

**CITY OF OAKLAND
AGENDA REPORT**

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2003 NOV 25 AM 9:08

TO: Office of the City Manager/Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: December 9, 2003

**RE: REPORT RECOMMENDING THE ADOPTION OF AN ORDINANCE
AMENDING THE CENTRAL DISTRICT URBAN RENEWAL PLAN TO
ELIMINATE THE TIME LIMIT ON ESTABLISHING DEBT**

SUMMARY:

This report recommends adoption of an ordinance that would amend the Central District Urban Renewal Plan to eliminate the time limit on incurring debt. The proposed ordinance responds to changes in the California Health and Safety Code which allows redevelopment agencies to amend their redevelopment plans in order to eliminate the time limits on the establishment of indebtedness required under an earlier statute. It would amend the Redevelopment Plan for the Central District Project Area and eliminate the January 1, 2004, time limit on the establishment of loans, advances, and indebtedness within the downtown redevelopment area. In essence, it would allow the Agency to issue bonds and financially participate in projects inside the Central District Project Area for the life of the redevelopment plan, which ends June 12, 2009, without the time constraints imposed by the existing ordinance.

FISCAL IMPACT:

Adoption of the ordinance will contribute to attracting new investment to the Central District Project Area by providing an additional five years to incur debt, thereby augmenting the Agency's ability to participate more effectively in new projects.

By adopting the ordinance, a new base year must be established and all new tax increment over this second base year amount would be subject to a new formula for pass-through payments to taxing entities. This new base year is in *addition* to the original base year. All tax increment revenue generated from the original base year, and up to the new base year, will continue to flow to the Agency as it has in the past for the life of the plan without pass-throughs. All tax increment revenue generated beyond the amount generated in the new second base year will be subject to pass-throughs to other taxing entities. The Agency would have to allocate approximately 20 percent of all new tax increment for the next ten years from this second base year to other taxing entities. This pass-through

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would increase to 36.8% beginning in 2014 to the end of the period for receipt of tax increments in 2019. Consequently, the Agency would have less net tax increment available for future bond issues. *However, without the elimination of the debt issuance time limit the Agency would not be able to sell any new bonds after 2004 for the remaining life of the Central District's redevelopment plan, which terminates in 2009.* Instead, the Agency would only be able to participate in projects on a "pay-as-you-go" basis, which greatly diminishes the Agency's ability to undertake major new projects aimed at the elimination of blight and the creation of jobs in the Central District Project Area.

The total impact to the Agency budget for FY 04-05 would be approximately \$299,465 in new pass-through obligations which would be funded either from fund balance, a portion of new bond debt, program reductions, or a higher rate of growth of tax increment than that projected. Over the life of the Plan the Agency would shift a total of \$18.2 million to other taxing entities, of which \$6.4 million would be transferred to the City's general fund.

BACKGROUND:

On June 12, 1969 the City Council adopted the Redevelopment Plan for the Central District. The Project Area covers a 250 square block area of the Central Business District of downtown Oakland and is bounded roughly by Embarcadero Street on the south, Interstate 980 on the west, Twenty-Seventh Street on the north and Lake Merritt on the east. The plan has a life span of forty years.

In 1994 the Council adopted Ordinance No. 11762 C.M.S., which sets a time limit of January 1, 2004 on the Redevelopment Agency's ability to establish or incur loans, advances, or indebtedness for the project area. This time limit was required under AB 1290, which became effective in 1994, and imposed certain time limits on redevelopment plans including limits on incurring debt, receipt of tax increment and effectiveness of the plan. The time limit regarding the establishment of new debt, as required by AB 1290, would prevent the Agency from issuing bonds to financially participate in new projects after January 1, 2004. The Agency can still retire outstanding debt with tax increment proceeds until January 1, 2019, but it cannot incur new debt after January 1, 2004.

In January of 2002, SB 211 was passed modifying certain requirements of AB 1290. SB 211 allows a community to amend a pre-1994 plan to delete the debt incurrence deadline altogether, with the result that an agency can incur debt under such a plan until the deadline for the effectiveness of the plan, which occurs in 2009 for the Central District. This amendment only requires the adoption of an ordinance by the legislative body of the respective municipality.

KEY ISSUES AND IMPACTS:

Under the current law, a plan amendment to extend the deadline on incurring debt triggers statutory pass-throughs to all taxing entities with which the agency does not have a pass-through agreement. Extending the deadline for establishing new debt, however, does not trigger additional pass-throughs to the affordable housing set-aside. There are no existing pass-through agreements for the Central District. The new pass-throughs would begin in the fiscal year after the plan's former deadline. Hence, for the Central District new pass-throughs would begin in FY 2004-05, with the adjusted base year for determining the statutory pass-throughs being the year in which the deadline would have taken effect. Specifically, in the Central District, all new tax increment above the base year would be subject to a 20 percent pass-through of funds being allocated to other taxing entities. Beginning in 2014 until the expiration of the tax increment receipt period for the Central District Redevelopment Plan in 2019, the pass-throughs would increase to 36.8 percent. The City of Oakland, as a taxing entity, is entitled to receive approximately 35 percent of the new pass-throughs.

Despite the introduction of new pass-throughs to other taxing entities, which will benefit the City of Oakland, the proposed elimination of the debt incurrence limit will allow the Agency to continue borrowing for both housing and non-housing purposes. Without eliminating the last date to borrow, new money bond financings must end by January 1, 2004 and any new incremental revenues would have to be used on a "pay-as-you-go" basis. This approach to providing project assistance is not as effective as continuing to capitalize increment growth to implement redevelopment projects. In the past the Agency has issued numerous bonds to provide capital for site acquisition, hazardous materials remediation, infrastructure improvements and gap financing in the Central District Project Area. The Agency should preserve this ability until the end of plan effectiveness for the Central District Project Area in 2009, as there are many prospective projects that may require Agency assistance.

The original base year and FY 03-04 revenue stream would not be affected by the pass-throughs and the existing 2003 level of tax increment would continue to accrue to the Agency each year. Below is an estimate of the fiscal impact to the Agency and benefit to the City. The "New City Share" column shows the additional revenue it would receive if the recommended elimination of the debt issuance time limit is approved.

Pass-through Breakdown					
Plan Year	Fiscal Year	Gross Tax Increment	TIER I 20% of Gross Tax Increments	TIER II 16.8% of 10 yr. Base Increment	New City Share
Old Base	2003	33,273,900	0	0	0
New Base Year	2004	1,497,326	299,465	0	104,813
	2005	1,564,705	312,941	0	109,529
	2006	2,635,117	527,023	0	184,458
	2007	3,753,697	750,739	0	262,759
	2008	4,922,614	984,523	0	344,583
	2009	5,144,131	1,028,826	0	360,089
	2010	5,375,617	1,075,123	0	376,293
	2011	5,617,520	1,123,504	0	393,226
	2012	5,870,308	1,174,062	0	410,922
	2013	6,134,472	1,226,894	0	429,413
	2014	6,410,523	1,282,105	46,377	464,968
	2015	6,698,997	1,339,799	94,840	502,124
	2016	7,000,452	1,400,090	145,485	540,951
	2017	7,315,472	1,463,094	198,408	581,526
	2018	7,644,668	1,528,934	253,713	623,926
	2019	7,988,678	1,597,736	311,507	668,235

The total impact to the Agency budget for FY 04-05 would be approximately \$299,465 which would be funded either from fund balance, a portion of new bond debt, program reductions, or a higher rate of growth of tax increment than that projected. Over the life of the Plan the Agency would shift a total of \$18.2 million to other taxing entities, of which \$6.4 million would be transferred to the City.

SUSTAINABILITY

Economic: This amendment will have long term impacts for the elimination of physical blight in the downtown redevelopment area. It will provide the Agency with a financial tool to participate in redevelopment projects that would not be available if the existing redevelopment plan is not amended.

Social Equity: This amendment will provide needed funds for another five and a half years to insure the construction of new redevelopment projects which will employ and train people for immediate and long-term jobs.

Environmental: The amendment will allow the Agency the ability to fund the clean-up toxic sites, the removal of hazardous materials from buildings, and other environmental activities associated with future redevelopment projects in the downtown.

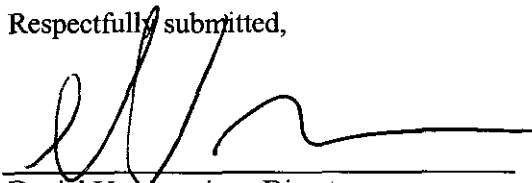
DISABILITY AND SENIOR CITIZEN ACCESS:

The amendment will have no direct effect on disability and senior citizen access; however, it will allow the Agency the ability to pursue more projects that will comply with State and Federal accessibility laws and regulations.

RECOMMENDATION AND RATIONAL:

Staff recommends that the Agency adopt the ordinance amending the Central District Urban Renewal Plan to eliminate the time limit on establishing debt.

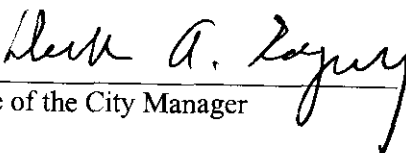
Respectfully submitted,



Daniel Vanderprieem, Director
Economic Development, Redevelopment
and Housing and Community Development
Divisions

Prepared by:
Jeffrey Chew, Project Manager
Downtown Redevelopment Unit

APPROVED AND FORWARDED TO THE FINANCE
AND MANAGEMENT COMMITTEE


Office of the City Manager

Item: 5
Finance & Management Cmte.
December 9, 2003

OFFICE OF THE CITY CLERK
2003 NOV 25 AM 9:09

APPROVED AS TO FORM AND LEGALITY

DEPUTY CITY ATTORNEY

OAKLAND CITY COUNCIL

ORDINANCE NO. _____ C.M.S.

AN ORDINANCE AMENDING THE CENTRAL DISTRICT URBAN RENEWAL PLAN TO ELIMINATE THE TIME LIMIT ON ESTABLISHING DEBT

WHEREAS, the City Council adopted the Redevelopment Plan for the Central District Urban Renewal Project (the "Project") on June 12, 1969; and

WHEREAS, on December 20, 1994, the Council adopted Ordinance No. 11762 C.M.S., which, among other things, established a time limit of January 1, 2004, on the Redevelopment Agency's ability to establish or incur loans, advances or indebtedness for the Project; and

WHEREAS, this time limit was required for redevelopment plans adopted on or before December 31, 1993, under Health and Safety Code Section 33333.6(a); and

WHEREAS, Health and Safety Code Section 33333.6 has since been amended to authorize a redevelopment agency, on or after January 1, 2002, to amend a redevelopment plan by ordinance to eliminate the time limit on the establishment of loans, advances, and indebtedness required under the previous statute; and

WHEREAS, the Agency wishes to amend the Redevelopment Plan for the Central District Urban Renewal Project to eliminate the time limit on the establishment of loans, advances, and indebtedness as to territory within the Central District Redevelopment Project Area prior to January 1, 1994; and

WHEREAS, this action is not subject to the California Environmental Quality Act of 1970 ("CEQA") because it can be seen with certainty that there is no possibility that the action may have a significant effect on the environment; now, therefore

The Council of the City of Oakland does ordain as follows:

SECTION 1. Section 1 of Ordinance No. 11762 C.M.S is hereby rescinded.

SECTION 2. Subsection C of Section 600 of the Redevelopment Plan for the Central District Urban Renewal Project is hereby amended to read in its entirety as follows (deletions are indicated with strikeout text):

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C. Local Property Tax Increment: With the consent of the Oakland City Council, taxes, if any, levied upon the taxable property in the Project Area, hereinafter sometimes called the "redevelopment project," each year by or for the benefit of the State of California, the City of Oakland, County of Alameda, any district or other public corporation (hereinafter sometimes called "taxing agencies"), after the effective date of the ordinance approving this Plan shall be divided as provided in Article 6, Chapter 6, Part I (the Community Redevelopment Law) of the Health and Safety Code of the State of California and Section 16 of Article XVI of the Constitution of the State of California, to wit:

1. that portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said taxing agencies upon the total sum of the assessed value of the taxable property in the redevelopment project as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of such ordinance shall be allocated to, and when collected, shall be paid into the funds of the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid (for the purpose of allocating taxes levied by or for any taxing agency or agencies which did not include the territory in a redevelopment project on the effective date of such ordinance but to which such territory has been annexed or otherwise included after such effective date, the assessment role of the county last equalized on the effective date of said ordinance shall be used in determining the assessed valuation of the taxable property in the project on said effective date); and
2. that portion of said levied taxes each year in excess of such amount shall be allocated to and, when collected, shall be paid into a special fund of the Agency to pay the principal of and interest on loans, monies advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by such agency to finance or refinance, in whole or in part, such redevelopment project. Unless and until the total assessed valuation of the taxable property in a redevelopment project exceeds the total assessed value of the taxable property in such project as shown by the last equalized assessment roll referred to in paragraph designated (1) hereof, all of the taxes levied collected upon the taxable property in such redevelopment project shall be paid into the funds of the respective taxing agencies. When said loans, advances and indebtedness, if any, and interest thereon, have been paid then all monies thereafter received from taxes upon the taxable property in such redevelopment project shall be paid into the funds of the respective taxing agencies as taxes on all other property are paid.

In the proceedings for the advance of monies, making of loans or the incurring of any indebtedness (whether funded, refunded, assumed or otherwise) by the Agency to finance or refinance, in whole or in part, the Central District Urban Renewal Project, the portion of taxes set forth in said Law and said Constitution as available to the Agency for such purposes may be irrevocably pledged for the payment of the principal of and interest on such loans, advances or indebtedness.

The number of dollars of the taxes referred to in Health and Safety Code Section 33670 which may be divided and allocated to the Redevelopment Agency of the City of Oakland pursuant to

the Plan shall not exceed One Billion, Three Hundred Forty Eight Million, Eight Hundred and Sixty-Two Thousand Dollars (\$1,348,862,000.00).

~~The Agency shall not establish or incur loans, advances or indebtedness to finance in whole or in part the Project beyond June 12, 2004, except as provided below for areas added to the Project Area by Plan amendment. The Agency shall not pay indebtedness or receive property taxes pursuant to Section 33670 from the Project Area after June 12, 2019, except as may otherwise be provided by Section 33333.6 of the Community Redevelopment Law or except as provided below for areas added to the Project Area by Plan amendment.~~

As to tax increment generated within that portion of the Project Area added to the plan boundaries after June 12 1979, but prior to June 1, 2001, no more than \$75 million may be divided and allocated to the Agency without further amendment of this Plan.

~~As to that portion of the Project Area added to the Plan boundaries after June 12, 1979, but prior to June 1, 2001, no loans, advances or indebtedness shall be incurred or established by the Agency to finance redevelopment in that portion of the Project Area after the expiration of forty years from the date this Plan was amended to add that portion of the Project Area.~~

As to bonds issued by the Agency specifically for activities to be undertaken in that portion of the Project Area added to the Plan boundaries after June 12, 1979, but prior to June 1, 2001, the amount of bonded indebtedness outstanding at any one time shall not exceed \$100,000,000.

Notwithstanding any provision of this Plan to the contrary, as to any areas added to the Project Area by amendment of this Plan adopted after June 1, 2001, the Agency shall not establish or incur loans, advances or indebtedness to finance in whole or in part the Plan within such areas beyond twenty (20) years from the effective date of the ordinance adopting the amendment, except that the Agency may incur loans, advances or indebtedness beyond twenty (20) years from the effective date of the ordinance adopting the amendment to be paid from the Low and Moderate Income Housing Fund as defined by the Community Redevelopment Law or to meet the Agency's replacement housing or inclusionary housing requirements as set forth in Sections 33413 and 33413.5 of the Community Redevelopment Law, as said provisions apply to the added areas. This limit shall not prevent the Agency from refinancing, refunding, or restructuring indebtedness after the time limit if the indebtedness is not increased and the time during which the indebtedness is to be repaid is not extended beyond the time limit to repay indebtedness required by Section 33333.2 of the Community Redevelopment Law.

As to any areas added to the Project Area by amendment of this Plan adopted after June 1, 2001, the Agency will comply with the requirements of Section 33607.5 of the Community Redevelopment Law to make certain payments to affected taxing entities from tax increment revenues generated by those areas.

Notwithstanding any provision of this Plan to the contrary, as to any areas added to the Project Area by amendment of this Plan adopted after June 1, 2001, the Agency shall not pay indebtedness or receive property taxes pursuant to Section 33670 from said additional areas after forty-five (45) years from the effective date of the ordinance adopting the amendment.

The Agency may in any year during which it owns property in the Project Area pay directly to any city, county, district, including, but not limited to, a school district, or other public corporation for whose benefit a tax would have been levied upon such property had it not been exempt, an amount of money in lieu of taxes, if and to the extent such payments are authorized under the California Community Redevelopment Law.

The Agency may pay to any taxing agency with territory located within the Project Area any amounts of money which in the Agency's determination is appropriate to alleviate any financial burden or detriment caused to the taxing agency by the redevelopment project, if and to the extent such payments are authorized under the California Community Redevelopment Law.

SECTION 3: The Agency shall make the payment to affected taxing entities required by Health and Safety Code Section 33607.7.

SECTION 4. The City Manager or his or her designee shall cause to be filed with the County of Alameda a Notice of Exemption for this action.

SECTION 5. If any part of this Ordinance is held to be invalid for any reason, such decision shall not affect the validity of the remaining portion of this Ordinance, and this Council hereby declares that it would have passed the remainder of this Ordinance if such invalid portion thereof had been deleted.

SECTION 6. This Ordinance shall be in full force and effect immediately upon its passage as provided by Section 216 of the City Charter, if adopted by at least six members of Council, or upon the seventh day after final adoption if adopted by fewer votes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2003

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN, AND PRESIDENT DE LA FUENTE

NOES- _____

ABSENT- _____

ABSTENTION- _____

ATTEST: _____
CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California

OFFICE OF THE CITY CLERK
2003 NOV 25 AM 9:09

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**AN ORDINANCE AMENDING THE CENTRAL DISTRICT URBAN
RENEWAL PLAN TO ELIMINATE THE TIME LIMIT ON
ESTABLISHING DEBT**

NOTICE AND DIGEST

This ordinance amends the Central District Urban Renewal Plan to eliminate the time limit in the Plan to establish or incur loans, advances or indebtedness for the Central District Redevelopment Project, as authorized under Health and Safety Code Section 33333.6.

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FINANCE & MANAGEMENT CMTE.

DEC 9 2003