

REDEVELOPMENT AGENCY



Redevelopment Agency Operating Fund

Pursuant to Community Redevelopment Law, the City of Capitola formed the Redevelopment Agency of the City of Capitola to eliminate blight in the Redevelopment Project Area by facilitating the development of public infrastructure improvements and improving the quality and supply of affordable housing.

The Agency receives the majority of its funds from tax increment revenues. When the Agency was formed in 1982, the tax base for properties within the Project Area was “frozen” to form the base year. In 2004, additional land was added to the Project Area, creating a second base year, specific to those properties in the added area. As properties in the Project Area are reassessed due to sales or improvements, the tax base grows and the Agency receives the majority of the difference in property taxes paid between the “base year” and the new level.

This is called ‘tax increment financing’ and is the primary funding mechanism for redevelopment agencies in California. Tax increment financing does not result in an increase in taxes to property owners, but rather a redistribution of property taxes to the redevelopment agency to allow for reinvestment within the redevelopment project area. In general, redevelopment agencies result in more funding available to a local jurisdiction to improve a community.

FY10-11 Work Program

Project	Goals FY10-11
Clares Street Traffic Calming	Design, bid, and construct project using \$300,000 of RDA funding
Rispin Site Planning	Council adoption of a use plan for the Rispin site
Library design	Determine library location, prepare conceptual site design options
Crime prevention cameras	Install security cameras at strategic locations in the Project Area in partnership with private property owners using \$25,000 of RDA funding

FY 09/10 achievements

Project	June 30, 2010 Status
Rispin Site	After extensive negotiations with developer, lease and development agreement for the project expired in Fall 2009.
Capitola Branch Library	Funding for library set aside pursuant to a 2004 agreement between the City and County. Library siting committee formed, and committee recommendations regarding locations for future library scheduled for Council review in Spring 2010
41 st Avenue Road Rehabilitation	Utilizing a combination of \$170,000 in RDA funds and \$230,000 in ARRA funds for reconstruction of 41 st Ave. from Capitola Rd. to Clares St. Project completed in October 2009.
Rispin Mansion Fire Response	In response to the fire at the Rispin Mansion on May 28, 2009 \$76,000 was spent for site security, safety measures and fencing. An additional \$12,000 is allocated for boarding-up the mansion which has yet to be authorized.
Rispin Mansion Underground Storage Tank Removal	Two previously unknown underground storage tanks were removed from the site under orders from the County of Santa Cruz Hazardous Materials Division. The total cost of the project was \$32,600 which was completed in September 2009.

Revenue/Expenditures

The FY10-11 revenue projections for the Agency include a -0.24% growth in the total tax increment based on the State Board of Equalization assessment roll announcement to County Assessor. Total revenue to the Agency is projected to be \$2,316,800, with \$1,853,440 in the Redevelopment Operating Fund and \$463,360 in the Housing Set Aside Fund.

The FY10-11 budget includes funding for several specific planning projects, including \$50,000 for Rispin site planning and \$25,000 for library planning work. Those items are included in the *CS-Plan Svc* line item under contract services.

In addition, the *Capital outlay* budget includes \$25,000 to match private-sector funding for security cameras at key locations in the project area, and \$300,000 to help fund the Clares Street Traffic Calming Project.

Agency administrative expenses are controlled by an agreement between the City and the Agency (Cooperative Agreement). The Agreement established an administrative cost recovery rate at 15%. In an effort to provide enhanced staffing for Agency Housing Programs, in FY04-05 the City began to directly bill the Agency for administrative costs associated with Housing Fund.

The original Cooperative Agreement had previously established that 65% of the Agency's administration costs were associated with Housing Programs, while 35% were associated with general redevelopment activities. As the City now directly invoices the Housing Set-aside Fund for costs to administer housing activities, the FY10-11 Agency budget includes a refund of 65% of the Cooperative Agreement's 15% overhead rate back to the Agency Operating Fund.

5500	FY07-08	FY08-09	Fiscal 2009-10			2010-11 Adopted
	Actual Amount	Actual Amount	Adopted Budget	Amended Budget	Estimated Amount	
Beginning Fund Balance	\$ 2,576,472	\$ 3,068,100	\$ 2,843,611	\$ 2,843,611	\$ 3,489,464	\$ 2,955,796
Revenue						
<u>TX - Taxes</u>						
3110 - Gross tax increment	\$2,334,501	\$2,496,367	\$2,322,300	\$2,322,300	\$2,322,300	\$2,316,800
UMP - Use of money & property						
3610 - Investment earnings	\$140,065	\$91,970	\$49,700	\$49,700	\$23,000	\$0
Revenue Totals	\$2,474,566	\$2,588,338	\$2,372,000	\$2,372,000	\$2,345,300	\$2,316,800
Expenditures						
<u>PER - Personnel</u>						
4120 - Wages-RDA Brd of Directors	\$3,831	\$0	\$4,000	\$4,000	\$4,000	\$4,000
<u>CS - Contract services</u>						
Chamber of Commerce	(a)	(a)	(a)	(a)	(a)	\$30,000
SC County Convention & Visitors	(a)	(a)	(a)	(a)	(a)	\$23,000
Rispin cleanup	\$0	\$6,907	\$0	\$69,000	\$69,000	\$0
General contract services	\$19,816	\$143,510	\$81,000	\$12,000	\$50,000	\$50,000
Co-op Agreement	\$205,909	\$221,863	\$205,200	\$205,200	\$205,200	\$201,250
Co-op Reimbursement	(\$127,000)	(\$134,000)	(\$133,400)	(\$133,400)	(\$133,400)	(\$130,800)
4305 - CS-Gen/Admin	\$98,725	\$238,280	\$152,800	\$152,800	\$190,800	\$173,450
4320 - CS-Legal svcs	\$18,935	\$503	\$25,000	\$25,000	\$5,051	\$25,000
4325 - Police Svcs	\$8,490	\$11,756	\$0	\$0	\$15	\$0
4335 - CS-Financial Svcs	\$33,428	\$38,911	\$35,000	\$37,700	\$43,006	\$41,000
4345 - CS-Gen Plan/Housing	\$0	\$6,800	\$0	\$0	\$2,800	\$0
4350 - CS-Plan Svc	\$2,597	\$0	\$25,000	\$25,000	\$0	\$75,000
4355 - CS-PW & Trans.	\$3,175	\$6,748	\$0	\$0	\$5,000	\$10,000
4375 - CS-Prop & equip	\$171	\$90	\$0	\$0	\$230	\$400
4390 - Construction service	\$0	\$17,933	\$3,025,400	\$3,346,300	\$182,000	\$0
CS - Contract services Total	\$165,522	\$321,021	\$3,263,200	\$3,586,800	\$428,902	\$324,850
<u>TR - Training / SUP - Supplies</u>						
4400 - Training	\$0	\$88	\$2,000	\$2,000	\$0	\$5,700
4450 - Supplies	\$3,081	\$502	\$0	\$0	\$0	\$500
TR/SUP Total	\$3,081	\$590	\$2,000	\$2,000	\$0	\$6,200
<u>CAP - Capital outlay</u>						
4650 - Capital outlay	\$0	\$0	\$60,000	\$60,000	\$0	\$325,000
<u>DS - Debt service</u>						
4710 - Debt principal	\$91,026	\$91,026	\$91,000	\$91,000	\$91,026	\$228,926
4720 - Debt interest	\$299,460	\$233,340	\$233,200	\$233,200	\$233,200	\$200,025
DS - Debt service Totals	\$390,486	\$324,366	\$324,200	\$324,200	\$324,226	\$428,951
<u>PT - Pass through</u>						
4790 - Pass through	\$953,118	\$1,021,722	\$954,300	\$954,300	\$954,300	\$941,400
<u>IGE - Intergovernmental exp.</u>						
4810 - ERAF/SERAF	\$0	\$0	\$0	\$703,080	\$703,080	\$144,616
<u>OFU - Other financing uses</u>						
4910 - Hsg Set Aside transfer out	\$466,900	\$499,274	\$464,460	\$464,460	\$464,460	\$463,360
Expenditure Totals	\$1,982,939	\$2,166,973	\$5,072,160	\$6,098,840	\$2,878,968	\$2,638,377
Net Revenue/Expenditures	\$491,628	\$421,364	(\$2,700,160)	(\$3,726,840)	(\$533,668)	(\$321,577)
Fund Balance June 30	\$ 3,068,100	\$ 3,489,464	\$ 143,451	\$(883,229)	\$ 2,955,796	\$ 2,634,219

(a) 2008-09 financial system conversion combined miscellaneous contract services detail into a single account.

Agency Debt and Obligations

The Agency currently has several forms of debt, which includes contractual obligations, loans from the City, and debt held by third parties. The proposed FY10-11 budget includes no new proposed debt. A summary of the existing Agency debt is included in the table below:

Debt	Loan Amount	Date Initiated	Due/End date	Terms	Interest rate	2009-10 Payment	2010-11 Payment
Central Fire Protection District	\$ 459,101	11/30/1984	June 30, 2012	Amortized	n/a	\$ 45,900	\$ 45,900
Library District	\$ 201,161	11/30/1984	June 30, 2012	Amortized	n/a	\$ 20,100	\$ 20,100
Co-op agreement with City	\$ 618,028	10/11/2001	On demand or 12/13/2026	Interest only	7.75%	\$ 47,900	\$ 47,900
Chase NYC \$1 million loan	\$ 1,000,000	2/1/2002	September 29, 2014	Interest only	4.75%	\$ 47,500	\$ 47,500
Short term loan from City	\$ 332,000	7/1/2002	June 30 annually through 2017	Interest only	10.00%	\$ 33,200	\$ -
Rispin Purchase loan from City	\$ 1,350,000	7/24/2003	On demand or last day of Tax Increment eligibility	Interest only	7.75%	\$ 104,600	\$104,600
Capitola Library Trust	\$ 2,640,000	8/13/2004	February 1, 2018	Scheduled pmts	n/a	\$ 25,000	\$162,900
						\$324,200	\$428,900

Included in the table above as Capitola Library Trust Debt is an Agreement between the County of Santa Cruz and the City of Capitola requiring the Agency to provide funding to construct a Capitola Branch Library. The following is the current status of the scheduled library payments:

Capitola Branch Library Trust 76-126 Minimum Payments (a)

Fiscal Year End	Minimum Pmt	Accrued Interest (c)	Cumulative Balance
June 30, 2010 (b)	150,000	14,136	164,136
June 30, 2011	162,900	7,368	334,404
June 30, 2012	179,502	12,725	526,631
June 30, 2013	211,720	18,975	757,326
June 30, 2014	250,243	26,473	1,034,042
June 30, 2015	287,116	35,328	1,356,486
June 30, 2016	325,579	45,578	1,727,643
June 30, 2017	366,577	57,328	2,151,548
June 30, 2018	417,640	70,812	2,640,000
Totals	\$ 2,351,277	\$ 288,723	

(a) Based on final library construction contract "First Implementation Agreement" signed and dated 8/13/2005. Minimum scheduled payment is subject to increase based on any 2005 RDA Added Area (Rispin) tax increment.

(b) June 30, 2010 represent contract-to-date principal and interest.

(c) Figures are presented at a 3% interest rate for purposes of example. Actual rate is variable based on interest earnings from the County's pooled investment fund.

Payments to Other Government Entities

Pass-Through Agreements

The Agency is required to distribute a portion of the gross tax increment to four other taxing agencies. Santa Cruz County Office of the Auditor Controller performs the calculation and makes the distribution for these pass-thru agreements:

- Santa Cruz County – This pass-thru is set in the tax sharing agreement at 22.96% of the Gross Tax Increment received by the Redevelopment Agency. Currently, Santa Cruz County is distributing to the County at the annual AB8 factor.
- Santa Cruz County Library District - This pass-through is estimated in the tax sharing agreement at 1.6% of the Gross Tax Increment received by the Redevelopment Agency beginning in year 21 (July 1st, 2002-June 30th 2003). Currently, Santa Cruz County is distributing to the Library District at the annual AB8 factor.
- Special Districts - This pass-through is estimated in the tax sharing agreement at 1.35% of the Gross Tax Increment received by the Redevelopment Agency beginning in year 21 (July 1st, 2002-June 30th 2003). Currently, Santa Cruz County is distributing to the Special District at the annual AB8 factor.

In addition, the Agency passes tax increment back to Central Fire District pursuant to a 1993 agreement. The annual distribution to Central Fire District is made by the Agency no later than June 30th of each fiscal year in an amount equal to 17.39% of the gross tax increment, minus: Housing Set Aside, ERAF payments, and funds deducted by the County pursuant to Revenue and Taxation Code Section 97.5(d).

Education Revenue Augmentation Fund

Over the last 10 years, the State has transferred funding from local redevelopment agencies to the Education Revenue Augmentation Fund to help balance the state budget.

Pass throughs and ERAF/SERAF detail

Fiscal 2009-10

Account Number	Description	2008 Actual	2009 Actual	Adopted Budget	Amended Budget	Estimated Amount	FY2010-11 Adopted
Pass through							
4790.001	Pass through Santa Cruz County	\$542,772	\$580,529	\$545,100	\$545,100	\$545,100	\$528,000
4790.002	Pass through Fire District	\$319,534	\$343,960	\$318,000	\$318,000	\$318,000	\$323,000
4790.003	Pass through Library district	\$63,032	\$67,526	\$63,400	\$63,400	\$63,400	\$62,800
4790.004	Pass through Zone 4 special dist (a)	\$4,902	\$5,242	\$4,905	\$4,905	\$4,895	\$4,860
4790.005	Pass through Zone 5 special dist (a)	\$18,676	\$19,971	\$18,670	\$18,670	\$18,685	\$18,550
4790.006	Pass through Flood district (a)	\$4,202	\$4,493	\$4,205	\$4,205	\$4,220	\$4,190
Total: Pass through		\$953,118	\$1,021,722	\$954,280	\$954,280	\$954,300	\$941,400
Intergovernmental expenditures							
4810.001	ERAF/SERAF SERAF payment	\$0	\$0	\$0	\$0	\$703,080	\$144,616
Total pass through and Intergovernmental		\$953,118	\$1,021,722	\$954,280	\$954,280	\$1,657,380	\$1,086,016

(a) Special district pass through budget for 2009-10 is broken out for the above comparison. Historically budgeted as a lump sum.

Redevelopment Agency Low & Moderate Income Housing

Under the California Redevelopment Law ("CRL"), contained in the CA Health & Safety Code, Redevelopment Agencies must allocate at least 20% of their gross tax increment revenue to a separate fund, known as the Low and Moderate-Income Housing Fund. Expenditures in the Low and Moderate-Income Housing Fund must be used to maintain and expand the supply of housing affordable to low and moderate-income households. The proposed FY 10-11 budget includes the following general types of expenditures:

Administration: Administration includes salaries, wages and related costs of Agency staff for general administration of the Agency's housing program. These expenditures can be found in the *CS-Gen Plan/Housing* line item.

Professional Services: Professional Services include Expenditures incurred by the Agency for legal, audit, planning consultants and other professional services that are related to the general planning and development of Agency housing activities. These expenditures can be found in the *CS-Gen /Admin*, *CS-Legal svcs* and *CS-Financial Svcs* line items.

Assistance Programs: Assistance programs provide assistance to income eligible residents on an individual basis. Current programs include the Security Deposit Program (\$15,000), Emergency Housing Assistance Program (\$95,000), the First Time Homebuyer Loan Program (\$60,000) and the Rental Subsidy programs for Loma Vista and Wharf Road Manor Mobile Home Parks (\$35,000). These expenditures can be found in the *Hsg grants & subsidies* line item.

Special Projects: Special projects are focused on the production and preservation of multi-unit affordable housing projects through the provision of loans or grants to non-profit or for-profit housing developers. Special projects can also involve the acquisition of land the provision of predevelopment assistance, or other types of assistance to make development of affordable housing feasible. No projects have yet been identified for FY 2010-2011 expenditure. If projects are identified during the year proposals for funding would be submitted to the Agency for review for possible funding from the Housing Fund Balance.

Section 33334.2(g) of the California Community Redevelopment Law provides that redevelopment agencies may use low and moderate income housing funds both inside and outside of a project area, upon a resolution of the Agency and legislative body finding that the use of funds outside the project area will be of benefit to the project area. Because the City's First Time Homebuyer program intends to use redevelopment agency housing funds outside of the Agency's project area the resolution adopting the FY 2010-2011 budget includes language making this finding. If additional Low and Moderate Housing Funds are committed to uses outside of the Agency project area a specific resolution making these findings will be required.

Fund: 5550 RDA Low/Mod Housing Fund

	2008 Actual Amount	2009 Actual Amount	Fiscal 2009-10			FY201011 Adopted
			Adopted Budget	Amended Budget	Estimated Amount	
Beginning Fund Balance	\$1,807,669	\$1,183,431	\$548,400	\$548,400	\$ 673,902	\$725,512
Revenue						
<u>IR - Intergovernmental revenues</u>						
3310 - Federal government grants	0	0	0	0	0	0
3320 - State government grants	0	0	0	0	0	0
IR - Intergovernmental revenues Totals	0	0	0	0	0	0
<u>UMP - Use of money & property</u>						
3610 - Investment earnings	65,962	15,863	16,500	16,500	2,100	0
3630 - Loan repayment	89,678	21,475	0	0	0	0
UMP - Use of money & property Totals	155,640	37,338	16,500	16,500	2,100	0
<u>OFS - Other financing sources</u>						
3910 - Housing Set Aside transfer in	466,900	499,274	464,460	464,460	464,460	463,360
OFS - Other financing sources Totals	466,900	499,274	464,460	464,460	464,460	463,360
Revenue Totals	622,540	536,612	480,960	480,960	466,560	463,360
Expenditures						
<u>CS - Contract services</u>						
4305 - CS-Gen/Admin	3,338	38,375	50,000	80,000	130,000	30,000
4320 - CS-Legal svcs	26,404	32,078	20,000	20,000	25,000	20,000
4335 - CS-Financial Svcs	800	1,631	1,500	2,200	2,200	1,350
4345 - CS-Gen Plan/Housing	236,270	249,354	288,000	258,000	193,000	200,000
CS - Contract services Totals	266,811	321,438	359,500	360,200	350,200	251,350
<u>TR - Training / SUP - Supplies</u>						
4400 - Training	0	0	0	0	0	1,850
4450 - Supplies	0	0	0	0	0	500
	0	0	0	0	0	2,350
<u>GS - Grants and Subsidies</u>						
4500 - Hsg grants & subsidies	979,967	724,703	474,700	474,700	64,750	205,000
Expenditures Totals	1,246,778	1,046,141	834,200	834,900	414,950	458,700
Net Revenue/Expenditures	(624,238)	(509,529)	(353,240)	(353,940)	51,610	4,660
Fund Balance June 30	1,183,431	673,902	195,160	194,460	725,512	730,172