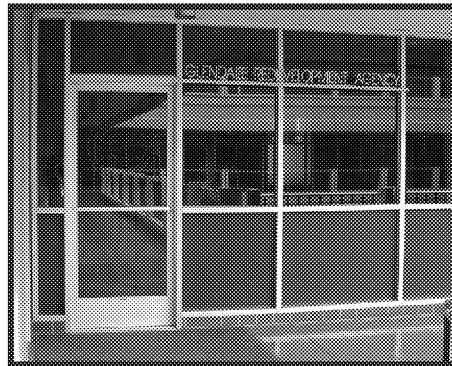


Glendale
Redevelopment
Agency
GRA

**Year Ended
Financial
Report**

June 30, 2003
Glendale,
California



Chairperson:

Bob Yousefian

Agency Members:

Gus Gomez
Rafi Manoukian
Frank Quintero
Dave Weaver

Executive

Director:

James E. Starbird

**Director of
Development
Services:**

Jeanne Armstrong

**Director of
Administrative
Services:**

Robert J. Franz

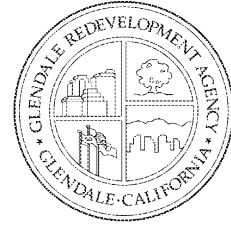


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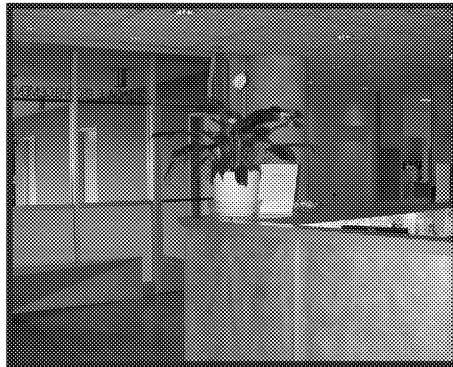
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Introductory Section

Year Ended June 30, 2003



Glendale
Redevelopment
Agency
GRA



Glendale Redevelopment Agency

633 East Broadway, Suite 201, Glendale, CA 91206-4387

Telephone (818) 548-2005 (818) 548-3155

Fax (818) 240-7913 (818) 409-7239

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October 29, 2003

Honorable Chair and Members
Of the Glendale Redevelopment Agency
City of Glendale
Glendale, CA 91206

INTRODUCTION

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Pursuant to the requirement, we hereby issue the annual financial report of the Glendale Redevelopment Agency (Agency) for the fiscal year ended June 30, 2003.

This report consists of management's representations concerning the finances of the Agency. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Agency has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Agency's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Agency's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

McGladrey & Pullen LLP, a firm of certified public accountants, has audited the Agency's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Agency for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Agency's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in

conjunction with it. The Agency's MD&A can be found immediately following the report of the independent auditors.

Profile of the Glendale Redevelopment Agency

The Agency was created by the Glendale City Council Ordinance No. 4017, adopted March 28, 1972 and was established pursuant to the Community Redevelopment Law of California as modified in Part I of Division 24 of the State of California Health and Safety Code. As such, the Agency acts as a legal entity, separate and distinct from the City even though the City Council has the authority to appoint the Agency's Governing Board.

At present, the Glendale City Council serves as the governing body of the Agency with the authority to carry out redevelopment activities. The City Manager serves as Executive Director; the Finance Director serves as the Treasurer of the Agency; the City Clerk serves as Secretary of the Agency; and the City Attorney serves as Agency Counsel.

The Agency currently has two project areas as follows:

1. The Central Glendale Redevelopment Project was formally created by Ordinance No. 4042 dated August 1, 1972. Originally encompassing 221 acres located in the heart of the City of Glendale (the City), the project area has grown by annexation to encompass 263 acres. The project area consists principally of commercial, office, and retail uses.
2. The San Fernando Road Corridor Redevelopment Project was formally created by Ordinance No. 5003 dated December 15, 1992. The project area encompasses 750 acres, which is primarily used for industrial, manufacturing and entertainment related business.

The actions of the Agency are binding, and its appointed representatives routinely transact business, including the incurrence of long-term debt, in the Agency's name. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and development of property in those areas of the City determined to be in a blighted condition, as defined under State law.

The California Community Redevelopment Law of California provides that, pursuant to the adoption of a redevelopment plan, the Agency is entitled to 100% of all future incremental property tax revenues attributable to increases in the property tax base within the Central Redevelopment Project Area and a proportional amount based on tax-sharing agreements in the San Fernando Corridor Project Area. Property taxes levied for the fiscal year ended on June 30 are payable in equal installments due on November 1 and February 1 and collectible December 10 and April 10, respectively.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Agency operates.

Local economy. The City of Glendale is recovering from the effects of the recent recession. Fortunately, local indicators point to increasing stability. During the last year, there has been increased property tax revenue due to a higher volume of real estate sales and healthy increases in values for properties being sold. Overall, sales tax revenue has declined due to slowing auto sales and decreases in other sales tax categories.

Long-term financial planning. *Central Project.* This year \$48 million in long-term debt was issued to finance the Town Center Project and other projects. The Town Center project, when complete, will include up to 475,000 square feet of retail uses, cinema, residential uses, together with a parking garage and 2 acres of public open space. The Agency estimates that the development will add \$150 million to the tax rolls upon completion. Additional tax increment is expected to be generated in the future from new development and from the recent resale of the Glendale Galleria. In October 2003, the Agency also refinanced its 1993 tax allocation bonds for \$58,880,000.

San Fernando Corridor Project. The first phase of the Walt Disney Co. development is scheduled to begin in 2003-04, bringing new construction and more jobs to the area. The County of Los Angeles has begun the pass through of their share of tax increment, allowing a number of public infrastructure projects to proceed.

Cash management policies and practices. Cash temporarily idle during the year was invested in the City Treasurer's portfolio. The average yield was 3.77 percent. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

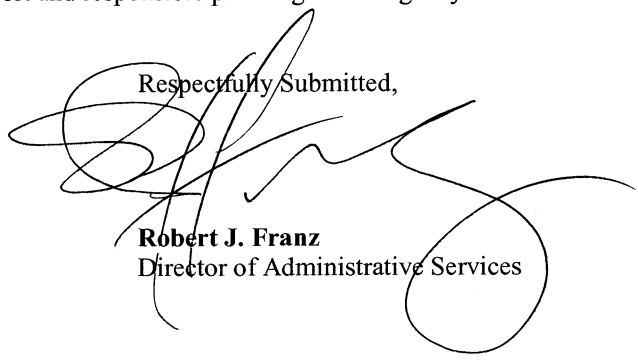
Risk management. The Agency participates in the City of Glendale's self-insurance programs for workers' compensation and general liability, which affect the Agency. These insurance activities are accounted for in the City of Glendale's Liability Insurance Fund, an internal service fund. As a component unit of the City of Glendale, the Agency is also covered under the City's policies for property insurance and excess liability coverage.

Additional information on the Agency's risk management can be found in Note IX of the financial statements.

SUMMARY

In conclusion, I would like to take this opportunity to express my appreciation to the staff of the Administrative Services and Development Services Divisions, led by the efforts of Accounting Services Administrator, Lily Fang, whose hard work and dedication have made the preparation of this report possible. I would like to express my appreciation to the Agency Members and the Director of Development Services for their support and responsible planning of the Agency's financial affairs.

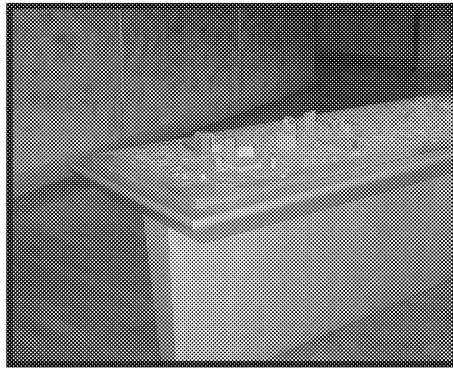
Respectfully Submitted,



Robert J. Franz
Director of Administrative Services

Financial Section

Year Ended June 30, 2003



Glendale
Redevelopment
Agency
GRA

Independent Auditor's Report on the Financial Statements and Supplementary Information

To the Honorable Mayor and City Council
Glendale Redevelopment Agency
Glendale, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Glendale Redevelopment Agency (the Agency), a component unit of the City of Glendale, California, (the City) as of and for the year ended June 30, 2003, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

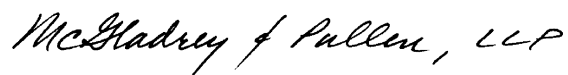
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2003, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Riverside, California
November 25, 2003

GLENDALE REDEVELOPMENT AGENCY

Management's Discussion and Analysis

As management of the Glendale Redevelopment Agency (Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to iii of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by \$33,492,367 (*net assets*). Of this amount, a negative \$93,684,018 (*unrestricted net assets*) exists. The deficit in unrestricted net assets is typical in redevelopment agencies. All redevelopment agencies leverage current tax increment revenues by issuing long-term debt to raise capital to promote economic growth within the project area.
- The Agency's total net assets increased by \$10,213,522. This increase is attributable to ongoing revenues significantly exceeding ongoing expenditures in the current fiscal year.
- As of the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$65,816,032, an increase of \$56,149,678 in comparison with the prior year's combined fund balance of \$9,666,354. This large increase is due primarily to the proceeds from the 2002 Tax Allocation Bonds.
- At the end of the current fiscal year, total unreserved fund balance for the Central Project, San Fernando Project, and Town Center funds was a negative \$42,399,334, a positive \$414,594 and a positive \$45,352,245 respectively.
- The Agency's total debt increased by \$47,955,969 (27.56 percent) during the current fiscal year. This increase is due to a \$49,968,945 tax allocation bond issuance, ongoing bonded debt service payments of \$3,400,000, and a net increase of \$1,387,024 to amounts owed to the City of Glendale.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements identify functions of the Agency that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Agency include community development, education, housing assistance and interest and fiscal charges in bonds.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are known as governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on

GLENDALE REDEVELOPMENT AGENCY
Management's Discussion and Analysis, continued

balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Agency maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Central Project, Town Center, San Fernando Project, Low and Moderating Housing, Parking Revenue Bonds, 1993 Tax Allocation Bonds, and 2002 Tax Allocation Bonds Funds.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-31 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Agency's liabilities exceeded assets by \$33,492,367 at the close of the fiscal year.

The Agency has a large negative balance in *unrestricted net assets* (\$93,684,018) due primarily to a significant amount (\$170,089,435) of outstanding long-term debt. Restricted net assets are an additional portion of the Agency's net assets (\$51,457,623) that represent resources that are subject to external restrictions on how they may be used.

Glendale Redevelopment Agency's Net Assets

	Total Governmental activities	
	2003	2002
Current and other assets	\$ 133,549,878	74,594,840
Capital assets, net	8,734,028	8,979,899
Total assets	142,283,906	83,574,739
Long-term liabilities outstanding	170,089,435	122,631,275
Other liabilities	5,686,838	4,649,353
Total liabilities	175,776,273	127,280,628
Net assets (deficits):		
Invested in capital assets, net of related debt	8,734,028	8,979,899
Restricted	51,457,623	38,752,353
Unrestricted	(93,684,018)	(91,438,141)
Total net assets (deficits)	\$ (33,492,367)	(43,705,889)

The Agency has a deficit in unrestricted net assets due to the nature of redevelopment financing. Redevelopment agencies typically leverage current tax increment revenues by issuing long-term debt (including loans from the City) in order to raise capital to promote economic development within the project area. The new projects constructed, in turn, generate additional tax increment revenues, which again, may only be captured to the extent that the Agency incurs indebtedness. Indebtedness includes bonded indebtedness, notes, loans, advances, payments due under development agreements, and City loans. The Agency incurs debt based on future tax increments to fund infrastructure projects. Once the infrastructure projects are completed, the asset is transferred to the City, however, the debt remains with the Agency resulting in deficit net assets.

GLENDAL REDEVELOPMENT AGENCY
Management's Discussion and Analysis, continued

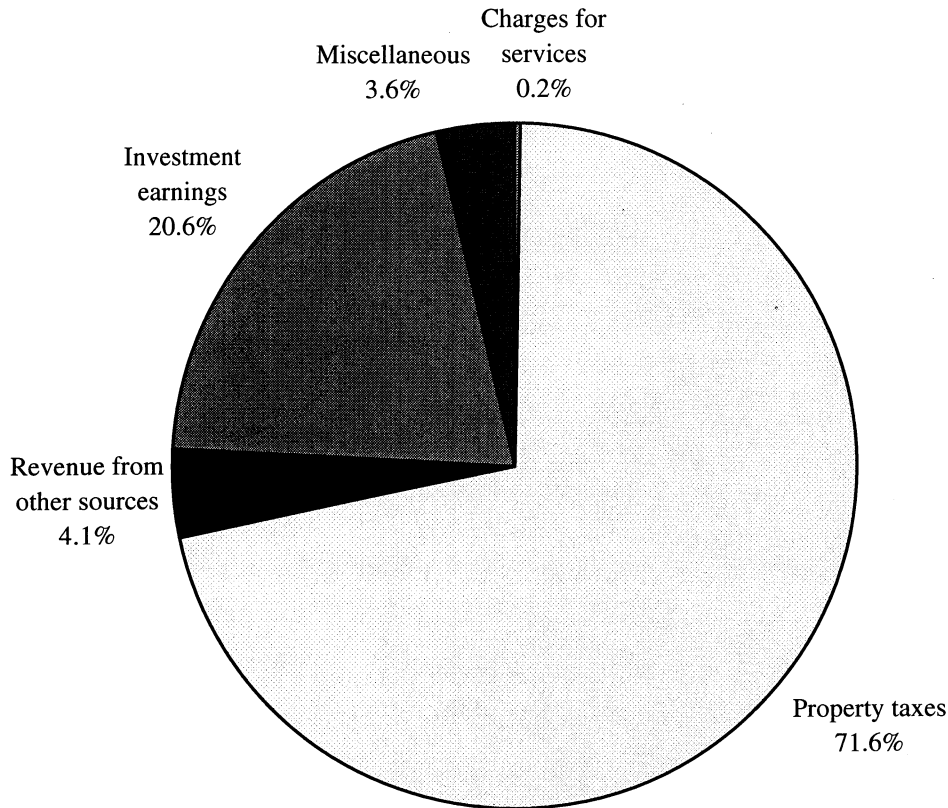
Governmental activities. Governmental activities increased the Agency's net assets by \$10,213,522, thereby accounting for the total growth in the net assets of the Agency. Key elements of this increase are as follows:

Glendale Redevelopment Agency's Changes in Net Assets

	Total Governmental activities	
	2003	2002
Revenues:		
Program revenues:		
Charges for services	\$ 48,950	716,729
General revenues:		
Property taxes	22,214,805	18,004,728
Revenue from other sources	1,266,467	1,094,306
Investment earnings	6,380,168	4,364,977
Miscellaneous	1,130,417	1,190,220
Total revenues	31,040,807	25,370,960
Expenses:		
Community development	10,886,278	11,216,323
Education	1,126,058	275,804
Housing assistance	1,599,952	818,606
Interest and fiscal charges on bonds	7,214,997	3,619,933
Total expenses	20,827,285	15,930,666
Increase in net assets	10,213,522	9,440,294
Net assets (deficit) at the beginning of the year	(43,705,889)	(53,146,183)
Net assets (deficit) at the end of the year	\$ (33,492,367)	(43,705,889)

- Charges for services decreased by \$667,779 during the year. Most of this decrease is due to a change in the accounting of parking revenue received by the Agency. The parking revenue is no longer used to reduce the Agency debt to the City.
- Property taxes increased by \$4,210,077 primarily due to a change in accounting procedure that grosses up revenue to properly expense property tax administration costs paid to the County, Agency's pass through agreements payments and Agency's contribution to the State's Education Revenue Augmentation Fund.
- Investment earnings also increased by \$2,015,191, largely due to investment earnings from the 2002 tax allocation bond proceeds (for the new Town Center project), the 2002 tax allocation bond reserve, and the 1993 tax allocation bond reserve.

Revenues By Source – Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spending* resources. Such information is useful in assessing the Agency's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$65,816,032, an increase of \$56,149,678 in comparison with the prior year. A total balance of \$14,358,409 constitutes the *unreserved fund balance*, which is available for spending at the Agency's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$4,009,963), 2) to hold property for future development (\$29,980,867), 3) for principal and interest payments toward outstanding bond debt (\$11,110,518), 4) for loans receivable for (\$6,349,275), or 5) for deposits (\$7,000).

GLENDALE REDEVELOPMENT AGENCY
Management's Discussion and Analysis, continued

The fund balance of the Agency's Central Project, San Fernando Project, Town Center, and Low & Moderate Housing funds increased from a negative \$176,708 to a positive \$54,705,514, an increase of \$54,882,222 over the prior fiscal year. This change is primarily due to the proceeds from the 2002 Tax Allocation Bonds and to ongoing revenues significantly exceeding ongoing expenditures in the current fiscal year.

The debt service funds have a total fund balance of \$11,110,518, all of which is reserved for debt service payments.

Capital Asset and Debt Administration

Capital assets. The Agency's investment in capital assets for its governmental activities as of June 30, 2003, amounts to \$8,734,028 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The total decrease in the Agency's investment in capital assets for the current fiscal year was \$245,871, which resulted entirely from increased accumulated depreciation.

Glendale Redevelopment Agency's Capital Assets
(net of depreciation)

		Total Governmental activities	
		2003	2002
Land	\$	1,918,312	1,918,312
Buildings and improvements		8,512,111	8,512,111
Machinery and equipment		736,425	736,425
Total capital assets		11,166,848	11,166,848
Less accumulated depreciation		2,432,820	2,186,949
Net of depreciation	\$	8,734,028	8,979,899

Additional information on the Agency's capital assets can be found in note iv on page 23 of this report.

GLENDALE REDEVELOPMENT AGENCY
Management's Discussion and Analysis, continued

Long-term debt. At the end of the current fiscal year, the Agency has total bonded debt outstanding of \$107,330,000, all of which is backed by the Agency's income from property tax increment.

Glendale Redevelopment Agency's Outstanding Debt

Tax Allocation, Revenue Bonds, and Long-term Debt Owed to the City

		Total Governmental activities	
		2003	2002
Tax allocation bonds	\$	109,283,945	61,250,000
Revenue bonds		-	1,465,000
Total		109,283,945	62,715,000
Long-term debt to City		64,703,299	63,316,275
Grand total	\$	173,987,244	126,031,275

- The Agency's total debt increased by \$47,955,969 (27.56 percent) during the current fiscal year due to the issue of \$49,968,945 in tax allocation bonds, \$3,400,000 in ongoing debt service payments, and a net increase of \$1,387,024 to amounts owed to the City of Glendale.

Additional information on the Agency's long-term debt can be found on pages 24 through 27 of this report.

Economic Factors and Next Year's Budgets and Rates

- Over 75 percent of the Agency's revenues come from tax increment.

State Budget

Since 1992/93, the State legislature has passed legislation to reallocate funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for deposit in the Education Revenue Augmentation Fund (ERAF). With the current State budget crisis, additional redevelopment agency tax increment revenue may be shifted to school districts.

Property Tax Revenue

In November 2001, an Orange County Superior Court Judge ruled that the Orange County Assessor's Office violated Proposition 13 by increasing the taxable value of a Seal Beach residence by 4% in a single year (1998). County attorneys argued that the assessment was legal because it made up for years in which the property value did not increase. The county maintains it was merely "recapturing" the full tax value of the property, charging 2% for each of the years the property values did not rise. On December 12, 2002, the Superior Court certified class action status for this case and the Court and Tax Collector are currently addressing when and if notification to the taxpayers should be executed.

In 2002, two other courts (Los Angeles and San Diego) ruled differently on the same issue and both affirmed the current statewide practice of property assessment restoration (i.e. the local courts differ on this issue). The property tax laws are applied on a statewide basis and the contradicting ruling with two other local courts on the same legal issue require a uniformity review at the appellate level. With this notice, the Court of Appeal will establish a briefing and hearing schedule and that process may take several months to complete. Based on the Court of Appeal's briefing schedule, the respondent is required to submit a reply brief by November 7, 2003. The Court of Appeal has scheduled a hearing on December 16, 2003. If the Judge's decision is upheld on appeal, it could have financial ramifications throughout the State of California. The City's management is unable to reasonably estimate the financial effect to it, or the Redevelopment Agency, if a Orange County Superior Court's decision is upheld because it would be dependent upon how the court decides to apply its ruling.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, City of Glendale, Administrative Services Division, 141 North Glendale Avenue, Suite 346, Glendale, CA 91206.

GLENDAL REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2003

Exhibit A
GLENDALE REDEVELOPMENT AGENCY
Statement of Net Assets (Deficit)
June 30, 2003

	Governmental Activities
ASSETS	
Current assets:	
Cash and invested cash	\$ 81,688,513
Imprest cash	200
Cash with fiscal agents	11,247,226
Interest receivable	478,505
Due from other agencies	2,112,090
Deposits	7,000
Total current assets	<u>95,533,534</u>
Noncurrent assets:	
Deferred charges	1,686,202
Loan receivable	6,349,275
Real property held for resale	29,980,867
Capital assets, net	8,734,028
Total noncurrent assets	<u>46,750,372</u>
Total assets	<u>142,283,906</u>
LIABILITIES	
Current liabilities:	
Accounts payable	535,867
Accrued wages & withholdings	108,886
Due to other agencies	380,743
Accrued interest	444,684
Matured bond and interest payable	159,345
Deposits	38,012
Compensated absences	121,492
Bonds payable, due in one year	3,897,809
Total current liabilities	<u>5,686,838</u>
Noncurrent liabilities	
Due the City of Glendale	64,703,299
Bonds payable	105,386,136
Total non current liabilities	<u>170,089,435</u>
Total liabilities	<u>175,776,273</u>
NET ASSETS	
Invested in capital assets, net of related debt	8,734,028
Restricted for: Housing, health, and community development	51,457,623
Unrestricted (deficit)	(93,684,018)
Total net assets	<u>\$ (33,492,367)</u>

See accompanying notes to financial statements.

Exhibit B
GLENDALE REDEVELOPMENT AGENCY
Statement of Activities
For the year ended June 30, 2003

		Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
	Expenses				
					Governmental Activities
Governmental activities					
Community development	\$ 10,886,278	48,950	-	-	(10,837,328)
Education	1,126,058	-	-	-	(1,126,058)
Housing assistance	1,599,952	-	-	-	(1,599,952)
Interest and fiscal charges in bonds	7,214,997	-	-	-	(7,214,997)
Total government	<u>20,827,285</u>	<u>48,950</u>	<u>-</u>	<u>-</u>	<u>(20,778,335)</u>
General revenues					
					22,214,805
					1,266,467
					6,380,168
					1,130,417
					<u>30,991,857</u>
					<u>10,213,522</u>
					<u>(43,705,889)</u>
					<u>\$ (33,492,367)</u>

See accompanying notes to financial statements.

Exhibit C
GLENDALE REDEVELOPMENT AGENCY
Governmental Funds
Balance Sheet
June 30, 2003

Assets and Other Debits	Central Project	San Fernando Project	Low and Moderate Housing Fund	Town Center	Parking Revenue Bonds	1993 Tax Allocation Bonds	2002 Tax Allocation Bonds	Total Governmental Funds
Cash and invested cash	\$ 15,896,766	6,637,906	14,039,493	45,091,711	-	-	22,637	81,688,513
Imprest cash	200	-	-	-	-	-	-	200
Cash with fiscal agents	-	-	-	-	136,708	7,016,588	4,093,930	11,247,226
Interest receivable	98,391	36,597	82,983	260,534	-	-	-	478,505
Loan receivable	6,349,275	-	-	-	-	-	-	6,349,275
Due from other agencies	638,235	1,296,207	177,648	-	-	-	-	2,112,090
Deposits	-	7,000	-	-	-	-	-	7,000
Prepaid items	-	-	-	-	-	-	-	-
Real property held for resale	27,641,095	-	1,796,643	543,129	-	-	-	29,980,867
Total assets and other debits	<u>50,623,962</u>	<u>7,977,710</u>	<u>16,096,767</u>	<u>45,895,374</u>	<u>136,708</u>	<u>7,016,588</u>	<u>4,116,567</u>	<u>131,863,676</u>
Liabilities, Other Credits and Fund Equity								
Liabilities:								
Accounts payable	404,167	-	131,700	-	-	-	-	535,867
Due to other agency	-	380,743	-	-	-	-	-	380,743
Matured bond and interest payable	-	-	-	-	136,708	-	22,637	159,345
Deposits	38,012	-	-	-	-	-	-	38,012
Accrued wages & withholdings	51,142	8,864	48,880	-	-	-	-	108,886
Compensated absences	70,997	7,846	42,649	-	-	-	-	121,492
Due the City of Glendale	57,874,919	6,828,380	-	-	-	-	-	64,703,299
Total liabilities	<u>58,439,237</u>	<u>7,225,833</u>	<u>223,229</u>	<u>-</u>	<u>136,708</u>	<u>-</u>	<u>22,637</u>	<u>66,047,644</u>
Fund equity:								
Reserved:								
Encumbrances	593,689	330,283	3,085,991	-	-	-	-	4,009,963
Loans receivable	6,349,275	-	-	-	-	-	-	6,349,275
Deposits	-	7,000	-	-	-	-	-	7,000
Prepays	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	7,016,588	4,093,930	11,110,518
Insurance	-	-	-	-	-	-	-	-
Real property held for resale	27,641,095	-	1,796,643	543,129	-	-	-	29,980,867
Unreserved	(42,399,334)	414,594	10,990,904	45,352,245	-	-	-	14,358,409
Total fund equity and other credits	<u>(7,815,275)</u>	<u>751,877</u>	<u>15,873,538</u>	<u>45,895,374</u>	<u>-</u>	<u>7,016,588</u>	<u>4,093,930</u>	<u>65,816,032</u>
Total liabilities, fund equity and other credits	\$ <u>50,623,962</u>	<u>7,977,710</u>	<u>16,096,767</u>	<u>45,895,374</u>	<u>136,708</u>	<u>7,016,588</u>	<u>4,116,567</u>	<u>131,863,676</u>

See accompanying notes to financial statements.

Exhibit C.1

GLENDALE REDEVELOPMENT AGENCY

Governmental Funds

Reconciliation of Balance Sheet of

Governmental Funds to the Statement of Net Assets (Deficits)

June 30, 2003

Fund balances of governmental funds	\$ 65,816,032
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets are not included as financial resources in
governmental fund activity.

Cost of capital assets	\$ 11,166,848	
Accumulated depreciation	<u>(2,432,820)</u>	8,734,028

Costs of issuance of bonds were fully expended in the governmental
funds. This is the amount to establish the unamortized deferred charges.

1993 Tax Allocation Bonds	619,381	
2002 Tax Allocation Bonds	<u>1,066,821</u>	1,686,202

Bond premium was fully recognized in the governmental
funds. This is the amount to establish the unamortized deferred premium.

2002 Tax Allocation Bonds		(1,953,945)
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Long-term debt is not included in the governmental fund activity:

Due within one year:

1993 Tax allocation bonds	(2,035,000)	
2002 Tax allocation bonds	<u>(1,810,000)</u>	(3,845,000)

Due more than one year:

1993 Tax allocation bonds	(57,280,000)	
2002 Tax Allocation Bonds	<u>(46,205,000)</u>	(103,485,000)

Accrued interest payable for the current portion of interest due are
not included in the governmental fund activity:

1993 Tax allocation bonds	(274,910)	
2002 Tax allocation bonds	<u>(169,774)</u>	<u>(444,684)</u>

Net assets (Deficits) of governmental activities	\$ <u><u>(33,492,367)</u></u>
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Exhibit D
GLENDALE REDEVELOPMENT AGENCY
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
Year ended June 30, 2003

	Central Project	San Fernando Project	Low and Moderate Housing Fund	Town Center	Parking Revenue Bonds	1993 Tax Allocation Bonds	2002 Tax Allocation Bonds	Total Governmental Funds
Revenues:								
Property taxes	\$ 8,119,652	3,726,454	4,442,961	-	-	4,979,934	945,804	22,214,805
Revenue from other agencies	-	1,266,467	-	-	-	-	-	1,266,467
Use of money and property	1,468,704	241,225	592,973	1,001,362	1,549,095	1,156,668	317,332	6,327,359
Charges for services - parking meters	48,950	-	-	-	-	-	-	48,950
Miscellaneous	39,625	-	1,090,792	-	-	-	-	1,130,417
Total revenues	<u>9,676,931</u>	<u>5,234,146</u>	<u>6,126,726</u>	<u>1,001,362</u>	<u>1,549,095</u>	<u>6,136,602</u>	<u>1,263,136</u>	<u>30,987,998</u>
Expenditures:								
Community development								
County property tax administration	253,414	101,966	88,845	-	-	-	-	444,225
Pass through	-	2,127,842	-	-	-	-	-	2,127,842
Lease	1,420,143	-	-	-	-	-	-	1,420,143
Administration	2,099,476	203,769	1,643,346	21,700	-	-	-	3,968,291
Education	659,895	466,163	-	-	-	-	-	1,126,058
Housing assistance	-	-	1,599,952	-	-	-	-	1,599,952
Debt service:								
Principal retirement	-	-	-	-	1,465,000	1,935,000	-	3,400,000
Interest on bonds	-	-	-	-	84,095	3,347,290	1,018,644	4,450,029
Interest on debt to City	2,138,947	248,077	-	-	-	-	-	2,387,024
Bond issuance costs	13,975	-	53,419	1,256,605	-	-	-	1,256,605
Capital outlay	2,164,842	233,796	213,874	-	-	-	-	67,394
Capital projects	-	-	-	-	-	-	-	2,612,512
Total expenditures	<u>8,750,692</u>	<u>3,381,613</u>	<u>3,599,436</u>	<u>1,278,305</u>	<u>1,549,095</u>	<u>5,282,290</u>	<u>1,018,644</u>	<u>24,860,075</u>
Other financing sources (uses) :								
Transfer in (out)	-	-	-	(3,849,438)	-	-	3,849,438	-
Bonds issued	-	-	-	50,021,755	-	-	-	50,021,755
Total other financing sources (uses)	-	-	-	46,172,317	-	-	3,849,438	50,021,755
Net change in fund balances	<u>926,239</u>	<u>1,852,533</u>	<u>2,527,290</u>	<u>45,895,374</u>	<u>-</u>	<u>854,312</u>	<u>4,093,930</u>	<u>56,149,678</u>
Fund equity (deficit), July 1, 2002	(12,422,300)	(1,100,656)	13,346,248	-	3,680,786	6,162,276	-	9,666,354
Equity transfer	3,680,786	-	-	-	(3,680,786)	-	-	-
Fund equity(deficit), June 30, 2003	<u>\$ (7,815,275)</u>	<u>751,877</u>	<u>15,873,538</u>	<u>45,895,374</u>	<u>-</u>	<u>7,016,588</u>	<u>4,093,930</u>	<u>65,816,032</u>

See accompanying notes to financial statements.

Exhibit D.1

GLENDALE REDEVELOPMENT AGENCY

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For Year Ended June 30, 2003

Net change in fund balances - total governmental funds	\$	56,149,678
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Amounts reported for governmental activities in the statement
of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	(245,871)
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In the statement of activities, the cost of issuance of bonds is reclassified as an asset from expenditures in governmental funds.

2002 Tax Allocation Bonds	1,095,655
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In the statement of activities, the cost of issuance of bonds is allocated over the life of bonds as an expense

\$	(36,434)	
2002 Tax Allocation Bonds	<u>(28,833)</u>	(65,267)

In the statement of activities, bond premium is allocated over the life of the bonds as a component of revenue.

2002 Tax Allocation Bonds	52,809
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In the statement of activities, bond proceeds and bond premium are reclassified as a liability from other financing sources in governmental funds.

2002 Tax Allocation Bonds - bonds issued	(48,015,000)	
2003 Tax Allocation Bonds - bond premium	<u>(2,006,755)</u>	(50,021,755)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Parking Lease Revenue Bonds	1,465,000	
1993 Tax Allocation Bonds	<u>1,935,000</u>	3,400,000

In the statement of activities, interest is accrued on outstanding debt; whereas in the governmental fund, interest is recognized when matured. This is the difference between the accrued and matured expenditures.

Accrued interest, June 30, 2003

Parking Lease Revenue Bonds	-	
1993 Tax Allocation Bonds	(274,910)	
2002 Tax Allocation Bonds	<u>(169,774)</u>	(444,684)

Accrued interest, June 30, 2002

Parking Lease Revenue Bonds	14,016	
1993 Tax Allocation Bonds	<u>278,941</u>	<u>292,957</u>

Change in net assets of governmental activities	\$	<u><u>10,213,522</u></u>
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See accompanying notes to financial statements.

GLENDALE REDEVELOPMENT AGENCY

Notes to Combined Financial Statements
June 30, 2002

I. Summary of Significant Accounting Policies

A. Entity

The following is a summary of the significant accounting policies of the Glendale Redevelopment Agency (the Agency).

The Agency has been determined to be a component unit of the City of Glendale (the City) and is blended into the financial reporting of the City. The Agency was created by the City Council Ordinance No. 4017, adopted on March 28, 1972 and was established pursuant to the Community Redevelopment Law of California as modified in Part I of Division 24 of the State of California Health and Safety Code. As such, the Agency acts as a legal entity, separate and distinct from the City even though the City Council has the authority to appoint the Agency's Governing Board.

The Agency currently has two project areas as follows:

1. The Central Glendale Redevelopment Project was formally created by Ordinance No. 4042 dated August 1, 1972. Originally encompassing 221 acres located in the heart of the City, the project area has grown by annexation to encompass 263 acres. The project area consists principally of commercial, office and retail uses.
2. The San Fernando Road Corridor Redevelopment Project was formally created by Ordinance No. 5003 dated December 15, 1992. The project area encompasses 750 acres, which is primarily used for industrial, manufacturing and entertainment related business.

The actions of the Agency are binding, and its appointed representatives routinely transact business, including the incurrence of long-term debt, in the Agency's name. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and development of property in those areas of the City determined to be in a declining condition.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on the Agency activities as a whole. For the most part, the effect of Interfund activity has been removed from these statements. The Agency only uses governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Fund Accounting

The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing

GLENDALE REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. The Agency records all of its transaction in governmental fund types.

Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the Agency's major governmental funds:

Special Revenue Funds -

- Central Project Fund-To account for monies received and expended within the Central Project area in accordance with the Redevelopment Plan of the Agency made pursuant to redevelopment laws of the State of California.
- San Fernando Project Fund-To account for monies received and expended within the San Fernando Project area in accordance with the Redevelopment Plan of the Agency made pursuant to redevelopment laws of the State of California.
- Low and Moderate Housing Fund- To account for housing set aside required under redevelopment laws of the State of California.

Capital Projects Fund - Town Center Fund-Construction fund for the 2002 Tax Allocation Bonds proceeds.

Debt Service Funds -

- 1993 Tax Allocation Bond Fund-To accumulate monies for the payment of interest and principal of the 1993 Tax Allocation bonds. Debt Service is financed via the incremental property tax from the Glendale Redevelopment Agency.
- 2002 Tax Allocation Bond Fund-To accumulate monies for the payment of interest and principal of the 2002 Tax Allocation bonds. Debt Service is financed via the incremental property tax from the Glendale Redevelopment Agency.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Agency adopted GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, during the fiscal year ended June 30, 2002. The adoption of this Statement is meant to present the information in a format more closely resembling that of the private sector and to provide the user with more managerial analysis regarding the financial results and the Agency's financial outlook.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are

GLENDALE REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Charges for services and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

Property taxes are recognized as a receivable at the time an enforceable legal claim is established. This is determined to occur when the budget is certified. The current tax receivable represents the 2002 levy certified on March 15, 2002, based on the 2001 assessed valuations. Taxes are levied on July 1 and are payable in two installments on September 30 and March 31. Tax payments become delinquent on October 1 and April 1. The County Treasurer bills and collects property taxes for the City. Property taxes are considered available if received within 60 days of year-end.

Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the Agency major governmental funds:

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Agency considers property taxes available if they are collected within 60 days after year-end. The Agency uses a 90 day availability period for revenue recognition for all other governmental fund revenues. Those revenues susceptible to accrual are property taxes, interest revenue and revenue from other sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 2) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

GLENDALE REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

Net assets are reported as restricted when constraints placed on net assets use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation.

D. Assets, Liabilities, and Net Assets or Equity

Cash and Invested Cash

The Agency pools its cash with the City. Cash and invested cash consist of U.S. Government backed securities, commercial paper, and investment in the State of California Local Agency Investment Fund. Invested cash is stated at the fair value. An increase (decrease) in the fair value of investments is recognized as an increase (decrease) to Interest Income Revenue. The City normally holds the investment to term; therefore no realized gain/loss is recorded.

Interest income revenue from the investment of pooled cash is allocated to all funds. Accordingly, the Agency receives its portion of interest income.

Interfund Transactions

Transactions among the City funds that would be treated as revenues and expenditures if they involved organizations external to City government are accounted for as revenues and expenditures in the funds involved.

Due from Other Agency

The Agency records property taxes earned but not received from the County of Los Angeles. The California Community Redevelopment Law of California provides that, pursuant to the adoption of a redevelopment plan, the Agency is entitled to 100% of all future incremental property tax revenues attributable to increases in the property tax base within the Central Redevelopment Project Area and a proportional amount based on tax-sharing agreements in the San Fernando Corridor Project Area.

Loans Receivable

Loans receivable represent of agency loans to developers. As of June 30, 2003, the Agency's outstanding loans totaled \$6,349,275 which consists of \$5,315,659 from Hilton for the Glendale parking structure and land, \$833,616 from 128 North Maryland Partnership for further redevelopment of The Exchange, and \$200,000 from Broadway Bar and Grill.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Agency as a whole. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. The valuation basis for capital assets is historical cost or, in the case of gifts or contributions, the appraised value at time of receipt by the Agency or fair market value if no appraisal is performed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are forty years for buildings and improvements and four years for machinery and equipment.

Real Property Held for Resale

Land and buildings acquired for future sale to developers have been capitalized and are shown as real property held for resale in the accompanying combined financial statements. Real property held for resale is carried at lower of cost or appraised value.

GLENDALE REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

Due to other agency

Due to other agency consists of amounts owed as a result of tax increment pass through arrangements with the Glendale Unified School District.

Compensated absences

Compensated absences consist of amounts owed to employees for unpaid vacation and sick leave liabilities.

Due to City of Glendale

Due to City of Glendale represents amounts owed to the City as a result for expenditures incurred by the City on behalf of the Agency for improvements made by the City in the redevelopment project areas. These agreements are to be paid when funds are available. All of the agreements accrue interest at the average annual City investment portfolio rate.

Encumbrances

Appropriations in the governmental funds are charged for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorizations for expenditures in the subsequent year.

Fund Equity

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Agency legislation or external restrictions by other governments, creditors or grantors.

F. Fund Balance Deficit

Central Project Fund reflected a fund balance deficit of \$7,815,275, as a result of GASB 34 which required the Agency to record the long-term loans due to the City. Anticipated future tax increments should alleviate these conflicts.

II. Compliance and Accountability

Budgetary control is an essential element in governmental accounting and reporting. The Agency's budget is prepared on a project basis. Therefore, no budget versus actual statements has been included in the accompanying basic financial statements as the completion of these projects may take more than one year. As part of its budgetary control, the Agency utilizes the encumbrance accounting method. Under this method, commitments such as purchase orders and uncompleted project expenditures are recorded as reservations of fund balance captioned "Fund Balances Reserved: Encumbrances". As of June 30, 2003, the Agency had \$4,009,963 in outstanding encumbrances.

GLENDAL REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

III. Cash and Invested Cash

The Agency's cash and invested cash is pooled with the City's cash and invested cash. The Agency's interest in this pool is entirely insured or collateralized as of June 30, 2003. Income from the investment of pooled cash is allocated to Agency funds on a monthly basis, based upon the month-end cash balance of the fund as a percent of the month-end total pooled cash balance. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large cash outlays required in excess of normal operating needs. Cash and invested cash consist of U.S. Government backed securities and investment in State of California Local Agency Investment Fund as well as bankers' acceptances. The City values all of its cash and invested cash at fair value on a portfolio basis. The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee and adopted annually by the City Council and that follow the guidelines of the State of California Government Code.

Invested cash is stated at fair value. The increase (decrease) in the fair value of investments is recognized as an increase (decrease) to Interest Income Revenue. The City normally holds investments to term; therefore no realized gain/loss is recorded.

The carrying amount of the City's cash and invested cash at June 30, 2003, and reconciliation to amounts shown on the Statement of Net Assets are as follows:

Cash and Investments:		
Historical cost of net investments	\$	605,116,310
Net increase in fair value		<u>5,805,027</u>
Sub-total		610,921,337
Cash on hand		<u>7,717,927</u>
Total		<u><u>618,639,264</u></u>
Statement of net assets		
Cash and invested cash		591,334,302
Cash with fiscal agent		<u>27,304,962</u>
Total	\$	<u><u>618,639,264</u></u>

Of this total, \$81,688,513 pertains to the Agency for fiscal year 2003.

At June 30, 2003, the carrying amount of the City's cash deposits totaled \$7,717,927 and the bank balance of the City's cash deposits maintained in financial institutions is \$11,506,242. The cash deposits are held by the City's agent in the City's name. The first \$100,000 of cash deposits is insured by the Federal Depository Insurance Corporation and the remainder is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name. The primary difference between the carrying amount and the bank balance are deposits in transit and outstanding checks. In accordance with state statutes, the Agency maintains deposits at those depository institutions insured by the Federal Deposit Insurance Corporation. The California Government Code requires California banks and savings and loan associations to collateralize the deposits of governmental entities by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of those deposits. California law also allows financial institutions to secure the deposits of governmental entities by pledging first trust deed mortgage notes having a collateral value of 150% of an agency's total deposits.

The City is authorized by its investment policy, in accordance with Section 53601 of the California Government Code, to invest in the following instruments:

- Securities issued or guaranteed by the Federal Government or its agencies

GLENDALE REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

- Bankers' acceptances, issued by the 20 largest domestic or the 50 largest international banks
- Commercial paper, rated A-1/P-1, secured by an irrevocable line of credit or government securities

In accordance with GASB Statement 3, the City's investments are categorized, according to the following criteria, to give an indication of the level of risk assumed by the City at year-end:

Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the City's name.

The following is a summary of investments as of June 30, 2003:

		Category				Total
		1	2	3	Uncategorized	Fair Value
<u>City Held Investments</u>						
U.S. Government Securities	\$	-	406,983,929	-	-	406,983,929
Corporate Notes		-	46,745,199	-	-	46,745,199
Commercial Paper		-	24,993,916	-	-	24,993,916
Total		-	478,723,044	-	-	478,723,044
<u>Trustee held investments</u>						
U.S. Government Securities		-	27,304,962	-	-	27,304,962
<u>Investment in pool</u>						
California State Local Agency Investment (LAIF)		-	-	-	104,893,331	104,893,331
Total investments	\$	-	506,028,006	-	104,893,331	610,921,337

Investments: State statutes authorize the Agency to invest any available funds in securities issued or guaranteed by the United States Treasury or agencies of the United States, bank certificates of deposit, bankers acceptances, negotiable certificates of deposit, the State Treasurer's Investment Pool (LAIF), repurchase agreements, commercial paper and bonds, and registered warrants or treasury notes of the State of California and its local agencies. An advisory board has been established to monitor LAIF's compliance with regulations and investment alternatives established by the State.

The Agency participates in a voluntary external investment pool, LAIF, which is managed by the State Treasurer. LAIF has oversight provided by the Local Agency Investment Advisory Board. The Board consists of five members as designated by State statute. The Chairman of the Board is the State Treasurer or his designated representative. The fair value of the Agency's shares in the pool approximates the fair value of the position in the pool.

GLENDAL REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

At June 30, 2003 the Agency's pooled investments in LAIF in the amount of \$104,598,814 are not subject to custodial credit risk categorization. The total estimated fair value invested by all public agencies in LAIF is \$104,893,331. Of that amount, 100% is invested in nonderivative financial products and no derivative financial products.

Cash with fiscal agent: Trustees or an escrow agent holds all cash with fiscal agents of the Agency. The California Government Code provides that these funds, in the absence of specific governing provisions to the contrary, may be invested in accordance with the resolutions or indentures that specify the allowable investment of bond proceeds and funds earmarked for bond repayment.

Changes in Capital Assets

	Balance at July 1	Additions	Retirements	Balance at June 30
Governmental activities – Housing, health and community development:				
Land	\$ 1,918,312	-	-	1,918,312
Buildings and improvements	8,512,111	-	-	8,512,111
Machinery & equipment	736,839	-	-	736,425
Totals at historical cost	11,166,848	-	-	11,166,848
Less accumulated depreciation for:				
Buildings and improvements	1,462,631	208,949	-	1,671,580
Machinery & equipment	724,318	36,922	-	761,240
Total accumulated depreciation	2,186,949	245,871	-	2,432,820
Governmental activities capital assets, net	\$ 8,979,899	(245,871)	-	8,734,028

Depreciation expense of \$245,871 has been allocated to the Housing, health and community development function within the Statement of Activities.

V. Real Property Held for Resale

The following is a list of real property held for resale at June 30, 2003:

Purpose	Acquisition Date	Location	Carrying Value
Retail expansion	Mar 1970	239 S. Orange Street	\$ 184,000
	Jan 1979	225 West Colorado	300,000
	Jul 1981	237 S. Brand	262,785
	Sep 1981	233 S. Brand	292,600
	May 1983	216 S. Central	700,000
	Oct 1983	217-219 W. Colorado	853,058
	Oct 1984	228-230 S. Central	916,609
	Feb 1987	225 S. Orange	284,000
	Aug 1987	143-147 S. Brand	1,712,000
	Sep 1987	218-220 W. Harvard	318,324
	Oct 1987	209-215 S. Brand	900,000
	Oct 1990	201-207-209 W. Colorado	1,000,000
	Oct 1990	220-222 S. Central	700,000
	Oct 1990	210-212 S. Central	700,000

GLENDAL REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

Purpose	Acquisition Date	Location	Carrying Value
	Feb 1992	221 S. Orange St.	440,000
	Feb 1992	224 S. Central	700,000
	Mar 1995	139 S. Brand	488,096
	Jul 1995	229 S. Orange	440,000
	Dec 2000	226 S. Brand	554,870
	Mar 2001	217 S. Brand	450,000
	Oct 2002	201-205 Harvard	979,367
	Nov 2002	225 S. Brand	2,476,084
	Nov 2002	206-8 W. Harvard/213 S. Orange	2,703,154
	Nov 2002	232 S. Central	1,105,063
	May 2003	133-371/2 S. Orange	543,129
			<u>20,003,139</u>
North Central	Jun 1987	211 Burchett	1,000,000
	Dec 1987	820 N. Central	825,000
	Sep 1987	217-219 Burchett	411,507
	Jun 1987	221 Burchett	975,000
			<u>3,211,507</u>
Housing Projects	May 2001	401-411 Pacific Ave and 501-503 ½ W. Vine	702,589
	Oct 2002	816 S. Maryland	380,000
	Jan 2003	810-812 S. Maryland	525,000
	May 2003	900-910 E. Palmer	189,054
			<u>1,796,643</u>
Other	Aug 1982	111 E. Wilson	351,649
	Mar 1986	225 W. Wilson	1,012,914
	Mar 2001	225 E. Broadway	3,605,015
			<u>4,969,578</u>
		Total	<u><u>\$ 29,980,867</u></u>

GLENDALE REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

VI. Outstanding Indebtedness and Changes in Long-Term Debt

A summary of outstanding bonds payable at June 30, 2003 is as follows:

	Amount outstanding at June 30, 2002	Issuance	Redemption	Amount outstanding at June 30, 2003	Due within one year
Governmental Activities:					
1974 Parking lease revenue bonds, Series A	\$ 440,000	-	440,000	-	-
1976 Refunding parking lease revenue bonds	1,025,000	-	1,025,000	-	-
1993 Tax allocation bonds	61,250,000	-	1,935,000	59,315,000	2,035,000
2002 Tax allocation bonds	-	48,015,000	-	48,015,000	1,810,000
	\$ 62,715,000	48,015,000	3,400,000	107,330,000	3,845,000
Bond premium	-	2,006,755	52,809	1,953,945	52,809
Total bonds payable	\$ 62,715,000	50,021,755	3,452,809	109,283,945	3,897,809

The Agency's outstanding bonds payable carry certain provisions unique to each issue and are summarized as follows:

- 1974 Parking Lease Revenue Bonds, Series A
Original issue - \$6,200,000
Remaining interest rate - 6.30%
Amount outstanding at June 30, 2003 - \$0.00

These bonds were issued in 1974 and fully paid in June, 2003.

- 1976 Refunding Parking Lease Revenue Bonds
Original issue - \$13,725,000
Remaining interest rate - 6.10%
Amount outstanding at June 30, 2003 - \$0.00

These bonds were issued in 1976 and fully paid in June, 2003.

- 1993 Tax Allocation Bonds
Original issue - \$67,685,000
Remaining interest rate - 5% - 6%
Amount outstanding at June 30, 2003 - \$59,315,000

The Agency issued \$67,685,000 in tax allocation bonds with an average rate of 5.5% to advance refund a portion of the Agency's outstanding Central Glendale Redevelopment Project 1990 Tax Allocation Bonds (the "Prior Bonds") with an average interest rate of 6.9%, to provide additional funds for various improvements in the Central Project Area and to pay the cost of issuance of the 1993 Bonds. The 1993 Bonds mature in regularly increasing principal amounts ranging from \$2,035,000 to \$5,030,000 from 2004 to 2021. A collateralized investment agreement was entered between the trustee and Svenska Handelsbanken. This agreement guarantees the Agency a return of 7.42% in the Reserve Account. The bond indebtedness of both the 1990 and 1993 Tax Allocation Bonds are secured by a pledge of 80% of all incremental property taxes allocated to and received by the Agency for the Central Project Area. The bonds are subject to redemption at the

GLENDAL REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

option of the Agency on any interest payment date at a price ranging from 102% to 100% of the principal value. Per the trust indenture, the trustee shall invest the bond proceeds in government securities.

- 2002 Tax Allocation Bonds
Original issue - \$48,015,000
Interest Rate – 4.20% - 4.85%
Amount outstanding at June 30, 2003 - \$48,015,000

The Agency issued \$48,015,000 in tax allocation bonds with an average rate of 4.5% to fund economic development activities of the Agency primarily relating to the Town Center development, to fund a reserve account for the Bonds, and to pay the expense of the Agency in connection with the issuance of the Bonds. The 2002 Bonds mature in regularly increasing principal amounts ranging from \$1,810,000 to \$3,655,000 from 2004 to 2022. The bond indebtedness is secured by a pledge of 80% of all incremental property taxes, on parity with Agency's outstanding 1993 Tax Allocation Bonds, allocated to and received by the Agency for the Central Project Area. The bonds maturing on or before December 1, 2012, are not subject to redemption prior to their respective maturities. The bonds maturing on or after December 1, 2013, are subject to redemption at the option of the Agency on any interest payment date at a price ranging from 101% to 100% of the principal value. The City Treasurer shall invest the bond proceeds in government securities.

The annual requirements (including payments to sinking fund) to amortize all bonded indebtedness outstanding as of June 30, 2003:

	Interest	Principal
2004	\$ 5,257,160	3,845,000
2005	5,094,763	3,995,000
2006	4,922,983	4,170,000
2007	4,742,185	4,345,000
2008	4,552,058	4,525,000
2009-2013	19,417,987	25,865,000
2014-2018	12,282,553	32,755,000
2019-2022	2,777,139	27,830,000
	<u>\$ 59,046,826</u>	<u>107,330,000</u>

The Agency has complied with all bond covenants on outstanding debt issues.

The Agency and the City have entered into various agreements, which provide for the reimbursement to the City from the Agency for expenditures incurred by the City on behalf of the Agency. The expenditures incurred by the City represent improvements made by the City to the Agency's redevelopment projects. These agreements are to be paid when funds are available. All of the agreements accrue interest at the average annual City investment portfolio rate.

GLENDALE REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

The following table is a summary of changes in the amounts due to the City under these agreements:

	Date of	Balance at 6/30/02			Additions		Reductions/	Balance at 6/30/03		
Project	Agreement	Principal	Interest	Total	Principal	Interest	Reclass	Principal	Interest	Total
Central Project										
South Brand Improvement	May 1977	-	2,154,839	2,154,839	-	81,237	-	-	2,236,076	2,236,076
Glenoaks Improvement	Oct 1977	659,667	2,555,250	3,214,917	-	121,202	-	659,667	2,676,452	3,336,119
Parking lots transferred to the Agency	Apr 1983	3,061,550	9,744,811	12,806,361	-	482,800	-	3,061,550	10,227,611	13,289,161
North Brand Improvement	Apr 1983	79,809	3,370,935	3,450,744	-	130,093	-	79,809	3,501,028	3,580,837
Verdugo Utility Improvement	Dec 1985	3,314,492	4,519,320	7,833,812	-	295,335	-	3,314,492	4,814,655	8,129,147
Block 24 Parking Structure	Oct 1985	6,947,217	11,205,875	18,153,092	-	684,372	-	6,947,217	11,890,247	18,837,464
Broadway Improvement	Dec 1985	2,549,097	1,934,580	4,483,677	-	169,035	-	2,549,097	2,103,615	4,652,712
Central Avenue Improvement	Jun 1988	2,042,524	2,493,384	4,535,908		171,004	(893,509)	2,042,524	1,770,879	3,813,403
Central Widening	Jun 1989	102,622	-	102,622	-	3,869	(106,491)	-	-	-
Sub-total		18,756,978	37,978,994	56,735,972	-	2,138,947	(1,000,000)	18,654,356	39,220,563	57,874,919
San Fernando Project										
San Fernando Project-Advance	Dec 1996	1,575,021	870,739	2,445,760	(5,581)	92,205	-	1,569,440	962,944	2,532,384
New Business Incentive	Dec 1996	15,500	7,847	23,347	-	880	-	15,500	8,727	24,227
Dreamworks	Dec 1996	176,906	66,657	243,563	-	9,182	-	176,906	75,839	252,745
San Fernando Master Plan	Dec 1996	447,350	163,964	611,314	5,581	23,047	-	452,931	187,011	639,942
Facade Program	Dec 1996	37,185	5,811	42,996	-	1,621	-	37,185	7,432	44,617
Water Treatment Facilities	Jul 1997	1,600,000	346,801	1,946,801	-	73,394	-	1,600,000	420,195	2,020,195
Grand Central Business Recycling Center	Nov 1997	50,000	9,146	59,146	-	2,230	-	50,000	11,376	61,376
	Jul 1996	1,000,000	207,376	1,207,376	-	45,518	-	1,000,000	252,894	1,252,894
Subtotal		4,901,962	1,678,341	6,580,303	-	248,077	-	4,901,962	1,926,418	6,828,380
Grand Total		23,658,940	39,657,335	63,316,275	-	2,387,024	(1,000,000)	23,556,318	41,146,981	64,703,299

GLENDALE REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

VIII. Retirement Plan

Full-time employees of the Agency participate with other City employees in the Public Employees Retirement System (PERS) of the State of California, which is an agent multiple-employer public employee retirement system. During this fiscal year, the Agency (as part of the City) contributed \$ 0 to PERS, as the City's retirement is fully funded. The Agency's contributions represent a pro rata share of the City's Contribution, including the employees' contribution which is paid by the Agency, which is based on PERS's actuarial determination on June 30, 2000. PERS does not provide data to participating organizations in such a manner so as to facilitate separate disclosure for the Agency's share of the actuarial computed pension benefit obligation and the plan's net assets available for benefits. Approximately 0.9% of full-time City workers are employed by the Agency.

Plan Description

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California.

All full-time employees are eligible to participate in CalPERS, and related benefits vest after five years of service. Upon five years of service, public safety employees who retire at age 50 and general employees who retire at age 55 are entitled to receive an annual retirement benefit. The benefit is payable monthly for life, in an amount equal to 3% or 2%, respectively, of the employee's average salary during the last year of employment for each year of credited service. The system also provides death and disability benefits. CalPERS issues a publicly available financial report that includes financial statements and required supplemental information of participating public entities within the state of California. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Funding Policy

CalPERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. According to the plan, City employees are required to contribute 7% of annual salary for general members and 9% of annual salary for public safety members. The City is also required to contribute at an actuarially determined rate; the current public safety rate and the current general employee rates are 1.67% and 0% respectively of annual covered payroll, as the City's retirement is fully funded. The contribution requirements of plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

Contributions to CalPERS totaling \$9,457,453 were made during the fiscal year ended June 30, 2003 in accordance with actuarially determined contribution requirements through an actuarial valuation performed at June 30, 2000. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.25% a year compounded annually (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 4.27% to 11.59%, (c) no additional projected salary increases attributable to seniority/merit and (d) no post retirement benefit increases. The actuarial value of the City's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period depending on the size of investment gains and/or losses. CalPERS uses the entry-age-normal-actuarial-cost method, which is a projected-benefit-cost method. That is, it takes into account those benefits that are expected to be earned in the future as well as those already accrued. According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of employment until retirement. In addition, the employer's total normal cost is expressed as a level percentage of payroll. CalPERS also uses the level-percentage-of-payroll method to amortize any unfunded actuarial liabilities. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level % of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of

GLENDALE REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization.

Three year Trend Information

Fiscal year ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/01	\$7,832,356	100%	0
6/30/02	\$8,291,590	100%	0
6/30/03	\$9,457,653	100%	0

REQUIRED SUPPLEMENTARY INFORMATION - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets <a>	Actuarial Accrued Liability <AAL> - Entry Age 	(Unfunded AAL) / Over- funded AAL <a-b>	Funded Ratio <a/b>	Covered Payroll <c>	(Unfunded AAL)/ Overfunded AAL as a Percentage of Covered Payroll <(a-b)/c>
06/30/1999	714,481,049	560,822,323	153,658,726	127.40%	91,017,813	168.82%
06/30/2000	794,954,969	639,884,600	155,070,369	124.23%	95,697,086	162.04%
06/30/2001	815,521,178	687,539,962	127,981,216	118.61%	101,369,092	126.25%

IX. Risk Management

The Agency contracts with the City for unemployment and workers' compensation insurance. For purposes of general liability, the Agency is self-insured.

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City retains risks for the following types of liabilities: workers' compensation insurance, unemployment insurance, post employment benefits, general auto, dental, medical and vision as well as public liability through separate Internal Service Funds. In addition, the City purchased several commercial insurance policies for errors and omissions of its officers and employees, destruction of assets and natural disasters. There were no significant settlements or reductions in insurance coverage from settlements for the past three years.

Operating funds are charged a premium and the Internal Service Funds recognize the corresponding revenue. Claims expenses are recorded in the Internal Service Funds. Premiums are evaluated periodically and increases are charged to the operating funds to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses. The reserve designated for future catastrophic losses was a deficit of \$5 million on June 30, 2003. The City is currently waiting for an actuarial study to be completed to take the next course of action.

Claims payable liability has been established in these funds based on estimates of incurred but not reported and litigated claims. Management believes that provisions for claims at June 30, 2003 are adequate to cover the cost of claims incurred to date. However, such liabilities are, by necessity, based upon estimates and there can be no assurance that the ultimate cost will not exceed such estimates.

GLENDALE REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

A reconciliation of the changes in the aggregate liabilities for claims for the current fiscal year and ten prior fiscal years are as follows:

Fiscal Year	Beginning Balance	Claims and Changes	Claim Payments	Ending Balance
1993-94	\$ 11,438,000	9,083,000	8,356,000	12,165,000
1994-95	12,165,000	10,039,000	9,724,000	12,480,000
1995-96	12,480,000	8,163,000	9,264,000	11,379,000
1996-97	11,379,000	14,856,000	10,861,000	15,374,000
1997-98	15,374,000	10,375,000	9,026,000	16,723,000
1998-99	16,723,000	10,555,000	9,541,000	17,737,000
1999-00	17,737,000	12,451,000	11,119,000	19,069,000
2000-01	19,069,000	18,781,000	13,794,000	24,056,000
2001-02	24,056,000	16,597,000	18,595,000	22,058,000
2002-03	22,058,000	23,514,000	15,359,000	30,213,000

X. Commitments and Contingencies

The Agency is involved in litigation in the normal course of business. In the opinion of management, based on consultation with the City Attorney, these cases, in the aggregate, are not expected to result in a material adverse financial impact to the Agency. Additionally, Agency management believes that sufficient reserves are available to the Agency to cover any potential losses should an unfavorable outcome materialize.

XI. Lease Agreements

On May 1, 1974, the Agency, as lessor, entered into a non-cancelable master lease agreement to the City to lease the multi-story parking facility constructed adjacent to the Glendale Galleria I Regional shopping center. The term of the master lease began in June 1976. The master lease base rentals are due semi-annually on August 15 and February 15 over the terms of the lease and it is to terminate on the earlier of May 15, 2008 or upon payment of all principal and interest due on the outstanding bond indebtedness attributable to the leased premises. Annual base rentals are to be at a rate sufficient to meet debt service requirements of the outstanding bond indebtedness on the leased premises. The base rental is presently \$1,629,575 annually.

In 1976, the City entered into a sublease agreement with Glendale Associates, which is subject to the terms of the above master lease. Annual rent includes a base rent of \$255,840 and an additional rent of \$672,000, which have been assigned to the Agency. The Agency has agreed to reimburse the City's annual rents under the master lease agreement from rents received from Glendale Associates and property tax revenues.

In December 2002, Glendale Associates sold the Galleria I and Galleria II properties to General Growth Properties (the Operator), the Master Lease and the Sub Lease remain in effect. On May 3rd, 2003 the outstanding bond indebtedness was retired, however per the Sub Lease the Operator shall continue to pay the additional rent component (\$672,000) for the next 3 fiscal years or upon the re-assessment of the property taxes paid by the Operator and the other Major Tenants in Galleria I due to the sale of the Galleria. Once the property taxes have been re-assessed, the property taxes paid will exceed the adjusted base year property tax and this will eliminate any further payment of the additional rent payment for Galleria I. The base rent will continue for the term of the sub lease, however this amount is off set by the Possessory Property Tax payments made by the Operator, the difference between the base rent of \$255,840 and the Possessory Taxes paid is paid to the Agency (this amount is currently \$35,000) quarterly. This amount will decrease due to the increase by inflation of the Possessory Tax assessment on the Garage Lease and by 2008, this amount will be equal to the base rent, therefore no rental income will be due on the Galleria I Garage for the remainder of the Lease period. The Operator is responsible for paying the Possessory Property Tax on the Garage Lease until the end of the lease agreement.

GLENDALE REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

XII. Projects

The following is a list of projects in progress as of June 30, 2003:

Description	Cumulative expenditures through 6/30/2002	Expenditures during year ended 6/30/2003	Completed projects / Reclass during year ended 6/30/2003	Cumulative expenditures through 6/30/2003
General Fund				
Central Project:				
Block 24/25 Rehab	7,634,749	16,006	-	7,650,755
Retail Expansion	4,562,525	-	-	4,562,525
Retail Infill Strategy	552,544	-	-	552,544
Facade Program	-	20,000	-	20,000
800 N. Central	626,890	33,043	-	659,933
Brand Streetscape	24,227	-	-	24,227
Greater Downtown S. Plan Imp	1,065,812	88	-	1,065,900
Glendale City Center (Square)	317,513	1,191	-	318,704
Block 13/14	26,495	2,023	-	28,518
DPSS Site	102,390	25,091	-	127,481
Block 29/30	3,095,825	539,196	1,171,613	4,806,634
Central Area	781,595	32	-	781,627
Alex Theatre Project	1,168,368	488,493	-	1,656,861
Retail /Theatre Parking	6,816	-	6,388,146	6,394,962
Orange Street Garage Debt Serv	-	300,000	-	300,000
Downtown Green Space	59,713	253,289	-	313,002
Dwntwn Stscape-Maryland	35,448	54,934	-	90,382
Dwntwn Stscape-Orange St	10,906	22,197	-	33,103
Town Center 2001	1,303,639	319,927	-	1,623,566
St closure/Auto dealership exp	6,072	2,595	-	8,667
Downtown Housing	130	6,554	-	6,684
CA Central office Project	6,941	11	-	6,952
Alex Theatre	1,135,150	-	-	1,135,150
Retail Expansion	2,203,032	-	-	2,203,032
Brand Streetscape	1,649,678	-	-	1,649,678
Downtown Development Standards	-	63,674	-	63,674
Citywide Public Signage Program	-	40,348	-	40,348
Central Glendale Area Façade	-	1,402	-	1,402
Chess Park	-	5,144	-	5,144
	28,156,138	2,195,238	7,559,759	37,911,135
San Fernando Project:				
Dream Works	176,906	-	-	176,906
San Fernando Master Plan	447,350	5,581	-	447,350
Facade Program	-	781	-	781
San Fernando Streetscape	320,387	231,362	-	551,749
San Fernando Rehabilitation	17	-	-	17
GC3 Project	5,520	-	(5,520)	-
KABC 7	2,678	-	-	2,678

GLENDALE REDEVELOPMENT AGENCY

Notes to Basic Financial Statements, continue

Description	Cumulative expenditures through 6/30/2002	Expenditures during year ended 6/30/2003	Completed projects / Reclass during year ended 6/30/2003	Cumulative expenditures through 6/30/2003
Lake Ave Neigh Bus Dist Plan	-	5,573	-	5,573
San Fernando Rd. Façade Grant	-	350	-	350
	952,858	243,827	-	1,191,148
Total General Fund	29,108,996	2,439,065	7,554,239	39,102,300
Special Revenue Fund				
Rehab Loans and Grants	3,584,398	-	(3,584,398)	-
Rental Assistance	774,689	-	(774,689)	-
Rent Subsidy	659,852	-	(659,852)	-
Silvercrest	2,693,446	-	(2,693,446)	-
Multi-Family Rehabilitation	1,099,454	-	(1,099,454)	-
First time home buyer	5,951,993	-	(5,951,993)	-
Habitat for Humanity	233,470	-	(233,470)	-
Vine Project	43,509	213,874	-	257,383
Emergency Shelter	696,168	-	(696,168)	-
GAR 1293 Alma Street	356,743	-	(356,743)	-
107 West Dryden	204,214	-	(204,214)	-
Pacific Vine Project	702,589	-	(702,589)	-
Ownership Housing Rehab	96,465	-	(96,465)	-
New Construction Owner Hsng	459,897	-	(459,897)	-
Renter Acq./Rehab & New constr	3,994	-	(3,994)	-
Total Special Revenue Fund	17,560,881	213,874	(17,517,372)	257,383

XIII. Subsequent Event

- A. The Agency authorized refunding of the 1993 Tax Allocation Bonds on October 16, 2003 for \$58,880,000. The 2003 Tax Allocation Bonds are to be fully paid in 2021, with annual principal payments varying from \$2,000,000 to \$4,520,000.

GLENDAL REDEVELOPMENT AGENCY
COMPUTATION OF LOW-MODERATE INCOME HOUSING EXCESS/SURPLUS FUNDS
YEAR ENDED JUNE 30,2003

FUND BALANCE - BEGINNING OF YEAR	\$	13,346,248
Adjustments		-
Less unavailable funds - included in beginning fund balance:		
Land held for resale		(1,796,643)
Rehabilitation loans		-
ERAF loan receivable		-
Set-aside deferrals		-
Unspent bond proceeds		-
Insurance		-
Prepaid Items		-
Total unavailable funds		(1,796,643)
Available Fund Balance - Beginning of Year		11,549,605
Current year proceeds/uses (actual plus changes in unavailable):		
Proceeds		6,126,726
Uses		(3,599,436)
Changes in unavailable amounts		-
Available Fund Balance - End of Year		14,076,895
Encumbrances		(3,085,991)
Unspent bond proceeds present		-
Land sales - HS 33334.12(g)(3)A)		-
Available Fund Balance - for Excess Surplus		10,990,904
Does available fund balance for excess/surplus exceed \$1,000,000? If so, enter available fund balance and evaluate that amount against tax increment. If less, enter zero.		10,990,904
Does available fund balance for excess/surplus exceed the greater of prior years' set aside deposits or \$1,000,000?		
Tax increment set-aside amounts:		
Fiscal year 1998-99	\$	3,193,843
Fiscal year 1999-00		4,047,843
Fiscal year 2000-01		4,061,545
Fiscal year 2001-02		3,941,434
Total set-aside deposited into fund		15,244,665
Greater of the tax increment deposits or \$1,000,000		15,244,665
Excess/surplus Funds		
Available fund balance for excess/surplus less prior four years' tax increment set-aside deposits		-
Reconciliation to Ending Fund Balance		
Ending GAAP fund balance		15,873,538
Available fund balance - end of year above		14,076,895
Add unavailable funds - end of year:		
Land held for resale	1,796,643	
Rehabilitation loans	-	
ERAF loan receivable	-	
Set-aside deferrals	-	
Unspent Bond Proceeds	-	
Insurance	-	
Prepays	-	
Total unavailable funds		1,796,643
Computed Ending Fund Balance	\$	15,873,538

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Table 1

GLENDALE REDEVELOPMENT AGENCY

General Expenditures by Function - Last Ten Fiscal Years

<u>Fiscal year</u>	<u>Administration and capital outlay</u>	<u>Projects</u>	<u>Principal retirement</u>		
			<u>Tax allocation bonds</u>	<u>Lease revenue bonds</u>	<u>Total principal</u>
1993-1994	\$ 1,917,759	10,352,750	1,315,000	860,000	2,175,000
1994-1995	2,100,092	2,936,230	1,245,000	910,000	2,155,000
1995-1996	2,271,737	6,865,141	1,315,000	970,000	2,285,000
1996-1997	2,388,814	7,718,937	1,395,000	1,020,000	2,415,000
1997-1998	2,612,030	6,965,296	1,470,000	1,085,000	2,555,000
1998-1999	3,045,536	5,630,907	1,555,000	1,155,000	2,710,000
1999-2000	2,556,623	3,405,706	1,655,000	1,220,000	2,875,000
2000-2001	2,766,299	4,831,896	1,755,000	1,295,000	3,050,000
2001-2002	3,938,735	3,310,622	1,845,000	1,370,000	3,215,000
2002-2003	<u>4,035,685</u>	<u>2,612,512</u>	<u>1,935,000</u>	<u>1,465,000</u>	<u>3,400,000</u>

Note: (1) GASB 34 requires City/Agency debt to be recorded effective fiscal year 2002. Previously all City/Agency debt is reflected in the notes to financial statements.

(2) Reflects accounting change of recording the property taxes at gross to properly expense County Administration Fees, ERAF and pass through agreements with Los Angeles County as well as GUSD.

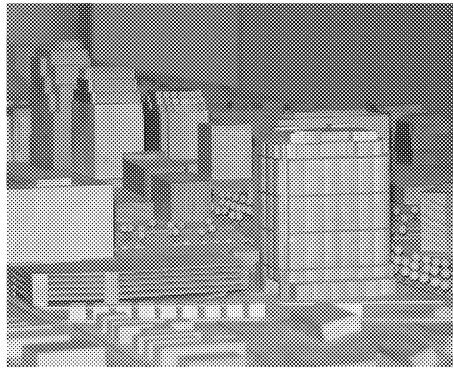
Also includes one time bond issuance cost of \$1,256,605.

Source: City of Glendale - Finance Division

Not covered by independent auditors' report.

Statistical Section

Year Ended June 30, 2003



Glendale
Redevelopment
Agency
GRA

Table 1, cont.

Interest				City reimbursements		Total general expenditures
Tax allocation bonds	Lease revenue bonds and notes	Debt to City	Total interest	Lease	Other	
3,814,201	689,995	-	4,504,196	1,629,575	3,262,104	23,841,384
4,051,285	638,175	-	4,689,460	1,629,575	1,355,706	14,866,063
3,977,585	582,720	-	4,560,305	1,629,575	1,695,340	19,307,098
3,898,550	523,605	-	4,422,155	1,629,575	3,229,328	21,803,809
3,813,910	461,460	-	4,275,370	1,629,575	1,115,000	19,152,271
3,723,385	394,605	-	4,117,990	1,629,575	875,000	18,009,008
3,626,115	323,440	-	3,949,555	1,629,575	2,975,000	17,391,459
3,531,790	248,270	-	3,780,060	1,629,575	1,375,000	17,432,830
3,441,790	168,495	3,143,404	6,753,689 (1)	1,629,575	57,809	18,905,430
4,365,934	84,095	2,387,024	6,837,053	1,420,143	6,554,682 (2)	24,860,075

Table 2

GLENDALE REDEVELOPMENT AGENCY

General Revenues by Source - Last Ten Fiscal Years

Fiscal year	Property taxes	Use of money and property		Charges for Services	Miscellaneous		Total
		Interest and investment income	Rental income				
1993-1994	\$ 12,972,778	1,602,721	2,328,289	59,172	4,264,443	(1)	21,227,403
1994-1995	12,829,457	1,999,396	2,410,776	48,748	2,355,545	(2)	19,643,922
1995-1996	11,710,458	1,983,365	2,402,908	45,828	1,028,784	(2)	17,171,343
1996-1997	10,889,292	1,409,602	2,576,569	42,794	2,810,379	(2)	17,728,636
1997-1998	11,806,089	2,140,989	2,202,822	42,087	7,946,330	(2) & (3)	24,138,317
1998-1999	15,152,837	1,802,313	2,816,931	37,624	336,998		20,146,703
1999-2000	18,424,245	1,831,107	2,339,204	39,299	576,206		23,210,061
2000-2001	18,155,759	3,122,131	2,260,970	44,548	889,053		24,472,461
2001-2002	18,004,728	4,364,977	1,094,306	716,729	1,190,220		25,370,960
2002-2003	22,214,805 (4)	5,741,801	585,558	48,950	52,418,639 (5)		81,009,753

(1) Includes \$3,454,435 of proceeds from the 1993 Tax Allocation Bonds issued.

(2) Includes proceeds from loan for the City.

(3) Includes \$5,547,158 of the Hilton Glendale parking structure land note receivable from prior year to loans receivable

(4) Reflects accounting change of recording the property taxes at gross to properly expense County Administration Fees, Pass Through agreements and ERAF.

(5) Includes \$50,021,755 of 2002 Tax Allocation Bonds and premiums

Not covered by independent auditors' report.

Table 3

GLENDALE REDEVELOPMENT AGENCY

General Revenues and General Expenditures - Last Ten Fiscal Years

<u>Fiscal year</u>		<u>Revenues</u>	<u>Expenditures</u>	<u>Excess of Revenues over (under) Expenditures</u>
1993-1994	\$	21,227,403	23,841,384	(2,613,981)
1994-1995		19,643,922	14,866,063	4,777,859
1995-1996		17,171,343	19,307,098	(2,135,755)
1996-1997		17,728,636	21,803,809	(4,075,173)
1997-1998		24,138,317 (1)	19,152,271	4,986,046
1998-1999		20,146,703	18,009,008	2,137,695
1999-2000		23,210,061	17,391,459	5,818,602
2000-2001		24,472,461	17,432,830	7,039,631
2001-2002		25,370,960	18,905,430	6,465,530
2002-2003		<u>81,009,753 (2)</u>	<u>24,860,075 (3)</u>	<u>56,149,678</u>

(1) Includes \$5,547,158 of the Hilton Glendale parking structure land note receivable from prior year

(2) Reflects accounting change of recording the property taxes at gross to properly expense
County Administration Fees, ERAF and Pass Through agreements and
Los Angeles County as well as GUSD.

Also includes one time bond issuance cost of \$1,256,605.

(3) Includes \$50,021,755 of 2002 Tax Allocation Bonds and premiums

Source: City of Glendale - Finance Division

Not covered by independent auditors' report.

Table 4

GLENDALE REDEVELOPMENT AGENCY

Incremental Property Tax Levies and Collections - Last Ten Fiscal Years

<u>Fiscal year</u>	<u>Incremental</u>			
	<u>Secured market value</u>	<u>Unsecured market value</u>	<u>Tax levy</u>	<u>Tax collection (1)</u>
1973-1974	\$ 5,212,254	363,280	622,128	609,869
1993-1994	1,191,968,870	79,345,186	13,458,083	12,972,778 (3)
1994-1995	1,300,496,089	89,546,488	13,598,503	12,829,427 (3)
1995-1996	1,180,344,948	103,490,665	13,533,136	11,710,458
1996-1997	1,189,849,022	95,445,532	12,429,093	10,889,292
1997-1998	1,169,324,327	82,212,098	13,148,096	11,806,089
1998-1999	1,907,166,466	365,341,604	15,517,353	15,152,837
1999-2000	1,480,680,438	168,129,062	17,599,510	18,424,245
2000-2001	1,625,164,644	179,843,887	18,971,508	18,155,759
2001-2002	1,735,541,927	202,790,455	20,012,444	18,004,728
2002-2003	1,771,846,461	224,316,996	21,931,287	22,214,805

(1) Tax collection on current secured and unsecured Taxes.

(2) The 1992 State of California Budget Act required all redevelopment agencies to shift property tax revenue to the county Educational Revenue Augmentation Fund (ERAF). As a result, the Agency's property tax increment was reduced by \$1,515,303 in 1992-1993.

(3) The 1993 State of California Budget Act required all redevelopment agencies to shift property tax revenue to the county ERAF. As a result, the Agency's property tax increment was reduced by \$544,638 in 1993-1994.

Note: Article XIII-A of the Constitution of the State of California adopted by the electorate in June 1978 precludes the City from a local property tax levy. All property taxes are levied by the county and allocated to other governmental entities restated to full market value for the purpose of comparison.

Source: Los Angeles County assessor's office.

Not covered by independent auditors' report.

Table 5

GLENDALE REVELOPMENT AGENCY

Market Values of Taxable Properties - Last Ten Fiscal Years

CENTRAL PROJECT

Fiscal year	Market value	Base year (1972)	Net increment	Secured	Unsecured	Total
1973-1974	\$ 30,234,870	24,659,336	5,575,534	5,212,254	363,280	5,575,534
1992-1993	1,309,042,548	85,369,720	1,223,672,828	1,132,014,992	91,657,836	1,223,672,828
1993-1994	1,365,718,373	85,369,720	1,280,348,653	1,181,316,135	99,032,518	1,280,348,653
1994-1995	1,402,366,697	85,369,720	1,316,996,977	1,212,061,658	104,935,319	1,316,996,977
1995-1996	1,377,868,511	85,369,720	1,292,498,791	1,174,577,315	117,921,476	1,292,498,791
1996-1997	1,396,293,191	85,369,720	1,310,923,471	1,186,414,955	124,508,516	1,310,923,471
1997-1998	1,368,150,872	85,369,720	1,282,781,152	1,163,853,453	118,927,699	1,282,781,152
1998-1999	1,430,429,860	85,369,720	1,345,060,140	1,214,790,228	130,269,912	1,345,060,140
1999-2000	1,504,396,496	85,369,720	1,419,026,776	1,273,474,724	145,552,052	1,419,026,776
2000-2001	1,615,892,212	85,369,720	1,530,522,492	1,376,060,787	154,461,705	1,530,522,492
2001-2002	1,672,263,151	85,369,720	1,586,893,431	1,416,463,258	170,430,173	1,586,893,431
2002-2003	1,693,072,018	85,369,720	1,607,702,298	1,421,359,089	186,343,209	1,607,702,298

SAN FERNANDO PROJECT

1993-1994	721,173,777	730,208,374	(9,034,597)	10,652,735	(19,687,332)	(9,034,597)
1994-1995	803,253,974	730,208,374	73,045,600	88,434,431	(15,388,831)	73,045,600
1995-1996	721,545,196	730,208,374	(8,663,178)	5,767,633	(14,430,811)	(8,663,178)
1996-1997	704,579,457	730,208,374	(25,628,917)	3,434,067	(29,062,984)	(25,628,917)
1997-1998	698,963,647	730,208,374	(31,244,727)	5,470,874	(36,715,601)	(31,244,727)
1998-1999	842,078,210	730,208,374	111,869,836	104,611,333	7,258,503	111,869,836
1999-2000	959,991,098	730,208,374	229,782,724	207,205,714	22,577,010	229,782,724
2000-2001	1,004,694,413	730,208,374	274,486,039	249,103,857	25,382,182	274,486,039
2001-2002	1,081,647,325	730,208,374	351,438,951	319,078,669	32,360,282	351,438,951
2002-2003	1,118,669,539	730,208,374	388,461,165	350,487,372	37,973,793	388,461,165

Source: Taxpayer's Guide compiled under the supervision of the Los Angeles County Auditor-Controller's Office (Tax Division).

Not covered by independent auditors' report.

Table 6

GLENDALE REDEVELOPMENT AGENCY

Property Tax Rates - All Overlapping Governments - Last Ten Fiscal Years

Fiscal year		County	School district	Miscellaneous special districts	Total
1993-1994	\$	1.00	0.00	0.02	1.02
1994-1995		1.00	0.00	0.02	1.02
1995-1996		1.00	0.00	0.02	1.02
1996-1997		1.00	0.00	0.02	1.02
1997-1998		1.00	0.04	0.02	1.06
1998-1999		1.00	0.06	0.02	1.08
1999-2000		1.00	0.06	0.02	1.08
2000-2001		1.00	0.06	0.02	1.08
2001-2002		1.00	0.06	0.02	1.08
2002-2003		1.00	0.06	0.02	1.08

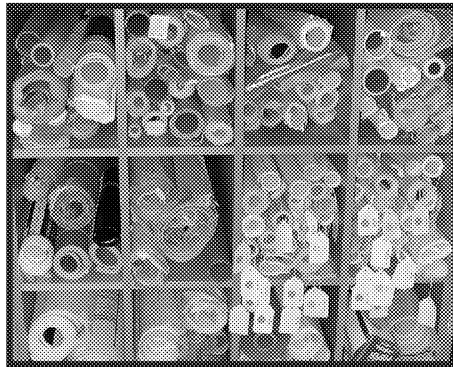
Note: Article XIII-A of the Constitution of the State of California adopted by the electorate in June 1978 precludes allocated to other governmental entities on a predetermined formula. The Jarvis Initiative (Proposition 13) allows jurisdictions to impose tax rates over the \$1 base rate sufficient to amortize voter-approved bonded debt.

Source: Taxpayer's Guide.

Not covered by independent auditors' report.

Compliance Section

Year Ended June 30, 2003



Glendale
Redevelopment
Agency
GRA

**Independent Auditor's Report on Compliance and on Internal Control
over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and City Council
Glendale Redevelopment Agency
Glendale, California

We have audited the financial statements of the Glendale Redevelopment Agency (the Agency), a component unit of the City of Glendale, California, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 25, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. This included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller, and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the Agency in a separate letter dated November 25, 2003.

This report is intended solely for the information and use of the Audit Committee, management and the State Controller. However this report is a matter of public record and its distribution is not limited.

McGladrey & Pullen, LLP

Riverside, California
November 25, 2003

ACTIVITIES BY GLENDALE REDEVELOPMENT AGENCY

(Not Covered by Independent Auditors' Report)

ACCOMPLISHMENTS – FISCAL YEAR 2002-03

SAN FERNANDO ROAD CORRIDOR REDEVELOPMENT PROJECT AREA

- Completed the design, standards deviation and license agreement for the planting within the MTA and City right-of-way for the San Fernando Landscape project.
- Completed the project approvals, tax sharing agreement and entitlements for Home Depot project.
- Performed detailed zoning, traffic and land-use analysis of San Fernando Road zoning.

CENTRAL GLENDALE REDEVELOPMENT PROJECT AREA

- Completed agreements, entitlements and project amendments for the Embassy Suites Hotel project.
- Completed and obtained approval of the design for the Chess Park at the Brand Boulevard Passageway.
- Completed the Downtown Greenspace and Street Tree project along Orange Street and Maryland Avenue.
- Continued to work with the Town Center developer to refine the site plan – approved Stage I Design Review and began EIR process.
- Leased the commercial space in the Orange Street Parking Structure ground floor.
- Purchased and installed state-of-the-art film sound equipment for the Alex Theatre.

CITYWIDE ECONOMIC DEVELOPMENT

- Assisted Auto Dealers with site planning designs, entitlements, and permits for two new dealership facilities worth 20 million dollars in land and improvements
- Developed and implemented Auto Dealer Parking Incentive Program including joint advertising.
- Promoted Glendale through the placement of print advertisement in local, regional and national publications.
- Took an active leadership role in the Economic Alliance of the San Fernando Valley promoting a regional economic development effort.

NEIGHBORHOOD COMMERCIAL DISTRICTS

- Assisted with the implementation of the Kenneth Village CIP Improvement project.
- Completed RFP and selection process for BID consultant.
- Continued staff support to six business districts including Kenneth Village, Sparr Heights, Montrose, Adams Square, Downtown Merchants, and the South Brand Auto Dealers.

WORK PROGRAM – FISCAL YEAR 2003-2004

SAN FERNANDO ROAD CORRIDOR REDEVELOPMENT PROJECT AREA

- Assist Glendale Water & Power with proposed Grayson Power Plant improvements including facilities master plan.
- Complete and implement new zoning and development standards for San Fernando Road.
- Continue to implement the San Fernando Road Façade Improvement Grant program and revise program to expand boundaries and increase grant amount.
- Coordinate construction of Phase I & II of the San Fernando Road landscape and begin design of Phase II.
- Begin pre-development design, review and approval of Grand Central Creative Campus (GC3) – Phase I.

CENTRAL GLENDALE REDEVELOPMENT PROJECT AREA

- Approve the Town Center site plan and certify Town Center EIR.
- Complete and implement new zoning and development standards for Downtown.
- Complete construction of a Chess Park in the Brand Passageway.
- Complete design of Town Center/ARC East Brand connection.
- Continue to implement and revise the Central Glendale Façade Improvement Grant program to expand boundaries and increase the grant amount.
- Coordinate permit and construction activities for the Embassy Suites Hotel Project.
- Implement lighting improvement program for The Exchange.

CITYWIDE ECONOMIC DEVELOPMENT

- Assist local businesses, on a city wide basis, with the City's entitlement and development process.
- Continue to market and promote the City of Glendale to encourage business attraction and retention.

NEIGHBORHOOD COMMERCIAL DISTRICTS

- Implement the formation of two new Business Improvement Districts.
- Continue to support the six business districts including Kenneth Village, Sparr Heights, Montrose, Adams Square, Downtown Merchants, and the South Brand Auto Dealers.
- Expand Façade Improvement programs to other appropriate geographic areas of the city while continuing to provide liaison services for other city related issues.

ACTIVITIES AFFECTING HOUSING AND DISPLACEMENT

(Not Covered by Independent Auditors' Report)

ACCOMPLISHMENTS – FISCAL YEAR 2002-2003

The affordable housing programs and projects described below were funded with Redevelopment Tax-Increment funds set-aside for affordable housing (Redevelopment Set-Aside) and administered by the Housing Authority of the City of Glendale (Housing Authority).

I) Home Owner Assistance

A) Home Owner Rehabilitation Loan Program

The Home Owner Rehabilitation Loan Program provides grants and low-interest deferred repayment loans to income eligible homeowners for the purpose of rehabilitating their homes. Due to increasing construction costs and added needs identified by applicants, the Housing Authority increased the grant amount in June 2003 from \$7,500 to \$10,000 per household. This will allow low-income senior and disabled households access to additional funding to address health and safety improvements associated with rehabilitation. Low-interest rehabilitation loans of up to \$25,000 are available to eligible households whose income does not exceed 80% of county median income. In addition, in designated "Target Neighborhoods" within the City of Glendale, low-interest rehabilitation loans of up to \$25,000 are available to eligible households whose income does not exceed 120% of county median income. Repayments of the loans are deferred until title is transferred on the property.

Noise Attenuation Grants are also available for low and moderate-income homeowners near the State Route 134/San Fernando Road Access and Safety Improvement Project. Grants of up to \$10,000 can fund improvements to help reduce noise levels in the target area, such as the installation of dual paned windows, solid core doors, insulation, and HVAC systems.

In conjunction with both the Single Family Rehabilitation program and Multifamily Rehabilitation program described later, the Housing Authority also offers a lead-based paint hazard reduction grant. Because much of Glendale's housing stock was constructed before 1978 and 75% of all residential properties built before that date contain lead-based paint, lead contamination is a potential environmental hazard for a substantial number of residents, regardless of income group. However, lower-income households have fewer financial resources to mitigate against this potential threat to their health. The Housing Authority provides grants of up to \$10,000 to property owners for lead hazard reduction. The grant will be in addition to other assistance provided by the Housing Authority and will be mandatory with all federal HOME program related activity and available as an elective for Redevelopment Set-Aside funded projects.

During fiscal year 2002-03, the Housing Authority allocated Redevelopment Set-Aside grant and loan funds totaling approximately \$417,000 to rehabilitate 33 single-family homes. Twenty-three households received rehabilitation grants totaling approximately \$190,300. Six households received rehabilitation loans totaling approximately \$146,500, which will be repaid to the Housing Authority. Four households received a combination of rehabilitation loan and grant funds totaling approximately \$80,100, a portion of which will be repaid to the Housing Authority.

B) First Time Home Buyer Program

The First Time Home Buyer (FTHB) Program provides low-interest mortgage assistance loans to assist eligible first time homebuyers with the purchase of a home in Glendale. The program provides loans of up to 20% of the purchase price, not to exceed prescribed maximum purchase price and subsidy limits. Loans are secured by second trust deeds and accrue no interest the first five years of ownership. Thereafter, borrowers make annual interest-only payments of 5% of the principle loan amount until the property is sold, at which time the principle loan amount becomes due and payable. To encourage long-term ownership of the property, the loan agreements contain equity-sharing provisions that give a larger portion of the equity to the Housing Authority in the first five years of ownership. Also, the

entire principal loan amount is forgiven after 45 years of ownership if the borrowers maintain the property as their principal residence.

During this fiscal year, the Housing Authority analyzed home ownership trends in an effort to improve the program. The Housing Authority determined that despite low interest rates, home ownership is becoming less affordable for all entry-level first time homebuyers in Glendale, especially low and moderate-income buyers. Staff research shows that this is primarily due to an increase in sales prices of over 20% per year for single-family detached homes and over 30% for condominiums in the last year.

In response, the Housing Authority made two changes to the program to better serve the Glendale moderate-income First Time Home Buyer community. First, the maximum purchase price cap for condominiums was raised from \$225,000 to \$275,000, equivalent to the maximum purchase price cap for single-family homes. Second, the maximum subsidy amount was increased from \$40,000 for condominiums and \$50,000 for single-family homes to \$55,000 for both condominiums and single-family homes. These changes are reflective of the home buying climate in Glendale. Moderate-income households looking for entry-level homes with a 5% down payment in addition to Glendale's FTHB loan are largely limited to purchasing condominiums. These program policy revisions will expand the availability of eligible housing units in the community as well as increase the purchasing power of FTHB borrowers.

The FTHB program is currently assisting 8 applicants who have been pre-approved for a first mortgage loan and are actively searching for a home. Another 9 applicants are currently working through the loan approval process for a first mortgage loan. During fiscal year 2002-03, nine such applicants completed the process and purchased a home with a FTHB loan. This included 8 loans for condominium purchases and one loan for a single-family detached home. The total amount of assistance provided was approximately \$370,000.

Staff continues to promote homeownership to low and moderate-income renters, including special outreach to new immigrants to the community with cultural, language, and transportation barriers. The following outreach efforts were conducted this fiscal year:

Home Buyer Education Seminars: Ten seminars meeting HUD homebuyer education guidelines were held during the year on "How to Buy Your First Home." Approximately 387 people received their HUD approved education certificate that assists them to obtain low down payment loans and other loans offered through special programs by Fannie Mae and the Federal Housing Administration. Of the 10 seminars, one was offered in Spanish, and one was offered in Armenian. Staff has also concentrated efforts to outreach to the Korean community, although language and cultural issues continue to be a barrier to adequately serving this community. Methods of better addressing these concerns are being explored.

Partnerships to Promote Home Ownership: The success of our "How to Buy Your First Home" seminars are contingent upon partnerships with local lenders and realtors. The Glendale Association of Realtors offers special training classes on how to serve entry-level buyers, and several realtors have already been certified. To ensure that these realtors are knowledgeable about the unique needs of First Time Home Buyers and resources available to them, City staff participated in developing and providing information for this certification course.

Adjustments to First Time Home Buyer 2nd Mortgage Assistance Program: Focus groups were held with members of the Glendale Association of Realtors and Glendale's First Time Home Buyer program applicants to identify issues or concerns they had with the program and any refinements or adjustments needed to better serve the community. In addition, median home sales prices were tracked on an ongoing basis. The information gathered contributes to recommended program policy changes.

The First Time Home Buyer Program was also adjusted to allow the use of Affordable Housing Program/Fannie Mae Home Choice program funds via a third mortgage vehicle for disabled persons. The leveraging of these funds in combination with federal HOME funds allowed one low-income disabled person to purchase a home during the year. Several other people were referred to Easter Seals to determine whether they were eligible for the program as well.

Information Outreach: The City developed a website that provides referrals to interested home owners on third party provider homebuyer education classes, financial assistance and counseling programs, and other resources available to assist home buyers. The City website, as well as the City-published newspaper City Views, acts as a marketing tool to provide information to a broad range of people on home ownership opportunities in the community.

A Home Ownership Fair was co-sponsored by the City and Congressman Adam Schiff to provide an opportunity for home buyers and existing home owners to obtain information on resources, mortgage loans, home maintenance and rehabilitation, reverse mortgages, credit issues and predatory lending. Approximately 300 people attended the annual Fair.

Staff maintains a list of over 600 interested people who are interested in home ownership and periodically mails information regarding the FTHB program, new homeownership developments, and homeownership fairs.

C) New Construction of Ownership Housing

The Housing Authority also promotes home ownership through new construction of ownership housing units. Several new home ownership housing development projects for low and moderate-income first time homebuyers were successfully initiated this fiscal year. The descriptions below summarize the affordable home ownership projects currently in some stage of development in Glendale using Redevelopment Set-Aside funds.

a. Vine Street Project

In 1994, the Housing Authority purchased a 15,625 square foot vacant lot located at 337 W. Vine Street. In August 2001, the Housing Authority entered into an agreement with the Olson Company for development of five detached condominium units, three units for moderate-income first time home buyer households and two market rate units. The first time homebuyer households were selected by lottery in April 2003, and they moved into their homes in July 2003. The Housing Authority's assistance to the project totals approximately \$344,000 in Redevelopment Set-Aside funds in the form of a land write down to the developer and low-interest second mortgage loans to the purchasers of the affordable housing units.

b. Elk Avenue Project

In March 2002, the Housing Authority entered into an Affordable Housing Agreement with the 415 & 417 East Elk Avenue, LLC, a California Limited Liability Company, to develop seven affordable condominium units for moderate-income first time home buyers. The Housing Authority will assist the project with \$832,400 of Redevelopment Set-Aside funds, including \$753,300 to assist with land acquisition, onsite and offsite improvements, and fees associated with the development of the project and \$79,100 to provide silent second mortgage assistance to the moderate-income households that purchase the affordable housing units.

The developer has obtained the necessary entitlements and completed the environmental and design review processes. In addition, staff is working with the developer to design a Marketing Plan for the affordable housing units. Construction on the project was temporarily delayed due to the unavailability of construction defect insurance policies; however, insurance has been obtained and construction is scheduled to begin in fall 2003.

c. Vine / Pacific Project

In May 2001, the Housing Authority purchased two contiguous properties located at 401-411 South Pacific Avenue and 501-503 ½ West Vine Street using approximately \$700,000 of Redevelopment Set-Aside funds. The properties had a long history of code enforcement violations, including criminal prosecution by the City Attorney's Office. With an additional \$300,000 in Redevelopment Set-Aside funds, the Housing Authority relocated the five

existing households in compliance with relocation requirements and recently demolished the units.

The Housing Authority approved a Disposition and Development Agreement with Habitat for Humanity in July 2003, and is now anticipating a 4-unit affordable home ownership project on the site. Habitat for Humanity has initiated the marketing and household selection process, and anticipates beginning construction on the project in October 2003.

d. 900 - 910 E. Palmer

In June 2003, the Housing Authority purchased the property at 900 - 910 E. Palmer using approximately \$184,000 of Redevelopment Set-Aside funds. Staff has relocated one existing business operating on the site, and expects to finish relocating the second business in fall 2003. Under an Exclusive Negotiation Agreement with Habitat for Humanity, the Housing Authority anticipates developing approximately 3 affordable home ownership units.

II) Renter Assistance

A) Multifamily Rehabilitation

The Multifamily Rehabilitation program provides forgivable low interest loans of up to \$14,500 per unit and up to \$100,000 maximum per project to multifamily property owners for the purpose of improving their rental housing units. In return for the loan, the Housing Authority requires that the units be rented to low-income tenants at affordable rental rates for a prescribed number of years. In addition, rehabilitation grants are available to low-income disabled or handicapped tenants in multifamily dwellings for handicap related modifications. This fiscal year, the Housing Authority increased the maximum grant amounts from \$7,500 to \$10,000, allowing these households access to additional funding to address their needs.

During fiscal year 2002-03, the Housing Authority allocated funds for one handicap accessibility grant using approximately \$7,500. In addition, staff is in negotiations to rehabilitate two additional buildings totaling 29 units. Although revisions to the program have decreased the period of required affordability, decreased the minimum number of assisted units, and modified the occupancy standard of assisted units, the number of loans provided has decreased from prior years. This is primarily due to the state of Glendale's rental market, where rental property owners are able to establish rents that are significantly above the Redevelopment Set-Aside low-income rent limits. The market rate rents for one and two-bedroom units in some cases are \$100 to \$350 above the Redevelopment Set-Aside low-income rent limits. With such a large discrepancy, property owners often choose not to participate in the program.

To address these concerns, staff is seeking feedback from the newly established Rental Housing Issues Working Committee described in greater detail in Section V Administrative Activities of this report. The Affordability Subcommittee of the larger committee has been studying the Multifamily Rehabilitation program and considering possible recommendations to increase utilization of the program.

In addition, staff continues to actively market the program to multifamily property owners through the City's Section 8 Rental Assistance newsletter, the Annual Glendale Senior Fair, and through Code Enforcement staff working in the Mariposa Neighborhood Target Area. Certain program advertising is targeted to those property owners having owned multifamily properties without a change in title or financing for the past 15 years. These types of property owners are considered those that may have relatively stable, lower rents that may be in need of rehabilitation.

B) New Construction of Renter Housing

In December 2002, the Housing Authority entered into an Affordable Housing Agreement with American Senior Living, Inc. to develop a 52-unit rental housing project for low-income seniors at 412-422 E. Harvard St. The Housing Authority has committed approximately \$2.3 million in Redevelopment Set-Aside funds to develop the project, leveraging another \$3 million in HOME funds,

\$2.15 million in mortgage revenue bonds, \$3.64 million in State of California 4% tax credits, and \$200,000 in developer equity.

Construction on the project began in April 2003 and is scheduled for completion in June 2004. Currently, staff is assisting the developer with affirmative marketing plans and tenant selection lottery procedures. To date, there are over 2,000 applicants who have expressed an interest in the project and have been placed on a waiting list.

C) Multifamily Rental Assistance

Ongoing Programs

Palmer House: The Housing Authority uses Redevelopment Set-Aside funds to provide annual rent subsidies for Palmer House, a 22-unit low-income senior housing project. The total subsidy is \$87,000 a year for 30 years beginning in 1992. In any year in which the project operating costs exceed revenues by more than \$100,000, the subsidy amount is \$100,000. The 30-year aggregate payments cannot exceed \$2,610,000. During fiscal year 2002-2003, the Housing Authority provided \$100,000 in rental subsidy to the project.

Special Programs

The Housing Authority also administers several special programs to assist the unique needs of renter households in Glendale.

Code Enforcement: In October 2001, the Authority approved an allocation of approximately \$2.9 million of Redevelopment Set-Aside funds over 3 years to augment code enforcement efforts that would result in the improvement and preservation of housing for low and moderate-income households. During fiscal year 2002-2003 approximately \$688,446 was allocated for this effort.

Section 8 Dwelling Repairs and Moving Assistance Grants: Since January 2002, the Authority has operated two grant programs, the Section 8 Dwelling Repairs Grant and Moving Assistance Grant. The Dwelling Repair Grant assists rental owners and property management agents to correct minor habitability deficiencies necessary for the rental unit to qualify for Section 8 or Shelter Plus Care rental subsidies. Dwelling Repairs Grants are available for up to \$3,000, granted in annual installments of \$1,000 each year upon proof that the unit is being rented to a Section 8 recipient. Moving Assistance Grants assist Section 8 Housing Choice Voucher holders with required moving costs to secure a rental unit. The grants are available to reimburse one-half of actual expenses up to \$2,500. Both grants are funded by Redevelopment Set-Aside funds and have each been allocated \$100,000 per year for three years. During fiscal year 2002-2003, the Housing Authority assisted 253 households by providing grants committing approximately \$196,083 in Redevelopment Set-Aside funds. This includes 178 Dwelling Repair Grants totaling \$153,200, some of which will be disbursed over a three-year period, and 75 Moving Assistance Grants totaling \$42,883. The majority of households assisted by these two programs have incomes below 30% of Area Median Income.

LIFERAP and ERAP: To assist working families and prevent homelessness, the Authority offers two new rental assistance programs. The Low-Income Family Employment and Rental Assistance Program (LIFERAP) provide rental assistance and career development assistance to eligible families using a one-time funding allocation of \$901,741. The program provides up to twenty-four (24) months of rental assistance to low income-working families with incomes below 60% of Area Median Income, freeing up limited household resources to devote to education or job training activities. A case manager works with participants to develop strategies and link them to resources to assist them in raising the household's income, ultimately leading the household to self-sufficiency and reducing or eliminating the family's housing cost burden. A component of the LIFERAP Program is a mandatory savings program designed to serve as a resource for certain, allowable expenses that will aid in achieving the goal of income growth, overall support employment, training, education activities, financial growth, and family well-being. During FY 2002-03, 54 households were assisted through this program using approximately \$121,338 of Redevelopment Set-Aside funds.

The Emergency Rental Assistance Program (ERAP) provides short-term rental assistance to households with incomes below 80% of Area Median Income that experience a housing crisis due to a demonstrated catastrophic event such as an illness, injury, or job loss. The one-time funding allocation for ERAP is \$350,560. Participating households pay 30% of their income in rent, and Redevelopment Set-Aside funds fill the rent payment gap. The program is intended to provide temporary assistance for 3 to 12 months for households whose housing cost was affordable prior to the presenting crisis. Because of these unique participant selection criteria, ERAP assisted one household during FY 2002-03 using \$4,688 in Redevelopment Set-Aside funds.

III) Continuum of Care for the Homeless

A) Emergency Shelter – Project ACHIEVE

Project Achieve is a homeless services access center providing 40 beds of emergency shelter for homeless persons. The Housing Authority committed \$250,000 operating subsidy to this center over a five-year period beginning in 2000. The subsidy provides up to 25% of the operating costs, to a maximum of \$50,000 per year for the five-year period. During fiscal year 2002-2003, \$24,623 of Redevelopment Set-Aside operating subsidy money was expended. These funds assist approximately 35-40 people per night and 200 unduplicated individuals each year.

IV) Administrative Activities

A) Rental Housing Issues Working Committee

The Rental Housing Issues Working Committee was created in March 2003 to discuss and formulate potential recommendations on issues relating to: habitability, including inspections, the effects of habitability on tenant/property-owner relations, and code compliance; rents, including affordability, rent trends, supply and demand, stabilization, mediation and arbitration; evictions, including education and outreach regarding the current ordinance; factors which impact the supply/cost of rental housing; and housing discrimination. This committee is comprised of experts in the field that represent rental-housing property owners, tenants, and other concerned residents in Glendale.

Several subcommittees have also been established, which include the Habitability, Affordability, and Public Outreach/Education subcommittees. All committee meetings are open to the public in order to broaden resident participation in the discussion and to encourage public education and outreach regarding these important issues. The goal of the Working Committee is to make future, specific policy recommendations to the City Council and Housing Authority in fall 2003.

B) Inclusionary Zoning

Inclusionary zoning is a legal standard requiring the inclusion of affordable housing, or payment of a fee in lieu of development, proportional to the size of a new residential development. This practice ties construction of housing for market rate buyers and renters with construction of low and moderate-income housing, a built-in system to recognize the needs of lower income buyers and renters in otherwise market-driven developments. When developers pay a fee in lieu of development, cities can utilize the funds to finance other affordable housing developments and services.

In March 2003, the Housing Authority directed staff to explore the parameters of an inclusionary zoning policy for Glendale and to seek public input. Staff has been conducting roundtable discussions with professionals with development interests in Glendale to obtain feedback on the proposed policy and incentives. The Housing Authority will consider the results of the discussions and determine next steps in FY 2003-04.

C) Affordable Housing Non-Profit Corporation

The Housing Authority has expressed an interest in the possibility of forming a housing development corporation to assist with achieving its affordable housing and neighborhood revitalization goals. In fall 2003, staff will provide the Housing Authority with information on creating such an organization as

well as present various options for next steps including developing a Glendale HDC or partnering with an existing HDC.

D) Request for Qualifications / Statement of Interest (RFQ/SOI) – Ownership Housing

In addition to the projects described above, in June 2002 the Housing Authority released a Request for Qualifications / Statement of Interest (RFQ/SOI) to identify qualified professionals and development teams who would be interested in working with the Housing Authority to develop affordable housing in Glendale. The RFQ/SOI emphasized development of new affordable owner and renter housing and the preservation and renovation of existing renter housing for very low, low, and moderate-income households. Since the SOI has been issued, approximately 25 developers have contacted staff regarding the potential development of affordable housing. Most of the developers did not have a specific site or proposal identified. Staff met with these developers and discussed the parameters of affordable housing development in Glendale. These contacts continue to be monitored by staff in the hope of identifying future projects.

To further facilitate the development of new affordable owner and renter housing, the Housing Authority has prioritized a strategy of reviewing vacant lots that may facilitate future development projects. If these properties are acquired and qualified development teams/professionals are identified, it is anticipated to generate specific proposals for new projects.

E) East Garfield Neighborhood Revitalization

In January 2000, the Housing Authority initiated a process to identify residential areas within the City in need of neighborhood revitalization. Such revitalization consists of code enforcement, rehabilitation of housing units, improvement of public infrastructure, and development of affordable housing designed to raise the quality of life of residents. Staff of the Community Development and Housing Division worked with the Police and Planning Divisions to define residential neighborhoods in need of revitalization.

In March 2001, the Housing Authority identified the area of East Garfield (generally bounded by Glendale Avenue, Chevy Chase Drive, and Maple Street) as an appropriate area for neighborhood revitalization, including the new development of affordable housing. The East Garfield Neighborhood area is a 4 block area with a number of auto dealer and auto repair related uses, as well as other small businesses, on its periphery and a range of residential properties ranging from single-family to medium density multi-family residential units. A public middle school is located on the southern edge of the neighborhood area.

Some of the issues and concerns identified in this specific neighborhood include the following:

- Crime
- Deferred Property Maintenance
- Substandard Housing
- Density
- Vacant/Undeveloped Land
- Lack of Open Space
- Parking (onsite and offsite)
- Condition of street lighting, sidewalks, streets, and curbs
- Traffic Circulation/Alley Improvements

Since August 2001, the Housing Authority committed \$3.6 million of HOME funds and \$1.35 million of Redevelopment Set-Aside funds for acquisition of property and new construction of affordable rental and ownership housing within the East Garfield Neighborhood revitalization area. Revitalization is planned to include a multi-disciplinary approach, which may involve code enforcement, land banking, rehabilitation of housing units, improvement of public infrastructure, creation of open space, consideration of zoning standards, and construction of affordable housing.

Specific properties have been identified for acquisition and staff entered into agreement with an acquisition / relocation team to negotiate the acquisition of the properties. Two parcels were acquired

using approximately \$908,500 in Redevelopment Set-Aside funds, and three parcels have been acquired using HOME funds. To assist affected households, a relocation consultant has been retained.

In summer 2003, the Housing Authority selected the Urban Neighborhood Design group Moore, Iacofano, Goltsman, Inc. (MIG) to assist with a comprehensive neighborhood plan for the East Garfield area. Their concept plan for neighborhood revitalization including the development criteria for an affordable housing component is due in fall 2003. The Housing Authority expects to issue a Request for Proposals for development shortly thereafter. The concept plan will include the following:

- Assessment of neighborhood housing, zoning, and public infrastructure conditions.
- Identification of design and development opportunities.
- Neighborhood resident, property owner, local business and Housing Authority participation in the development of the concept plan.

F) Monitoring

To facilitate quality portfolio management after affordable housing project completion, staff conducts physical, financial, and occupancy monitoring reviews to guarantee that loan recipients serve the intended populations. On-site inspections are conducted and include the following activities:

- **Property Inspection:** Housing Authority staff works closely with the City's Code Enforcement section to perform on-site inspections of assisted affordable rental housing units to ensure compliance with local housing codes.
- **Tenant Income and Rent Review:** Rent rolls and sample files are reviewed for compliance with loan requirements.
- **Review of compliance with other City provisions:** Staff reviews the management plan, tenant selection plan, lease, insurance levels and other issues for compliance.

If a property does not conform to the expectations regarding local housing codes and federal Housing Quality Standards, tenant income and rents, and other loan provisions, Housing Authority staff notifies the property owners that they are out of compliance with their loan agreement. Staff then works with the owners to bring the project into compliance. If the property is not brought into compliance within a reasonable time period, the Housing Authority has the right to begin action against the property owners, including but not limited to accelerating repayment of the loan or immediately calling the loan due and payable.

The portfolio management and monitoring process not only protects the Authority's investment, it also encourages positive relationships between owners, tenants, and City staff.

WORK PROGRAM – FISCAL YEAR 2003-04

I) Home Owner Assistance

1. Home Owner Rehabilitation Loan Program

For fiscal year 2003-04, the Housing Authority has allocated \$786,529 of Redevelopment Set-Aside funds to provide approximately 25 homeowner rehabilitation loans and/or grants.

2. First Time Home Buyer Program

For fiscal year 2003-04, the Housing Authority has allocated \$1,170,000 of Redevelopment Set-Aside funds to provide approximately 21 first time homebuyer loans. Staff also anticipates providing 6-9 seminars on "How to Buy a Home."

3. New Construction of Ownership Housing

Staff will continue working on the home ownership projects described in the previous section. In addition, for fiscal year 2003-04, the Housing Authority has allocated approximately \$1,530,280 of Redevelopment Set-Aside funds to facilitate development of further affordable home ownership housing units in conjunction with market rate condominium projects. The program will provide direct and indirect assistance from the Housing Authority to developers and/or homebuyers. Funding is estimated to assist in the development of approximately 15 affordable home ownership units.

II) Renter Assistance

A) Multifamily Rehabilitation and New Construction of Renter Housing

Staff will continue working on the renter projects described in the previous section. In addition, for fiscal year 2003-04, the Housing Authority has allocated \$5,399,050 of Glendale's Redevelopment Set-Aside funds to acquire and develop and/or rehabilitate 53 affordable rental housing units.

B) Multifamily Rental Assistance: New and Ongoing Programs

1) Code Enforcement:

For fiscal year 2002-2003, the Housing Authority has allocated \$792,064 to augment code enforcement efforts, improving and preserving housing for low and moderate-income households.

2) Section 8 Dwelling Repairs and Moving Assistance Grants:

For fiscal year 2003-2004, the Housing Authority has allocated \$200,000 of Redevelopment Set-Aside funds to provide approximately 150 Section 8 Dwelling Repair Grants and 40 Moving Assistance Grants.

3) LIFERAP and ERAP:

For fiscal year 2003-2004, the Housing Authority has allocated \$780,402 of Redevelopment Set-Aside funds for the Low-Income Family Employment and Rental Assistance Program (LIFERAP) to continue to assist approximately 54 households. Another \$345,872 is allocated to the Emergency Rental Assistance Program (ERAP) to assist approximately 29 households.

4) Palmer House: 555 E. Palmer Avenue

The Housing Authority will use Redevelopment Set-Aside funds to provide a rental subsidy in the amount of \$87,000-\$100,000 to Palmer House. Palmer House provides 22 affordable rental-housing units for very low and low-income senior citizens.

III) Continuum of Care for the Homeless

1. Emergency Shelter – Project ACHIEVE

The Housing Authority will provide Project ACHIEVE, a homeless services access center and shelter, with an operating subsidy not to exceed \$50,000 during fiscal year 2002-03. The subsidy provides up to 25% of operating costs, and assists Project ACHIEVE to serve approximately 200 individuals per year.

IV) Administrative Activities

1. Rental Housing Issues Working Committee

The Rental Housing Issues Working Committee will present recommendations on issues relating to: habitability, including inspections, the effects of habitability on tenant/property-owner relations, and Code compliance; rents, including affordability, rent trends, supply and demand, stabilization, mediation and arbitration; evictions, including education and outreach regarding the current ordinance; factors which impact the supply/cost of rental housing; and housing discrimination. The recommendations will be presented in fall 2003.

2. Inclusionary Zoning

Staff will continue to seek feedback from the community regarding an inclusionary zoning policy, and present findings to the Housing Authority in FY 2003-04.

3. Affordable Housing Corporation

In fall 2003, staff will provide the Housing Authority with information on creating a housing development corporation (HDC) as well as present various options for next steps including developing a Glendale HDC or partnering with an existing HDC. If pursued, this effort would assist the Housing Authority with achieving its affordable housing and neighborhood revitalization goals.

4. East Garfield Neighborhood Revitalization

During fiscal year 2003-04, it is anticipated that an urban neighborhood design concept will be finalized, and the Housing Authority will issue a Request for Proposals for affordable housing projects.

5. Monitoring

Staff will continue to perform financial, physical, and occupancy monitoring reviews of completed affordable housing projects.

RECOMMENDATIONS FOR NEEDED STATE LEGISLATION

(Not covered by independent auditors' report)

Affordable housing legislation greatly impacts the production and development of affordable housing units. The following are recommendations for changes needed to state legislation:

1. Legislation is needed to allow interested cities to use the Redevelopment Set-Aside funds that have not been expended by other local governments.
2. More favorable, less restrictive legislation is needed to facilitate the development of affordable housing (i.e. adjustment to prevailing wage requirements).
3. The state must reconcile its own priorities. State law identifies housing as a high priority, but the state should reconcile the housing priority with its other laws and priorities affecting land use. For example, state law imposes numerous requirements and restrictions regarding housing, the environment, water, air quality, farmland protection, local agency formation, coastal protection and more. These laws and policies often either limit the availability of land for housing or dramatically increase the cost of housing production.
4. Local governments need effective financing mechanisms to provide services and infrastructure. At present, there are insufficient revenues from new housing units to provide the additional services required by new residents.
5. Affordable housing needs ongoing funding. Unmet housing needs require more ongoing funding streams to generate the resources necessary to produce additional units.
6. The State budget crisis may threaten Proposition 46 bond funding earmarked for housing. Every effort should be made to ensure that Proposition 46 funding goes toward affordable housing services and programs.