**CITY OF LONG BEACH**

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

January 11, 2005

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

SUBJECT: Public Hearing on One-Year Extension of Time Limits for the  
Downtown, Poly High and West Beach Project Areas (Districts 1, 2 & 6)

**DISCUSSION**

The State of California has required redevelopment agencies to provide payments to the Educational Revenue Augmentation Fund (ERAF) for Fiscal Year 2005 (FY 05) and Fiscal Year 2006 (FY 06). The requirement for the FY 05 and FY 06 ERAF payments are contained in Senate Bill 1096 (SB 1096). The legislation, in addition to requiring ERAF payments, provides compensation to redevelopment agencies. SB 1096 allows city councils to extend time limits for each redevelopment project area that provides an ERAF payment by one year for each year in which the required ERAF payment is made and when the project area meets certain requirements.

SB 1096 allows city councils to approve ordinances that add one year to the following redevelopment plan time limits for each year of ERAF payment:

1. Time limit on the effectiveness of the redevelopment plan. Redevelopment plans contain a time limit on the effectiveness of the redevelopment plan (Exhibit A). After this date, all redevelopment activity in a project area ceases, and redevelopment agencies may only pay existing debt and enforce existing contracts. Approval of ordinances extending this time limit would give the Redevelopment Agency an additional year to implement projects and programs to remove blight in each of the three project areas.
2. Time limit on the receipt of tax increment. Every project area has a time limit on the receipt of tax increment. Redevelopment project areas may receive tax increment for a 10- or 15-year period after the redevelopment plan terminates. During this time period no redevelopment occurs, but the project areas can receive tax increment to pay debt. Approval of the ordinances would allow each of the three project areas to receive tax increment for an additional year.

Project areas usually receive the greatest annual tax increment payments at the end of their lives. This provision of SB 1096 provides a very large financial benefit. A one-year extension for the three project areas would allow the Redevelopment Agency to receive additional gross tax increment amounting to over \$23 million for the three project areas based on current projections (Exhibit B).

SB 1096 only allows for project areas meeting certain criteria to qualify for the time limit extensions. The three project areas meeting the criteria are Poly High, West Beach and Downtown. The criteria include either a time limit on redevelopment activity at least 10 years from the year in which an ERAF payment is made or within 20 years from the year in which an ERAF payment is made and the project area is in compliance with housing requirements.

On December 13, 2004, the Redevelopment Agency Board approved the proposed amendments to the described time limitations and recommended the City Council conduct a public hearing to consider and adopt Ordinances amending said time limitations.

This item was reviewed by Assistant City Attorney Heather Mahood on January 5, 2005, and Budget Management Officer David Wodynski on December 18, 2004.

#### TIMING CONSIDERATIONS

City Council action is requested on January 11, 2005, to optimize consideration for a pending bond issue. The Redevelopment Agency and Project Areas are currently undergoing an evaluation to determine bond rating and capacity for a 2005 bond issue being considered. The extensions of these limits would enhance the Agency's ability to repay any bond issue.

#### FISCAL IMPACT

If the City Council approves the proposed time limit extension and adopts the related Ordinances, current estimates are that the Poly High Project Area would receive an additional \$739,000 in gross tax increment in Fiscal Year 2025, the West Beach Project area would receive an additional \$1,633,000 in gross tax increment in Fiscal Year 2021 and the Downtown Project Area would receive an additional \$21,365,000 in gross tax increment in Fiscal Year 2027.

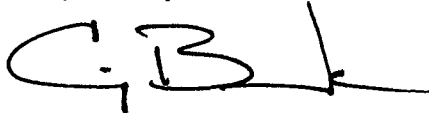
#### IT IS RECOMMENDED THAT THE CITY COUNCIL:

1. Open the public hearing on the adoption of Ordinances to amend certain time limits with respect to the redevelopment plans for the Poly

High, West Beach and Downtown Redevelopment Projects, receive and/or hear testimony related to the adoption of said Ordinances and conclude the hearing;

2. Declare the Ordinance amending certain time limits for the Poly High Redevelopment Project read for the first time and laid over to the next regular meeting of the City Council for final reading;
3. Declare the Ordinance amending certain time limits for the West Beach Redevelopment Project read for the first time and laid over to the next regular meeting of the City Council for final reading; and
4. Declare the Ordinance amending certain time limits for the Downtown Redevelopment Project read for the first time and laid over to the next regular meeting of the City Council for final reading.

Respectfully submitted,



*For* MELANIE S. FALLON  
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:



GERALD R. MILLER  
CITY MANAGER

MSF:JMV:jmv

Attachments:

Exhibit A – Project Area Time Limits

Exhibit B – Additional Tax Increment from Extension