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Attachment B

CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

October 21, 2003

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Redevelopment Reports Requested by the City Council, Project Area Expansion, and Redevelopment Agency Recommendations Regarding a Redevelopment Strategy and an Analysis of a Potential Project Area Merger (Citywide)

DISCUSSION

Redevelopment Reports

On August 20, 2002, the City Council directed the City Manager to prepare a report evaluating which portions of the City would be appropriate to add to existing redevelopment project areas. The City Council also directed the City Manager, the City Attorney and the City Auditor to prepare a report containing:

1. A study of redevelopment in Long Beach.
2. A description of the process for involving the City Planning Commission, the Project Area Committees (PACs) and the communities of Long Beach within the redevelopment areas in a project area merger process.
3. An evaluation of potential merger parameters.

Staff completed the Redevelopment Reports and provided copies to the City Council, Redevelopment Agency Board and members of the three PACs on February 19, 2003. Following the release of the Redevelopment Reports, staff met with each of the three PACs to answer their questions. Staff also made presentations at Redevelopment Agency and City Council study sessions. Staff recommends that the City Council receive and file the Redevelopment Reports.

Adding Territory to Existing Redevelopment Project Areas

As described above, staff completed the report (Volume I of the Redevelopment Reports) requested by the City Council evaluating which portions of the City would be appropriate to add to existing redevelopment project areas. Volume I contained a listing

and map of areas of the City that would likely qualify for addition to a redevelopment project area. On June 9, 2003, the Redevelopment Agency recommended beginning the process to add new territory to the Central and North Redevelopment Project Areas. Staff met with the PACs and public to describe the potential project area expansion. Staff has recently revised the map (Attachment I) showing areas to be considered for addition to the Central and North Project Areas.

It is not necessary to merge the project areas to add territory. The City Council may add new territory to the existing project areas with or without a merger. Therefore, staff recommends that the City Council initiate the process required for the Redevelopment Agency and City Council to consider project area expansion.

The attached map shows areas under consideration by staff. The City Council is not asked to approve these areas at this time. Staff would need to prepare a Survey Area identifying all eligible areas for inclusion and this would take several months to complete. The City Council would be asked to approve the Survey Area at a later date.

New territory can be added to the North and Central Project Areas by amending their redevelopment plans. The process required to consider the expansion of the project areas would require 12 to 16 months and cost approximately $300,000. There would be expenditures for redevelopment consultants, redevelopment counsel and sending notices to all affected residents, property owners and businesses.

Redevelopment Strategy and Merger Process

On June 23, 2003, the Redevelopment Agency Board approved the following motion:

> "(1) Direct staff to prepare an RFP in conjunction with a Steering Committee to do both a Redevelopment Strategy and analyze the merger process and (2) report back to the Agency Board with a draft RFP including a scope of work."

To implement this direction, staff, in conjunction with a Steering Committee, would prepare two Requests for Proposals (RFPs). One RFP would be for the preparation of a Redevelopment Strategy (including a scope of work). Another RFP would be to analyze a potential project area merger and perform the necessary steps required before the Redevelopment Agency and City Council can consider a project area merger. Both RFPs would be undertaken concurrently.

The purpose of a Redevelopment Strategy would be to answer questions that the discussion of a merger has generated. The Redevelopment Strategy would include, but not be limited to, the following components:

1. Guiding Principles to be used in preparing the strategy.
2. Best practices of redevelopment agencies.
3. Allocation of Redevelopment Agency resources if a merger occurs.

4. Communications between and roles of the Agency Board, staff, City Council, PACs and the public.
5. The Redevelopment Agency's effort to solicit the views of the diverse population of its redevelopment project areas.

Redevelopment Agency Boardmembers stated that the process to create a Redevelopment Strategy and the process to analyze a potential merger should occur concurrently. Agency Boardmembers used the chart (Attachment 2) to describe how the two projects should proceed together and how information generated by one process would be useful to the other. The following steps would be undertaken to develop the Redevelopment Strategy and analyze a potential merger:

1. Convene a Steering Committee made up of staff, members of the Agency Board and PACs who would:
    a. Prepare an RFP for consultants for a Redevelopment Strategy.
    b. Prepare Guiding Principles for a Redevelopment Strategy.
    c. Prepare a Scope of Work for a Redevelopment Strategy.
2. Prepare an RFP for consultants to analyze a potential project area merger and perform the necessary steps to consider a project area merger.
3. Obtain Redevelopment Agency approval of both RFPs.

The Redevelopment Agency and City Council cannot simply vote to merge the redevelopment project areas. Community Redevelopment Law requires that redevelopment agencies and city councils undertake a lengthy process of analysis, public consultation and disclosure before they consider the merger of project areas. The Redevelopment Agency did not recommend the immediate merger of the project areas. They recommended that both a Redevelopment Strategy and an analysis of a potential merger be initiated.

The seven redevelopment project areas can be merged by amending each project area's redevelopment plan. Amending the redevelopment plans to allow a merger is a process that requires the preparation of an environmental impact report, the preparation of reports on the feasibility of the merger and extensive consultation and disclosure with the public and other government agencies. This process, which requires the same steps as the addition of new territory, would take at least 12 to 16 months and cost approximately $300,000. During the plan amendment process, staff would provide the Redevelopment Agency with much information and analysis of the potential merger. The Redevelopment Agency could halt the merger process at any time if they concluded from preliminary reports that a merger would not be in the best interests of Long Beach.

This letter was reviewed by Assistant City Attorney Heather Mahood on June 5, 2003, and by Budget Manager Michael Killebrew on June 6, 2003.

TIMING CONSIDERATIONS

City Council action on this matter is not time critical.

FISCAL IMPACT

Expansion of the Central and North Project Areas could reduce the General Fund's future property tax revenues, which is used to pay for core services such as police, fire, libraries and parks. However, a much larger gain in tax increment would be received by the Redevelopment Agency. As part of the process to add new territory, the Redevelopment Agency would prepare financial reports that would estimate the potential loss of property tax to the General Fund and the gain in tax increment for the Redevelopment Agency. This information would be available approximately six months after the Redevelopment Agency gives its approval to conduct the process needed to consider project area expansion and well before a final vote to add new territory. A merger of the redevelopment project areas would not increase the amount of tax increment the Redevelopment Agency receives and, therefore, would not affect the amount of property tax the General Fund receives.

The cost of the process needed to consider project area expansion is approximately $300,000. The funds would be spent over two fiscal years. Funding in the amount of $250,000 for project area expansion was included in the Redevelopment Agency's adopted budget for Fiscal Year 2004.

The cost of preparing a Redevelopment Strategy and analyzing a potential merger was not included in the Redevelopment Agency's budget. Both projects would require Redevelopment Agency and City Council budget amendments. The cost of preparing a Redevelopment Strategy is not known at this time, but is likely to exceed $100,000. Analyzing the potential merger incorporates the steps needed for the Redevelopment Agency and City Council to consider redevelopment plan amendments that would merge the project areas. This process would require 12 to 16 months and is expected to cost $300,000. However, the cost of analyzing a potential merger and the cost of preparing a Redevelopment Strategy would depend on the scope of work prepared by the Steering Committee. The processes required to consider project area expansion and a project area merger are very similar and could be conducted together or separately. If conducted together, it may be possible to achieve some cost savings.

Staff would request any budget adjustments for analyzing a merger process and preparing the Redevelopment Strategy from the Redevelopment Agency and City Council at a later date if approvals to proceed are received. The cost of analyzing the potential merger and preparing the Redevelopment Strategy would be better known after the Steering Committee has met, prepared scopes of work and solicited proposals for both studies.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

1. Receive and file the Redevelopment Reports;

2. Recommend to the Redevelopment Agency that they initiate the process of adding new territory to existing redevelopment project areas; and

3. Support the direction that the Redevelopment Agency gave staff on June 23, 2003, to 1) prepare an RFP, in conjunction with a Steering Committee, to do both a Redevelopment Strategy and analyze the merger process and 2) report back to the Agency Board with a draft RFP including a scope of work.

Respectfully submitted,

MELANIE S. FALLON
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:

GERALD R. MILLER
CITY MANAGER

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Attachments: Attachment 1 – Project Area Expansion Map
Attachment 2 – Process Chart