



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

March 31, 2006

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

**QUARTERLY REPORT ON COMMUNITY REDEVELOPMENT AGENCY (CRA) ACTIVITY
(FIRST QUARTER 2006)**

In response to the increased level of CRA activity in the County and this Office's augmented role in analyzing and scrutinizing these activities, we provided your Board with an initial "Quarterly Report on CRA Issues" on October 12, 2000. Attached is the latest Quarterly Report, covering activities during the first quarter of the calendar year. As we indicated in our initial report to your Board, and consistent with the Board-approved policies and procedures, this Office works closely with the Auditor-Controller, County Counsel, and appropriate Board offices in: analyzing and negotiating proposals by redevelopment agencies to amend existing redevelopment agreements; reviewing proposed new projects for compliance with redevelopment law, particularly blight findings and determining appropriate County response; and ensuring appropriate administration of agreements and projects.

The attached report reflects a summary of the following activities during the quarter:

- Notifications provided to the Board regarding new projects;
- Board letters/actions; and
- Major ongoing issues and other matters, including litigation.

Please let me know if you have any questions, or your staff may contact Robert Moran at (213) 974-1130.

DEJ:MKZ
RTM:os

Attachment (1)

c: Auditor-Controller
County Counsel

COMMUNITY REDEVELOPMENT AGENCY (CRA) ISSUES
Quarterly Report – First Quarter 2006 – March 31, 2006

New CRA Projects - Routine Notifications/Reports Provided to Board

CRA Projects	District	Type of Notification	Date
None			

Board Letters/Actions During Quarter

CRA Projects	District	Action	Date of Board Action
Rosemead Area No. 1 Redevelopment Project	1 st	Subordination Resolution	January 24, 2006

Major Ongoing or Emergent CRA Issues

El Monte (First District)

Issue: The City is proposing to make changes in its Downtown Redevelopment Project in order to allow for the development of a major transit-oriented residential and retail development. The proposed changes include a ten-year extension of the project and adjustments to the County pass-through share of tax increment in order to fund infrastructure improvements. The City proposed to make these changes through special legislation (AB 1167, see below), but is also working with County staff on an amendment to the existing tax allocation agreement.

Status: Staff has been working with the City in order to determine the fiscal impact on the County. County will oppose AB 1167; however, staff is exploring alternatives to special legislation that would amend the existing agreement and use elements within existing law to accomplish the ten-year extension.

Glendora (Fifth District)

Issue: Redevelopment Project No. 5 for the Glendora Community Redevelopment Agency would merge the Agency's four existing redevelopment areas in the City including their tax increment limits, add new territory, and establish the authority to purchase non-residential real property through eminent domain in all five areas.

Status: The City tabled the project in June 2005. Staff recently learned that the City intends to proceed with the project and adopt it in June 2006. Some areas from the original project are excluded from the revised proposal, but staff is still concerned that the project does not appear to meet blighting requirements and the proposed merging of project caps is inconsistent with redevelopment law. Staff will analyze the revised findings and work with the City to better understand their latest proposal.

Pomona (First District)

Issue: The Auditor-Controller needs to clarify a project cap on the receipt of tax increment for the Southwest Project.

Status: County staff met with the City and agreed to work with the City to ensure that a project cap is in place as required by law and that the project will receive adequate tax increment in order to repay its bonds.

Redondo Beach (Fourth District)

Issue: The City is proposing to refinance the existing debt on the South Bay Center Project. This proposal would require an amendment to the County procedure whereby the County guarantees that the City will receive sufficient tax increment funds to meet its debt payments.

Status: Staff has been working with the City in order to develop an equitable amendment that works for both parties.

Whittier (Fourth District)

Issue: The City of Whittier issued an initial study for the proposed Amendment to the Commercial Corridor Redevelopment Plan. The Amendment would add approximately 218 acres in three sub-areas to the existing project area.

Status: This Office reviewed the Agency's Preliminary Report, and concluded it was generally consistent with the blight standards required by redevelopment law. However, staff continues to work with the City regarding the placement of the value of the Nelles School site in the base year of the project when it is transferred from public to private ownership.

Litigation

Los Angeles - City Center (First and Second Districts)

Issue: Agency adopted the City Center Redevelopment Project on May 15, 2002. This project of approximately 880 acres in Downtown Los Angeles reestablishes as a new project much of the existing Central Business District (CBD) Project, which has reached its court-validated project cap.

Status: The County filed a lawsuit objecting to the Project on the basis that it violates the court-validated project cap on the CBD Project, and improperly includes 30 acres of non-blighted parking lots surrounding the Staples Center. On June 24, 2003, the trial judge issued a final decision invalidating the Project. On April 19, 2005, the 2nd District Court of Appeal ruled that the proposed City Center Project can proceed, but cannot include any of the former CBD areas, which comprise the majority of the Project. The parties are in the preliminary stage of resolving the remaining legal issues.

Los Angeles - Central Industrial (First and Second Districts)

Issue: The City adopted the Central Industrial Redevelopment Project on November 15, 2002. The Project includes approximately 744 acres of primarily industrial areas located in the southeast section of Downtown Los Angeles. Similar to the City Center Project, the Central Industrial Project includes detachment of parcels from the CBD Project.

Status: Similar to City Center, County filed lawsuit objecting to the Project on the basis that it violates the court-validated project cap on the CBD Project. On September 19, 2003, the court issued a ruling invalidating the Project. The Court of Appeal similarly ruled that the proposed Central

Industrial Project can proceed, but cannot include any of the former CBD areas. The parties completed additional litigation in which the Superior Court ruled that the City could proceed with the non-CBD portion of the project and that this project is financially feasible.

Legislation

SB 1206 (Kehoe)

Issue: This bill proposes to reform elements of redevelopment law by changing the definition of blight; increasing state oversight; and making procedural changes as to how projects can be challenged.

Status: County staff has analyzed the bill and while the state oversight and procedural changes likely strengthen redevelopment law, the proposed changes to the definition of blight instead add ambiguity. For example, the bill proposes to eliminate conditions such as “abandoned buildings,” and “excessive vacant lots” from the economic blight standards and replace them with “metrics” that calculate blight on a city-by-city basis by comparing conditions in a project area to the remainder of that city and county. County staff believes that moving away from a uniform, objective standard to a more relative approach could promote new forms of abuse. The bill passed out of the Senate Local Government Committee, and was referred to the Senate Judiciary Committee for a April 4th hearing.

AB 2157 (Chu)

Issue: This bill would allow the City of El Monte to amend its Downtown Redevelopment Project to carry out transit-oriented projects. The proposed amendment would extend the time limit of the project by ten years and modify the existing pass-through payments to the County.

Status: CAO staff working with City representatives to review project details in order to estimate the financial impact on the County (see above). Staff has recommended opposition to the bill as it circumvents current law, and would set a precedent for other cities. The bill will be heard in the Housing and Community Development Committee on April 26, 2006.

AB 2346 (Oropeza)

Issue: This bill would authorize the Los Angeles City Council to designate the Los Angeles Board of Harbor Commissioners as the redevelopment agency for the Los Angeles Harbor District. In addition, the bill designates the entire Port of Los Angeles as a redevelopment project area, exempts the Harbor District from environmental impact report (EIR) requirements; shortens plan adoption reporting requirements; and eliminates the prohibition on redevelopment agency use of property tax increment for operations and maintenance expenses (current law restricts the use of agency funds to capital expenses).

Status: AB 2346 would divert significant property tax revenues from the County. Also, AB 2346 eliminates many of the procedural and substantive changes to the redevelopment law enacted by the 1993 Community Reform Act (AB 1290). The Legislature enacted AB 1290 to address abuses including the inappropriate adoption of projects that were not “blighted.” The bill is scheduled to be heard in the Local Government Committee on April 19, 2006.

SB 1754 (Lowenthal)

Issue: This bill would create housing and infrastructure financing districts established by local councils of governments. A city could issue bonds to pay for infrastructure and housing costs and repay the bonds through tax increment financing.

Status: Currently, the extraordinary power of tax increment financing is reserved for curing blight and its application is clearly defined by Community Redevelopment Law. While the encouragement of high-density housing and public works projects is a worthwhile goal, County staff believes that the diversion of property tax increment from taxing entities should be limited to curing blight.

Overall CRA Statistics

Active CRA Projects	312
Pending CRA Projects	14