRIO LOGAN FIRE STATION**

**Pursuant to California Community Redevelopment Law
Sections 33445 and 33679**

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

February 2011

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I. INTRODUCTION

The Redevelopment Agency of the City of San Diego, California (“Agency”) is considering the use of tax increment generated from the Barrio Logan Redevelopment Project Area (the “Project Area”) to fund the design and construction of City of San Diego’s Barrio Logan Fire Station (the “Fire Station”), which will be located within the Project Area.

This Summary was prepared in accordance with Sections 33445 and 33679 of the California Community Redevelopment Law in order to inform the Agency and the public about the use of Agency funds. This Summary describes and specifies:

- a. The costs to the Agency for design and construction of the Fire Station;
- b. That the Fire Station is of benefit to the respective Project Area by helping to eliminate blight;
- c. That there are no other reasonable means of financing the Fire Station that are available to the City of San Diego;
- d. That the payment to be provided by the Agency is consistent with the “Fourth Implementation Plan for the Barrio Logan Redevelopment Plan for the Period of July 2009 – June 2014” and
- e. The redevelopment purposes for which Agency funds are being used.

II. COSTS TO THE AGENCY

The estimated cost for the Fire Station appears in the aforementioned Exhibit 1 to the Cooperation Agreement. The estimated costs to the Agency total \$ 3,500,000. All Agency costs will be paid from tax increment generated from the Barrio Logan Redevelopment Project Area. The funds will be derived as set forth in the budget breakdown below and more particularly in Exhibit 1 to the Cooperation Agreement.

Project Area	Item	Amount
Barrio Logan	Construction	\$ 3,500,000
Total		\$ 3,500,000

III. FACTS SUPPORTING THAT THE FIRE STATION IS OF BENEFIT TO THE PROJECT AREAS BY HELPING TO ELIMINATE BLIGHT

The Fire Station, for which the Agency proposes to pay, is of benefit to the Project Area and the immediate neighborhoods in which the project is located in that:

- a. The Fire Station is located within the Barrio Logan Project Area.
- b. The Fire Station will help maintain a safe and livable environment, by allowing the City to ensure appropriate levels of fire-rescue services as residential and commercial densities increase throughout the Project Area and surrounding communities.
- c. The Fire Station will replace an inadequate public Fire-Rescue facility in Barrio Logan as identified in the Barrio Logan Public Facilities Financing Plan.
- d. The Fire Station will serve surrounding communities as part of the larger fire station system operated by the City of San Diego ("City").

IV. NO OTHER REASONABLE MEANS OF FINANCING

No other reasonable means of financing the cost of acquisition of land for and/or the cost of installation and construction of the Fire Station are available to the community (i.e., City of San Diego) for which the Agency proposes to pay, in that:

City of San Diego

- a. The City's General Fund is dependent on the financial health of the local economy in addition to the State and nationwide economy. Some economic indicators are currently still lagging and could possibly restrain economic stabilization or expansion in the economy in Fiscal Year 2011. The improvement in municipal budgets appears to be also lagging the overall economy. Overall, the economic outlook remains very uncertain in the upcoming fiscal year.
- b. The City's General Fund Budget is funded from various sources, but the four largest revenue sources are property tax, sales tax, transient occupancy tax ("TOT"), and franchise fees, and account for approximately \$710.8 million or 64.8 percent of total General Fund revenues. The decline in these four major revenues in the Fiscal Year 2011 Adopted Budget accounts for approximately \$31.6 million or 94.3 percent of the total General Fund decline of \$33.5 million compared to the Fiscal Year 2010 Adopted Budget.
- c. In Fiscal Year 2011 sales tax is budgeted at \$187.5 million, which represents a decrease of \$22.7 million or 10.8 percent from the Fiscal Year 2010 Adopted Budget due to the decline in per capita income and consumer spending, and the high unemployment rate in the City. TOT is budgeted at \$66.1 million, a decrease of \$9.8 million or 12.9 percent from the Fiscal Year 2010 Adopted Budget due to the decline in local tourism. Franchise fees are budgeted at \$67.2 million, a decrease of \$6.5 million or 8.9 percent from the Fiscal Year 2010 Adopted Budget due to a decline in refuse haulers tonnage.
- d. The City's Fiscal Year 2011 Adopted Budget reflects General Fund revenues and expenditures of \$1.10 billion, representing a decline of \$33.5 million or 3.0% over the Fiscal Year 2010 Adopted Budget. The Fiscal Year 2011 Adopted Budget includes 7,067.98 budgeted full time equivalent ("FTE") positions, a decrease of 328.94 FTE positions over the Fiscal Year 2010 Budget. The net decrease in General Fund positions is primarily due to the reduction of 485.16 FTE positions as part of the revised Fiscal Year 2010 Budget approved by the City Council that has been incorporated in the Fiscal Year 2011 Adopted Budget. These reductions were

to City's critical services including brownouts in the Fire Department, reductions in lifeguard positions, and reductions in library hours. If the City's revenues improve, then the City's first priority would be to restore those critical services funded by General Fund that have been reduced this year due to the loss of revenue in fiscal year 2011.

- e. The City's Fiscal Year 2011 Adopted Budget, approved by City Council in June 2010, includes reduced revenue projections adjusted for a continuation of slow economic growth and a continued constriction of economic activity. Growth in revenues is anticipated to be negative in most major revenue categories such as property tax, sales tax, TOT, and franchisee fees.
- f. The City's Capital Improvements Program ("CIP") budget allocates existing funds and anticipated revenues to rehabilitate, restore, improve, enhance, and increase the City's capital facilities. This budget supports the design and construction of a wide range of infrastructure improvement projects and other significant capital infrastructure investments. The Fiscal Year 2011 CIP Adopted Budget totals \$299.6 million. This is a reduction of \$153.6 million or 33.9 percent from the Fiscal Year 2010 CIP Adopted Budget of \$453.2 million.
- g. Deferred capital projects remain one of the eight significant areas identified in the Five-Year Financial Outlook. Since Fiscal Year 2008, approximately \$142 million has been appropriated for facilities, streets, storm drain and other deferred capital projects, funded by proceeds from land sales, bond financing, and Proposition 1B funding. Another proposal for bond financing is anticipated to come before City Council in Fiscal Year 2012 to continue efforts to address the City's approximately \$900 million backlog of deferred projects.
- h. The cost of the Fire Station is approximately \$7,800,000. There are currently no funds allocated in the Fiscal Year 2011 Adopted CIP Budget to fund the Barrio Logan Fire Station.

V. FACTS SUPPORTING THAT THE PAYMENT PROVIDED BY THE AGENCY WILL ASSIST IN THE ELIMINATION OF BLIGHTING CONDITIONS AND IS CONSISTENT WITH THE IMPLEMENTATION PLAN

The payment of Agency funds for construction of the Fire Station is consistent with the Five-Year Implementation Plan for the respective Project Area (the "Implementation Plan") pursuant to section 33490 of the California Health and Safety Code, in that:

a. The Fire Station addresses the specific goals and objectives of the Barrio Logan Implementation Plan, as identified in the work program which states in pertinent part as follows:

- At Page 3, "The elimination and prevention of the spread of blight and deterioration and the conservation, rehabilitation and redevelopment of the Project Area;"
- At Page 3, "Encourage the preservation and enhancement of the distinctive character of the community and promote the development of the community's cultural and ethnic qualities;"
- At Page 3, "Provide an environment conducive to the health, safety and well being of community residents and employees;"
- At Page 3, "Encourage a high level of concern for urban design and land use principles;"
- At Page 3, "The achievement of an environment reflecting a high level of concern for the cultural land use principles appropriate for attainment of the objectives of the Redevelopment Plan;"
- At Page 3, "The preservation of the Project Area's existing employment base and the creation of new job opportunities;"
- At Page 3, "The planning, redesign, and development of areas which are stagnant or improperly utilized;"
- At Page 4, "Other objectives include the creation of new commercial developments, new jobs for Project Area displaced workers and residents, infrastructure improvements and neighborhood revitalization."

A copy of the Barrio Logan Implementation Plan is on file with the Agency as Document No. D-04405a and incorporated herein, by reference.

VI. THE REDEVELOPMENT PURPOSE FOR WHICH AGENCY FUNDS ARE BEING USED

The redevelopment purpose for which Agency funds are being used to pay for the Fire Station is to assure that residents, employees and visitors of Barrio Logan and surrounding communities have access to quality fire and life safety services in the context of a safe and secure environment. As the number of residents, employees and visitors grows, it is important to assure that adequate facilities are available for fire and rescue officers to efficiently and effectively perform their fire and life safety functions. Furthermore, the design and construction of an important City facility such as Barrio Logan Fire Station is an important redevelopment purpose and will assist in attracting private investment needed to eliminate blight existing in the Project Area.