

STAFF REPORT



ITEM NO. **23**

CITY OF OCEANSIDE

DATE: December 6, 2006

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 ELIMINATING TIME LIMIT FOR ESTABLISHING LOANS, ADVANCES AND OTHER INDEBTEDNESS TO BE REPAID WITH TAX INCREMENT REVENUES (SB211), UNDER THE OCEANSIDE DOWNTOWN REDEVELOPMENT PLAN PURSUANT TO HEALTH AND SAFETY CODE SECTION 33333.6(e)(2)(B), AND ADOPTION OF A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE ELECTING TO RECEIVE TAX INCREMENT UNDER THE OCEANSIDE DOWNTOWN REDEVELOPMENT PLAN PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 33607.5(B)**

SYNOPSIS

Staff recommends that the City Council introduce the proposed ordinance to eliminate the time limit for establishing loans, advances and other indebtedness repayable with property tax increment revenues, and adopt a resolution of the City Council electing to receive pass-through tax increment revenue pursuant to Health and Safety Code Section 33607.5(b).

BACKGROUND

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 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.

No debt repayable with tax increment revenues has been allowed to be undertaken by the Oceanside Redevelopment Agency since January 1, 2004 (FY2003/04). This was due to Assembly Bill 1290 enacted in 1994. Once the debt incurrence time limit passed, the Agency was prohibited from incurring any new indebtedness repayable with tax increment revenues. This limitation includes notes, bonds, public loans, private loans, contractual obligations, development agreements, and reimbursement agreements.

Elimination of the debt incurrence time limit is necessary for the Oceanside Redevelopment Agency to issue bonds and establish indebtedness repayable from tax increment revenues and to enter into contractual obligations providing for payments from tax increment revenues to achieve the goals and objectives of the Downtown Redevelopment Plan. This process requires the adoption of the attached ordinance.

After adopting the ordinance to eliminate the January 1, 2004, debt incurrence time limit, the Agency will be required to make statutory pass-through payments to affected taxing agencies pursuant a law that is described in Health and Safety Code Section 33607.7.

These pass-through payments are required to be paid retroactively, beginning with FY 2004/05, the year that the debt incurrence time limit passed. The pass-through amount is calculated from the FY2003/04 property valuation of \$575,009,398. The total pass-through payment formula equals 20 percent, net of Housing Set-Aside, of the tax increment the Agency receives above the FY2003/04 valuation figure of \$575,009,398. The amount is then divided up among the affected taxing entities pursuant to Health and Safety Code Section 33607.5.

The following table shows the agencies that will receive the pass-through funds, the percentage of the pass-through funds and the total dollar amount each agency would receive based upon the three-year calculation. The City of Oceanside's General Fund and Oceanside Unified School District will receive the largest direct financial benefit from the pass-through payments. In order for the City's General Fund to receive the pass-through payments, the Oceanside City Council must adopt the attached resolution electing to receive the pass-through tax increment revenue.

TABLE

Agencies That Will Receive Pass-Through	Percentage	Combined Pass-Through Amounts Payable for Three Fiscal Years (2004/05, 2005/06, 2006/07)
City of Oceanside	0.25722620	\$286,779
Oceanside Unified School District	0.38146860	\$425,295
Mira Costa Community College	0.08186250	\$91,267
County of San Diego	0.22899830	\$255,308
San Diego County Office of Education	0.02467320	\$27,508
Tri-City Medical Center	0.01726100	\$19,244
San Diego County Water Authority	0.00333740	\$3,721
Metropolitan Water District of Southern California	0.00517280	\$5,767
Total		\$1,114,889

On December 6, 2006, the Oceanside Redevelopment Agency will hear the first reading of an ordinance to compensate for payments made to the Educational Revenue Augmentation Fund (“ERAF”) in FY 2003/04. The ordinance would extend the effectiveness of the Redevelopment Plan to November 19, 2016, and the deadline to receive property tax increment revenues and to pay on indebtedness to November 19, 2026, pursuant to Health and Safety Code Section 33333.6 (e)(2)(C) .

In January 2007, the City Council will be asked to extend the effectiveness of the Redevelopment Plan for an additional two years due to ERAF payments that were made in FY 2004/05 and FY 2005/06. The law governing the extension for these two fiscal years requires a thirty-day notice to the affected taxing authorities.

The Oceanside Redevelopment Agency will still receive over 74 percent of the total tax increment based on property values in the Redevelopment Area. This action will allow the Agency to eliminate the time limit for establishing loans, advances and other indebtedness repayable with property tax increment revenues and will permit the Downtown Redevelopment Project Area to continue to conduct the business of fulfilling the goals and objectives of the Redevelopment Plan.

COMMISSION OR COMMITTEE REPORTS

The Redevelopment Advisory Committee will review this report at the December 11, 2006, meeting. Their recommendations will be forwarded to the Community Development Commission in writing.

FISCAL IMPACT

To pay the past pass-through amounts, an allocation of \$1,114,889 in undesignated redevelopment funds is required to be placed into a pass-through payment account that will be disbursed to affected taxing agencies in the Table.

CITY ATTORNEY'S ANALYSIS

The attached ordinance and resolution were reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council introduce the proposed ordinance to eliminate the time limit for establishing loans, advances and other indebtedness repayable with property tax increment revenues, and adopt a resolution of the City Council electing to receive pass-through tax increment revenue pursuant to Health and Safety Code Section 33607.5(b).

PREPARED BY:

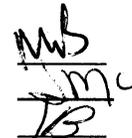

Tracey Bohlen
Development Project Coordinator

SUBMITTED BY:


Barry E. Martin
Interim Executive Director

REVIEWED BY:

Mike Blessing, Deputy City Manager
Jane McVey, Economic Development and Redevelopment Director
Kathy Baker, Redevelopment Manager



EXHIBITS/ATTACHMENTS

1. An Ordinance of the City Council of the City of Oceanside eliminating the time limit for establishing loans, advances and other indebtedness to be repaid with tax increment revenues under the Oceanside Downtown Redevelopment Plan pursuant to Health and Safety Code Section 33333.6(e)(2)(b)
2. A Resolution of the City Council of the City of Oceanside electing to receive tax increment under the Oceanside Downtown Redevelopment Plan pursuant to California Health and Safety Code Section 33607.5(b)

1 WHEREAS, pursuant to CRL Section 33333.6, after elimination of the time limit on the
2 Agency's authority to establish loans, advances and other indebtedness to be repaid with tax
3 increment revenues received by the Agency pursuant to the Redevelopment Plan, the Agency
4 shall begin making payments to affected taxing entities, pursuant to CRL Section 33607.7; and

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

13 NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF OCEANSIDE DOES
14 ORDAIN, AS FOLLOWS:

15 **SECTION 1. Amendment of Redevelopment Plan.** The time limit on the Agency's
16 authority to establish loans, advances and other indebtedness to be repaid with tax increment
17 revenues received by the Agency pursuant to the Redevelopment Plan is hereby eliminated.

18 **SECTION 2. Confirmation of Redevelopment Plan.** The Redevelopment Plan, as
19 amended by this Ordinance, shall remain in full force and effect.

20 **SECTION 3. Authorization for Further Acts.** The City Council authorizes and directs
21 the City Manager to undertake such actions and execute such documents as may be reasonably
22 necessary or convenient to carry out and administer the actions authorized by this Ordinance.

23 **SECTION 4. Severability.** If any provision of this Ordinance as applied to any person
24 or to any circumstance is adjudged by a court of competent jurisdiction to be void or
25 unenforceable for any reason, this fact shall in no way affect (to the maximum extent permissible
26 by law) any other provision of this Ordinance, the application of any such provision regarding
27 another person or under circumstances different from those adjudicated by the court, or the
28 validity or enforceability of this Ordinance as a whole.

1 **SECTION 5. Repeal of Conflicting Laws.** The parts of other ordinances of the City of
2 Oceanside that are in conflict with the provisions of this Ordinance are hereby repealed.

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

5 **SECTION 8. CEQA Notice of Exemption.** The City Council authorizes and directs the
6 City Clerk to file a Notice of Exemption, pursuant to Title 14 California Code of Regulations
7 Section 15062, with the Clerk of the Board of Supervisors of the County of San Diego or other
8 appropriate official designated by the County of San Diego for such filing, within five (5)
9 calendar days following the date of adoption of this Ordinance.

10 **SECTION 9. Effective Date.** This Ordinance shall take effect and be in force on the
11 thirtieth (30th) day following the date of its adoption.

12 INTRODUCED at a regular meeting of the City Council of the City of Oceanside,
13 California, held on the ____ day of _____, 2006, and, thereafter.

14 PASSED AND ADOPTED at a regular meeting of the City Council of the City of
15 Oceanside, California, held on the ____ day of _____, 2006, by the following vote:

- 16 AYES:
17 NOES:
18 ABSENT:
19 ABSTAIN:

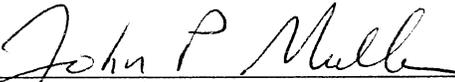
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JIM WOOD
MAYOR

ATTEST:

APPROVED AS TO FORM:

BARBARA REIGEL WAYNE
CITY CLERK



JOHN P. MULLEN
CITY ATTORNEY

1 STATE OF CALIFORNIA)
2 COUNTY OF SAN DIEGO)ss.
3 CITY OF OCEANSIDE)

4 I, Barbara Reigel Wayne, City Clerk of the City of Oceanside California, **DO HEREBY**
5 **CERTIFY** that Ordinance No.____, having been regularly introduced at the meeting of
6 _____, 2006 was again introduced, the reading in full thereof unanimously waived, and duly
7 passed and adopted at a regular meeting of the City Council held on _____, 2006 and said
8 Ordinance was passed and adopted by the following stated vote, to wit:

9 AYES:
10 NOES:

11 And was thereafter on said day signed and approved by the Mayor of said City.

12 ATTEST: APPROVED AS TO FORM:

13 _____
14 BARBARA REIGEL WAYNE
15 CITY CLERK

16 
17 JOHN P. MULLEN
18 CITY ATTORNEY

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1 there is no possibility that enactment of this Ordinance may have a significant effect on the
2 environment, and pursuant to Title 14 California Code of Regulations Section 15378(b)(4),
3 because this Ordinance creates a government funding mechanism that does not involve any
4 commitment to any specific project that may result in a potentially significant physical impact on
5 the environment.

6 NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF
7 OCEANSIDE, AS FOLLOWS:

8 1. Election to Receive Tax Increment. Pursuant to CRL Section 33607.5(b), the City
9 Council hereby elects to receive the maximum amount of tax increment revenue from the
10 Redevelopment Plan authorized by Section 33607.5(b), commencing with the first fiscal year in
11 which payments are due from the Agency to affected taxing agencies pursuant to CRL Section
12 33607.7, and automatically continuing for every fiscal year thereafter, until termination of the
13 Agency's obligation to make such payments under the Redevelopment Plan or until such election
14 is rescinded, if at all, by subsequent action of the City Council.

15 2. Authorization for Future Acts. The City Council authorizes and directs the City
16 Manager to undertake such actions and execute such documents as may be reasonably necessary
17 or convenient to carry out and administer the actions taken in this Resolution.

18 3. CEQA Notice of Exemption. The City Council authorizes and directs the City
19 Clerk to file a Notice of Exemption, pursuant to Title 14 California Code of Regulations Section
20 15062, with the Clerk of the Board of Supervisors of the County of San Diego or other officer
21 designated by the County of San Diego for such filing, regarding this Resolution, within five (5)
22 calendar days after the date of adoption of this Resolution.

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4. Effective Date. This Resolution shall take effect upon the date of its adoption.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Oceanside, California, held on the ____ day of _____, 200__, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JIM WOOD
MAYOR

APPROVED AS TO FORM:

ATTEST:

BARBARA REIGEL WAYNE
CITY CLERK



JOHN P. MULLEN
CITY ATTORNEY

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STATE OF CALIFORNIA)
COUNTY OF SAN DIEGO)ss.
CITY OF OCEANSIDE)

I, Barbara Reigel Wayne, City Clerk of the City of Oceanside California, **DO HEREBY CERTIFY** that Resolution No.____, having been regularly introduced at the meeting of _____, 200__ was adopted at the regular meeting of the City Council held on _____, 200__ and said Resolution was passed and adopted by the following stated vote, to wit:

AYES:
NOES:

ATTEST:

APPROVED AS TO FORM:

BARBARA REIGEL WAYNE
CITY CLERK



JOHN P. MULLEN
CITY ATTORNEY