

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Matthew Fertal
From: Chet Yoshizaki
Dept: City Manager
Dept: Economic Development
Subject: FY 2008-09 AGENCY BUDGET
ADMINISTRATIVE COSTS
Date: June 24, 2008

OBJECTIVE

The purpose of this report is to request that the City Council consider a resolution for certain Agency-funded administrative appropriations, which will benefit the Garden Grove Agency for Community Development (Agency) and the project area.

BACKGROUND

The proposed Agency Budget for the 2008-09 fiscal year includes administrative appropriations, which will benefit the Agency and the project areas. Such administrative expenditures are allowed with the consent of the City Council, under Chapter 6, Article 2 of the Health and Safety Code. The purpose of this memorandum is to explain these proposed expenditures and how each support Agency activities and the implementation of the redevelopment plans.

ANALYSIS

The funding Codes are as follows:

Fund 002: Agency Project Discretionary Fund

The 002 fund consists of the 80% of tax increment revenue from the Community Project Area that is not restricted to housing activities, as well as other Agency revenues. The monies are used to fund redevelopment projects within the Community Project Area, business retention and attraction efforts, and administration costs for the Agency.

Fund 005: Buena-Clinton Discretionary Funds

The 005 fund consists of the 80% of tax increment revenue from the Buena-Clinton Project Area that is not restricted to housing activities, as well as other Agency revenues. The monies are used to fund redevelopment projects and special enforcement services within the Buena-Clinton Project Area, and administration costs for the Agency.

Fund 007: Housing Set-Aside Fund

The Agency has in place and administers an account commonly referred to in-house for budget purposes as Fund 007, which is the Agency's Housing Set-Aside fund. Section 33334.2 of the California Health and Safety Code requires the Agency to allocate twenty percent (20%) of tax increment revenue for Low and Moderate Income housing purposes.

For fiscal year 2008-09, and since its inception, the Agency has established programs and projects and negotiated toward and entered into agreements with private entities, private persons and other public entities through which affordable housing, both newly constructed housing and rehabilitated housing, duly restricted, as applicable, and located within the Community Project Area or within the City and of benefit to the Project Area has been improved, increased, and/or preserved at an affordable housing costs for persons and families of Low to Moderate Income in conformity with the California Redevelopment Law.

1. Indirect Cost Allocation - \$1,649,500 (Fund 002)

For Agency projects funded by Fund 002, the indirect City administrative support is based on a 7.67 percent indirect overhead rate. This rate totals \$1,649,500 for the 2008-09 fiscal year.

2. Direct Cost Allocation - \$1,851,464 Fund (002)

- a) Agency Director's Office – The Director's Office is responsible for certain administrative functions on behalf of the Agency. Proportionate shares of these salaries are charged against this fund during the 2008-09 fiscal year: \$251,115.
- b) Agency Staff – Agency staff are responsible for developing, planning, analyzing and implementing all aspects of the Redevelopment plan and project area. Proportionate shares of these salaries are charged against this fund: \$1,321,725.
- c) Real Property – Real Property Division staff assist with acquisition, relocation, demolition and conveyance of property within the Project Area: \$116,440.
- d) Agency Director's Office Staff – The Director's Office is responsible for certain administrative functions on behalf of the Agency. A proportionate share of the salaries for the City Manager, who serves as the Agency Director and the clerical staff are included in the fund: \$7,723.

- e) City Council Support – The City Council also serves as the Garden Grove Agency for Community Development. A proportionate share of their salary is charged against this fund during the 2008-09 fiscal year: \$5,518.
- f) Graphics and Reprographics Services of Promotional Materials - The City has, on an ongoing basis, promoted its image and viability as a community. Promotional literature, which enhances the City's image, assists in the Agency's efforts to attract new investments into the Project Areas. The Agency would contribute to marketing efforts by paying a portion of the graphics and reprographics services required: \$3,950.
- g) Public Information – Marketing and Information Technology are used as educational mediums to increase the public awareness within the Community Project Area. This program assists in covering a portion of the costs associated with the production of newsletters, videos and other promotional brochures which assist in deterring the effects of blight within the redevelopment area: \$19,250.
- h) Graffiti Removal – The Amended Redevelopment Plan for the Community Project Area cites the presence of graffiti to be a deteriorating factor among buildings and structures throughout the redevelopment area and removal is vital to the success of the redevelopment plan. The 2008-09 budget includes a portion of the funds required to remove graffiti from buildings and structures within the redevelopment area: \$43,608.
- i) Custodial Services – The Saint Anselm's Cross Cultural Community Center sub-leases space from the Agency to empower immigrant and under-served communities to lead healthy and self-sufficient lives in American society. The custodial services benefit the operation and success of the Cross Cultural Community Center: \$50,584.
- j) General Accounting and Financial Planning – The Finance Department provides support to the Agency in preparing and monitoring funds. In addition, they provide assistance with general accounting functions such as payroll, accounts receivable and accounts payable. A portion of these costs is charged to this fund: \$29,916.

- k) Employee Development - The Employee Development Department provides training and professional development to Agency staff. A portion of the contractual services and commodities cost is charged to this fund: \$1,635.

3. Indirect Costs Allocation - \$187,500 (Fund 007)

- a) For fiscal year 2008-09 the day-to-day use and accounting of monies expended from Fund 007 for planning and general administrative activities were associated with the planning for, negotiation toward, and/or development, increase, improvement and preservation of Low to Moderate Income housing available at an affordable housing cost.

During the 2008-09 fiscal year a number of neighborhood programs, such as the First Time Homebuyers Program, Home Improvement Loans, Down Payment Assistance and other Neighborhood Improvement Division programs, will be funded directly from Housing Set-Aside funds. It is proposed that a proportionate share of administrative support be charged against this fund during the 2008-09 fiscal year: \$187,500.

Such expenditures from Fund 007 for planning and general administrative activities are not disproportionate to the amount actually spent for the costs of production, improvement, and/or preservation of such affordable housing; and, such expenditures from Fund 007 for planning and general administrative activities for fiscal year 2008-09 that are proposed to be incurred and paid from Fund 007 are necessary for the production, improvement, and/or preservation of Low and Moderate Income housing.

4. Direct Costs Allocation - \$989,559 (Fund 007)

Certain City staff members are assigned to and devote a substantial amount of their time to Agency activities, programs, and projects, and the administration thereof resulting in the production, improvement or preservation of Low and Moderate Income housing:

- a) Real Property - The Real Property Office assists with the acquisition, relocation, demolition and conveyance of property within the Project Area. A portion of Housing-Set Aside funds will be used to pay for a portion of these services: \$64,033.
- b) Agency Director's Office - The Director's office is responsible for certain administrative functions, which assist the Agency in the implementation of Housing Set-Aside policies. The Agency

would directly pay for a portion of salary for the Director and clerical staff from the Housing Set-Aside Fund: *\$12,420*.

- c) Community Development Personnel – The Community Development Department processes all Agency and Set-Aside projects as required by City codes. In addition the department works on special projects, which affect Agency activities, e.g., land use studies, studies for potential redevelopment area and specific development proposals. The 2008-09 budget includes a portion of the salary for the Community Development management and clerical staff: *\$161,204*.
- d) Neighborhood Compliance – The Redevelopment Plan for both the Community Project Area and the Buena-Clinton Project specifically reference the need to address certain negative social conditions, which create blight in the area. City code violations are included among those blighting conditions. The 2008-09 budget includes a portion of the salary for Code Enforcement management and personnel: *\$253,052*
- e) Set Aside Administration – Several members of the Agency Office staff spend a portion of their time on Agency activities, programs and projects and the administration thereof, resulting in the production, improvement or preservation of Low and Moderate Income housing. A proportionate share of their salary is charged to this fund: *\$498,850*

5. Indirect Costs for Buena-Clinton - \$14,000 (Fund 005)

- a) For the administration programs related to the Buena-Clinton project area: *\$14,000*.

6. Direct Charge for Buena-Clinton - \$142,800 (Fund 005)

- a) Special Enforcement – The Redevelopment Plan for the Buena-Clinton Project specifically references the need to address certain negative social conditions, which create blight in the area. Among those blighting conditions are crime and violence. Funding the services of a special enforcement team to address and alleviate this aspect of the Project Area's social problems are included in the budget: *\$142,800*.

FINANCIAL IMPACT

See above allocation breakdown in the Analysis section.

COMMUNITY VISION IMPLEMENTATION

If approved, this will meet the Community Vision in the following ways:

- Improve the shopping, dining and entertainment opportunities available to the Garden Grove Community.
- Improve the City's economic base through the development of tax-generating uses where appropriate.
- Improve the aesthetics of the community and eliminate blighting influences.
- Ensure that development does not undermine the traditional "hometown feel" of the community.

RECOMMENDATION

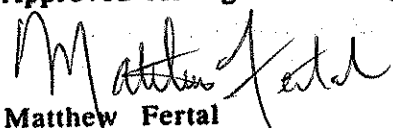
Staff recommends that the City Council:

- Adopt the attached Resolution for certain Agency-funded administrative appropriations, which will benefit the Agency and Project Areas.


CHET YOSHIZAKI
Economic Development Director


By: Stacy Margolin
Administrative Analyst

Approved for Agenda Listing


Matthew Fertal
City Manager

Attachment 1: Resolution Authorizing Agency Expenditure