

Council/Agency Meeting Held: _____ Deferred/Continued to: _____ <input type="checkbox"/> Approved <input type="checkbox"/> Conditionally Approved <input type="checkbox"/> Denied	_____ City Clerk's Signature
Council Meeting Date: 9/4/2007	Department ID Number: FN 07-005

**CITY OF HUNTINGTON BEACH
REQUEST FOR COUNCIL/REDEVELOPMENT AGENCY ACTION**

SUBMITTED TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

SUBMITTED BY: PENELOPE CULBRETH-GRAFT, DPA, CITY ADMINISTRATOR

PREPARED BY: DAN T. VILLELLA, CPA, FINANCE DIRECTOR

STANLEY SMALEWITZ, DIRECTOR OF ECONOMIC DEVELOPMENT
DEPUTY EXECUTIVE DIRECTOR

SUBJECT: A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH AMENDING THE AGENCY DEBT PURSUANT TO THE OPERATIVE AGREEMENT BETWEEN THE CITY OF HUNTINGTON BEACH AND THE REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON FOR THE HUNTINGTON BEACH REDEVELOPMENT PROJECT (MERGED PROJECT AREA) AND SOUTHEAST COASTAL PROJECT AREA

Statement of Issue, Funding Source, Recommended Action, Alternative Action(s), Analysis, Environmental Status, Attachment(s)

Statement of Issue:

The Redevelopment Agency of the City of Huntington Beach incurs debt that allows it to receive tax increment revenue in accordance with California Community Redevelopment law. The Agency is required to file an annual statement to document this debt with the County of Orange Auditor/Controller. This statement is also needed for audit purposes and to keep the City Council informed of the changes in the debt owed the City by the Redevelopment Agency for the merged Huntington Beach Project Area and the Southeast Coastal Project Area.

Funding Source: Not Applicable

Recommended Action: Motion to:

Adopt Resolution No. 369 of the Redevelopment Agency of the City of Huntington Beach amending the Agency Debt pursuant to the Operative Agreement between the City of Huntington Beach and the Redevelopment Agency of the City of Huntington Beach for the merged Huntington Beach Project Area and the Southeast Coastal Project Area.

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The debt at September 30, 2007 will be as follows:

Merged Project Area	\$84,841,925
Southeast Coastal Project Area	7,334,100
Total Debt	<u>\$92,176,025</u>

Alternative Action(s):

1. Do not adopt the resolution in which would result in no updating of the Agency debt to the City.
2. Adopt the agreement with modifications that the City Council would specify.

Analysis:

To receive tax increment revenue, the Redevelopment Agency must have sufficient debt on its books each year. It is common practice for cities to book all possible eligible expenditures within a redevelopment project area, such as capital projects, as a debt of the Redevelopment Agency. These capital projects have been undertaken as part of the normal course of business through a number of the City's specialized funds, such as the Water Fund and the Sewer Fund. In addition, interest accrues on this debt, based on the City's annual rate of investment return, which further assures the Agency's ability to collect tax increment revenue in the future. There have been no increases in the debt other than the interest accrual for the merged project area. There is no change in the debt for the Southeast Coastal Project Area.

Merged Project Area:

The City charged the Agency 4.26% on all outstanding advances for October 1st to September 30th, which is approximately the average yield earned by the City Treasurer on investments for the year through June 30, 2007. The total interest accruals were \$3,625,395.

The City Council/Agency originally approved \$3,360,000 of debt repayment for the 2006/2007 fiscal year.

The schedule on the following page shows the breakdown of the operative agreement debt by fund and the changes during the year for the merged project area. It does not include debt incurred with entities other than the City such as bonds, mortgages, and debt owed through Disposition and Development Agreements and Owner Participation Agreements with private parties.

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Merged Project Area Pre AB 1290 Agency Debt As of September 30, 2007

<u>General Fund</u>	DEBT @ 10/1/2006	BUDGETED REPAYMENTS	ACCRUED INTEREST	DEBT @ 9/30/2007
Direct Advances	\$ 3,565,032			\$ 3,565,032
Interest On Direct Advances	-	(151,870)	151,870	-
Total Direct Advances	3,565,032	(151,870)	151,870	3,565,032
Indirect Advances	6,567,353			6,567,353
Interest On Indirect Advances	-	(279,769)	279,769	-
Total Indirect Advances	6,567,353	(279,769)	279,769	6,567,353
Land Sales	32,833,417			32,833,417
Interest On Land Sales	31,726,363	(2,928,361)	2,750,247	31,548,249
Total Land Sales	64,559,780	(2,928,361)	2,750,247	64,381,666
Total General Fund	74,692,165	(3,360,000)	3,181,886	74,514,051
<u>Sewer Fund</u>				
Direct Advances	130,560		-	130,560
Interest On Direct Advances	98,402		9,754	108,156
Total Direct Advances	228,962	-	9,754	238,716
Deferred Development Fees	37,888		-	37,888
Interest On Deferred Development Fees	104,707		6,075	110,782
Total Deferred Development Fees	142,595	-	6,075	148,670
Total Sewer Fund	371,557	-	15,829	387,386
<u>Drainage Fund</u>				
Direct Advances	250,000		-	250,000
Interest On Direct Advances	301,798		23,507	325,305
Total Direct Advances	551,798	-	23,507	575,305
Deferred Development Fees	53,650		-	53,650
Interest On Deferred Development Fees	98,141		6,466	104,607
Total Deferred Development Fees	151,791	-	6,466	158,257
Total Drainage Fund	703,589	-	29,973	733,562
<u>Park A & D Fund</u>				
Deferred Land Sale	1,740,834		-	1,740,834
Interest On Deferred Land Sale	2,804,601		193,636	2,998,237
Total Land Sales	4,545,435	-	193,636	4,739,071
Deferred Development Fees	247,664		-	247,664
Interest On Deferred Development Fees	89,489		14,363	103,852
Total Park A & D Deferred Dev Fees	337,153	-	14,363	351,516
Total Park A & D	4,882,588	-	207,999	5,090,587
<u>Capital Improvement Fund</u>				
Direct Advances	200,000		-	200,000
Interest On Direct Advances	328,096		22,497	350,593
Total Capital Improvement Fund	528,096	-	22,497	550,593
<u>Water Fund</u>				
Direct Advances	1,138,000		-	1,138,000
Interest On Direct Advances	2,282,052		145,694	2,427,746
Total Water Fund	3,420,052	-	145,694	3,565,746
Total Pre AB 1290 Debt - All Funds	\$ 84,598,047	\$ (3,360,000)	\$ 3,603,878	\$ 84,841,925

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The Agency is now classifying debt as "Pre AB 1290" and "Post AB 1290." AB 1290 was a sweeping Redevelopment reform bill enacted in 1993 that placed time limits on incurring debt within Redevelopment project areas. Under the terms of AB 1290, debt incurred prior to January 1, 1994 can continue to be repaid after the project area has expired. Staff is recommending that all debt repayments be applied first to debt incurred after January 1, 1994, then to debt incurred prior to that date. All of the debt at year-end is considered pre AB 1290 debt.

Southeast Coastal Project Area:

On September 2, 2003, the Council/Agency approved a Cooperation Agreement Regarding Capital Improvements in the project area. The debt in this project area is recorded on a prospective basis. The amount identified as initial debt is the entire Conceptual Five Year Capital Improvement Program for the project area that totaled \$6,775,000. The debt is activated as projects are begun. A total of \$270,000 from the General Fund has been used to fund the Conservancy Grant in fiscal year 2004/2005. Additionally, the project advanced operating expenses from the General Fund and the Merged Project Area Redevelopment Fund in fiscal year 2003/2004. These advances were not included in the prior year operative agreement. Interest will be charged on the advances from the General Fund but not on the advances from the Merged Project Area Redevelopment Fund. Because the debts were incurred after January 1, 1994, the entire amount is classified as post AB 1290.

The schedule on the following page shows the breakdown of the operative agreement debt by fund and the changes for the Southeast Coastal Project Area.

Southeast Coastal Project Area Post AB 1290 Agency Debt As of September 30, 2007

	BEGINNING BALANCE @ 10/01/2006	BUDGETED REPAYMENTS	ACCRUED INTEREST	DEBT @ 9/30/2007
<u>General Fund</u>				
Direct Advances	\$ 199,946	\$ -		\$ 199,946
Interest On Advances	18,514	-	\$ 9,306	27,820
Total Direct Advances	218,460	-	9,306	227,766
Capital Improvement Projects	\$ 270,000	\$ -		270,000
Interest	16,634	-	12,211	28,845
Total Capital Improvement Projects	286,634	-	12,211	298,845
Total General Fund	505,094	-	21,517	526,611
<u>Merged Project Area RDA Fund</u>				
Direct Advances	302,489	-		302,489
Interest On Advances	-	-	N/A *	-
Total Merged Project Area RDA Fund	302,489	-	-	302,489
Total Post AB 1290 Debt - All Funds	\$ 807,583	\$ -	\$ 21,517	\$ 829,100

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Southeast Coastal Project Area Future Capital Projects Balance - General Fund As of September 30, 2007

	BEGINNING BALANCE @ 10/01/2006	BUDGETED REPAYMENTS	ACCRUED INTEREST	AVAILABLE BALANCE @ 9/30/2007
Capital Improvement Projects	\$ 6,505,000	\$ -	\$ -	\$ 6,505,000

Strategic Plan Goal: Not Applicable

Environmental Status: Not Applicable

Attachment(s):

City Clerk's Page Number	No.	Description
6	1.	A Resolution No. <u>369</u> of the Redevelopment Agency of the City of Huntington Beach Amending the Agency Debt Pursuant to the Operative Agreement between the City of Huntington Beach and the Redevelopment Agency of the City of Huntington Beach for the Huntington Beach Redevelopment Project Area and the Southeast Coastal Project Area.

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ATTACHMENT #1

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RESOLUTION NO. 369

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH AMENDING THE AGENCY DEBT PURSUANT TO THE OPERATIVE AGREEMENT BETWEEN THE CITY OF HUNTINGTON BEACH AND THE REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH FOR THE HUNTINGTON BEACH REDEVELOPMENT PROJECT, AND THE COOPERATION AGREEMENT BETWEEN THE CITY OF HUNTINGTON BEACH AND THE REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH REGARDING CERTAIN CAPITAL IMPROVEMENTS WITHIN, OR OF BENEFIT TO, THE SOUTHEAST COASTAL REDEVELOPMENT PROJECT

WHEREAS, the City Council of the City of Huntington Beach (the "City Council") adopted Ordinance Nos. 2576, 2577, 2578, 2582, and 2743 approving and adopting the Redevelopment Plan for the Yorktown-Lake Redevelopment Project, the Redevelopment Plan for the Talbert-Beach Redevelopment Project, the Redevelopment Plan for the Main-Pier Redevelopment Project, the Redevelopment Plan for the Oakview Redevelopment Project, and the Redevelopment Plan for the Huntington Center Commercial District Redevelopment Project, respectively; and

The Redevelopment Agency of the City of Huntington Beach ("Agency") and the City of Huntington Beach ("City") entered into a Cooperative Agreement, dated June 20, 1983, by which the City agreed to provide to the Agency certain assistance and to otherwise cooperate with the Agency in carrying out redevelopment projects; and

Pursuant to the Cooperative Agreement, the Agency and City Council entered into Operative Agreements for the Yorktown-Lake, Talbert-Beach, Main-Pier, Oakview and Huntington Center Redevelopment Projects (the "Constituent Projects"), by which the City provided the Agency with both administrative and/or technical services, constructed required public improvements and facilities as appropriate and necessary, and provided funds to carry out the Constituent Projects; and

Said Operative Agreements also identified the terms under which the Agency would reimburse the City for the associated costs of such services, improvements, facilities and funds; and

The City Council adopted Ordinance No. 3343 on December 16, 1996 amending and merging the Constituent Projects into the Redevelopment Plan for the Huntington Beach Redevelopment Project (the "HBRP"); and

The City Council adopted Ordinance No. 3561 on June 17, 2002, approving and adopting the Redevelopment Plan for the Southeast Coastal Redevelopment Project ("SCRP"); and

The Agency and the City entered into a Cooperation Agreement, dated September 2, 2003 (the "SCRP Cooperation Agreement"), regarding redevelopment projects and capital improvements to be carried out in the SCRPArea; and

It is now necessary and appropriate that the City Council and the Agency amend the Operative Agreements pursuant to the Cooperative Agreement and the SCRП Cooperation Agreement, to reflect the Agency's total debt as of September 30, 2007.

NOW, THEREFORE, the Redevelopment Agency of the City of Huntington Beach does hereby resolve as follows:

SECTION 1. That the Operative Agreements between the Redevelopment Agency and the City of Huntington Beach for the implementation of the HBRP, and the SCRП Cooperation Agreement, are still in effect as previously approved.

SECTION 2. That, pursuant to such Operative Agreements and the SCRП Cooperation Agreement, the Agency debt to the City, which is to continue to be carried forward for the HBRP and the SCRП, is hereby amended as follows:

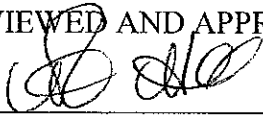
	HBRP	SCRП	Total
Operative Agreement Debt 10/1/05	\$84,598,047	\$7,312,583	\$91,910,630
Accrued Interest 10/1/06 to 9/30/07	3,603,878	21,517	3,625,395
Other Reductions of Debt	3,360,000	--	3,360,000
Total Agency Debt as of 9/30/07	<u>\$84,841,925</u>	<u>\$7,334,100</u>	<u>\$92,176,025</u>

SECTION 3. The Chairperson is hereby authorized and directed to amend the Agency debt to the City as approved hereby.

PASSED AND ADOPTED by the Redevelopment Agency of the City of Huntington Beach at a regular meeting thereof held on the _____ day of _____ 2007.

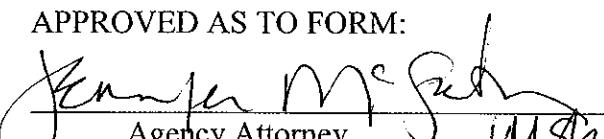
Chairperson

REVIEWED AND APPROVED:

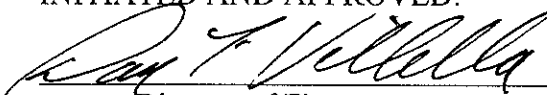


for Executive Director

APPROVED AS TO FORM:


8.20.07 _____
Agency Attorney

INITIATED AND APPROVED:



Director of Finance