

rec'd 6/30/98

# county of ventura

Grand Jury  
800 South Victoria Avenue  
Ventura, CA 93009  
(805) 654-2873

cc: Tony Boden  
7/2/98 hf

## CONFIDENTIAL

June 29, 1998

To: City Council  
City Manager  
City of Camarillo

Attached is a copy of our Final Supplemental Report entitled *County of Ventura Redevelopment Study*.

Penal Code Section 933.05(e) mandates that we provide respondents with a copy of the report prior to public release on July 1, 1998.

In accordance with Penal Code Sections 933 and 933.05, a response to the findings and recommendations is required. Such response should be made to the **Presiding Judge of the Superior Court** no later than ninety days from your receipt of this document, with a copy to the **Foreman of the Ventura County Grand Jury**.

Until this report is released to the public, **it must be treated as confidential** by you and members of your staff. Thank you for your cooperation.

Very truly yours,

Dr. Donald Thibeault, Foreman  
1997-'98 Ventura County Grand Jury

1997 - 98 GRAND JURY  
**county of ventura**

**PLEASE FAX A COPY OF  
THE SIGNED COVER  
LETTER.**



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Acknowledgment Signature

\_\_\_\_\_  
Date

## COUNTY OF VENTURA REDEVELOPMENT STUDY

### PURPOSE

Based on a widespread belief that redevelopment is poorly understood by the general population of Ventura County, it was determined that a Grand Jury study would be beneficial to all county citizens, especially those who live in cities where redevelopment has been widely implemented. Recent media attention to the establishment of Redevelopment Districts in various cities helped to determine the area of this study, which will focus on the Cities of Oxnard, San Buenaventura and Santa Paula.

### BACKGROUND

The California Redevelopment Act (CRA), adopted in 1945, was underutilized until the passage of Proposition 13 (Prop. 13) in 1978. With the reduction in property taxes caused by Prop. 13, cities had to find other methods of funding local projects. Use of CRA throughout California escalated from 46 established agencies in 1965 to 366 agencies and 658 project areas by 1990.

Since much city revenue is garnered from sales taxes, there is strong motivation for cities to improve areas within boundaried districts to attract new businesses, thereby increasing the general fund tax base. In order to initiate redevelopment, often called a Community Redevelopment Agency (CRA), a city will first form a Redevelopment Agency, (RDA), then designate project areas (PA) and specify needs based on economic depression, blight, substandard buildings or the presence of hazardous waste. A Project Area Committee (PAC), composed of elected residents within the CRA will be formed. In general, City Council members become the Board of Directors for the CRA. Tax rolls are used to compile a financial projection for the PA. An environmental impact report must be prepared and public hearings are required to notify affected citizens. Once feasibility of a PA is determined, the city must set specific goals, establish an annual budget, a work program and an evaluation of the entire project. The final step in creating a PA is the adoption by the City Council of an ordinance approving the redevelopment plan. All projections must meet the Health and Safety Code, as outlined in Sections 33000 through 34112. Other agencies such as the California Debt Advisory Commission and the State Board of Equalization must approve the city's PA plans.

Once the PA has been approved, the State property tax is frozen at the amount of its levy during the fiscal year of its establishment. Since tax levies increase at the rate of one percent per annum for unsold properties and adjusted increases for properties which change hands during the year, cities can rely on those augmentations to be directed into their CRA. Depending on the city's projections of funds which will become available, based on population and real estate values, the CRA may then issue bonds to begin its project. Bonds are repaid from tax increments redirected from schools, County and special districts providing services in the PA.

### INQUIRY

The Grand Jury reviewed the Health and Safety Code, Section 3300 and following, plus Assembly Bill 1290, (AB1290) which amended the original Community Redevelopment Act.

Input was invited by Ventura County's representative of the Chief Administrator's Office who is an expert in redevelopment. From that interview, we were provided access to an INTRODUCTION TO REDEVELOPMENT, compiled by the California Redevelopment Association.

The Grand Jury also referenced REDEVELOPMENT IN CALIFORNIA, the 1995 Second Edition, by David F. Beatty et al.

The Los Angeles County's 1993-94 Grand Jury had authored a final report on community redevelopment agencies, which became a resource for this study.

Visits were made to the City of Oxnard's Community Development and Special Projects Director, the Acting Redevelopment Services Manager of that city, the City of Santa Paula's Economic Development Director and the City of San Buenaventura's Economic Development Director and Deputy City Manager. Each city provided documents, maps and reports of its own redevelopment projects.

### FINDINGS

In general, an established redevelopment district has a life span of 45 years. It may be extended with the addition of other adjoining areas which might need redevelopment in the course of that 45 year period.

Each CRA must evaluate the need for low income housing within its project boundaries. AB1290, the amendment to the California Health and Safety Code which addresses redevelopment, requires that 20% of all available funds for the CRA must be devoted to low and moderate income housing. In cities where there is ample low and moderate income housing to meet the requirements of the statute, those monies may be set aside for housing improvements. Property owners may be provided with matching funds from the set-aside to upgrade their residences or rental properties. The term matching funds means that 50% of an owner's refurbishment costs are granted or loaned through the CRA.

Before AB 1290 was enacted into law, counties could make Tax Pass-Through agreements with cities which had established CRAs to set aside some of the cities' available funds for projected increases in county services, such as fire and police protection. Some of those agreements are still in place in the County of Ventura, but new PAs amended areas are subject to AB 1290's rules, which may cause a shortfall at the County level.

Once a district has been set in motion by City Planning Commission and City Council resolution, the CRA, through its bond counsel, is free to offer bond sales from a variety of sources, based on tax increment funds which are available in the redevelopment boundaries. Properties within the redevelopment district must show an assessed value which is significantly higher than the face value of the bond issue. Bond shares are then discounted to the purchaser. Sales are based on projected increases of property values within the redevelopment district as area improvements are made. Since it is generally recognized that revitalized areas attract investment in the form of new businesses, increase property values into higher property and sales tax bases and create a thriving community, bond investors are not difficult to find.

Having met all requirements for the issuance of bond funding, developers are assured of city funding from the bond issues for such projects as increased parking for shopping centers, road improvements to assure adequate traffic flow in newly developed areas, assistance with relocation of existing homes and/or businesses to accommodate projected architectural changes within redevelopment boundaries.

A major factor in establishing a redevelopment project is the city's ability to declare an area under consideration to be blighted. AB1290 defines blight as *any area characterized by properties that suffer from economic dislocation, deterioration or disuse...to such an extent that it constitutes a serious physical, social or economic burden on the community that cannot reasonably be expected to be reversed or alleviated by private enterprise acting alone.* Also included in the description of blight are contingencies such as poorly laid out or irregularly shaped lots, inadequate public facilities or open spaces, depreciated

values, impaired investments, social or economic maladjustment and the presence of hazardous waste.

Established in 1903, the City of Oxnard has grown to encompass an area stretching from the Santa Clara River to the ocean, a total of 24.784 square miles. Its redevelopment districts include Ormond Beach, Southwinds, the Central City Revitalization Project, Plaza Park and the Oxnard Redevelopment Project Area. The latter of these districts encompasses the Town Center, the Esplanade, Wagon Wheel, Oxnard Airport with two adjacent shopping centers, nine public schools (K-8) and one private high school, the Community and Civic Centers as well as selected residential areas. The expanse of this redevelopment project can be explained by the fact that many of the buildings within it were built in the mid-1940s through the 1960s. The City is attempting to mitigate the effects of deterioration, obsolete design, irregularly shaped parcels and declining property values with inadequate public improvements. The City of Oxnard projects that improvements will alleviate: unemployment rates of 8% within the project area, as contrasted by 2% citywide; 36% vacancy rates, as opposed to 8.9% citywide; a 2.3% property value increase in contrast to 19.1% citywide.

In 1985-'86, the City of San Buenaventura filed suit against the City of Oxnard's Town Center redevelopment for environmental causes, citing that public access would be hindered because of the need for a widened Ventura Freeway bridge over the Santa Clara River, a main approach to the Town Center. Mediation between the two cities resolved the matter, judging the problem to be temporary, since Caltrans has the widening scheduled for the year 2001. San Buenaventura has been in conflict with Oxnard over the Town Center redevelopment project, taking the position that a portion of the project consists of agricultural land which cannot be designated as blighted. Input from Oxnard staff cited above explained that although the land in question is currently leased for agricultural use, the parcel has been zoned as commercial property for more than eight years.

The City of San Buenaventura's first redevelopment project in 1966 was its Beachfront area. In 1972, its Mission Plaza project was initiated, followed by the Downtown redevelopment in 1978. In 1990 the three were merged, plans were amended and fiscal aspects of the projects were changed to accommodate greater overall acreage. The original merger increased the project area to 155 acres. In 1995, the area encompassed 285 acres; last December the Downtown Project was increased to its present size of 320.5 acres. Included in the area are two shopping centers, an apartment complex, historic building renovation and relocation, street improvements, senior housing and a downtown parking structure. A ten-screen movie theater is due to be completed in November of this year.

The City's Redevelopment Agency is largely funded through a line of credit extended by the City. The line of credit is repaid from future years' tax increments. Since the City's General Fund can support the line of credit, the City and the Agency were free to establish a Cooperation Agreement for repayment. Currently, there are two other project areas under consideration: the Mid-town area and the Westside, but to date, no formal action has been taken.

The City of Santa Paula, with a total incorporated area of 4.6 square miles, has established a Downtown Redevelopment project area of 1,104 acres. The downtown area has the largest concentration in the County of buildings with unreinforced masonry. A majority of these buildings, over 100, were constructed between 1880 and 1925. The city incorporated in 1902. Based on the historical and cultural value of the structures, the City believes that they constitute a core which needs preservation through upgrades. Although there are currently 52 miles of streets, parking access is poor, which impacts downtown area merchants. Traffic flow needs improvement and the City is in economic decline. Poorly maintained buildings and fragmented parcel sizes are interspersed with historical buildings, creating a potpourri of mixed use areas considered detrimental to the ideal of retail consolidation. Comparatively small tax increments trickle into the Redevelopment Agency due to the City's size and low property evaluation. Currently, approximately 70% of Santa Paula housing is low-moderate income; nearly 54% of that total is classified as low income.

Santa Paula's general plan for redevelopment is to refit historical buildings, upgrading to today's construction standards. The City currently has a \$1 million grant from the Economic Development Administration which allows providing matching funds to merchants who agree to refurbish their stores. Federal transportation funds are available for street improvements. To date, the City has added two small parks adjacent to their historical railroad station and plans to develop railroad right-of-way sections into downtown access parking areas. Its vision is to recapture a turn-of-the century flavor for the downtown area which would revitalize downtown for both residents and tourists alike. Design compatible light standards, street signs and decorative intersections are in the planning stages, along with City entrance monuments and signage. The project will proceed a step at a time as funding allows.

## CONCLUSIONS

Properly used, redevelopment is the best tool available to cities at this time. It allows long-term plans to come to fruition as they are needed, without allowing unsatisfactory areas to dominate a municipality. There are many rules and regulations which must be strictly complied with before a city can establish a

Redevelopment District. Drawbacks, however, are evident. Definitions of what constitutes the need for a redevelopment project are decided by those same City Council persons, who then are seated as board members of the CRA and actively control the agency. Under AB 1290, perceptions of blight are still left to the individual cities to determine. It is not in a governing body's best interest to independently make these decisions.

Another drawback is disparate interests between adjoining cities, such as those stated above between the cities of Oxnard and San Buenaventura. The primary reason for upgrades is to attract merchants into areas that are being poorly served. Increased local sales activity brings in more tax revenue, which can improve the general fund. When one city develops a shopping area which might pull residents from another city, the conflict begins.

Thirdly, redevelopment districts pull funds which otherwise would go to the County, schools and special services districts. In essence, redevelopment monies do not constitute a free spending ticket for cities and should be considered cautiously and used prudently.

All three profiled cities appear to have carefully followed the rules and regulations of structured redevelopment. The City of Oxnard has areas which need improvements. It also expects to increase its access to sales tax monies with the development of shopping complexes. The City of San Buenaventura is justified in establishing its redevelopment projects and looks forward to sales tax increases as well. Santa Paula has a long-term vision, founded in need and historical value. Every project in each city has merit which fits the character of its implementor.

## **RECOMMENDATIONS**

In order to avoid conflicts between adjoining cities and the potential for costly litigation, it is believed that elected city officials and/or administrative staff should collectively petition the State Assembly for aid in setting up a State Mediation Board to help settle regional disputes over redevelopment actions.

Loopholes in AB 1290 which define blight need to be tightened. City personnel might lobby for that improvement.

## **RESPONSE**

Cities of Ventura County