TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: JUNE 12, 2006 CMR: 261:06

SUBJECT: ADOPTION OF THE REDEVELOPMENT AGENCY BUDGET FOR 2006-07

RECOMMENDATION
Staff recommends that the Redevelopment Agency Board adopt the budget for the Palo Alto Redevelopment Agency for 2006-07.

BACKGROUND
On July 9, 2001, the Palo Alto City Council adopted an ordinance declaring the need for a redevelopment agency. City Council also declared that it would act as the Agency Board and made the finding that the formation of a redevelopment agency “will serve the public interest and promote the public safety and welfare in an effective manner” in accordance with the Health and Safety Code Section 33200.

On September 19, 2001, the Edgewood Redevelopment Project Area was designated as a Survey Area and the process for the adoption of the Redevelopment Plan was initiated.

DISCUSSION
Redevelopment law requires that each agency adopt an annual budget that contains the activities to be financed by the Low and Moderate Income Housing Fund, proposed expenditures and indebtedness, anticipated revenues, a work program and a comparison between the previous year’s achievements and goals. It should be noted that the Palo Alto Redevelopment Agency has taken no formal action to designate the Edgewood Redevelopment Project Area and there are no activities to be reported. However, as required by law, the Agency is subject to an annual audit and must report all financial transactions to the State Controller.

The expenditures and indebtedness of the Agency must be in conformance with the proposed budget, and the City Council, acting as the Agency Board, must approve the annual budget.

RESOURCE IMPACT
Funding for the Palo Alto Redevelopment Agency is advanced by the City of Palo Alto and is considered a loan from the City to the Agency to cover expenses related to staffing cost, development activities and agency administration. The loans are to be re-paid from tax-increment revenues that will be collected in future years. In accordance with City procedures, a
corporate agreement has been established between the City and the Agency. Expenses incurred on behalf of the Redevelopment Agency will be incorporated into the loan agreement for prior years.

The staff is currently exploring the feasibility of studying other potential Redevelopment Project Areas in Palo Alto and will return to the City Council and Agency Board with a recommendation to initiate a Project Study Area.

**POLICY IMPLICATIONS**
This recommendation does not represent any change to existing City policies.

**ENVIRONMENTAL ASSESSMENT**
This is not a project under the California Environmental Quality Act and therefore environmental review is not required.

PREPARED BY: ____________________________
CARL YEATS
Director, Administrative Services

CITY MANAGER APPROVAL: ____________________________
EMILY HARRISON
Assistant City Manager

**ATTACHMENTS**
Attachment 1 – Resolution for 2006-07
Exhibit A – Proposed Redevelopment Agency Budget for 2006-07