



City of Long Beach
Working Together to Serve

Memorandum

Date: September 13, 2005

To:  Gerald R. Miller, City Manager

From:  Michael A. Killebrew, Director of Financial Management

For: Mayor and Members of the City Council

Subject: **PORT-AREA PROPERTY TAX INCREMENT**

The Budget Oversight Committee (BOC), following up on a discussion put forth in the Clarion Study of the City's Redevelopment Agency, and supported by the City Council on August 23, 2005, recommended the use of North Long Beach Redevelopment Project Area net Port Tax Increment (North Port TI) to annually pay a portion of the Housing Set-aside payment for the Central Redevelopment Project Area (Central RDA). In addition, the BOC recommended that the Central RDA repay a portion of its debt to the General Fund in an amount equal to the North Port TI that Central RDA receives.

The Clarion Study specifically addressed the concept of the Port's impact on the entire City, not just on the North Long Beach Redevelopment Area. And, to counter some of that impact, Port TI should be distributed in a manner that benefited the entire City. The BOC recommended the payment structure mentioned above in order to both legally accomplish the redistribution, in a manner that does not eliminate the opportunity of receiving future tax increment.

Why Flow North TI through Central RDA instead of through Downtown RDA?

A question has been raised as to why the North TI should be directed through the Central RDA instead of through the Downtown Redevelopment Area (Downtown RDA), particularly since Downtown RDA owes more money to the General Fund. The structure recommended by the BOC was purposeful in that the Central RDA still has the opportunity to incur debt in the future, from the General Fund, while the Downtown RDA is prohibited from incurring future debt.

A redevelopment agency can continue to receive tax increment as long as it has debt outstanding. The City, along with most other redevelopment agencies in the State, loaned General Fund along with grant and other funds to the Redevelopment Agency in order to create debt and address much needed projects in various redevelopment areas. It is the existence of debt that allows a project area to collect TI from the County. Once a project area ends (typically 30-years), it can continue to collect TI until the debt is retired.

Gerald R. Miller, City Manager
September 13, 2005
Page 2

If the North Port TI is used to pay Downtown RDA Housing Set-aside, which would in turn allow the Downtown RDA to make debt payments to the General Fund, then the Downtown RDA's debt would be lower when the project area ends in 2017. This situation does not allow the City to maximize collection of TI in future years because, as previously mentioned, the Downtown RDA is prohibited from incurring additional debt.

Following the BOC recommendation of processing the North Port TI through the Central RDA accomplishes the same goal of making available these monies for general City purposes, but does so in a way that preserves future tax increment available to the City.

GRM:MAK:RJ
C:\DOCUMENTS AND SETTINGS\REJIMEN\MY DOCUMENTS\MIKE KIMAYOR & COUNCIL RE RDA PORT TI.DOC

CC: CHRISTINE F. SHIPPEY, ASSISTANT CITY MANAGER
REGINALD I. HARRISON, DEPUTY CITY MANAGER
SUZANNE R. MASON, DEPUTY CITY MANAGER