



STAFF REPORT

Public Hearing to Consider an Ordinance Amending the Los Costanos Community Development Plan Pursuant to Health and Safety Code Section 33333.6(e)(2), and Resolution to Elect to Receive Pass Through Payments Pursuant to Health and Safety Code Sections 33607.5 and 33607.7

Honorable Mayor and City Council Members:

Summary

The proposed amendment to the Los Costanos Community Development Plan (the "Plan") would eliminate the January 1, 2004 deadline in the Plan on the Redevelopment Agency incurring debt. Without elimination of this deadline, the Redevelopment Agency cannot incur any new debt for implementing the Plan. This amendment is authorized under legislation enacted in 2001. This amendment also will trigger statutory pass-through payments to some other taxing agencies as explained below.

The proposed amendment would also extend for one year the deadline on redevelopment activities from 2021 to 2022 and extend for one year the period of time in which the Redevelopment Agency may receive tax increment under the Plan from 2031 to 2032. The amendment is authorized under legislation enacted last year and is designed to compensate redevelopment agencies for their required contribution to ERAF for 2003-2004.

The City is authorized to elect to receive a portion of the statutory pass-through payments the Redevelopment Agency will be required to make. The proposed resolution for the City Council makes that election to receive the payments.¹ A public hearing is required prior to taking action.

Discussion

1. Issuance of New Debt

In 2001, the State Legislature passed SB 211 (codified in part at Health and Safety Code Section 33333.6(e)(2)). This section now permits the City Council to amend the Plan to delete the debt incurrance time limit from the Plan. On January 1, 2004, the authority for the Belmont Redevelopment Agency to issue new debt expired. If the expiration date is not renewed – which may be done by a simple amendment to the Los Costanos Redevelopment Plan – the Agency will be unable to secure additional funds to implement any desired economic development or redevelopment activities in the future.

¹ The use of the word "election" does not mean that a vote of the people is required. It is used to show that the City Council may 'elect' to receive the pass-through.

Staff believes that the Agency will be a significant tool for the City's efforts to upgrade the downtown area and improve the local economy. Further, without the extension on the issuance of debt, the Agency's effectiveness will have ended in January and that the primary work of the Agency from this point forward would be to shut down.

The amount of additional debt that could be secured by an extension to 2013 has not been exactly calculated.² Staff believes it to be in the neighborhood of an additional ten million dollars. It is important to note that the extension request before the City Council is not a decision to go into debt, but merely creates the opportunity to do so for an additional ten years – through 2014. Staff believes this is a prudent decision to preserve the option of making the greatest use of the RDA to the benefit of the community.

2. Extensions to Cover State Take-away

As regards the one-year extensions for RDA activities and for receiving tax increment, these are in response to one of the State of California's local government take-aways to help balance the state budget. The State Legislature passed legislation in 2003 that required redevelopment agencies to contribute a total of \$135,000,000 to the Educational Revenue Augmentation Fund ("ERAF") for the payment to schools in FY 2003-04. For the Belmont Redevelopment Agency, this ERAF contribution is expected to amount to \$290,786 for FY 04. As part of the legislation, the City Council is authorized to adopt by ordinance the proposed Amendment to extend the Plan's time limits on plan effectiveness and receipt of tax increment by one year to compensate for the ERAF payment.

Adoption of the proposed Ordinance and Amendment will provide the Agency with an additional year to implement the Plan and receive tax increment revenue, thereby partially off-setting the adverse financial impact of the State requirement that the Agency make continuing ERAF contributions.

3. Adjustment of Pass-through Payments

Adoption of the Ordinance will trigger a requirement to make statutory pass-through payments pursuant to Health and Safety Code Section 33607.7 to each affected taxing entity with which the Agency does not already have a pre-1994 pass-through agreement. Any newly required statutory pass-through payments will first become due in 2004-2005.

Since the Agency already has pass-through agreements with most of the taxing agencies including the County of San Mateo and all the school districts with jurisdiction in the redevelopment project area and the mosquito abatement district, those taxing agencies will continue to receive pass-through payments under the existing agreements and will not receive any additional statutory pass-throughs. The agencies with which the Agency has existing pass-through agreements would receive approximately 70% of the property taxes from the

² The exact calculation of how much additional debt could be issued by the Agency can be ascertained, but would require outside expertise at an expected cost of approximately \$12,000 to \$15,000. Staff does not believe this expenditure is necessary at this time, but at the direction of the City Council an exact debt limit could be obtained.

redevelopment area if there were no redevelopment project.³

The City may choose to receive the statutory pass-through payments equal to 20% of the City's share of the tax increment growth occurring after 2003-2004. Since the City's share is approximately 7%, it would receive about 1.4% (7% times 20%) of the tax increment growth occurring after FY 2004. If the tax increment growth is \$300,000 from FY 2004 to FY 2005, the City would receive about \$4,200 of the \$18,000 in pass-through payments that the Agency will make in FY 2005. Staff believes the City should receive its share of the additional tax increment, and has provided the City Council with a draft resolution to make this election (Exhibit B).

4. Implementing the Amendment

Section 33333.6(e)(2) permits the City Council to bypass most of the procedures normally required for redevelopment plan amendments in adopting the Amendment to the Plan to extend the redevelopment plan time limits and eliminate the deadline on incurring debt. The City Council may adopt the proposed Amendment in accordance with the normal procedures for the enactment of ordinances.

Pursuant to CEQA Guidelines Section 15378(b)(2), (4) and (5), adoption of the Amendment is not a "project," and is therefore exempt from CEQA review, and staff recommends that the City Council approve a CEQA Notice of Exemption for the Ordinance and the Amendment. That approval is contained in the Ordinance.

Fiscal Impact

The Amendment will allow the Redevelopment Agency to issue additional debt to provide approximately ten million dollars of additional RDA capital project monies.

The amendment will also the Agency to receive tax increment revenue for an additional year at the end of the term of the plan. It is difficult to estimate the additional amount of income to the Redevelopment Agency because the additional year is so far off, 2031-2032. However, it is likely that the tax increment payable the Redevelopment Agency in that additional year will exceed ten million dollars.

Finally, the Amendment will trigger statutory pass-through payments to those agencies with

³ The amount of the statutory pass-throughs to each agency entitled to receive a statutory pass-through will be 20% of that agency's share of the growth in tax increment occurring after 2003-2004. Since the taxing agencies entitled to receive the statutory pass-throughs would share only about 30% of the property tax dollars, the amount of the statutory pass-through payments would amount to only about 6% of the tax increment growth (20% times 30%) occurring after 2003-2004. For example, if tax increment grows by \$300,000 from 2003-2004 to 2004-2005, the statutory pass-through payments the Redevelopment Agency would be required to make in 2004-2005 would be about \$18,000. Payments would increase in 2014-2015 when each taxing entity entitled to a statutory pass-through payments would begin to annually also receive 16.8% of the growth in tax increment occurring after 2013-2014. These payments are likely to constitute about 4% of the growth in tax increment occurring after 2013-2014.

whom the Redevelopment Agency does not have existing pass-through agreements. As noted above, these payments will constitute approximately 6% of the tax increment increases occurring after 2003-2004. The City will receive about 23% of these payments. In addition, beginning in 2014-2015, the Redevelopment Agency will be required to make additional payments to those agencies with whom it has no pass-through agreements. As noted, these pass-through payments will amount to about 4% of the tax increment increases occurring after 2013-2014.

Recommendation

Staff recommends adoption of the Ordinance adopting the Amendments adjusting the Plan's time limits and the Resolution authorizing the City's election to receive the pass-through payments from the Redevelopment Agency.

Alternatives

1. Decline to adopt the Ordinance, Amendment and Resolution.
2. Adopt the Ordinance and Amendment but limit the Amendment to the elimination of the January 1, 2004 deadline on the Redevelopment Agency incurring debt. This alternative would not extend the plan for one additional year.

Attachments

1. Draft Ordinance Amending Los Costanos Redevelopment Plan
2. Draft Los Costanos Plan Amendment
3. Draft Resolution Authorizing Election to Receive Pass-through Payments

Respectfully submitted,

Craig A. Ewing, AICP
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