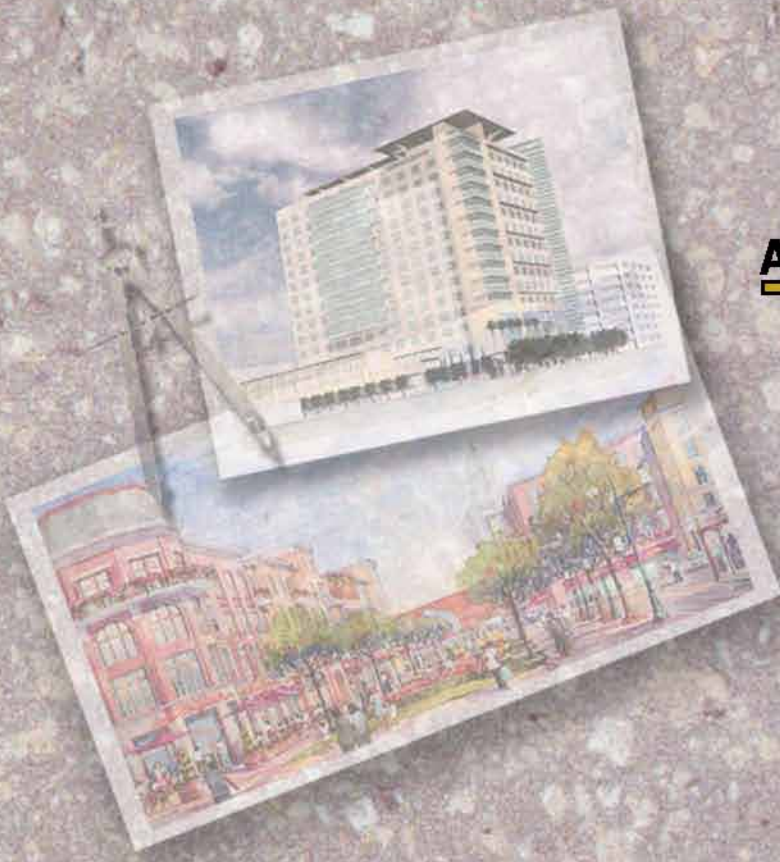
GLENDALE REDEVELOPMENT AGENCY

Annual Financial Report
Year Ended - June 30, 2004

GLENDALE REDEVELOPMENT AGENCY

Year Ending - June 30, 2004



CHAIRPERSON

Gus Gomez

AGENCY MEMBERS

Rafi Manoukian
Frank Quintero
Dave Weaver
Bob Yousefian

EXECUTIVE DIRECTOR
James E. Starbird

DIRECTOR OF DEVELOPMENT SERVICES
Jeanne Armstrong

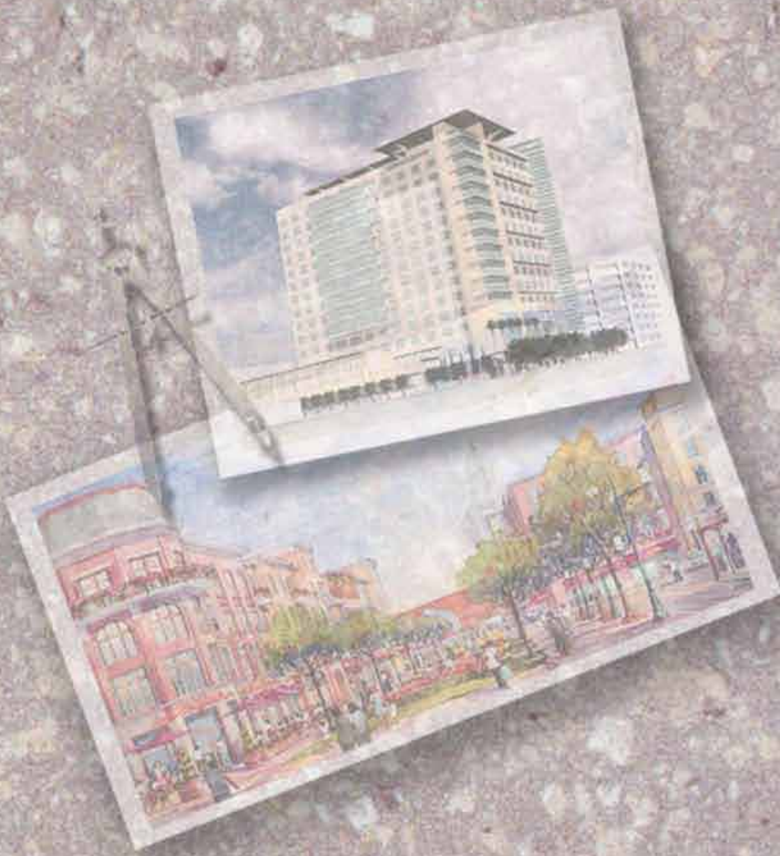
DIRECTOR OF ADMINISTRATIVE SERVICES
Robert Franz

TABLE OF CONTENTS

Year Ending - June 30, 2004

INTRODUCTORY SECTION

Year Ending - June 30, 2004



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
www.ci.glendale.ca.us

December 21, 2004

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, 2004.

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.

Vavrinek, Trine, Day & Co., 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, 2004, 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, 2004, 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. Economic growth in the City of Glendale is relatively stable. During the last year, there has been increased property tax revenue due to continued real estate sales and healthy values for properties being sold. Overall, sales tax revenue has increased as well due to stronger sales activity and accounting aberrations.

Long-term financial planning. *Central Project.* This year $59 million in long-term debt was refunded to take advantage of the reduced interest rates. Also, Los Angeles County recently completed its reassessment of the Glendale Galleria, which was sold in December 2002. General Growth, the owner of the mall, will likely appeal the decision, which will delay receipts of the increased tax increment from the new value of the property. Additional tax increment is expected to be generated in the future from new development.

San Fernando Corridor Project. The Walt Disney Co. development project is continuing, which brings 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 2.92 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 Principal Accountant, Tita Parker, 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 Ending - June 30, 2004

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying component unit 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, as of and for the year ended June 30, 2004, 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 opinions.

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, 2004, and the respective changes in financial positions, 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 10, 2004 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and the required supplemental information on page 30 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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. The Glendale Redevelopment Agency, has not presented the budgetary comparison information for the major special revenue funds that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SAN JOSE

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 section as listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements. The introductory section and the statistical section 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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 10, 2004

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, 2004. 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 $36,350,611 (*net assets*). Of this amount, a negative $77,532,216 (*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 decreased by $2,858,244. This decrease is attributable to ongoing expenditures significantly exceeding ongoing revenues 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 $56,486,764, a decrease of $9,329,268 in comparison with the prior year's combined fund balance of $65,816,032. This large decrease is due primarily to the use of proceeds from the 2002 Tax Allocation Bonds for the Town Center project.
- 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 $44,557,581, a negative $8,809,198 and a negative $23,307,207 respectively.
- The Agency's total debt decreased by $1,675,901 (0.96 percent) during the current fiscal year. This decrease is due to a $58,880,000 tax allocation bond issuance, $2,412,063 net bond premium, ongoing bonded debt service payments of $1,810,000, bond redemptions of $59,315,000, a net deferred amount of ($3,268,848) on the refunding of the 1993 tax allocation bonds, and a net increase of $1,425,884 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 *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 six 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, 2003 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 17-34 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 $36,350,611 at the close of the fiscal year.

The Agency has a large negative balance in *unrestricted net assets* ($77,532,216) due primarily to a significant amount ($172,311,343) of outstanding long-term debt. Restricted net assets are an additional portion of the Agency's net assets $30,493,840 that represent resources that are subject to external restrictions on how they may be used.

Glendale Redevelopment Agency's Net Assets

		Total Governmental activities	
		2004	2003
Current and other assets	$	135,807,017	133,549,878
Capital assets, net		10,687,765	8,734,028
Total assets		146,494,782	142,283,906
Long-term liabilities outstanding		168,395,607	170,089,435
Other liabilities		14,449,786	5,686,838
Total liabilities		182,845,393	175,776,273
Net assets (deficits):			
Invested in capital assets, net of related debt		10,687,765	8,734,028
Restricted		30,493,840	51,457,623
Unrestricted		(77,532,216)	(93,684,018)
Total net assets (deficits)	$	(36,350,611)	(33,492,367)

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.

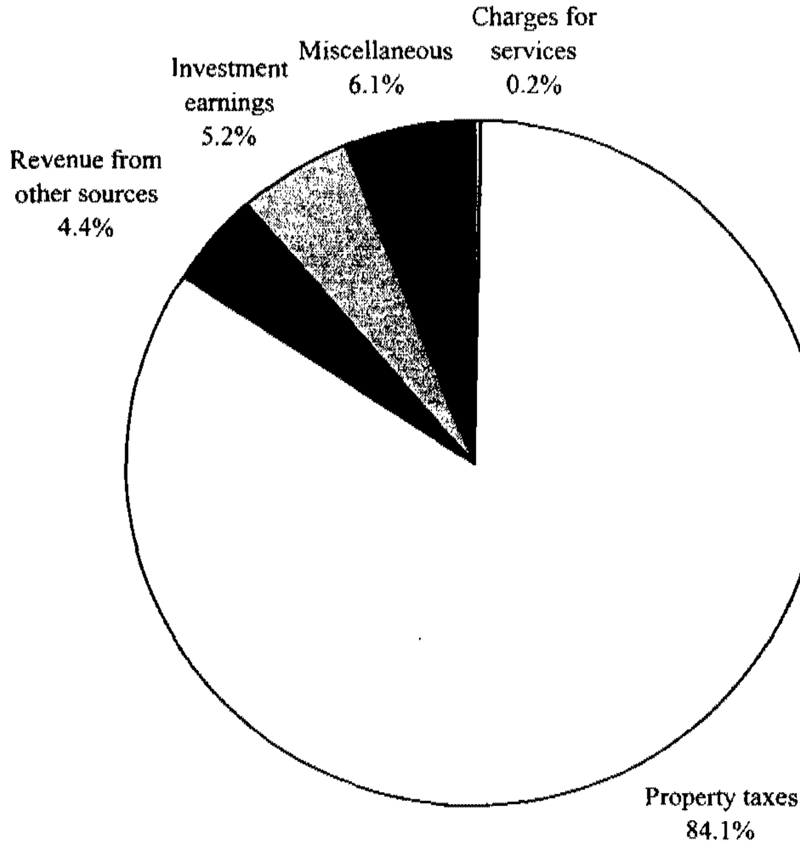
Governmental activities. Governmental activities decreased the Agency's net assets by $2,858,244, thereby accounting for the total decline in the net assets of the Agency. Key elements of this decrease are as follows:

Glendale Redevelopment Agency's Changes in Net Assets

		Total Governmental activities	
		2004	2003
Revenues:			
Program revenues:			
Charges for services	$	50,092	48,950
General revenues:			
Property taxes		21,995,982	22,214,805
Revenue from other sources		1,158,263	1,266,467
Investment earnings		1,361,003	6,380,168
Miscellaneous		1,593,606	1,130,417
Total revenues		26,158,946	31,040,807
Expenses:			
Community development		18,401,116	10,886,278
Education		1,417,840	1,126,058
Housing assistance		3,118,069	1,599,952
Interest and fiscal charges on bonds		6,080,165	7,214,997
Total expenses		29,017,190	20,827,285
Increase/(decrease) in net assets		(2,858,244)	10,213,522
Net assets (deficit) at the beginning of the year		(33,492,367)	(43,705,889)
Net assets (deficit) at the end of the year	$	(36,350,611)	(33,492,367)

- Property taxes decreased by $218,823 primarily due to a decline in property tax revenues in the San Fernando Project area compared to last fiscal year.
- Investment earnings also decreased by $5,019,165, largely due to the increased use of cash from bond proceeds for property purchases, a $1.8 million adjustment to interest and investment revenue (GASB 31) to reflect the fair market value of investments, and continuing low interest rates.

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 $56,486,764, a decrease of $9,329,268 in comparison with the prior year. A total negative balance of $76,427,987 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 ($6,054,190), 2) to hold property for future development ($59,090,037), 3) for principal and interest payments toward outstanding bond debt ($8,706,008), 4) for loans receivable ($5,982,646), 5) for anticipated capital project expenditures ($53,049,900), 6) for prepaid items ($24,970), or 7) for deposits ($7,000).

The combined fund balance of the Agency's Central Project, San Fernando Project, Town Center, and Low & Moderate Housing funds decreased from a positive $54,705,514 to a positive $47,534,757, a decrease of $7,170,757 compared to the prior fiscal year. This change is primarily due to the increased use of the proceeds from the 2002 Tax Allocation Bonds for property purchases and other expenditures.

The debt service funds have a total fund balance of $8,952,007, of which $8,706,008 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, 2004, amounts to $10,687,765 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. The total increase in the Agency's investment in capital assets for the current fiscal year was $1,953,737, which resulted from a net addition of $2,014,839 and a net $61,102 from accumulated depreciation.

Glendale Redevelopment Agency's Capital Assets

		Total Governmental activities	
		2004	2003
Land	$	1,918,312	1,918,312
Buildings and improvements		8,512,111	8,512,111
Machinery and equipment		602,249	736,425
Infrastructure		127,842	-
Construction in Progress		2,021,173	-
Total capital assets		13,181,687	11,166,848
Less accumulated depreciation		2,493,922	2,432,820
Net of depreciation	$	10,687,765	8,734,028

Additional information on the Agency's capital assets can be found in note iv on page 24 of this report.

Long-term debt. At the end of the current fiscal year, the Agency has total bonded debt outstanding of $105,085,000, 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	
		2004	2003
Tax allocation bonds	$	106,182,160	109,283,945
Total		106,182,160	109,283,945
Long-term debt to City		66,129,183	64,703,299
Grand total	$	172,311,343	173,987,244

- The Agency's total debt decreased by $1,675,901 (0.96 percent) during the current fiscal year due to the issue of $58,880,000 in tax allocation bonds, net bond premium of $2,412,063, $1,810,000 in ongoing debt service payments, bond redemption of $59,315,000, a net deferred amount of ($3,268,848) on the refunding of the 1993 tax allocation bonds, and a net increase of $1,425,884 to amounts owed to the City of Glendale.

Additional information on the Agency's long-term debt can be found on pages 26 through 28 of this report.

Economic Factors and Next Year's Budgets and Rates

- Over 80 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). The Agency will lose $2.2 million a year in FY 2004/05 and FY 2005/06 toward resolving the State Budget crisis. There are still no protections in place that would prevent the State from taking additional tax increment revenue; redevelopment agency property tax increment revenue continues to be at risk of being taken by the State.

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 were 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. The Court of Appeal reviewed the case and March 26, 2004, reversed the lower court's decision. On July 21, 2004, the California Supreme Court refused the petition to review the decision by the Court of Appeals so the decision by the Court of Appeals stands, thus resolving the issues of uniformity and market value assessments under the limits set by Proposition 13.

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.

BASIC FINANCIAL STATEMENTS

Year Ending - June 30, 2004

This page is left blank intentionally.

Exhibit A

GLENDALE REDEVELOPMENT AGENCY

Statement of Net Assets (Deficit)

June 30, 2004

		Governmental Activities
ASSETS		
Current assets:		
Cash and invested cash	$	56,442,818
Imprest cash		200
Cash with fiscal agents		9,302,054
Interest receivable		521,017
Due from other agencies		1,373,546
Deposits		7,000
Prepaid items		24,970
Total current assets		67,671,605
Noncurrent assets:		
Deferred charges		3,037,758
Loan receivable		5,982,647
Real property held for resale		59,115,007
Capital assets, net		10,687,765
Total noncurrent assets		78,823,177
Total assets		146,494,782
LIABILITIES		
Current liabilities:		
Accounts payable		9,005,328
Accrued wages & withholdings		127,585
Due to other agencies		367,623
Accrued interest		380,738
Bond issuance costs		533,897
Deposits		25,000
Compensated absences		93,879
Bonds payable, due in one year		3,915,736
Total current liabilities		14,449,786
Noncurrent liabilities		
Due the City of Glendale		66,129,183
Bonds payable		102,266,424
Total non current liabilities		168,395,607
Total liabilities		182,845,393
NET ASSETS		
Invested in capital assets, net of related debt		10,687,765
Restricted for:		
Housing, health, and community development		17,922,832
Debt service		12,571,008
Unrestricted (deficit)		(77,532,216)
Total net assets (deficit)	$	(36,350,611)

See accompanying notes to financial statements.

Exhibit B
GLENDALE REDEVELOPMENT AGENCY
Statement of Activities
For the year ended June 30, 2004

		Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental activities				
Community development	$	18,401,116	50,092	(18,351,024)
Education		1,417,840	-	(1,417,840)
Housing assistance		3,118,069	-	(3,118,069)
Interest and fiscal charges on bonds		6,080,165	-	(6,080,165)
Total government activites		29,017,190	50,092	(28,967,098)
General revenues				
Property taxes				21,995,982
Revenue from other sources				1,158,263
Investment earnings				1,361,003
Miscellaneous				1,593,606
Total general revenue				26,108,854
Change in net assets				(2,858,244)
Net assets (deficit) - July 1, 2003				(33,492,367)
Net assets (deficit) - June 30, 2004			$	(36,350,611)

See accompanying notes to financial statements.

Exhibit C

GLENDALE REDEVELOPMENT AGENCY

Governmental Funds

Balance Sheet

June 30, 2004

		Special Revenue			Debt Service		
Assets and Other Debits	**Central Project**	**San Fernando Project**	**Low and Moderate Housing Fund**	**Town Center**	**2003 Tax Allocation Bonds**	**2002 Tax Allocation Bonds**	**Total Governmental Funds**
Cash and invested cash	$ 19,262,002	8,151,781	16,163,572	12,681,613	-	183,850	56,442,818
Impresl cash	200	-	-	-	-	-	200
Cash with fiscal agents	-	-	-	-	5,462,066	3,839,988	9,302,054
Interest receivable	140,760	51,741	103,623	224,893	-	-	521,017
Loan receivable	5,982,647	-	-	-	-	-	5,982,647
Due from other agencies		1,296,645	76,901	-	-	-	1,373,546
Deposits		7,000	-		-	-	7,000
Prepaid items	-	-	24,970	-	-	-	24,970
Real property held for resale	27,660,875	-	1,907,836	29,546,296	-	-	59,115,007
Total assets and other debits	53,046,484	9,507,167	18,276,902	42,452,802	5,462,066	4,023,838	132,769,259
Liabilities, Other Credits and Fund Equity							
Liabilities:							
Accounts payable	329,815	270,429	285,355	8,119,729	-	-	9,005,328
Due to other agency	19,410	348,213	-	-	-	-	367,623
Bond issuance costs	-	-	-	-	533,897	-	533,897
Deposits	25,000	-	-	-	-	-	25,000
Accrued wages & withholdings	55,432	27,280	44,873	-	-	-	127,585
Compensated absences	88,272	(18,235)	23,842	-	-	-	93,879
Intergovernmental payable	59,044,803	7,084,380	-	-	-	-	66,129,183
Total liabilities	59,562,732	7,712,067	354,070	8,119,729	533,897	-	76,282,495
Fund equity:							
Reserved:							
Encumbrances	529,937	2,061,865	3,091,702	370,686	-	-	6,054,190
Loans receivable	5,982,646	-	-	-	-	-	5,982,646
Deposits		7,000	-	-	-	-	7,000
Capital Projects	3,867,875	8,535,433	12,923,294	27,723,298	-	-	53,049,900
Debt service	-	-	-	-	4,909,108	3,796,900	8,706,008
Prepaid items	-	-	24,970	-	-	-	24,970
Real property held for resale	27,660,875	-	1,882,866	29,546,296	-	-	59,090,037
Unreserved	(44,557,581)	(8,809,198)		(23,307,207)	19,061	226,938	(76,427,987)
Total fund equity and other credits	(6,516,248)	1,795,100	17,922,832	34,333,073	4,928,169	4,023,838	56,486,764
Total liabilities, fund equity and other credits	$ 53,046,484	9,507,167	18,276,902	42,452,802	5,462,066	4,023,838	132,769,259

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, 2004

Fund balances of governmental funds		$ 56,486,764
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	$ 13,181,687	
Accumulated depreciation	(2,493,922)	10,687,765
Costs of issuance of bonds were fully expended in the governmental funds. This is the amount to establish the unamortized deferred charges.		
2002 Tax Allocation Bonds	1,009,155	
2003 Tax Allocation Bonds	2,028,603	3,037,758
Long-term debt are not included in the governmental fund activity:		
Due within one year:		
Principal:		
2002 Tax allocation bonds	(1,865,000)	
2003 Tax allocation bonds	(1,799,866)	
Bond premium:		
2002 Tax allocation bonds	(105,619)	
2003 Tax allocation bonds	(145,251)	(3,915,736)
Due more than one year:		
Principal:		
2002 Tax allocation bonds	(44,340,000)	
2003 Tax Allocation Bonds	(53,811,286)	
Bond premium:		
2002 Tax allocation bonds	(1,742,707)	
2003 Tax allocation bonds	(2,372,431)	(102,266,424)
Accued interest payable for the current portion of interest due are not included in the governmental fund activity:		
2002 Tax allocation bonds	(165,249)	
2003 Tax allocation bonds	(215,489)	(380,738)
Net assets (deficit) of governmental activities		$ (36,350,611)

See accompanying notes to financial statements.

Exhibit D

GLENDALE REDEVELOPMENT AGENCY

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2004

	Special Revenue				Debt Service		
	Central Project	**San Fernando Project**	**Low and Moderate Housing Fund**	**Town Center**	**2003 Tax Allocation Bonds**	**2002 Tax Allocation Bonds**	**Total Governmnetal Funds**
Revenues:							
Property taxes	$ 8,168,076	3,395,677	4,399,198		2,212,893	3,820,138	21,995,982
Revenue from other agencies	-	1,158,263	-		-		1,158,263
Use of money and property	1,252,021	82,360	244,159	(200,763)	50,119	(66,893)	1,361,003
Charges for services - parking meters	50,092	-	-		-		50,092
Miscellaneous	203,576	-	1,390,030	-	-		1,593,606
Total revenues	9,673,765	4,636,300	6,033,387	(200,763)	2,263,012	3,753,245	26,158,946
Expenditures:							
Community development							
County property tax administration	264,986	109,634	93,655	-	-	-	468,275
Pass through	-	1,946,043	-	-	-	-	1,946,043
Administration	2,283,208	437,094	772,369	9,965	-	3,200	3,505,836
Education	1,039,627	378,213	-	-	-	-	1,417,840
Housing assistance	-	-	3,118,069	-	-	-	3,118,069
Capital outlay	703	-	-	1,655,845	-	-	1,656,548
Capital projects	2,616,330	466,093	-	9,695,728	-	-	12,778,151
Debt service:							
Principal retirement	-	-	-	-	-	1,810,000	1,810,000
Interest on bonds	-	-	-	-	1,616,166	2,010,137	3,626,303
Interest on debt to City	2,169,884	256,000	-	-	-	-	2,425,884
Bond issuance costs			-	-	2,119,724	-	2,119,724
Total expenditures	8,374,738	3,593,077	3,984,093	11,361,538	3,735,890	3,823,337	34,872,673
Other financing sources (uses) :							
Issuance of debt	-	-	-	-	58,880,000	-	58,880,000
Bond Premium	-	-	-	-	2,614,516	-	2,614,516
Payment to refunded bond escrow agent	-	-	-	-	(62,110,057)	-	(62,110,057)
Total other financing sources (uses)	-	-	-	-	(615,541)	-	(615,541)
Net change in fund balances	1,299,027	1,043,223	2,049,294	(11,562,301)	(2,088,419)	(70,092)	(9,329,268)
Fund equity (deficit), July 1, 2003	(7,815,275)	751,877	15,873,538	45,895,374	7,016,588	4,093,930	65,816,032
Fund equity(deficit), June 30, 2004	$ (6,516,248)	1,795,100	17,922,832	34,333,073	4,928,169	4,023,838	56,486,764

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
Year Ended June 30, 2004

Net change in fund balances - total governmental funds		$ (9,329,268)
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.		1,953,735
In the statement of activities, the cost of issuance of bonds is reclassified as an asset from expenditures in governmental funds.		
2003 Tax Allocation Bonds		2,119,724
In the statement of activities, the cost of issuance of bonds is allocated over the life of bonds as an expense		
1993 Tax Allocation Bonds	$ (619,831)	
2002 Tax Allocation Bonds	(57,664)	
2003 Tax Allocation Bonds	(90,671)	(768,166)
In the statement of activities, the deferred amounts on refunding are allocated over the life of the bonds as a component of interest expense.		(133,422)
In the statement of activities, bond premium are allocated over the life of the bonds as a component of interest expense		
2002 Tax Allocation Bonds	105,619	
2003 Tax Allocation Bonds	96,834	202,453
In the statement of activities, bond proceeds and bond premium are reclassified as a liability from other financing sources in governmental funds.		
2003 Tax Allocation Bonds - bonds issued, net of deferred amount	(55,477,730)	
2003 Tax Allocation Bonds - bond premium	(2,614,516)	(58,092,246)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
1993 Tax Allocation Bonds	59,315,000	
2002 Tax Allocation Bonds	1,810,000	61,125,000
In the statement of activities, interest is accrued on outstanding debt; whereas in the governmental fund, interest is recognized when matured.		
Accrued interest, June 30, 2004		
2002 Tax Allocation Bonds	(165,249)	
2003 Tax Allocation Bonds	(215,489)	(380,738)
Accrued interest, June 30, 2003		
1993 Tax Allocation Bonds	274,910	
2002 Tax Allocation Bonds	169,774	444,684
Change in net assets of governmental activities		$ (2,858,244)

See accompanying notes to financial statements.

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. Major individual governmental 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 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.
- Town Center Fund-Development fund for the 2002 Tax Allocation Bonds proceeds.

Debt Service Funds -

- 2003 Tax Allocation Bond Fund -To accumulate monies for the payment of interest and principal of the 1993 Tax Allocation Bonds/2003 Tax Allocation Refunding 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*. 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 Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are 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 Agency; 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 2003-04 property tax levy that was based on the assessed value of secured and unsecured property as of the lien date of January 1, 2003. Property taxes are levied on July 1. Unsecured taxes are delinquent if not paid by August 31. Secured taxes are payable in two installments that are deem delinquent after December 10 and April 10. The County Treasurer/Tax Collector bills and collects property taxes for the Agency and the County Auditor-Controller then allocates these taxes to the Agency. 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 60 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.

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 Investment Earnings. 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 Agency funds that would be treated as revenues and expenditures if they involved organizations external to Agency 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 agency loans to developers. As of June 30, 2004, the Agency's outstanding loans totaled $5,982,647 which consists of $5,173,570 from Hilton for the Glendale parking structure and land, and $809,077 from 128 North Maryland Partnership for further redevelopment of The Exchange.

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 using 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 the lower of cost or appraised value.

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 of 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 $6,516,248, as a result of generally accepted accounting principles 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 have 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, 2004, the Agency had $6,054,190 in outstanding encumbrances.

III. Cash and Invested Cash

The Agency's cash and invested cash is pooled with the City's cash and invested cash. 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, 2004, and reconciliation to amounts shown on the Statement of Net Assets are as follows:

Cash and Investments:		
Historical cost of net investments	$	583,453,409
Net decrease in fair value		(6,231,168)
Sub-total		577,222,241
Cash on hand		6,494,059
Imprest cash		37,280
Total		583,753,580
Statement of net assets:		
Cash and invested cash		568,566,838
Cash with fiscal agent		15,186,742
Total	$	583,753,580

Of this total, $65,745,072 pertains to the Agency for fiscal year 2004.

At June 30, 2004, the carrying amount of the City's cash deposits totaled $6,494,059 and the bank balance of the City's cash deposits maintained in financial institutions is $ 19,081,116. 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 statues, the city 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 the city'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
- 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, 2004:

	Category				Total
	1	2	3	Uncategorized	Fair Value
City Held Investments					
U.S. Government Securities			$ 479,712,172		479,712,172
Corporate Notes			36,259,244		36,259,244
Federal Agency Discount Notes			6,999,038		6,999,038
Total	-	-	522,970,454	-	522,970,454
Trustee held investments					
U.S. Government Securities			10,277,644		10,277,644
Guaranteed Investment Contract				4,909,098	4,909,098
Total	-	-	10,277,644	4,909,098	15,186,742
Investment in pool					
Investment (LAIF)				39,065,045	39,065,045
Total investments	-	-	$ 533,248,098	43,974,143	577,222,241

Investments: State statutes authorize the city 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 city 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 city's shares in the pool approximates the fair value of the position in the pool.

At June 30, 2004 the city's pooled investments in LAIF in the amount of $39,065,045 are not subject to custodial credit risk categorization. The total estimated fair value invested by all public agencies in LAIF is $57,637,500,817. 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.

IV. Changes in Capital Assets

		Balance at July 1, 2003	Additions	Retirements	Balance at June 30, 2004
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		736,425	-	(134,176)	602,249
Infrastructure		-	127,842	-	127,842
Construction In Progress		-	2,031,928	(10,755)	2,021,173
Totals at historical cost		11,166,848	2,159,770	(144,931)	13,181,687
Less accumulated depreciation for:					
Buildings and improvements		1,671,580	220,093	-	1,891,673
Machinery & equipment		761,240	-	(158,991)	602,249
Total accumulated depreciation		2,432,820	220,093	(158,991)	2,493,922
Governmental activities capital assets, net	$	8,734,028	1,939,677	14,060	10,687,765

Depreciation expense of $61,102 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, 2004:

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

Purpose	Acquisition Date	Location	Carrying Value
	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
	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	2,680,883
	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	562,909
	June 2004	126-30 S. Central	8,073,135
	June 2004	126 S. Central	3,762,340
	June 2004	200 S. Central	1,682,900
	June 2004	200 W. Harvard	1,076,400
	June 2004	217 S. Orange	825,180
	June 2004	136 S. Orange	646,705
	June 2004	205-207 S. Brand	2,630,290
	June 2004	129-33 ½ S. Brand	1,739,365
	June 2004	219 S. Brand	457,255
	June 2004	221 S. Brand	5,019,886
			46,141,174
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
			3,211,507
Housing Projects	May 2001	401-411Pacific Ave and 501-503 ½ W. Vine	702,589
	Oct 2002	816 S. Maryland	380,000
	Jan 2003	810-812 S. Maryland	636,193
	May 2003	900-910 E. Palmer	189,054
			1,907,836
Other	Aug 1982	111 E. Wilson	351,649
	Mar 1986	225 W. Wilson	1,012,914
	Mar 2001	225 E. Broadway	3,605,015

Purpose	Acquisition Date	Location	Carrying Value
	June 2004	216-218 S. Brand	2,884,912
			7,854,490
		Total	$ 59,115,007

VI. Outstanding Indebtedness and Changes in Long-Term Debt

A summary of outstanding bonds payable at June 30, 2004 is as follows:

		Outstanding at June 30, 2003	Additions	Retirements	Amount outstanding at June 30, 2004	Due within one year
1993 Tax Allocation Bond	$	59,315,000	-	59,315,000	-	
2002 Tax Allocation Bond		48,015,000	-	1,810,000	46,205,000	1,865,000
2003 Tax Alloction Bond			58,880,000		58,880,000	2,000,000
2002 Bond premium		1,953,945		105,619	1,848,326	105,619
2003 Bond premium		-	2,614,516	96,834	2,517,682	145,251
Deferred amount on refunding 1993 Tax Allocation Bond			(3,402,270)	(133,422)	(3,268,848)	(200,134)
Total bonds payable		109,283,945	58,092,246	61,194,031	106,182,160	3,915,736

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

2003 Tax Allocation Refunding Bonds

The bonds issued in 1993 were fully paid in December 31, 2003 by refunding with 2003 Tax Allocation Bond.

The Agency issued $58,880,000 in 2003 tax allocation refunding bonds with an average rate of 4.18% to pay the Agency's outstanding Central Glendale Redevelopment Project 1993 Tax Allocation Bonds (the "Prior Bonds") with an average interest rate of 5.5%, and to pay the cost of issuance of the 2003 Bonds. The 2003 Bonds mature in regularly increasing principal amounts ranging from $2,000,000 to $4,520,000 from 2004 to 2021. The bond indebtedness is secured by a pledge of 80% of all incremental property taxes allocated to and received by the Agency for the Central Project Area on a parity with the Agency's previously issued 2002 Tax Allocation Bonds. The bonds maturing on or before December 1, 2013, are not subject to redemption prior to their respective maturities. The bonds maturing on or after December 1, 2014 are subject to redemption prior to maturity at the option of the Agency and by lot within a maturity, from any source of available funds at a redemption price equal to the principal amount of bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. Per the trust indenture, the trustee shall invest the bond proceeds in government securities.

The current refunding of the 1993 Tax Allocation Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3,402,270. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to governmental activities through the year 2021 using the effective interest method. The Agency completed the current refunding to reduce its total debt service payments by approximately $4,315,867 and obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $5,541,494.

2002 Tax Allocation Bonds

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, 2004:

Fiscal Year		Interest	Principal
2005	$	4,510,878	3,865,000
2006		4,366,228	4,235,000
2007		4,188,978	4,415,000
2008		4,004,003	4,590,000
2009		3,808,478	4,780,000
2010-2014		15,817,125	27,055,000
2015-2019		9,430,549	32,715,000
2020-2022		1,728,963	23,430,000
	$	47,855,199	105,085,000

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

Current Year Defeasance of Debt

On October 2, 2003, the City issued $58,880,000 of Tax Allocation Refunding Bonds. Original issue premium totaled $2,614,515, while issuance costs totaled $2,119,724. The proceeds from the sale of the Bonds plus an additional amount of $6,966,542 of cash on hand, were used to purchase U.S Government Securities to refund all ($59,315,000) of the 1993 Tax Allocation Bonds. These U.S Government Securities were deposited in an irrevocable trust with an escrow agent to provide for the redemption of the 1993 Tax Allocation Bonds on December 1, 2003. As a result, at June 30, 2004, the 1993 Bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net assets.

Due To The City of Glendale

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.

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

	Date of	Balance at 6/30/03			Additions			Balance at 6/30/04		
Project	Agreement	Principal	Interest	Total	Principal	Interest	Reductions	Principal	Interest	Total
Central Project										
South Brand Improvement	May 1977	$ -	2,236,076	2,236,076	-	83,836	-	-	2,319,912	2,319,912
Glenoaks Improvement	Oct 1977	659,667	2,676,452	3,336,119	-	125,080	-	659,667	2,801,532	3,461,199
Parking lots transferred to the Agency	Apr 1983	3,061,550	10,227,611	13,289,161	-	498,246	-	3,061,550	10,725,857	13,787,407
North Brand Improvement	Apr 1983	79,809	3,501,028	3,580,837	-	134,255	-	79,809	3,635,283	3,715,092
Verdugo Utility Improvement	Dec 1985	3,314,492	4,814,655	8,129,147	-	304,783	-	3,314,492	5,119,438	8,433,930
Block 24 Parking Structure	Oct 1985	6,947,217	11,890,247	18,837,464	-	706,266	-	6,947,217	12,596,513	19,543,730
Broadway Improvement	Dec 1985	2,549,097	2,103,615	4,652,712	-	174,443	-	2,549,097	2,278,058	4,827,155
Central Avenue Improvement	Jun 1988	2,042,524	1,770,879	3,813,403		142,975	(1,000,000)	1,042,524	1,913,854	2,956,378
Central Widening	Jun 1989	-	-	-	-	-	-	-	-	-
Sub-total		18,654,356	39,220,563	57,874,919	-	2,169,884	(1,000,000)	17,654,356	41,390,447	59,044,803
San Fernando Project										
San Fernando Project-Advance	Dec 1996	1,569,440	962,944	2,532,384	(103,834)	94,940	-	1,465,606	1,057,884	2,523,490
New Business Incentive	Dec 1996	15,500	8,727	24,227	-	908	-	15,500	9,635	25,135
Dreamworks	Dec 1996	176,906	75,839	252,745	-	9,476	-	176,906	85,315	262,221
San Fernando Master Plan	Dec 1996	452,931	187,011	639,942	103,834	23,992	-	556,765	211,003	767,768
Facade Program	Dec 1996	37,185	7,432	44,617	-	1,673	-	37,185	9,105	46,290
Water Treatment Facilities	Jul 1997	1,600,000	420,195	2,020,195	-	75,738	-	1,600,000	495,933	2,095,933
Grand Central Business	Nov 1997	50,000	11,376	61,376	-	2,301	-	50,000	13,677	63,677
Recycling Center	Jul 1996	1,000,000	252,894	1,252,894	-	46,972	-	1,000,000	299,866	1,299,866
Subtotal		4,901,962	1,926,418	6,828,380	-	256,000	-	4,901,962	2,182,418	7,084,380
Grand Total		$ 23,556,318	41,146,981	64,703,299	-	2,425,884	(1,000,000)	22,556,318	43,572,865	66,129,183

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, 2002. 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 5.812% 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. The City's rate for safety members that CALPERS charges have dramatically increased in fiscal year 2004-05 from 5.812% to 24.99%, the rate for general employees remained at zero percent.

Annual Pension Cost
Contributions to CalPERS totaling $11,054,452 were made during the fiscal year ended June 30, 2004 in accordance with actuarially determined contribution requirements through an actuarial valuation performed at June 30, 2002. 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 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
6/30/02	$8,291,590	100%	0
6/30/03	$9,457,653	100%	0
6/30/04	$11,054,452	100%	0

REQUIRED SUPPLEMENTARY INFORMATION - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets <a>	Actuarial Accrued Liability <AAL> – Entry Age <b>	(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>
06/30/2000	$ 794,954,969	639,884,600	155,070,369	124.2%	95,697,086	162.0%
06/30/2001	$ 815,521,178	687,539,962	127,981,216	118.6%	101,369,092	126.3%
06/30/2002	$ 766,978,940	732,667,128	34,311,812	104.7%	109,853,251	31.2%

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.

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.

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, 2004 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.

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
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
2003-04	$	30,213,000	27,121,143	19,802,812	37,531,331

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 1, 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 offset 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) annually. 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

STATISTICAL SECTION

Year Ending - June 30, 2004

GLENDALE REDEVELOPMENT AGENCY

Projects as of June 30, 2004

Projects

The following is a list of projects in progress as of June 30, 2004:

Description		Cumulative expenditures through 6/30/2003	Expenditures during years ended 6/30/2004	Completed projects/reclass during year ended 6/30/2004	Cumulative expenditures through 6/30/2004
General Fund					
Central Project:					
Block 24/25 Rehab	$	7,650,755	22,917	-	7,673,672
Retail Expansion		4,562,525	3,324,368	(7,886,893)	-
Retail Infill Strategy		552,544	-	-	552,544
Facade Program		20,000	-	(20,000)	-
800 N. Central		659,933	1,808,695	-	2,468,628
Brand Streetscape		24,227	5,733	-	29,960
Greater Downtown S. Plan Imp		1,065,900	(2,178)	(1,063,722)	-
Glendale City Center (Square)		318,704	13,730	-	332,434
Block 13/14		28,518	183	-	28,701
DPSS Site		127,481	13,392	-	140,873
Block 29/30		6,586,314	1,766,609	-	8,352,923
Central Area		781,627	-	-	781,627
Alex Theatre Project		1,656,861	533,961	-	2,190,822
Retail /Theatre Parking		6,394,962	16,636	-	6,411,598
Orange Street Garage Debt Serv		300,000	2,000,000	(2,300,000)	-
Downtown Green Space		313,002	17,200	-	330,202
Downtown Stscape-Maryland		90,382	4,357	(94,739)	-
Downtown Stscape-Orange St		33,103	-	(33,103)	-
Town Center 2001		1,623,566	12,861,885	-	14,485,451
St closure/Auto dealership exp		8,667	-	(8,667)	-
Downtown Housing		6,684	8,062	-	14,746
CA Central office Project		6,952	-	-	6,952
Alex Theatre		1,135,150	51	-	1,135,201
Retail Expansion		2,203,032	-	(2,203,032)	-
Brand Streetscape		1,649,678	-	-	1,649,678
Downtown Development Standards		63,674	14,404	-	78,078
Citywide Public Signage Program		40,348	-	-	40,348
Central Glendale Area Façade		1,402	77,389	-	78,791
Chess Park		5,144	434,551	-	439,695
	$	**37,911,135**	**22,921,945**	**(13,610,156)**	**47,222,924**
San Fernando Project:					
Dream Works		176,906	-	-	176,906
San Fernando Master Plan		452,931	103,834	-	556,765
Façade Program		781	-	(781)	-
San Fernando Streetscape		551,749	67,324	-	619,073
San Fernando Rehabilitation		17	208,490	-	208,507
GC3 Project		-	6,419	-	6,419
KABC 7		2,678	84	-	2,762

GLENDALE REDEVELOPMENT AGENCY

Projects as of June 30, 2004

Description		Cumulative expenditures through 6/30/2003	Expenditures during years ended 6/30/2004	Completed projects/reclass during year ended 6/30/2004	Cumulative expenditures through 6/30/2004
KABC 7		2,678	84	-	2,762
Lake Ave Neigh Bus Dist Plan		5,753	192	-	5,945
San Fernando Rd. Façade Grant		350	91,716	-	92,066
		1,191,165	**478,059**	**(781)**	**1,668,443**
Total General Fund	**$**	**39,102,300**	**23,400,004**	**(13,610,937)**	**48,891,367**
Special Revenue Fund					
Ownership Housing Rehab		-	309,539	(232,160)	77,379
First Time Home Buyer Program		-	115,126	(115,126)	-
New Construction of Owner Housing		-	448,208	-	448,208
Rental Assistance		-	87,000	-	87,000
Renter Acq./Rehab & New Constr		-	734,714	(19,755)	714,959
ERAP		-	9,154	(1,815)	7,339
Transitional Housing - Homeless		-	32,739	-	32,739
Emergency Shelter for Homeless		-	49,883	-	49,883
Vine Project		257,383	-	(257,383)	-
Total Special Revenue Fund	**$**	**257,383**	**1,786,363**	**(626,239)**	**1,417,507**

Not covered by Independent Auditors' Report

GLENDALE REDEVELOPMENT AGENCY
COMPUTATION OF LOW-MODERATE INCOME HOUSING EXCESS/SURPLUS FUNDS
YEAR ENDED JUNE 30,2004

FUND BALANCE - BEGINNING OF YEAR		$ 15,873,538
Adjustments		-
Less unavailable funds - included in beginning fund balance:		
Land held for resale		(1,907,836)
Rehabilitation loans		-
ERAF loan receivable		-
Set-aside deferrals		-
Unspent bond proceeds		-
Insurance		-
Prepaid Items		-
Total unavailable funds		(1,907,836)
Available Fund Balance - Beginning of Year		13,965,702
Current year proceeds/uses (actual plus changes in unavailable):		
Proceeds		6,033,387
Uses		(3,984,093)
Changes in unavailable amounts		-
Available Fund Balance - End of Year		16,014,996
Encumbrances		(3,091,702)
Unspent bond proceeds present		-
Land sales - HS 33334.12(g)(3)A)		-
Available Fund Balance - for Excess Surplus		12,923,294
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.		12,923,294
Does available fund balance for excess/surplus exceed the greater of prior years' set aside deposts or $1,000,000?		
Tax increment set-aside amounts:		
Fiscal year 1999-00	$ 4,047,843	
Fiscal year 2000-01	4,061,545	
Fiscal year 2001-02	3,941,434	
Fiscal year 2002-03	4,442,961	
Total set-aside deposited into fund	16,493,783	
Greater of the tax increment deposits or $1,000,000		16,493,783
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		17,922,832
Available fund balance - end of year above		16,014,996
Add unavailable funds - end of year:		
Land held for resale	1,907,836	
Rehabilitation loans	-	
ERAF loan receivable	-	
Set-aside deferrals	-	
Unspent Bond Proceeds	-	
Insurance	-	
Prepaids		
Total unavailable funds		1,907,836
Computed Ending Fund Balance		$ 17,922,832

Not covered by Independent Auditors' Report

Table 1

GLENDALE REDEVELOPMENT AGENCY

General Expenditures by Function - Last Ten Fiscal Years

			Principal Retirement		
Fiscal year	**Administration and capital outlay**	**Projects**	**Tax allocation bonds**	**Lease revenue bonds**	**Total principal**
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	4,035,685	2,612,512	1,935,000	1,465,000	3,400,000
2003-2004 $	5,624,057	12,778,151	61,194,031 (3)	—	61,194,028

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 $1,589,027

(3) The bonds issued in 1993 with a balance of $59,315,000 were fully paid by December 31, 2003 by refunding with 2003 Tax Allocation Bond.

(4) Includes payments to escrow agent for refunding 1993 Tax Allocation which include interests due December 1, 2003 in the amount of $1,649,458 and call premium of $1,145,599.

Source: City of Glendale - Finance Division

Not covered by independent auditors' report.

Interest				City reimbursements		
Tax allocation bonds	Lease revenue bonds and notes	Debt to City	Total interest	Lease	Other	Total general expenditures
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	24,860,075
6,421,360 (4)	—	2,425,884	8,847,240	—	8,539,254 (2)	96,982,730

Table 2
GLENDALE REDEVELOPMENT AGENCY
General Revenues by Source - Last Ten Fiscal Years

			Use of money and property					
Fiscal year	**Property taxes**		**Interest and investment income**	**Rental income**	**Charges for Services**	**Misceallaneous**		**Total**
1994-1995	12,829,457		1,999,396	2,410,776	48,748	2,355,545	(1)	19,643,922
1995-1996	11,710,458		1,983,365	2,402,908	45,828	1,028,784	(1)	17,171,343
1996-1997	10,889,292		1,409,602	2,576,569	42,794	2,810,379	(1)	17,728,636
1997-1998	11,806,089		2,140,989	2,202,822	42,087	7,946,330	(1) & (2)	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	(4)	81,009,753
2003-2004	21,995,982		551,760	809,243	50,092	64,246,385	(5)	87,653,462

(1) Includes proceeds from loan for the City.
(2) Includes $5,547,158 of the Hilton Glendale parking structure land note receivable from prior year to loans receivable
(3) Reflectes accounting change of recording the property taxes at gross to properly expense County Administration Fees, Pass Through agreements and ERAF.
(4) Includes $50,021,755 of 2002 Tax Allocation Bonds and premiums
(5) Includes $61,494,516 of 2003 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

Fiscal year	Revenues		Expenditures	Excess of Revenues over (under) Expenditures
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	81,009,753	(2)	24,860,075	56,149,678
2003-2004	87,653,462	(3)	96,982,730	(9,329,268)

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

(2) Reflectes 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.
Includes $50,021,755 of 2002 Tax Allocation Bonds and premiums
Also includes one time bond issuance cost of $1,256,605.

(3) Includes 2003 Tax Allocation bonds refunding 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

		Incremental			
Fiscal year		**Secured market value**	**Unsecured market value**	**Tax levy**	**Tax collection (1)**
1973-1974	$	5,212,254	363,280	622,128	609,869
1994-1995		1,300,496,089	89,546,488	13,598,503	12,829,427 (2)
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
2003-2004		1,949,811,657	216,377,223	23,474,443	21,995,982

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

(2) The 1993 State of California Budget Act required all redevelopment agencies to shift property tax revenue to the county ERAF.

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 governmental entities restated to full market value for the purpose of comparison.

Source: Los Angeles County assessor's office.
Source: Los Angeles County assessor's office.

Not covered by independent auditors' report.

COMPLIANCE SECTION

Year Ending - June 30, 2004

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
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
2003-2004		1,826,687,421	85,369,720	1,741,317,701	1,556,323,092	184,994,609	1,741,317,701

SAN FERNANDO PROJECT

Fiscal year	Market value	Base year (1972)	Net increment	Secured	Unsecured	Total
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
2003-2004	1,153,078,553	730,208,374	422,870,179	391,487,565	31,382,614	422,870,179

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
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
2003-2004	1.00	0.08	0.01	1.09

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.

vtd

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, and each major fund of the Glendale Redevelopment Agency, Glendale California (the Agency) as of and for the year ended June 30, 2004, and have issued our report thereon dated November 10, 2004. 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.

<u>Internal Control Over Financial Reporting</u>

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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls over financial reporting that, in our judgment adversely affect the Agency's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are have been communicated to the Agency's management in a separate letter dated November 10, 2004.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to Agency's management in a separate letter dated November 10, 2004.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SAN JOSE

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions 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*.

This report is intended solely for the information and use of the Audit Committee, management of the Glendale Redevelopment Agency and the Controller of the State of California and is not intended to be and used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 10, 2004

ACTIVITIES BY GLENDALE REDEVELOPMENT AGENCY
(Not Covered by Independent Auditors' Report)

ACCOMPLISHMENTS – FISCAL YEAR 2003-2004

SAN FERNANDO ROAD CORRIDOR REDEVELOPMENT PROJECT AREA

- Completed design development work for the San Fernando Landscape project.
- Removed 18 Clear Channel billboard signs in the MTA right-of-way.
- Continued zoning text and public outreach for San Fernando Road Zoning project.
- Amended San Fernando Redevelopment plan to extend eminent domain for an additional 12 years.
- Preliminary planning for first phase of Disney (GC3) development.

CENTRAL GLENDALE REDEVELOPMENT PROJECT AREA

- Completed EIR and entitlements for the Town Center project.
- Processed the DDA, design review and entitlement for the CommonWealth Office project at 200 West Burchett.
- Completed Stage I design approval for the Glendale City Center residential luxury condominium project.
- Completed the Chess Park at Brand Passageway (227 N. Brand Boulevard).
- Completed tenant improvements at the commercial space at the Orange Street Parking Structure.
- Completed lighting upgrades on Maryland Avenue.

CITYWIDE ECONOMIC DEVELOPMENT

- Completed the Kenneth Village CIP Improvement project.
- Implemented a CIP improvement program for the Sparr Heights Merchants Association.
- Completed the entitlement process for the construction of the new BMW and Lexus dealerships which represent an approximate 30 million dollars of private investment.
- Co-sponsored the City's annual summer street party, Cruise Night and The Alex Theatre's community celebration involving 30,000 participants on Brand Boulevard.
- Completed selection process for marketing and retail consultants to address retail attraction in the downtown and development of City wide marketing materials.
- 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 2004-2006

(Not covered by the Independent Auditors' Report)

SAN FERNANDO ROAD CORRIDOR REDEVELOPMENT PROJECT AREA

- Complete adoption and implementation of San Fernando Road Zoning.
- Begin construction of first phase of Disney (GC3) project.
- Complete formation of Landscape and Lighting Maintenance District.
- Complete San Fernando Road Landscape improvements (Phase I).
- Begin design of the San Fernando Road Landscape project south from Goodwin to Tyburn Street (Phase II).

CENTRAL GLENDALE REDEVELOPMENT PROJECT AREA

- Begin construction of the Town Center project.
- Complete design of Town Center/ARC East Brand Connection.
- Assist in the construction of the Embassy Suites Hotel.
- Complete design enhancements to improve operation of The Exchange parking structure.
- Complete the entitlement approvals for the Glendale City Center residential luxury condominium projects.
- Implementation of a reuse option for the DPSS site.
- Complete Downtown Zoning/Specific Plan.

CITYWIDE ECONOMIC DEVELOPMENT

- Assist local businesses, on a city wide basis, with the City's entitlement and development process.
- Implement a systematic effort for enhancing and expanding retail development in the downtown.
- Assist with the entitlement and construction of new auto dealers.
- Continue to support the six business districts including Kenneth Village, Sparr Heights, Montrose, Adams Square, Downtown Merchants, and the South Brand Auto Dealers.

ACTIVITIES AFFECTING HOUSING AND DISPLACEMENT

(Not Covered by Independent Auditors' Report)

ACCOMPLISHMENTS – FISCAL YEAR 2003-2004

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 Program

The Home Owner Rehabilitation Loan Program has four loan and grant products to assist eligible property owners with repairs and improvements to their homes. These products include the Single Family Rehabilitation Grant, Single Family Rehabilitation Loan, Noise Attenuation Grant, and Lead Based Paint Hazard Reduction Grant.

Single Family Rehabilitation Senior and Disabled Grant: Grants of up to $10,000 are available for eligible low-income senior homeowners for the purpose of making health and safety improvements to their homes. In addition, the Housing Authority offers housing rehabilitation grants to low-income households living with disabilities. The grants of up to $10,000 are available to eligible households to make handicap accessibility modifications to single family homes or apartment units. Both grants are available to eligible households whose income is below 80% of area median income.

Single Family Rehabilitation Loan: Low-interest deferred repayment rehabilitation loans of up to $25,000 are also available to eligible households whose income is below 80% of area 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 is below 120% of area median income.

Noise Attenuation Grants: These grants are available for homeowners near the State Route 134/San Fernando Road Access and Safety Improvement Project. The San Fernando Road Access Project generally entails constructing a freeway off-ramp from State Route 134 directly into the campus of a large Glendale employer. The purpose of the off-ramp is to alleviate traffic along portions of San Fernando Road. Residents living in the vicinity of the proposed off-ramp raised concerns about increasing automobile noise generated by the project. Responding to the residents concerns, the Housing Authority adopted the original Noise Attenuation Grant (NAG) Program in June 2001 to assist low and moderate-income households using Redevelopment Set-Aside funds. 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, HVAC systems, and other measures designed to reduce exterior noise levels within a dwelling. To assist households that do not qualify under the moderate-income levels for the original NAG program, the Housing Authority also approved use of City of Glendale General Funds and Glendale Water and Power Public Benefit funds for this program in February 2003.

Lead Based Paint Hazard Reduction Grant: In conjunction with both the Home Owner Rehabilitation Program and Multifamily Rehabilitation program described later in this report, 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 is in addition to other assistance

provided by the Housing Authority and is mandatory with all federal HOME program related activity and available as an elective for Redevelopment Set-Aside funded projects.
During fiscal year 2003-04, the Housing Authority allocated approximately $412,000 of Redevelopment Set-Aside, HOME, and City of Glendale General Funds to complete rehabilitation of 36 single-family homes. Five additional projects were started toward the end of the fiscal year and are expected to be complete in FY 2004-05.

B) First Time Home Buyer Program

The First Time Home Buyer (FTHB) Program provides no-interest mortgage assistance loans of up to $75,000 to assist eligible first time homebuyers with the purchase of a home in Glendale. The FTHB loans are secured by second trust deeds. To encourage long-term ownership of the property, the loan agreements contain appreciation-sharing provisions that give a larger portion of the appreciation to the Housing Authority in the first five years of ownership. If the borrowers maintain the property as their principal residence for 45 years, the entire principal loan amount is forgiven. Eligible homebuyers have incomes below 120% of area median income, complete a homebuyer education workshop, and contribute a down payment of at least five percent of the purchase price.

Like most southern California cities, the price of residential housing in Glendale has been rising significantly during the program year. For condominiums, the prices increased by approximately 21% over the fiscal year, and single-family homes increased by 25%. Despite historically low interest rates, these price increases have made it difficult for entry-level first time homebuyers to purchase in this market. In response, significant changes were made to the FTHB program during this fiscal year. The most notable change increased the maximum loan amount to $75,000 for both condominiums and single-family homes. This is up from $55,000 and is intended to stretch the buying power of first time buyers even further. Another change to the program allows for individualized maximum purchase prices based on a household's size, downpayment, and size of home purchased. Other changes improved the formula by which appreciation sharing was calculated, initiated a Fannie Mae compatible first mortgage requirement, and increased flexibility with regard to refinancing and obtaining 3rd mortgages. All of the changes are in compliance with state law governing use of Redevelopment Set-Aside funds.

To ensure that the community is aware of the FTHB program, staff continues to promote both the program and homeownership in general to low and moderate-income renters. Seven seminars meeting U.S. Department of Housing and Urban Development (HUD) homebuyer education guidelines were held during the year on "How to Buy Your First Home." Over 250 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. One of the 7 seminars was offered in Spanish and one was offered in Armenian.

In addition, a Home Ownership Fair was co-sponsored by the City of Glendale and Congressman Adam Schiff in July 2003 to provide an opportunity for home buyers and existing home owners to obtain information from vendors on resources, mortgage loans, home maintenance and rehabilitation, reverse mortgages, credit issues and predatory lending. Housing professionals also hosted free breakout sessions on various topics. Approximately 300 people attended the annual Fair held in Glendale.

Staff also promoted homeownership and the City's programs throughout the fiscal year on the City's website (www.cdh.ci.glendale.ca.us). This site provides referrals to interested homeowners on third party provider homebuyer education classes, financial assistance and counseling programs, and other resources available to assist them in achieving their homeownership goals. The FTHB program was promoted throughout the year through the City-published newspaper City Views, Glendale Water and Power newsletter, several appearances on local television shows, Public Service Announcements on Glendale TV 6, feature articles in Glendale News Press and Daily News publications, a presentation for local school parent groups, newsletter mailings to homebuyer workshop certificate holders, and meetings with FTHB Board of the Glendale Association of Realtors. As a result of this outreach, 640 inquiries into the program were made during this program year.

The FTHB program is currently assisting 3 applicants who are currently working through the loan approval process for a first mortgage loan. During fiscal year 2003-04, one applicant completed the process and purchased a home with a $74,000 FTHB loan. At the time of this report, another 2 applicants had also purchased homes after the close of FY 2003-04. Staff also assisted existing borrowers throughout the fiscal year to refinance or repay their loans.

C) New Construction of Ownership Housing

The Housing Authority also promotes home ownership through new construction of ownership housing units. In fiscal year 2003-04, the Housing Authority successfully initiated, continued in construction, and/or completed development of six new affordable home ownership development projects consisting of 25 affordable units for low and moderate-income first time homebuyers. Six of these new construction ownership units were completed during FY 2003-04 using $195,000 of HOME funds and $344,000 of Redevelopment Set-Aside funds.

The descriptions below summarize the affordable home ownership projects either completed in FY 2003-04 or currently in some stage of development in Glendale using Redevelopment Set-Aside or federal HOME funds.

Projects Completed in FY 2003-04

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.

1830 Gardena

In September 1999, the Housing Authority entered into an Affordable Housing Agreement with the San Gabriel Valley Habitat for Humanity to develop three 2-story condominium units. The low-income first time homebuyer households were selected in October 2002 and moved into their homes in September 2003. The City of Glendale Water & Power Division contributed three solar panel photovoltaic systems to create electricity from the sun, estimated to provide up to 50% of the energy needed in each home, and worth an estimated value of $45,000. The Housing Authority's assistance to the project totals approximately $195,000 in HOME funds, which converted to $65,000 silent second mortgages for the three households.

Projects in Progress in FY 2003-04

Elk Avenue Project

In March 2002, the Housing Authority entered into an Affordable Housing Agreement with 415 & 417 East Elk Avenue, LLC to develop seven affordable condominium units for moderate-income first time homebuyers. The Housing Authority committed $832,400 of Redevelopment Set-Aside funds to the project. The Housing Authority's assistance to the project will be in the form of an acquisition and development subsidy of $753,300 and low-interest second mortgage loans totaling $79,100 to the moderate-income purchasers of the affordable housing units (approximately $11,300 for each purchaser). Construction began in March 2004 and is expected to be complete in winter 2005. Staff is working with the developer to design a marketing plan for the affordable housing units.

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 for a 4-unit affordable home ownership project on the site, and the family selection was completed in early 2004. Construction is underway and expected to finish in spring 2005.

900 - 910 E. Palmer

In June 2003, the Housing Authority purchased a commercial property at 900 - 910 E. Palmer Avenue and subsequently relocated two existing commercial businesses operating on the site using a combined total of $300,000 in Redevelopment Set-Aside funds. An Exclusive Negotiation Agreement was executed with Habitat for Humanity for development of 3 affordable home ownership units on the site. A final Disposition and Development Agreement, which outlines an 18-month construction period, will be presented to the Authority for approval by the end of 2004.

East Garfield Neighborhood Revitalization

The Housing Authority has committed approximately $3.7 million in HOME funds and $1.3 million in Redevelopment Set-Aside funds for acquisition of property and new construction of affordable ownership and rental housing within the East Garfield Neighborhood revitalization area. The East Garfield Neighborhood area is a four-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 multifamily residential units. A public middle school is located on the southern edge of the neighborhood area.

Some of the issues/concerns about this specific neighborhood include 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, and traffic circulation/alley improvements. Revitalization is planned to include a multi-disciplinary approach, which may involve code enforcement, rehabilitation of housing units, improvement of public infrastructure, consideration of zoning standards, creation of open space, land banking, and the construction of affordable housing designed to raise the quality of life of residents.

Five parcels have already been acquired at 800 – 812 and 816 S. Maryland as well as 295, 305, and 307 E. Garfield. During the 2003-04 fiscal year, the Authority started to work with an Urban Design Professional to develop a comprehensive neighborhood plan for the area. 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.

The public and the Housing Authority will be given an opportunity to comment on the neighborhood plan, which tentatively includes five affordable home ownership units along with 40 affordable rental 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 of up to $10,000 are available to low-income disabled or handicapped tenants in multifamily dwellings for handicap related modifications.

During fiscal year 2003-04, the Housing Authority completed one multifamily rehabilitation project using approximately $19,755 of Redevelopment Set-Aside funds and began the construction process to rehabilitate of a 7-unit multifamily rental project. In addition, staff is in negotiations to rehabilitate another building totaling 22 units.

B) New Construction of Renter Housing

In FY 2003-04, the Housing Authority successfully initiated or continued in the construction of approximately 4 new rental housing development projects for low and very-low renter households. The descriptions below summarize the affordable renter projects currently in some stage of development in Glendale using Redevelopment Set-Aside or federal HOME funds.

Projects in Progress in FY 2003-04

Heritage Park at Glendale

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 very low and low-income senior households at 420 E. Harvard St. The Housing Authority committed approximately $3 million in HOME funds to develop the project, leveraging another $2.3 million in Redevelopment Set-Aside 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 fall 2004. Shortly after construction began, American Senior Living, Inc. withdrew as developer, and the tax credit investor began the process of replacing them with a new developer, USA Properties Fund. Staff assisted the new developer with affirmative marketing, and a tenant selection lottery was conducted in June 2004. Over 3,600 interested senior households applied to be included in the lottery, representing the largest response for affordable housing units in Glendale's history.

1855 S. Brand Blvd.

At the end of this program year, the Housing Authority executed a letter of loan commitment with Metropolitan City Lights in support of a 65-unit affordable family rental housing project at 1855 S. Brand Blvd. The project will be reserved for families with incomes below 60% of area median income and is proposed to include 16 two-bedroom units and 49 three-bedroom units. The Housing Authority committed approximately $7.5 million to the project consisting of $3.7 million in HOME funds and $3.8 million in Redevelopment Set-Aside funds. Additional financing will be provided through a combination of affordable housing tax credits, developer equity, and other leveraged funding issued by agencies such as the State of California and County of Los Angeles. The project was awarded full points in the 9% tax credit application process, and has progressed to the next stage of review. The developer has also applied for City of Industry funding, a funding source that distributes tax increment affordable housing set-aside revenue on a competitive basis to cities within a 15 mile radius.

6206 San Fernando Road

Also at the end of the program year, the Housing Authority authorized the purchase of property at 6206 San Fernando Road. As a result of deferred property maintenance and substandard housing concerns, this property has been subject to numerous code enforcement actions over the past 20 years. The Housing Authority committed $3 million of Redevelopment Set-Aside funds to this project for acquisition and related relocation expenses. The affordable new construction renter development proposed on the site is anticipated to contribute to revitalization of the surrounding neighborhood.

East Garfield Neighborhood Revitalization

This project is described in greater detail in the *Increase Affordable Home Ownership Opportunities* section. The Authority has committed approximately $3.7 million in HOME funds and $1.3 million in Redevelopment Set-Aside funds for acquisition of property and new construction of affordable ownership and rental housing within the East Garfield Neighborhood revitalization area.

Five parcels have already been acquired at 800 – 812 and 816 S. Maryland as well as 295, 305, and 307 E. Garfield. During the 2003-04 fiscal year, the Authority started to work with an Urban Design Professional to develop a comprehensive neighborhood plan for the area. The public and the Housing Authority will be given an opportunity to comment on the neighborhood plan, which tentatively includes 40 affordable rental units along with five affordable home ownership units.

Acquisition Projects

In addition to the above projects in process, the Housing Authority is also actively pursuing opportunities to acquire property for future affordable projects. One such property on Doran Street in northern Glendale is in the acquisition process, and is a joint venture between the Housing Authority and the City of Glendale Parks Division. An integrated affordable housing and public park project is anticipated on the site.

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 2003-04, the Housing Authority provided $87,000 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

Code enforcement efforts during FY 2003-04 resulted in the improvement and preservation of housing for low and moderate-income households. The code enforcement program is augmented with a four-year total allocation of $2.8 million of Redevelopment Set-Aside funds. FY 2003-04 was the third year of the augmentation program.

Section 8 Dwelling Repairs and Moving Assistance Grants

In January 2002, the Housing Authority created two grant programs, the Section 8 Dwelling Repairs Grant and Moving Assistance Grant. Both grants have been funded by Redevelopment Set-Aside funds and were each allocated $100,000 per year for three years. 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. As of November 2003, this program is no longer accepting applications for new grants; however, staff will continue to process second and third year installments of grant payments.

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. This program continues to accept new applications for assistance.

During fiscal year 2003-04, the Housing Authority assisted 158 households through these programs, committing approximately $192,000 in Redevelopment Set-Aside funds. This includes 145 Dwelling

Repair Grants totaling $183,000, some of which will be disbursed over a three-year period, and 13 Moving Assistance Grants totaling approximately $9,000. 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) provides rental assistance and career development assistance to eligible families using a one-time Redevelopment Set-Aside 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 2003-04, 54 households were assisted through this program.

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 Redevelopment Set-Aside funding allocation for ERAP is $98,520. 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 six households during FY 2003-04.

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 for shelter residents over a five-year period beginning in 2000. During fiscal year 2003-04, these funds assisted approximately 35-40 people per night and 200 unduplicated individuals.

IV) Administrative Activities

A) Rental Housing Issues Working Committee

In Glendale, as elsewhere in Southern California, rents have been escalating over the past several years. These increases in housing costs are a significant barrier to affordable housing, and have a disproportionate effect on low-income and special needs households, who must pay a higher proportion of their income in rent. The 2000 Census shows that over 40% of renters reported paying more than 35% of their income on housing. In order to address this, the Glendale City Council and Glendale Housing Authority established a Rental Housing Issues Working Committee in March 2003 to explore issues related to rental housing including: affordability, habitability, outreach and education, zoning and land use issues, and housing discrimination. This Committee was comprised of members of the real estate and property owner/management industry, as well as affordable housing advocates and tenant/landlord attorneys. Over seven months the Committee studied the issues and presented a final report during a joint meeting of the City Council and Housing Authority in November 2003. Their recommendations in part included:

1. Development of a systematic inspection program;
2. Development of a property owner education program;
3. Adoption of a strong affordable housing policy incorporating all City departments;
4. Adoption of an inclusionary zoning ordinance;

5. Greater emphasis on family housing; and
6. Strengthened outreach regarding tenants rights under the Just Cause for Eviction ordinance.

Staff will study each recommendation individually, and various options for proceeding will be presented to the Housing Authority for consideration throughout FY 2004-05.

B) Inclusionary Zoning

In 1975 and 1976, the California Community Redevelopment Law was amended to address the concern that the redevelopment process often resulted in the development of market rate housing units within redevelopment project areas to the exclusion of affordable housing for very low, low, and moderate-income households. To mitigate against this impact, legislators approved a measure that subjects redevelopment project areas adopted after January 1, 1976 to housing production requirements, more commonly known as inclusionary housing requirements. This measure ensures that a percentage of all units developed in the project area are affordable to very low, low, and moderate-income households. The Central Glendale Redevelopment Project Area was adopted in 1972 and amended in 1975; thus, it is not subject to the inclusionary housing requirement. However, the San Fernando Road Corridor Redevelopment Project Area (SFRCRPA), which was adopted in 1992, is required by law to meet the inclusionary housing requirement.

Historically, the San Fernando Road Corridor Redevelopment Project Area has not included the development or substantial rehabilitation of housing since the area is zoned for commercial and industrial uses. However, in August 2004, the Glendale City Council adopted zoning changes that are anticipated to generate interest and facilitate housing development in that project area.

Concurrent with the zoning changes, the City Council, Glendale Redevelopment Agency and Housing Authority approved a policy with regard to the state-mandated inclusionary requirement in the San Fernando Road Corridor Redevelopment Project Area. The policy requires that the inclusionary requirement be met on a project-by-project basis using one of four alternatives. The inclusionary requirement could be met:

1. On-site;
2. Off-site and inside the project area;
3. Off-site and outside the project area; or
4. By paying a fee in lieu of building the units.

In cases where the in lieu fee alternative is chosen, the Housing Authority would utilize the funds to develop the requisite affordable inclusionary units. This policy will ensure that the San Fernando Road Corridor Redevelopment Project Area inclusionary requirement can be satisfied within the time period specified by state law.

C) Professional Organizations

The City of Glendale was active in professional advocacy organizations including Southern California Association of Non-Profit Housing, California Housing Consortium, and California Redevelopment Association.

D) Monitoring

The programs and policies adopted for each program described in this report reflect the needs of all income groups, ages, and unit types. In addition, the loan agreements for these projects contain covenants that ensure affordability at the property for a defined time. To facilitate quality portfolio management after project completion, staff regularly monitors existing projects. Staff conducts physical, financial, and occupancy monitoring reviews to guarantee that loan recipients serve the intended populations and are in compliance with the loan agreement terms. Annual on-site inspections include the following activities:

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

If a property does not conform to the expectations regarding local housing codes, federal Housing Quality Standards, tenant income and rents, and other loan provisions, 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 Housing Authority's investment, it also encourages positive relationships between owners, tenants, and City staff. In addition, monitoring provides an opportunity to review the overall health of the portfolio and better gauge the impact of the funded projects.

WORK PROGRAM – FISCAL YEAR 2004-05

I) Home Owner Assistance

A) Home Owner Rehabilitation Loan Program

For fiscal year 2004-05, the Housing Authority has allocated approximately $1.3 million of Redevelopment Set-Aside and federal HOME funds to provide approximately 40 homeowner rehabilitation loans and/or grants.

B) First Time Home Buyer Program

For fiscal year 2004-05, the Housing Authority has allocated approximately $1.3 million of Redevelopment Set-Aside funds to provide approximately 16 first time homebuyer loans. Staff also anticipates providing 6-9 seminars on "How to Buy a Home."

C) New Construction of Ownership Housing

Staff will continue working on the home ownership projects described in the previous section. In addition, for fiscal year 2004-05, the Housing Authority has allocated approximately $4.5 million of Redevelopment Set-Aside and federal HOME funds to facilitate development of further affordable home ownership housing units. The program will provide direct and indirect assistance from the Housing Authority to developers and/or homebuyers. Funding is available to assist in the development of approximately 32 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 2004-05, the Housing Authority has allocated $13.4 million of Redevelopment Set-Aside and federal HOME funds to acquire and develop and/or rehabilitate 128 affordable rental housing units.

B) Multifamily Rental Assistance

1) 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.

2) Code Enforcement:

For fiscal year 2004-05, the code enforcement augmentation program will utilize the remaining year of a four-year $2.8 million Redevelopment Set-Aside total allocation to improve and preserve housing for low and moderate-income households.

3) Section 8 Dwelling Repairs and Moving Assistance Grants:

For fiscal year 2004-05, the Moving Assistance Grant program will utilize the remainder of a three-year Redevelopment Set-Aside funding allocation of $300,000. Staff will also continue to process second and third year installments of grant payments for the Section 8 Dwelling Repair Grant program.

4) LIFERAP and ERAP:

For fiscal year 2004-05, the Low-Income Family Employment and Rental Assistance Program (LIFERAP) will utilize the remainder of a one-time Redevelopment Set-Aside allocation of $901,741 to continue to assist approximately 54 households. The Emergency Rental Assistance Program (ERAP) will utilize the remainder of a one-time allocation of $98,520 in Redevelopment Set-Aside funds.

III) Continuum of Care for the Homeless

A) Emergency Shelter – Project ACHIEVE

The Housing Authority will provide Project ACHIEVE, a homeless services access center and shelter, with an operating subsidy for shelter residents not to exceed $50,000 during fiscal year 2004-05. The subsidy assists Project ACHIEVE to serve approximately 200 individuals.

IV) Administrative Activities

A) Rental Housing Issues Working Committee

Staff will study each recommendation of the Rental Housing Issues Working Committee, and various options for proceeding will be presented to the Housing Authority for consideration throughout FY 2004-05.

B) Inclusionary Zoning

As housing projects are proposed in the San Fernando Road Corridor Redevelopment Project Area, staff will implement the Housing Authority's inclusionary housing policies.

C) Professional Organizations

The City of Glendale will continue to be active in professional advocacy organizations including Southern California Association of Non-Profit Housing, California Housing Consortium, and California Redevelopment Association.

D) 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. Redevelopment Affordable Housing Set-Aside funds are regularly considered as a source of funds to balance the State budget. Efforts must be made to preserve these funds for local affordable housing activities as originally intended.

2. Legislation is needed to allow interested cities to use the Redevelopment Set-Aside funds that have not been expended by other local governments.

3. More favorable, less restrictive legislation is needed to facilitate the development of affordable housing (i.e. adjustment to prevailing wage requirements).

4. 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.

5. 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.

6. Affordable housing needs ongoing funding. Unmet housing needs require more ongoing funding streams to generate the resources necessary to produce additional units.

7. 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.