

Future Redevelopment Options for Pacifica

Lynn Hutchins, Goldfarb & Lipman
Libby Seifel, Seifel Consulting Inc.
May 22, 2007

Presentation Overview

- Basic Redevelopment Concepts
- Key Components of Redevelopment in Pacifica
- Qualifications for New Redevelopment Area
- Pros and Cons of New Project Adoption versus Amendment
- Basic Procedural Steps

2

Basic Redevelopment Terms

- Project Area
- Redevelopment Agency
- Redevelopment Plan
- Indebtedness
- Tax Increment Revenue

3

Pacifica's Current Project Area

Small project area of about
150 acres, consisting of:

- West Rockaway Beach
- The Headlands
- The Quarry

4

Rockaway Beach Redevelopment Plan

- Adopted in 1986.
- Key objectives:
 - 1) stimulate visitor serving activity
 - 2) improve access and circulation.
- Redevelopment activities can continue for 35 years through FY 2021.

5

Key Attributes of Pacifica Redevelopment

- City has one, relatively small project area
- City Council serves as Agency Board
- Plan has narrow focus
- Redevelopment Plan is relatively old and has different governing laws than newer plans

6

What is Tax Increment?

- Redevelopment provides a unique financing method, called tax increment financing
- TI financing leverages private investment and other public funding sources
- Does NOT increase taxes

7

How is Tax Increment Generated?

- When a redevelopment plan is adopted, the total assessed value of property within the project area is established (called the frozen base)
- Tax increment is the property tax revenue generated from increases in assessed value above the frozen base

8

What Increases Tax Increment?

- Annual inflation on property that remains in the same ownership (up to 2% per year)
- If a property owner rehabilitates or adds value to a property
- If a property owner sells a property to someone else
- If new development occurs

9

How are Property Taxes Distributed in a Redevelopment Project Area?

- Taxing entities in a project area, such as the County, schools and special districts, continue to receive property taxes from the frozen base

10

How are Property Taxes Distributed in a Redevelopment Project Area? (Cont'd)

- For older plans like Pacifica, property taxes from the incremental AV above the frozen base solely accrue to the redevelopment agency, except for agreements which provide for payments to County, County Library, Jefferson Union High School District, Laguna Salada School District, San Mateo County Office of Education and San Mateo Community College District

11

Financial Attributes of Pacifica Redevelopment

- Project generates modest TI revenues (\$300,000 per year)
- Future growth is dependent on continued revitalization efforts
- Agency has significant annual obligations that it must meet each year, representing about 60% of revenues

12

Summary of Time and Fiscal Limits

Type of Limit	Years from Adoption/Applicability			
	New Plan/Area 1994 onward	Pre-1994	Pacifica's Limit	SB 211 Amendment for Pre-1994 Plan
Debt Issuance	20	20 or 1/1/04	7/14/06	No Limit?
Activities	30	40 or 1/1/09	7/14/21	50 or 1/1/19?
TI Collection	45	50 or 1/1/19	7/14/31	60 or 1/1/29?
Bond Limit	Yes	Yes	\$35 Million	Increase?
TI Limit or Cap	No	Yes	\$40 Million	Increase?
Eminent Domain	12	12	5/24/2011	12 more?

13

Requirements for New or Added Project Areas

- Time limits must conform with CRL limits
- A dollar limit on outstanding indebtedness must be established
- No cap on TI needs to be established for new plans or added area
- Base Year for added area is Fiscal Year in which the Plan is adopted or amended
- Plan/Plan Amendment must conform to General Plan

14

Pass-Through Payments for New or Added Project Areas

- New area will follow statutory pass-through formulas
- If amended Plan provisions for existing project area, follow agreements for districts with agreements - statutory formulas for all other districts

15

Impact of SB 1206

- Restricts the statutory definitions of blight and requires better blight documentation
- Lowers the barriers to challenge redevelopment
- Increases the opportunities to review findings regarding the conditions of blight
- Increases opportunities for oversight of redevelopment activities by property owners, residents, voters, the Attorney General, and other public agencies and officials

16

Significant Changes due to SB 1206

- Significant changes in the blight definition
- Amends urbanization language
- Adds an Agency Report to DOF estimating growth in residents and need for school facilities
- Adds TI projections to County Fiscal Report
- Adds review by DOF and HCD regarding how redevelopment will affect State General Fund
- Adds more procedural steps and requirements

17

Project Area Blight Qualification Standard

An area that is:

- predominantly urbanized AND
- is characterized by one or more adverse **physical** and one or more adverse **economic** conditions.

A blighted area may also contain the conditions described above and, in addition, be characterized by inadequate public improvements, parking facilities or utilities.

**Reflecting new legislative changes per SB 1206*

18

Physical Blight

- Unsafe or unhealthy buildings
- Factors hindering economic viability
- Adjacent or nearby incompatible uses
- Irregular lots in multiple ownership

19

Economic Blight

- Depreciated or stagnant property values
- Impaired values due to hazardous waste
- Abnormally poor business conditions
- Serious lack of commercial facilities
- Serious residential overcrowding
- Problem/adult businesses
- High crime rates

20

Physical Blight

- Unsafe or unhealthy buildings
 - Serious building code violations
 - Serious dilapidation and deterioration caused by long-term neglect
 - Construction vulnerable to seismic or geological hazards
 - Faulty or inadequate water or sewer utilities
- Factors hindering economic viability
 - Substandard, defective or obsolete design or construction of buildings given present land use regulation or development standards

21

Physical Blight

- Adjacent or nearby incompatible uses
 - Uses that prevent the development of adjacent uses
- Irregular lots of multiple ownership
 - Irregular shape and inadequate size, given present land use regulation and market conditions
 - Multiple ownership
 - Impaired physical development

22

Economic Blight

- Depreciated or stagnant property values
- Impaired property values due to hazardous waste
- Poor business conditions
 - Abnormally low lease rates
 - Abnormally high business vacancies
 - Abnormally high numbers of abandoned buildings

23

Economic Blight

- Serious lack of commercial facilities
 - Grocery stores, drug stores, banks and other lending institutions
- Serious residential overcrowding
- Problem businesses such as bars, liquor stores, or adult businesses, that result in significant public health, safety or welfare problems
- High crime rate that is a serious threat to public safety and welfare

24

Pros and Cons of New Plan vs. Amendment

- Same basic process
- New area and added area have same time and fiscal limits whatever form used
- Amendment allows Agency to amend existing plan simultaneously
- Amendment allows Agency to flexibly spend funds in either area

25

Amendment Process

- Basic Steps
- Technical Documents

26

Ten Basic Steps in Amendment Process

1. City Council amends the survey area
2. After survey area is amended, the Planning Commission approves amended project area. Planning Commission also adopts the Preliminary Plan for new area
3. Agency prepares SB 1206 Reports

27

Survey Area and Project Area Requirements

- Amended survey area must include the existing project area and new territory
- Project area must be coterminous with or smaller than the survey area
- Project area can be reduced in size prior to amendment of the Redevelopment Plan, but cannot be enlarged without amending the survey area

28

Ten Basic Steps (cont'd)

4. The Preliminary Plan is then accepted by the Agency Board and the amended project area boundary is transmitted to the SBE, County Auditor and Assessor, and all taxing entities which receive property taxes from the project area.
5. County Auditor prepares required fiscal report, including TI projections.

29

Ten Basic Steps (cont'd)

6. Agency/consultants prepare technical documents required by State law, i.e. the Preliminary Report, Draft Amended Redevelopment Plan and Draft EIR. Agency then circulates these documents to appropriate parties.
7. Agency consults with affected taxing entities and the community. Planning Commission holds Draft EIR hearing.

30

Ten Basic Steps (cont'd)

8. The Agency/consultants prepare the Report on the Plan, Amended Implementation Plan, Amended Redevelopment Plan and Final EIR
9. The City Council/Agency call for a public hearing on the proposed Amended Redevelopment Plan
10. The EIR is certified and the Redevelopment Plan is amended (90 Day Challenge Period)

31

Technical Documents

- Preliminary Plan
- Preliminary Report
- Environmental Impact Report
- Amended Redevelopment Plan
- Amended Implementation Plan
- Report on the Plan (Report to Council)

32