



# CITY OF ORANGE

OFFICE OF MAYOR

PHONE: (714) 744-2201 • FAX: (714) 744-5147

[www.cityoforange.org](http://www.cityoforange.org)

September 18, 2012

The Honorable Thomas J. Borris  
Presiding Judge of the Supreme Court  
700 Civic Center Drive West  
Santa Ana, California 92707

**RE: City of Orange Response to the 2011/2012 Orange County Grand Jury Report:  
“The Dissolution of Redevelopment in Orange County”**

Dear Judge Borris:

Thank you for the opportunity to comment on the Orange County Grand Jury’s Report “The Dissolution of Redevelopment in Orange County”. The following represents the City of Orange’s response to the findings and recommendations contained in the above-referenced 2011/2012 Orange County Grand Jury’s Report. I would like to first provide information that clarifies two figures presented in the report:

1. The Total Indebtedness chart (Figure 2, listed on page 9) shows Orange Redevelopment Agency (“ORA”) as having \$583,354,410 in Total Indebtedness. It should be noted that this amount includes \$159,670,520 in estimated pass-through payments over the life of the project area to entities such as Orange Unified School District (\$119,320,284) and Rancho Santiago Community College District (\$17,705,129).
2. The Housing Set-Aside chart (Figure 8, listed on page 15) shows ORA as setting aside less than the State required 20% of Low and Moderate Income Housing Fund for affordable housing. The ORA complies with State law by setting aside 20% of its gross tax increment for affordable housing. In 2010, the ORA received \$30,543,383 in gross tax increment, and set aside \$6,108,677, or 20% into its Low and Moderate Income Housing Fund. There appears to be an error in the chart that calculated the ORA set-aside amount of 20% of total revenue (\$32,850,727 in 2010) instead of gross tax increment. Therefore, a correction to Figure 8 is requested.

The City of Orange was asked to respond to Findings F.1, F.2 and F.3; and Recommendations R.1, R.2, R.4 and R.5.

**FINDING F.1**

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 Obligation Payment Schedule (ROPS) as authorized by ABX1 26.

**RESPONSE TO FINDING F.1**

The City of Orange disagrees with this finding as it relates to the ORA. The Successor Agency to the Orange Redevelopment Agency (“Successor Agency”) has reduced its administrative costs as part of the redevelopment agency wind down process to be in compliance with Assembly Bill X1 26 and Assembly Bill 1484.

**FINDING F.2**

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 TO FINDING F.2**

The City of Orange agrees with this finding as the ORA did not have a formal citizen involvement committee. However; the citizens of the City of Orange have a proud tradition of civic involvement. The ORA endeavored to seek public comment on projects and activities through public notices, workshops, and meetings with individual residents and neighborhood groups. It should also be noted that the purpose of the Health and Safety Code section 33385 provides for the formation of a Project Area Committee if a substantial number of low-income persons or moderate income persons would be affected or displaced as a result of the adoption of a redevelopment plan. As displacement of low-income persons or moderate income persons did not occur, a Project Area Committee was not required.

**FINDING F.3**

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 TO FINDING F.3**

The City of Orange disagrees with this finding as it relates to the ORA. The experience of the City of Orange is that citizen involvement and oversight by the Board of Directors of the Orange Redevelopment Agency provided critical monitoring of ORA compliance and performance. Annually, a comprehensive reporting of the ORA activities and finances are provided to the State of California including: a Statement of Indebtedness; the ORA’s Annual Report, Comprehensive Annual Financial Report; and, a certified audit report. The responsibilities of the new Oversight Board continue to evolve as new legislation in the form of Assembly Bill 1484 appears to diminish Oversight Board

authority while providing greater power to the State Department of Finance and State Controller's Office to override decisions of the Oversight Board.

**RECOMMENDATION R.1**

All successor agencies and oversight boards should review the 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.

**RESPONSE TO RECOMMENDATION R.1**

The Successor Agency has reduced administrative costs, and will keep those expenditures within the statutory limits of Assembly Bill X1 26 and Assembly Bill 1484.

**RECOMMENDATION R.2**

Successor agencies and oversight boards should review the ROPS with a view toward limiting the range of projects and obligations thereby retiring the enforceable obligation debt as quickly as possible.

**RESPONSE TO RECOMMENDATION R.2**

The Successor Agency continues to review each enforceable obligation and only funding those that have a legally enforceable contract, as well as those bond-funded infrastructure projects that were identified in the original bond documents, as part of the preparation and approval of the ROPS documents. This process is further defined in Assembly Bill X1 26 and Assembly Bill 1484.

**RECOMMENDATION R.4**

Successor agencies and oversight boards should critically review the ROPS to evaluate the need for debt owed to the city.

**RESPONSE TO RECOMMENDATION R.4**

The Successor Agency critically reviews all debt obligations owed to the City of Orange. In our case, the majority of debt owed is to reimburse the City for capital infrastructure projects that it completed for the former redevelopment agency. These projects listed as enforceable obligations have been approved by the State Department of Finance.

**RECOMMENDATION R.5**

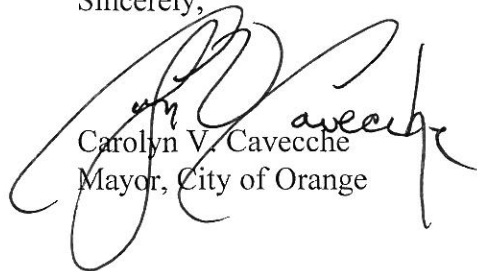
Successor agencies and oversight boards should critically review the ROPS to evaluate the need for incentive payments to commercial entities.

**RESPONSE TO RECOMMENDATION R.5**

The Successor Agency continues to review enforceable obligations payments to commercial entities to ensure that all of them are required by legally enforceable obligations.

Thank you for the opportunity to comment on the findings and recommendations of the Orange County Grand Jury's Report. Should you have any questions or need clarification regarding the responses, please do not hesitate to contact City Manager John Sibley at (714) 744-2222.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carolyn V. Cavecche', written over the printed name.

Carolyn V. Cavecche  
Mayor, City of Orange

cc: City Council  
City Manager