



CITY OF COSTA MESA

CALIFORNIA 92628-1200

P.O. BOX 1200

FROM THE OFFICE OF THE MAYOR

August 23, 2012

Honorable Thomas J. Borris
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA. 92701

Re: *Study of Selected Orange County Redevelopment Agencies; Response of the Successor Agency to the Costa Mesa Redevelopment Agency and City of Costa Mesa*

Honorable Judge Thomas J. Borris:

Attached is the *Successor Agency to the Costa Mesa Redevelopment Agency's* ("Successor Agency") and the City of Costa Mesa's ("City") response to the findings and recommendations of the 2011-2012 Orange County Grand Jury related to Grand Jury Report, "***The Dissolution of Redevelopment; Where Have We Been? What Lies Ahead?***" Should you have any questions, please contact Management Analyst Hilda Veturis at (714) 754-5608 hveturis@costamesaca.gov.

Sincerely,

Eric R. Bever
Mayor

Attachment: Response to 2011-2012 Grand Jury Report

c: Roy B. Baker III, Foreman
Orange County Grand Jury
700 Civic Center Drive West
Santa Ana, CA. 92701

RESPONSE TO GRAND JURY FINDINGS AND RECOMMENDATIONS

Pursuant to 2011-2012 Grand Jury Report - *“The Dissolution of Redevelopment; Where Have We Been? What Lies Ahead?”*

The Grand Jury Report identified the City of Costa Mesa in three of the ten findings with **Finding 2** acknowledging that the City of Costa Mesa and the City of Santa Ana had reported having a citizen involvement committee, which the other cities did not have. Subsequently, the City of Costa Mesa actually only had two findings. However, we will respond to each of the three findings stated in the report.

F1. As of the date of dissolution of redevelopment (February 1, 2012), all city operated redevelopment agencies, except Mission Viejo and Seal Beach, were exceeding the administrative costs limit of 5% of the tax increment distributed related to the Recognized Obligations Payment Schedule (ROPS) as authorized by AB X1 26.

Response – *The City and Successor Agency acknowledge the finding. However, it is noted that until dissolution the CRL did not limit administrative costs by percentage of tax increment or a specific monetary amount. Under the CRL, prior to dissolution, expenditures for planning and general administrative costs paid from the Low to Moderate Income Housing Fund were limited to those directly related to affordable housing programs and activities pursuant to Section 33334.3(e)(1), but were not limited to a specific percentage or dollar amount.*

F2. Of the agencies surveyed, only Costa Mesa and Santa Ana reported having a citizen involvement committee along the line of a Project Area Committee as authorized by Section 33385 of the Health and Safety Code.

Response – *The City and Successor Agency agree with F2 as Costa Mesa has had, and continues to have, a citizen involvement committee called the Redevelopment and Residential Rehabilitation (3R) Committee that includes stake-holders as authorized by Section 33385 of the Health and Safety Code. In the appointment of the 3R members, special emphasis has been placed to ensure equitable representation by business owners-managers and residents within the (former) Costa Mesa Redevelopment Agency Downtown Project Area. The 3R committee was formed in 1989 and is composed of ten members and two alternates.*

The following provides specifics about Costa Mesa’s 3R Committee:

COMMITTEE: **Redevelopment & Residential Rehabilitation Committee
(3R Committee)**

REPRESENTATION: Ten members and two alternates; one or more liaison(s) from the City Council-Redevelopment Agency; one liaison from the Planning Commission. Due to attrition the 3R Committee makeup was changed on October 2011 to nine

members and 2 alternates. In appointment of the members, special emphasis is to be placed to ensure equitable representation by business owners-managers and residents within the [now former] Downtown Project Area.

- PURPOSE:**
1. To promote community understanding of and involvement in the redevelopment process and activities funded by the U.S. Department of Housing and Urban Development (HUD), Community Development Block Grant (CDBG) and/or HOME Investment Partnership Act (HOME) funds.
 2. To review the existing [now former] Redevelopment Plan for the Downtown Redevelopment Area and to suggest possible modifications to increase relevance and effectiveness.
 3. To serve as an advisory body to the [now dissolved] Costa Mesa Redevelopment Agency with respect to major new redevelopment activities.
 4. To serve as an advisory body to the City Council on activities funded by HUD, Community Development Block Grant (CDBG) and-or HOME Investment Partnership Act (HOME) funds, in fulfillment of the City's Citizen Participation Plan.

TERMS: All members' terms are two (2) years; six (6) members are assigned to odd numbered years and five (5) members are assigned to even-numbered years. Alternates who are moved to an incumbent's term will fulfill that term and then may re-apply as a full member.

Scheduled Meetings: Fourth Tuesday of every other month at 6:00 p.m.

F3. Historically, external oversight over redevelopment has been missing or ineffective in monitoring redevelopment agency compliance and performance. The newly formed oversight boards offer a potential to improve on that record by providing critical evaluation of existing projects and management of the successor agency debt.

Response – The City of Costa Mesa disagrees with F3 that external oversight over redevelopment has been missing as there have been several groups that have provided continuous oversight to redevelopment outside the Redevelopment Agency including the 3R Committee, the Planning Commission, and the City Council. They have been very careful in reviewing all projects and programs presented to them and for the most part preferred to see projects completed through the private sector with little or no involvement from redevelopment.

Below are the City of Costa Mesa's responses to Recommendations R1, R2, R4 and R5, which recommendations were identified for all cities with former Redevelopment Agencies in Orange County.

R1. All successor agencies should review administrative costs to ensure compliance with the limit of five percent of the tax-increment or less as required by AB X1 26 and develop a plan to reduce these costs to three percent of the tax increment received or less in 2012-2013. If these percentages fall below \$250,000, the agencies are allowed to claim the higher amount. (See F1)

Response – The recommendation has been implemented by the Successor Agency to the Costa Mesa Redevelopment Agency pursuant to the Dissolution Act, in particular through each Recognized Obligation Payment Schedule (ROPS), which includes the required preparation of an Administrative Budget for each six-month fiscal period following dissolution as set forth in F1. Below is a summary of the actions taken to date by the Successor Agency and the Oversight Board relative to the Administrative Budgets within the appropriate percentage/amount since February 1, 2012, when all redevelopment agencies were dissolved pursuant to ABX1 26.

Entity	Meeting Date	Resolution No.	Period	Admin. Budget Amount	Approval Pursuant to H&S Code Sec 34177 (j) of the Dissolution Act
Successor Agency	2/21/12	12-12	2/1/12-6/30/12		1 st ROPS
Oversight Board	Oversight Board formed 4/19/12	NA	NA	NA	NA
Successor Agency	4/10/12	12-23 <hr/> 12-24	Amended 1 st ROPS: 2/1/12-6/30/12 2 nd ROPS: 7/1/12-12/31/12 <hr/> 2/1/12-6/30/12 7/1/12-12/31/12	 <hr/> \$250,000 <hr/> \$125,000	EOPS, Amended 1 st ROPS & 2 nd ROPS <hr/> Successor Agency Administrative Budget: 2/1/12-6/30/12 7/1/12-12/31/12 And Reimbursement Agreement
Oversight Board	4/19/12	2012-02 <hr/> 2012-03	Amended 1 st ROPS: 2/1/12-6/30/12 2 nd ROPS: 7/1/12-12/31/12 <hr/> 2/1/12-6/30/12 7/1/12-12/31/12	\$250,000 <hr/> \$125,000 <hr/> \$125,000	EOPS, Amended 1 st ROPS & 2 nd ROPS <hr/> Successor Agency Administrative Budget: 2/1/12-6/30/12 7/1/12-12/31/12

					And Reimbursement Agreement
Successor Agency	8/21/12	12-58 <hr/> 12-59	1/1/13-6/30/13	\$125,000	Successor Agency Administrative Budget <hr/> 3 rd ROPS
Oversight Board	8/23/12	2012-07 <hr/> 2012-08	1/1/13-6/30/13	\$125,000	Successor Agency Administrative Budget <hr/> 3 rd ROPS

(Successor Agency and Oversight Board meetings will continue as mandated by the Dissolution Act until 2016 when consolidation of Oversight Boards will occur.)

R2. Successor agencies and oversight boards should review the Recognized Obligations Payment Schedule with a view toward limiting the range of projects and obligations thereby retiring the enforceable obligation debt as quickly as possible. (See F3)

Response – *The recommendation has been implemented, as noted by the actions taken by the Successor Agency and the Oversight Board in the chart above.*

R4. Successor agencies and oversight boards should critically review the Recognized Obligations Payment Schedule (ROPS) to evaluate the need for debt owed to the city. (See F8)

Response - *The recommendation has been implemented. The Successor Agency and the Oversight Board have evaluated what the former Costa Mesa Redevelopment Agency owes to the City of Costa Mesa, which loan was initially established within two years of creation of the Agency with the proceeds intended and expended for the Agency's start-up costs and establishing and implementing the Downtown Project Area. Pursuant to Section 34171(d)(2), such loan is an enforceable obligation and is listed, and will continue to be listed, on ROPS and the loan will be repaid with monies allocated to the Successor Agency from the Redevelopment Property Tax Trust Fund.*

R5. Successor agencies and oversight boards should critically review the Recognized Obligations Payment Schedule (ROPS) to evaluate the need for incentive payments to commercial entities. (See F9)

Response – *The recommendation is not applicable to the Successor Agency and thus will not be implemented. There are no outstanding enforceable obligations that require monies to be paid to commercial entities, so none are listed on the ROPS. However, there are outstanding covenant agreements listed on the ROPS that include maintenance, management and/or use covenants that will require monitoring for compliance and enforcement during the remaining term of such covenants.*