


Exhibit A



City of Long Beach
Working Together to Serve

Memorandum

Date: August 25, 2004
To: Mayor and Members of the City Council
From: Gerald R. Miller, City Manager 
Subject: The Role of City Council in the Redevelopment Process

The following is meant to be responsive to the numerous concerns I have heard from the City Council concerning redevelopment and Council's role in the redevelopment process. In the past two years during which time I have served as Acting City Manager and later as City Manager, probably the single most often-repeated criticism from both the City Council and the community relates to the seeming lack of progress in our redevelopment project areas.

Even those Council people who don't have significant redevelopment project areas seem perplexed and frustrated by the complaints they hear in the community about redevelopment. This situation is heightened by the fact that almost half of the entire City's land area is within a redevelopment project area.

The redevelopment issue is exacerbated by the current condition of the General Fund, which threatens the Council's ability to fund on-going core City services while, at the same time, rising property taxes contribute to the cash balances in nearly all of the project areas. However, my interpretation of the current disconnect in redevelopment has less to do with fiscal concerns and much more to do with City Council's authority—or lack of authority—over what are some of the most fundamental decisions the City faces.

In my view, City Councilmembers are currently placed in a very difficult position as it relates to our redevelopment structure because each is held accountable at the ballot box for what does or doesn't happen in redevelopment project areas within their Council districts, yet, Councilmembers have virtually no authority to determine the direction, speed or quality of redevelopment decisions that occur within a given Council district.

I have received virtually countless complaints from Council concerning redevelopment. In following-up on such concerns with redevelopment staff I am invariably told, "that is not necessarily the direction the Agency Board wants to go in" or something to that effect. This disconnect between Council interest and the direction of the Agency Board affects many decisions from the very simple to the most complex and I think contributes to the dysfunction that seems so endemic to redevelopment in Long Beach.

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The Redevelopment Agency of the City of Long Beach was established in 1961 and has always been governed by a separate redevelopment agency board. Most of California's 475 cities have established redevelopment agencies. For the vast majority, the city council serves as the governing board of the redevelopment agency. Some cities have redevelopment advisory boards to assist their city councils. Only three California cities, Long Beach, San Francisco and Los Angeles, have granted full redevelopment powers to a separate redevelopment agency board.

Arguably, there are important advantages in having a separate agency board. As an example, redevelopment agencies can benefit from the valuable expert and technical advice of board members. In Long Beach, our current redevelopment agency board includes architects, business people, community leaders, a banker and a realtor. Agency board members may be better able to take the time needed to learn the details of complex redevelopment projects and programs and solicit community advice. I am sure that the Long Beach City Council valued these advantages when it approved a separate redevelopment agency board more than forty years ago. Our Redevelopment Agency has many accomplishments of which to be proud. They have revitalized our downtown, created new retail centers and established an improved working relationship with the Project Area Committees.

However, there are also advantages to having the City Council serve as the redevelopment agency board. City Council members can better represent the public interest as they are directly elected and have more accountability to those affected by redevelopment projects and programs. Decision-making can be streamlined when only one body with one set of priorities is involved. Simplifying the decision-making process could lead to more rapid redevelopment, lower costs to both the Redevelopment Agency and the development community, and greater alignment between City Council goals and the outcomes of the redevelopment process. In looking back forty years, when the City Council established the Redevelopment Agency Board, there was only one redevelopment project area. Today, there are seven project areas. In 1964, the total General Fund budget was \$34 million. In Fiscal Year 05, the proposed budget for redevelopment alone is \$60 million.

Today, our City Council may be in a better position to assume the powers of redevelopment than the Council of forty years ago. The City Council is very active and engaged in community development issues, concerns and solutions. Each council office has capable staff to assist with the review and analysis of complex redevelopment projects. Moreover, Long Beach residents have an enhanced interest and understanding of redevelopment. They have demanded a voice in setting redevelopment policy. I believe that the voices of Long Beach residents would be heard most clearly by those that they have elected.

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Given our severe budget situation, the most compelling argument for the City Council's assumption of the responsibilities of redevelopment is that all of Long Beach City government must work toward the same fiscal goals. But this is not the only concern. Our Redevelopment Agency has worked hard to cure blight, produce jobs, improve infrastructure and build affordable housing, but at times their priorities have not been the same as those of the City Council. This is a matter of fact.

The issue I have placed before you is a complex one. However, I think it merits your consideration. At the minimum, I would recommend that the Council's role in the oversight of the redevelopment process be incorporated into the independent study of redevelopment that is about to begin.

Or, if the City Council wishes to take a bolder step, the process required for you to assume the responsibilities of redevelopment is actually quite simple. The City Council must request that the City Attorney draft an ordinance, very specific noticing requirements must be met and a public hearing must be held before you may approve an ordinance establishing the City Council as the Redevelopment Agency. Approval of such an ordinance would not affect the status of the Project Area Committees whose existence is guaranteed by the redevelopment plans. In fact, the active involvement of Project Area Committees as critical advisory bodies to the decisions of the City Council seems very consistent with the open government philosophy the Council has embraced in a variety of arenas over the past few years.

In any case, City management and staff remain committed to doing everything within our power to ensure the necessary improvements in our community that are invaluabley assisted by the tools that redevelopment provides.

GRS:cmw
MGL as the Role of the Council in Redevelopment Process

cc: Robert Shannon, City Attorney
Gary Burroughs, City Auditor
Melanie Fallon, Director of Community Development

PUBLICATION DATES: 1. November 4, 2004 2. November 11, 2004

**NOTICE OF PUBLIC HEARING ON THE CITY COUNCIL DECLARING ITSELF TO
BE THE REDEVELOPMENT AGENCY FOR THE CITY OF LONG BEACH**

NOTICE IS HEREBY GIVEN that the City Council of the City of Long Beach (the "City Council") will hold a public hearing on Tuesday, November 16, 2004, at 5:00 p.m. in the City Council Chambers, located at 333 W. Ocean Boulevard, Long Beach, California, to consider and act upon an ordinance declaring the City Council to be the Redevelopment Agency for the City of Long Beach and to consider all evidence and testimony for or against the proposed ordinance. At any time not later than the times and dates set forth above for the hearing of comments on or objections to the proposed ordinance declaring the City Council to be the Redevelopment Agency, any person may file in writing with the City Clerk of the City of Long Beach a statement of objections to the proposed ordinance. At the day, hour and place of the hearings, any and all persons having any comments on or objections to the proposed ordinance, or who question the regularity of any of the prior proceedings, may appear before the City Council and show cause why the proposed ordinance should not be approved.

The Redevelopment Agency of the City of Long Beach currently consists of a seven-member board appointed by the Mayor and City Council. The proposed Ordinance of the City Council declaring itself to be the Redevelopment Agency would upon its effective date dissolve the seven-member board and allow the City Council to assume all of the rights, powers, duties, privileges and immunities vested in the Agency. The members of the City Council acting as the Redevelopment Agency would take decisions and actions now taken by the seven-member board.

Interested persons may inspect and, upon payment of the costs of reproduction, obtain copies of the proposed Ordinance and a Report substantiating and explaining the determination that the City Council shall declare itself the Redevelopment Agency.

By order of the City Council of the City of Long Beach.

Dated: October 25, 2004

LARRY HERRERA
City Clerk
City of Long Beach

Report Substantiating and Explaining the Determination that the City Council Shall Declare Itself the Redevelopment Agency

November 16, 2004

Redevelopment Agency Governance in California

There are 475 cities in California. The City of Long Beach is the fifth largest city in the state with a population of 473,000. Only Los Angeles, San Francisco, San Jose and San Diego are larger with populations of 800,000 to 3 million. Slightly smaller cities include the cities of Sacramento, Oakland and Fresno, which have populations ranging from 400,000 to 450,000. Smaller yet are Santa Ana and Anaheim, both of which have populations of about 350,000. Other cities in California have populations under 300,000. To recap, the ten largest cities are as follows:

<u>City</u>	<u>Population</u>
1. Los Angeles	3,807,400
2. San Diego	1,244,700
3. San Jose	918,000
4. San Francisco	793,600
5. Long Beach	473,100
6. Fresno	441,900
7. Sacramento	426,000
8. Oakland	408,800
9. Santa Ana	343,700
10. Anaheim	334,700

Most of California's 475 cities have activated their redevelopment powers. Community Redevelopment Law empowers the City Council to utilize redevelopment powers by adopting an ordinance declaring the need for an agency and establishing a redevelopment agency board. In most cities, the city council also serves as the board of the redevelopment agency. Only in the largest cities are separately appointed boards that handle redevelopment matters more typical. In three large cities, these boards operate as fully functioning redevelopment agencies. It is just as common, however, for the appointed boards to have less than a full range of powers even in large cities. Many of the boards serve in an advisory capacity or handle smaller matters. For instance, in San Diego, several non-profit groups (CCDC and SEDC) perform many of the functions of a redevelopment agency, but their vote is advisory in nature and most redevelopment agenda items must still be taken to the City Council for approval. Agency boards are appointed bodies, typically appointed by the mayor or city council.

In Long Beach, the City Council established an appointed board to oversee day-to-day redevelopment matters. That board, which is empowered with the full range of

redevelopment powers available under the law, is appointed by the Mayor and confirmed by the City Council. Beginning in 1999, two of the members were appointed by the Mayor from nominees submitted by the Agency's existing Project Area Committees (PACs). The number of PAC-nominated Agency Board members increased from two to three in June of 2003. Long Beach appears to be the only city in California where the Project Area Committee submits nominees for the Agency Board.

To recap, in all but the largest cities, the city council acts as the agency board. In the ten largest cities in California, three have separate agency boards with full powers, three have advisory boards or boards with limited powers and in four the city council is the redevelopment agency board. The type of agency boards in the ten largest cities is as follows:

City	Agency Board
1. Los Angeles	Separate Board with Full Powers.
2. San Diego	Separate Boards with Advisory Powers/CCDC and SEDC. City Council is the Agency Board and the Mayor is the Chair and votes.
3. San Jose	City Council serves as Board. Mayor is the Agency Chair and votes.
4. San Francisco	Separate Board with Full Powers/Redevelopment Commission.
5. Long Beach	Separate Board with Full Powers.
6. Fresno	City Council serves as Board. Mayor does not vote on Agency matters. City Council elects one if its own as Agency Chair.
7. Sacramento	Separate Board with Limited Powers/Housing and Redevelopment Commission. City Council is the Redevelopment Agency Board; the Mayor is the Chair and votes.
8. Oakland	City Council serves as Board. The Mayor is the CEO and does not vote. The City Council President is the Agency Chair.
9. Santa Ana	City Council serves as Board. The Mayor is the Chair and votes.
10. Anaheim	Separate Board with Advisory Powers/Housing and Redevelopment Commission. The City Council is the Redevelopment Agency Board. The Mayor is the Chair and votes.

In communities where the city council serves as the redevelopment agency, the mayor generally is the chair of the agency and votes on issues before the board. All city council members are generally voting members of the redevelopment agency board. However, there are exceptions to this rule. Staff surveyed the seven largest cities where the city council has retained redevelopment agency powers. Five of the seven used the model described above with the mayor as a voting chair and all city council members as voting members of the agency board. The two exceptions were the cities of Fresno and Oakland. In Fresno, the Mayor does not vote on redevelopment matters and the City Council elects one of its own as the Agency Chair. The City of Oakland has a strong mayor form of government and the Mayor serves as the CEO of the Agency working closely with the City Manager to set policy and direct redevelopment staff.

Process Required for the City Council to Become the Redevelopment Agency Board

Community Redevelopment Law clearly describes the process required for the City Council to declare itself the Redevelopment Agency. The City Council may, by adoption of an ordinance, declare itself to be the Agency; in this case, all the rights, powers, duties, privileges and immunities vested by Community Redevelopment Law in an agency will be vested in the City Council. If a member of the City Council does not wish to serve on the Redevelopment Agency Board, the member may so notify the City Council and the City Council would appoint a replacement that is an elector of the city to serve out the term of the replaced member.

As part of the City Council's ordinance declaring itself to be the Redevelopment Agency, the City Council must make findings that the action shall serve the public interest and promote public safety and welfare in an effective manner. The City Council may not adopt an ordinance declaring itself to be the Redevelopment Agency without first conducting a public hearing on the proposed ordinance.

Notice of the public hearing must be published not less than once during the ten calendar days immediately prior to the hearing in a newspaper of general circulation printed and published in the community. The notice of hearing must include a general statement of the procedure and effect of the City Council declaring itself to be the Redevelopment Agency. Copies of the notice must be posted throughout the project areas at least ten calendar days prior to the hearing. The City Council must also mail by first-class mail copies of the notice at least ten calendar days prior to the hearing to all persons who have expressed to the Redevelopment Agency or the City Council an interest in receiving information on redevelopment activities.

The City Council must cause the preparation of reports or proposals necessary to substantiate and explain the determination that the City Council will declare itself the Redevelopment Agency to be presented at the public hearing.

As part of the City Council's ordinance declaring itself to be the Redevelopment Agency, the City Council must make findings that: (1) the action will serve the public interest and promote public safety and welfare in a more effective manner than the current organization and (2) there has been full public disclosure of all reports and proposals relating to the legislative body's intent to declare itself the Redevelopment Agency.

Having declared itself the Redevelopment Agency, the City Council must decide on the structure of its governing board. Most cities have chosen to have all city council members serve on the redevelopment agency board and have the mayor serve as the chair and a voting member of the agency board. In Long Beach, the City Charter specifies that the Mayor does not vote on City Council matters. However, the Charter does not prohibit the Mayor from serving as a voting member of the Redevelopment Agency. The City Council has the authority to select the most commonly used model for a Redevelopment Agency Board or, as in the case of Fresno or Oakland, devise another model.

Findings

The City Council makes the following findings:

1. **The City Council's declaration of itself to be the Redevelopment Agency will serve the public interest and promote public safety and welfare in a more effective manner than the current organization for the following reasons:**
 - A. The current organization of the Redevelopment Agency has resulted in policy conflicts that would be avoided if the City Council were to declare itself the Redevelopment Agency.

The City of Long Beach's appointed Redevelopment Agency Board sets redevelopment policy for all of the City's seven redevelopment project areas. The Redevelopment Agency is a separate legal entity from the City of Long Beach and the Agency Board has considerable authority to act independently without City Council review. The Redevelopment Agency Board has the authority to approve contracts, purchase goods and services, provide assistance to private developers, provide loans, review the design of development projects and approve design standards without the review or approval of the City Council.

Community Redevelopment Law provides the City Council oversight in a few critical areas. The approval of the City Council is required for Agency agreements that result in the sale of land purchased with tax increment. The City Council must also approve the Redevelopment Agency's annual budget and must also approve the adoption and amendment of redevelopment plans. The City Council's authority over these matters is one of acceptance or rejection. The City Council can reject projects

proposed by the Redevelopment Agency, but cannot compel the Redevelopment Agency to approve projects, programs or policies proposed by the City Council. The City Council has in the past made recommendations to the Redevelopment Agency that the Agency has declined to accept.

The City Council reviews all matters of importance to the City, while the current Redevelopment Agency Board concentrates on matters related to redevelopment. As a result, the Redevelopment Agency may embrace priorities that differ from those of the City Council. When City Council and Redevelopment Agency Board priorities differ, the City Council's ability to redirect Redevelopment Agency policy is limited.

If the City Council declared itself the Redevelopment Agency Board, the potential for conflict over redevelopment policy between two public bodies would be removed.

- B. The City Council is more directly accountable to voters than the current, appointed Redevelopment Agency Board.

The residents of the City of Long Beach have made known their desire to have a voice in setting redevelopment policy and approving projects in the City of Long Beach. The City of Long Beach has formalized the role of the public in the formation of redevelopment policy to a greater degree than any other City in the State of California. There are three Project Area Committees (PACs) that provide advice on redevelopment matters. In most communities, PACs are in existence for three years and then are disbanded. The redevelopment plans for the Central and North Project Areas guarantee the existence of the PACs for the life of the project areas. A legal agreement with the West Long Beach Industrial PAC guarantees their continued existence.

The voters of Long Beach directly elect members of the City Council. Citizens have the ability to hold members of the City Council accountable through elections and their power to recall members of the Council. Members of the appointed Redevelopment Agency Board are selected by the Mayor and City Council, but are not directly accountable to the general public. If the City Council were the Redevelopment Agency Board, the redevelopment policymakers would be directly accountable to those citizens who are affected by redevelopment projects and programs.

- C. By declaring itself the Redevelopment Agency, the City Council would streamline and simplify the process of approving redevelopment agency projects and programs.

Proposals for new redevelopment projects and programs originate with members of the Redevelopment Agency Board, City Council members, developers, staff, PACs and the public. Before these projects and programs become proposals before either public body, staff spends considerable time attempting to achieve consensus among all of the groups listed above. Often members of the Agency Board and members of the City Council initially have different ideas regarding how a project should be implemented or whether it should be implemented at all. This process of consensus building would be streamlined if only one public body granted redevelopment approvals.

After a general consensus on a redevelopment project is achieved, many proposals face a dual approval process. Projects must be scheduled for Agency Board review at Redevelopment Agency Board meetings and, if they are approved, then scheduled for approval by the City Council. The assumption of redevelopment authority by the City Council has the potential to streamline this dual approval process for redevelopment projects and programs. The formal approval process would take less time if only one body provided all of the necessary approvals.


The Redevelopment Agency has the authority to review the design of development projects located in redevelopment project areas. The Planning Commission has the authority to review the design of development projects throughout the City. The Redevelopment Agency and Planning Commission have developed a process to coordinate the reviews by both bodies. If the City Council became the Redevelopment Agency, it is likely that it would delegate its authority over design review to the Planning Commission. The design review process in the City of Long Beach would likely be quicker and less difficult to understand for developers if a single body, the Planning Commission, undertook all reviews.

- 2. There has been full public disclosure of all reports and proposals relating to the City Council's intent to declare itself the Redevelopment Agency.**
 - A. The City Council will hold a public hearing to discuss its proposal to declare itself the Redevelopment Agency.
 - B. The Long Beach Press-Telegram published a notice of the public hearing.
 - C. The Notice of Public Hearing was posted in at least one public place in each redevelopment project area.
 - D. The Notice of Public Hearing was mailed to all persons that have expressed an interest in receiving information on redevelopment activities and to all Project Area Committee members, neighborhood organizations

and everyone that has submitted a current request to receive Redevelopment Agency or Project Area Committee agendas.

- E. The City Council caused staff to prepare this Report, which substantiates and explains its determination that it will declare itself the Redevelopment Agency.



Date: November 10, 2004
To: Larry Herrera, City Clerk
From: Val Lerch, Councilmember, 9th District 
Subject: ITEM FOR INCLUSION IN NOVEMBER 16, 2004 RDA HEARING

I would like to request that included in the agenda item referencing the hearing on the City Council consideration of taking over the RDA a full and complete report from the City Manager on the following:

Responsibilities and total time involvement of the current RDA members.

Equate that time involvement to dollar cost.

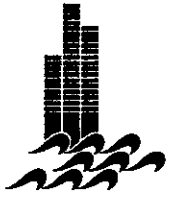
The estimated extra time expenditure/involvement for Council Members/RDA Members (over and above time involvement for Council duties.)

What will be the extra cost to City Council budgets for additional staff required to handle the RDA work?

What are any other possible costs that might be implemented?

Thank you.

Cc: Mayor and City Council
Robert Shannon, City Attorney
Gerald Miller, City Manager



Date: November 10, 2004
To: Larry Herrera, City Clerk
From: Val Lerch, Councilmember, 9th District *VL*
Subject: ITEM FOR INCLUSION IN NOVEMBER 16, 2004 RDA HEARING

I would like to request that included in the agenda item referencing the hearing on the City Council consideration of taking over the RDA, in the event that the City Council votes to establish itself as the RDA Board, that the following be included in the establishing Ordinance:

Require that property tax increment must be spent within the Redevelopment Project Area in which it was generated, except for low and moderate housing set-aside funds.

Require that the merger of any of the Redevelopment Areas require a two-thirds vote of the members of the Redevelopment Agency Board.

Require that any increase in the stipend received by the RDA Board shall not become effective until after the incumbent member is no longer in office.

Thank you.

Cc: Mayor and City Council
Robert Shannon, City Attorney
Gerald Miller, City Manager