



CITY OF GARDEN GROVE

(714) 741-5104

August 28, 2012

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

William J. Dalton
Mayor
Dina Nguyen
Mayor Pro Tem
Bruce A. Broadwater
Council Member
Steven R. Jones
Council Member
Kris Beard
Council Member

RE: City of Garden Grove's Response to Orange County Grand Jury Report, "*The Dissolution of Redevelopment: Where Have We Been? What Lies Ahead?*"

Dear Judge Borris:

We have reviewed the Orange County Grand Jury Report, "*The Dissolution of Redevelopment: Where Have We Been? What Lies Ahead?*". After studying the report findings and recommendations, we are providing our responses to Findings F1, F2, F3 and F10, and Recommendations R1, R2, R4, R5, and R6, as requested by the Grand Jury.

Response to Findings

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 ROPS as authorized by ABX1 26.*

The City agrees with this finding based on the information provided in the Grand Jury Report.

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.*

The City agrees with this finding based on the information provided in the Grand Jury Report. However, while there was not a requirement for agencies to have citizen involvement committees, the City of Garden Grove did form and maintain Project Area Committees in 1992, 1998 and 2002 when it was processing amendments to its redevelopment project area. These committees remained in place for several years.

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.*

The City disagrees partially with this finding. External oversight mechanisms have been effective in monitoring compliance and performance of the Garden Grove Agency for Community Development (Agency). Redevelopment agency business was routinely conducted through open meetings and public hearing processes, and through publicly noticed neighborhood meetings to ensure opportunities for public input. Reports related to each of the Agency's redevelopment projects have always been made available for public review in the City Clerk's office, in the lobby of City Hall, and on the City's website. Additionally, redevelopment activities have been subject to annual review and audits and local news media have consistently provided broad coverage of Agency projects. Nevertheless, the City agrees the newly formed oversight boards offer a potential for continued evaluation of existing projects and management of the successor agency debt.

F10: *The City of Garden Grove failed to adequately address citizen concerns in the pursuit of development of the parking area on Grove Street, west of historic Main Street.*

The City disagrees wholly with this finding.

Early in the process, the City introduced the concept of housing to the owners and businesses on Main Street. There appeared to be much support for the housing concept until the Agency selected a developer not supported by certain Main Street owners and businesses. Even so, the selected developer held two neighborhood meetings with the owners and businesses, and the Main Street Commission was presented the proposed development on multiple occasions. The matter then went before the Planning Commission and finally to the Redevelopment Agency and City Council. There were many opportunities for public input and discussion regarding this project.

Relative to the proposed housing project and the loss of parking spaces for Main Street businesses, various parking studies determined that no more than 50% of the existing spaces were needed for Main Street at peak times. The housing project would have provided as much as 120 spaces for businesses on Main Street. So, although there was a reduction of 40 parking spaces, there were still as many as 40 spaces more than was needed based on existing peak demand. It was never the intent of the City, or the developer, to negatively impact the businesses on Main

Street. In fact, it was the proposed addition of 100 housing units that the City was hoping would increase the number of patrons to Main Street.

Response to Recommendations

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 ABX1 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).*

The recommendation has been implemented. ROPS I, II, and III, which were approved by the Successor Agency and Oversight Board contain administrative costs that comply with ABX1 26.

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

The recommendation has been implemented. The Successor Agency and Oversight Board have adopted ROPS I, II, and III. The project lists contained in these ROPS have been reduced to exclude projects that were not deemed to be enforceable obligations.

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).*

The recommendation has been implemented. In compliance with ABX1 26, ROPS I, II, and III do not contain any repayment of debt owed to the City.

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).*

The recommendation has been implemented. The Successor Agency and Oversight Board have adopted ROPS I, II, and III. The project lists contained in these ROPS have been reduced to exclude projects that were not deemed to be enforceable obligations.

R6: *The City of Garden Grove should resume negotiations with the Downtown Business Association to come to an agreement on the scope of the Grove Street condominium Project including the availability of a suitable number of convenient public parking spaces to meet the needs of the downtown merchants. (See F10).*

The City of Garden Grove will not implement this recommendation because it is not warranted or is not reasonable. This previously approved project was not deemed an enforceable obligation. Therefore, the previous project will not proceed.

Sincerely,



WILLIAM J. DALTON
Mayor



MATTHEW J. FERTAL
City Manager