

STAFF REPORT**CITY OF OCEANSIDE**

DATE: January 24, 2007

TO: Honorable Mayor and City Councilmembers
Chairman and Members of the Community Development Commission

FROM: Economic Development and Redevelopment Department

SUBJECT: **INTRODUCTION OF AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE EXTENDING THE TIME LIMIT FOR THE EFFECTIVENESS OF THE OCEANSIDE DOWNTOWN REDEVELOPMENT PLAN AND THE TIME LIMIT TO PAY INDEBTEDNESS AND RECEIVE PROPERTY TAXES PURSUANT TO HEALTH AND SAFETY CODE SECTION 33670 (AB1096) UNDER THE OCEANSIDE DOWNTOWN REDEVELOPMENT PLAN PURSUANT TO HEALTH AND SAFETY CODE SECTION 33333.6(e)(2)(D)**

SYNOPSIS

Staff recommends that the City Council introduce an ordinance to extend the ability of the Redevelopment Agency to receive property tax increment and incur debt for two years due to payments made to the State Educational Revenue Augmentation Fund ("ERAF"), for FY 2004/05 and FY 2005/06.

BACKGROUND

For three Fiscal Years, (2003/04, 2004/05, and 2005/06), the State of California did not have enough general fund revenues to pay the entire amount needed to operate schools and community colleges throughout the state. The Legislature required cities and redevelopment agencies to pay the amount of the shortage into the ERAF. The Legislature then enacted laws allowing redevelopment agencies to extend the effectiveness of their redevelopment plans and the deadline to receive property tax increment and pay on indebtedness for each fiscal year in which a payment was made pursuant to Health and Safety Code Sections 33333.6 (e)(2)(C) and (e)(2)(D). The Oceanside Redevelopment Agency paid a total of over \$1.26 million to ERAF over those three years.

The law allowing the ERAF extension for FY 2003/04 is AB1045, which is different from AB1096, the law governing FY 2004/05 and 2005/06, and each has different noticing requirements. An extension of one year for the payments made in 2003/04 was approved by City Council on December 6, 2006. Due to a thirty-day noticing requirement the AB1096 extension is now being completed. The attached ordinance for 2004/05 and 2005/06 ERAF extends the ability of the Agency to receive tax increment and incur debt for two additional years.

The history of the Redevelopment Agency is that on November 19, 1975, the Oceanside City Council established the Redevelopment Plan for the Downtown Redevelopment Project by adopting Ordinance 75-35. On July 14, 1982, the City Council approved Ordinance 82-32, the first amendment to the Redevelopment Plan, updating the redevelopment area map.

On December 17, 1986, the City Council adopted the second amendment to the Redevelopment Plan with Ordinance 86-48, which imposed various limitations for the Redevelopment Project Area pursuant to new requirements of Health and Safety Code Section 33333.4. This new legislation limited the amount of property tax increment dollars that could be received, limited the time to incur debt to November 19, 2010, and established an end of date of November 19, 2015, to receive property tax increment and pay on indebtedness. Additionally, the use of eminent domain was limited to a 12-year term.

On April 20, 1994, the City Council adopted the third amendment to the Redevelopment Plan with Ordinance 094-08, pursuant to the requirements of another new law, Assembly Bill 1290 outlined in Health and Safety Code Section 33333.6. The Ordinance established a new end date of January 1, 2004, for the Agency to establish loans, advances or other indebtedness to be repaid with tax increment revenue.

The City Council adopted Ordinance 98-32 on April 15, 1998, which extended the Agency's power of eminent domain 12 years, until November 19, 2015. The fourth amendment to the Redevelopment Plan was adopted on June 16, 1999, with Ordinance 99-012, pursuant to the requirements of a new law, Assembly Bill 1342. Ordinance 99-012 extended the effectiveness of the Redevelopment Plan to November 19, 2015, and the time to collect property tax increment and pay on indebtedness to November 19, 2025.

On December 13, 2006, Ordinance 06-0R0698-1 was adopted by City Council to eliminate the time limit for establishing loans, advances and other indebtedness to be repaid with tax increment per SB211. Ordinance 06-0R0697-1 was also adopted on December 13, 2006, by City Council to extend the time limit for the effectiveness of the Redevelopment Plan and extend the time limit to pay on indebtedness and receive property taxes for one year due to FY2003/04 "ERAF".

The State of California was in financial trouble during Fiscal Years 2003/04, 2004/05, and 2005/06, causing the Legislature to reduce the amount of general fund money available to assist schools and community colleges. For this reason, the Legislature decided that cities and redevelopment agencies would make payments to the State to assist with the programs and operations of schools and colleges. This shift in revenue is known as Educational Revenue Augmentation Fund or ERAF.

The Oceanside Redevelopment Agency was required to contribute more than \$1.26 million to the ERAF for three fiscal years (2003/04, 2004/05, and 2005/06). The Legislature then enacted Health and Safety Code Section 33333.6 (e)(2)(C) and (e)(2)(D), which allowed an Agency that had paid ERAF to extend the effectiveness of the Redevelopment Plan and the

deadline to receive property tax increment revenues and to pay on indebtedness for each Fiscal Year in which a payment was made.

A thirty-day notification of the public hearing was sent to all the taxing authorities on December 21, 2006. The adoption of the attached ordinance will make the Redevelopment Plan effective until November 19, 2018, and would allow the Agency to pay on indebtedness and receive property tax increment revenues until November 19, 2028.

ANALYSIS

The Redevelopment Agency was required to pay \$254,416 in FY 03/04, \$488,768 in FY 04/05, and \$520,774 in FY 05/06. The opportunity to extend the effectiveness of the Redevelopment Plan and extend the time to receive property tax increment revenues and pay debt will allow the Agency to receive additional funds to complete the goals and objectives of the Oceanside Redevelopment Plan.

COMMISSION OR COMMITTEE REPORTS

The Redevelopment Advisory Committee will review this report at the January 10, 2007 meeting.

FISCAL IMPACT

The Agency will be able to receive property tax increment and pay debt for two more years giving the Agency additional time to accomplish the goals and objectives of the redevelopment plan.

CITY ATTORNEY'S ANALYSIS

The attached Ordinance was reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council introduce an ordinance to extend the ability of the Redevelopment Agency to receive property tax increment and incur debt for two years due to payments made to the State Educational Revenue Augmentation Fund (" ERAF"), for FY 2004/05 and FY 2005/06.

PREPARED BY:



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REVIEWED BY:

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Mike Blessing, Deputy City Manager

Jane McVey, Economic Development and Redevelopment Director

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MSL
MB
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EXHIBITS / ATTACHMENTS

1. An Ordinance of the City Council of the City of Oceanside extending the time limit for the effectiveness of the Oceanside Downtown Redevelopment Plan and the time limit to pay indebtedness and receive property taxes pursuant to Health and Safety Code Section 33670 under the Oceanside Downtown Redevelopment Plan pursuant to Health and Safety Code Section 33333.6(e)(2)(D)

1 Revenue Augmentation Fund (“ERAF”), pursuant to CRL Section 33681.12, for fiscal years
2 2004/05 and 2005/06; and

3 WHEREAS, pursuant to CRL Section 33333.6(e)(2)(D), such an amendment may be
4 adopted without compliance with the standard CRL process for amendment of a redevelopment
5 plan; and

6 WHEREAS, the Agency was required to and did make ERAF payments for both fiscal
7 years 2004/05 and 2005/06, pursuant to CRL Section 33681.12; and

8 WHEREAS, City staff has determined that the enactment of this Ordinance is exempt
9 from the California Environmental Quality Act (Public Resources Code section 21000 et seq.)
10 (“CEQA”), pursuant to CEQA Guidelines Section 15061(b)(3), because there is no possibility
11 that enactment of this Ordinance may have a significant effect on the environment, and pursuant
12 to CEQA Guidelines Section 15378(b)(4), because it creates a government funding mechanism
13 that does not involve any commitment to any specific project that may result in a potentially
14 significant physical impact on the environment.

15 NOW, THEREFORE, the City Council of the City of Oceanside does ordain, as follows:

16 **SECTION 1. Findings.** The City Council of the City of Oceanside makes the following
17 findings and determinations:

- 18 1. Notice of the public hearing regarding adoption of this Ordinance was mailed to
19 the governing bodies of all affected taxing entities, at least, 30 days prior to the
20 public hearing and published in a newspaper of general circulation, at least, once,
not less than ten (10) days prior to the date of the public hearing.
- 21 2. The funds used to make the ERAF payments pursuant to CRL Section 33681.12
22 would otherwise have been used to pay the costs of projects and activities necessary
to carry out the goals and objectives of the Redevelopment Plan.

23 **SECTION 2. Amendments to Redevelopment Plan.** In accordance with CRL Section
24 33333.6(e)(2)(D), the City Council amends and establishes the following limitations for the
25 Redevelopment Plan, subject to all other provisions of this Ordinance:

26 A. Except to the extent a longer period of time may be allowed pursuant to the
27 provisions of the CRL, as it currently exists or as it may be amended in the future, Section 800 of
28

1 the Redevelopment Plan is amended to read, in its entirety, as follows:

2 VIII. [Section 800] DURATION OF THIS PLAN. Except for the non-
3 discrimination and non-segregation provisions which shall run in perpetuity,
4 the provisions of this Plan shall be effective and the provisions of other
5 documents formulated pursuant to this Plan may be made effective until
6 November 19, 2018.

7 B. Except to the extent that a longer period of time may be allowed pursuant to
8 provisions of the CRL, as it currently exists or as it may be amended in the future, the Agency shall
9 not pay indebtedness or receive tax increment revenues, pursuant to CRL Section 33670, after
10 November 19, 2028.

11 **SECTION 2. Confirmation of Redevelopment Plan.** The Redevelopment Plan, as
12 previously amended and as amended by this Ordinance, shall be and remain in full force and
13 effect.

14 **SECTION 3. Authorization for Further Acts.** The City Council authorizes and directs
15 the City Manager to undertake such actions and execute such documents as may be reasonably
16 necessary or convenient to the carrying out and administration of the actions authorized by this
17 Ordinance.

18 **SECTION 4. Severability.** If any section, subsection, sentence, clause, phrase or word
19 of this Ordinance is, for any reason, held to be invalid by a court of competent jurisdiction, such
20 decision shall not affect the validity of the remaining portions of this Ordinance.

21 **SECTION 5. Repeal of Conflicting Laws.** All other ordinances of the City of
22 Oceanside or parts of other ordinances of the City of Oceanside that conflict with the provisions
23 of this Ordinance are hereby repealed.

24 **SECTION 6. Publication.** The City Council authorizes and directs the City Clerk to
25 publish this Ordinance in the manner and in the time required by law.

26 **SECTION 7. CEQA Notice of Exemption.** The City Council authorizes and directs the
27 City Clerk to file a Notice of Exemption, pursuant to CEQA Guidelines Section 15062, with the
28 Clerk of the Board of Supervisors of the County of San Diego, regarding the adoption of this
Ordinance, within five (5) calendar days following the date of the adoption of this Ordinance.

OCEANSIDE DOWNTOWN REDEVELOPMENT PLAN & AMENDMENTS

	1975 Plan Adoption	First Plan Amendment (FY1982/83)	Second Plan Amendment (Limitations on the Redevelopment Project Areas H&S33333.4)	Third Plan Amendment (AB 1290)	Fourth Amendment 1998 (Extension of Eminent Domain)	Action to Extend the Plan To the Full 40-Year Term & Receive Property Tax Increment (AB1342) In Response to AB1290	ERAF Action- For FY2003/04, Pursuant to SB1045, H&S Code 33333.6(e)(2)(C)	Eliminated the Time Limit for Establishment of Indebtedness and Repayable with Tax Increment Revenues per SB211 H&S 33333.6(e)(2)(B)	ERAF Actions- For FY2004/05 FY2005/06 Pursuant to SB1096, H&S Code 33333.6(e)(2)(D)
Ordinance	Ordinance #:75-35 1 st Reading: 11/19/1975 2 nd Reading: 07/14/1982 Effective Date: 11/19/1975	Ordinance #: 82-32 1 st Reading: 07/14/1982 2 nd Reading: 08/14/1982 Effective Date: 08/14/1982	Ordinance #:86-48 1 st Reading: 12/17/1986 2 nd Reading: 12/17/1986 Effective Date: 12/17/1986	Ordinance #:094-08 1 st Reading: 04/05/1994 2 nd Reading: 04/20/1994 Effective Date: May 20, 1994	Ordinance #: 098-32 1 st Reading: 04/15/1998 2 nd Reading: 04/15/1998 Effective Date: November 11, 1998	Ordinance #: 99-012 1 st Reading: 05/05/1999 2 nd Reading: 06/16/1999 Effective Date: 07/15/1999	Ordinance #:06-OR0697-1 1 st Reading: 12/06/06 2 nd Reading: 12/13/06 Effective Date: 01/13/07	Ordinance #:06-OR0698-1 1 st Reading: 12/06/06 2 nd Reading: 12/13/06 Effective Date: 01/13/07	Ordinance #: 1 st Reading: 12/13/06 2 nd Reading: 01/13/07 Effective Date:
Time Limit To Incur Debt			35-years from adoption of the Plan November 12, 2010	20 years from the adoption of the Plan or January 1, 2004 whichever is later January 1, 2004		20 years after adoption of the Plan or January 1, 2004 whichever is later January 1, 2004		Eliminates the Time Limit for Establishment of Debt	
Effectiveness of the Plan	35-years following adoption of this plan November 19, 2010	35-years following adoption of this plan November 19, 2010		40 years following the adoption of the Plan November 19, 2010		40 years from the adoption of the Plan November 19, 2015	Extends the Plan One Years November 19, 2016		Extends the Plan Two Years November 19, 2018
Limit on CDC's Ability to Receive Tax Increment & Repay Debt			Financing debt time limit 40 years after adoption of the Plan November 19, 2015	10 years after the termination of effectiveness of the Plan November 19, 2020		Extended an additional five years November 19, 2025	Extends One Year November 19, 2026		Extends Two Years November 19, 2028
Eminent Domain Limitation			Limits effectiveness of Eminent Domain to a 12-year period December 17, 1998		Extends Eminent Domain 12-years to: November 19, 2010				
Bond Capacity									
Amount of Increment			Shall not exceed \$1.2 Billion Dollars				Tax Increment Paid to ERAF FY03/04- \$ 254,416 FY04/05- \$ 488,768 FY05/06- \$ 520,774 Total- \$1,263,958		Tax Increment Paid to ERAF FY03/04- \$ 254,416 FY04/05- \$ 488,768 FY05/06- \$ 520,774 Total- \$1,263,958