

**SPECIAL MEETING OF THE COSTA MESA
REDEVELOPMENT AGENCY**

March 25, 2011

The Costa Mesa Redevelopment Agency met in a Special Meeting held on Friday, March 25, 2011, in the Council Chambers of City Hall, 77 Fair Drive, Costa Mesa. Agency Chair Righeimer called the meeting to order at 4:00 p.m.

I. PLEDGE OF ALLEGIANCE – led by Agency Vice Chair Stephen Mensinger

II. ROLL CALL

Members Present: Agency Chair Jim Righeimer
Agency Vice-Chair Stephen Mensinger
Agency Member Wendy Leece
Agency Member Gary Monahan (arrived at 4:11 p.m.)

Members Absent: Agency Member Eric Bever

Officials Present: Executive Director Kimberly Brandt
Agency Attorney Tom Duarte
Neighborhood Improvement Manager Muriel Ullman
Budget & Research Officer Bobby Young
Special Agency Counsel Celeste Brady
Kathe Head, Economic Consultant
Recording Secretary Christine Cordon

III. CLERK'S STATEMENT

The Redevelopment Agency Agenda for the Special Meeting was posted 24 hours in advance at the City Council Chambers, Adams Postal Office, Headquarters Police Department, the Neighborhood Community Center and the Mesa Verde Public Library on Thursday, March 24, 2011.

IV. PUBLIC COMMENTS

Pamela Goldman, Costa Mesa resident, encouraged the Agency to do the right thing and pay back the Redevelopment Agency stance.

Robin Leffler, Costa Mesa resident, said the loan to the City was money the Governor could not sieze. She encouraged the Agency to pay back the loan via a secured note and stated the City should support taking the Redevelopment Agency money to pay down the deficit, retain Costa Mesa employees, and work on maintaining the quality of life in Costa Mesa. She expressed concern because she liked researching matters and felt the public and the Agency were not given the chance to be fully informed. She respected Bill Lobdell but wanted to speak to staff familiar with the Redevelopment Agency. She praised Hilda Veturis for information she has provided to her in the past and complimented the City on its customer service.

Sandra Genis, Costa Mesa resident, stated it would be advantageous for the City to take the 8% interest into consideration given the current market rate. She requested the current budget status based on recent sales tax and revenue data for the last quarter of 2010 and the available liquidity within the Redevelopment Agency that could be utilized. She urged the City to use the fund money to maintain good in-house staff and not spend it on no-bid contracts.

Agency Righeimer closed the public comment session.

V. AGENCY MEMBERS' COMMENTS AND SUGGESTIONS

Agency Chair Righeimer announced that Agency Members had been called to the emergency Special Redevelopment Agency meeting because a decision had to be made regarding available options for the Redevelopment Agency loan to the City.

VI. OLD BUSINESS

1. Status of Redevelopment Agency Loan from City of Costa Mesa

Budget & Research Officer Bobby Young presented the staff report and power point presentation.

Special Agency Counsel Celeste Brady talked about draft Senate Bill 77 and advised that “enforceable obligation” did not include any agreements, contracts or arrangements between the City that created the Redevelopment Agency and the former Redevelopment Agency. If Senate Bill 77 passed, was adopted and the litigation was not successful, all arrangements including the Cooperation Agreement the Agency approved on March 8, 2011, as well as everything between the City and the Agency since 1973 would be null and voided, including the Redevelopment Agency loan. Despite many ambiguities and internally inconsistent provisions within draft Senate Bill 77, staff recognized the importance of presenting it to the Agency.

Agency Member Leece requested an explanation of the property tax increment process. Ms. Kathe Head, Keyser-Marston Managing Principal gave a detailed explanation of the property tax increment process.

A lengthy discussion between Ms. Head, Member Leece and Ms. Brady ensued regarding the fundamentals of Redevelopment (elimination of blight), the Governor’s proposal affecting education, statutory pass through payments, the Oversight Committee and the proposed legislation with regards to enforceable obligation.

Agency Member Leece asked when tax increment funds were received and if Senate Bill 77 did not pass when the Agency would receive the next tax increment payment. Mr. Young said the County dispersed tax increment funds to the Agency after property taxes were paid and the Agency would receive the next tax increment payment in late April or early May. If an urgency ordinance froze Redevelopment Agencies, the likelihood of receiving the second tax increment payment would vanish, decreasing the \$1.6 million to \$1.3 or \$1.4 million. Member Leece asked what the projected amount for the second tax increment was. Mr. Young said the projected amount would be about \$1.7 or \$1.8 million minus debt service payments and administration costs.

Chair Righeimer inquired about the 20% Harper’s Pointe Senior Project and asked if the project was from the 20% set-aside. Ms. Brady provided an explanation and breakdown regarding the 20% set-aside. She added that if the proposed legislation passed, this contract would be impacted because it was an enforceable obligation with a third party.

Chair Righeimer asked if the 20% set-aside was money the Agency owed or had been spending on other projects and if the Agency had any other liabilities to pay the 20% to other projects. Mr. Young stated the 20% set-aside money did have obligations and under current California Redevelopment Law, the 20% set-aside could not be transferred back to repay the Redevelopment Agency’s General Fund. Staff was not concerned because they knew the 20% set-aside money had to be spent on housing and could not be moved.

Chair Righeimer asked if the 20% was money the Agency would continue to receive or not. Ms. Brady explained the Agency would not receive additional money; however, if the proposed bill passed, the Successor Agency (Costa Mesa City Council if they accepted the responsibility), could retain the existing fund balance in the Housing Fund and spend it on programs/projects as if Redevelopment Law still existed. The Successor Agency would continue to do affordable housing projects with the remaining fund balance but the Successor Agency would not receive additional new tax increment.

Chair Righeimer asked if the Agency had 20% liabilities. Ms. Ullman reported the 20% liabilities were 1901 Newport, Harper’s Pointe and a small amount for the NSP Program. Chair Righeimer asked if the Agency had money set-aside for the projects. Ms. Ullman said yes.

Agency Member Leece asked for the amount of interest the City received from the Redevelopment loan. Mr. Young reported the City received approximately \$800,000

in interest that fluctuated annually.

Agency Member Leece inquired about the non-contractually obligated projects (i.e. Lions Ball Field lighting) and requested an update for each. Mr. Young suggested it would be prudent, if given direction, for staff to return to the City Council with details regarding the status of each project. If the money was transferred to the City's General Fund, Agency action would not be required and the City Council could determine what to do with the money.

Agency Member Leece asked if the projects could be frozen and how soon the Council could be updated. Executive Director Kimberly Brandt said staff could return on April 19th with an update for Council. Ms. Brady mentioned a process in the Redevelopment Law that based upon certain findings, allowed the Redevelopment Agency to pay for all or part of the cost of the land for the installation of construction of public improvements if third party contracts did not exist. Non-contractually obligated projects were capital improvements adopted by the Agency through the budget and resolutions that made "findings of benefit" and authorized the Agency to commit tax increment to the projects. If any of the capital improvement projects were already the subject of a Public Works contract, the Agency would have to comply with those contracts. Ms. Brady gave a detailed explanation of administration caps under proposed Senate Bill 77.

Agency Member Leece asked if after the City Council was updated on the non-contractual projects and no third party contracts existed, could the City Council put a hold on the projects and use the money for the General Fund. Ms. Brady stated it was possible and with the exception of the Harper's Pointe project, which was contractually obligated, it would be within the discretion of the City Council.

Agency Member Leece asked if the projects could be put on hold so nothing could transpire in the next 30 days. Ms. Brandt reported that because the money was not contractually obligated, the Agency could not do anything further and obligating the money would require action from both the Agency and the City Council. Staff would return to the April 19th Council meeting for further discussion as it related to the non-contractually projects that were all in different stages of implementation.

Agency Member Leece asked if \$1.6 million was the Agency's cash liquidity. Ms. Brandt said that was correct.

Agency Member Monahan did not think the Agency was in an emergency situation. He suggested that instead of taking a stand for or against Senate Bill 77, the Agency keep an eye on it and have staff bring the item back to the Agency if something new happened.

MOTION: Receive and file item regarding the Status of the Redevelopment Agency from the City. Moved by Agency Member Gary Monahan, seconded by Agency Chair Vice Chair Stephen Mensinger.

Agency Member Leece believed the money should be moved to the City's General Fund and each project reviewed. It would be prudent to not risk losing the money; therefore, she would not be supporting the motion.

The motion failed by the following roll call vote:

Ayes: Agency Member Gary Monahan; Agency Vice Chair Stephen Mensinger

Noes: Agency Chair Jim Righeimer, Agency Member Wendy Leece

Absent: Agency Member Eric Bever

City Attorney Duarte advised Agency Chair Righeimer to ask for another motion or further deliberation.

Agency Chair Righeimer asked if there was another motion or further deliberation from Agency Members.

MOTION: Direct Staff to use available funds to repay a portion of the

outstanding balance of the Costa Mesa Redevelopment Agency's loan from the City of Costa Mesa. Moved by Agency Member Wendy Leece.

Motion died for lack of a second.

VII. NEW BUSINESS - None

VIII. REPORTS

1. Agency Attorney
2. Executive Director

IX. ADJOURN

Agency Chair Righeimer adjourned the Special Redevelopment Meeting at 4:46 p.m.