Glendale Redevelopment Agency

Annual Financial Report

Year Ended - June 30, 2005

GLENDALE REDEVELOPMENT AGENCY

Year Ending - June 30, 2005

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INTRODUCTORY SECTION

Year Ending - June 30, 2005

December 13, 2005

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, 2005.

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, 2005, 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, 2005, 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.

Americana at Brand (Town Center)
The Town Center area is envisioned as a mixed-use pedestrian oriented retail and commercial center with major public open space elements anchoring the southern edge of the Project Area. The 15.5 acre site is generally bounded by Brand Boulevard, Central Avenue, the Galleria II parking structure, and Colorado Street. The Agency has completed property acquisition and all tenant relocations. Demolition of project buildings and improvements is ongoing.

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 strong sales activity and in the retailed auto sector.

Long-term financial planning.
Central Project. Los Angeles County recently completed its reassessment of the Glendale Galleria, which was sold in December 2002. General Growth, the owner of the mall, has appealed the decision, which has delayed 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 and resales of existing properties.

San Fernando Corridor Project. The Walt Disney Co. development project is continuing, bringing new construction and more jobs to the area, along with the increased tax increment revenue.

Cash management policies and practices. Cash temporarily idle during the year was invested in the City Treasurer's portfolio. The average yield was 2.93 percent for the fiscal year. 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 VIII of the financial statements.

SUMMARY

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

Respectfully Submitted,

Robert J. Franz
Director of Administrative Services

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FINANCIAL SECTION

Year Ending - June 30, 2005

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

VALUE THE DIFFERENCE

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, 2005, 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, 2005, 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 18, 2005 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 27 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.

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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 18, 2005

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, 2005. 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 $18,036,881 (*net assets*). Of this amount, a negative $58,156,889 (*unrestricted net assets*) exists. The deficit in unrestricted net assets is typical in redevelopment agencies. All redevelopment agencies leverage current tax increment revenues by issuing long-term debt to raise capital to promote economic growth within the project area.
- The Agency's total net assets increased by $9,119,785. This increase is attributable to ongoing revenues significantly exceeding ongoing expenditures in the current fiscal year
- As of the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of $137,174,833, an increase of $5,364,941 in comparison with the prior year's combined fund balance of $131,809,892. This increase is due primarily to revenues exceeding expenses in the current fiscal year. 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 positive $24,439.435, $2,566,842 and $1,314,802 respectively.
- The Agency's total debt decreased by $3,418,624 (1.98 percent) during the current fiscal year. This decrease is due to a net bond premium of $250,870, $3,865,000 in ongoing debt service payments, a net deferred amount of ($200,134) on the refunding of the 1993 tax allocation bonds, and a net increase of $497,112 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 Agency'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 9-10 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 Agency'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 Agency'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 Road 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 11-14 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 15-30 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's liabilities exceeded assets by $18,036,881 at the close of the fiscal year.

The Agency has a large negative balance in *unrestricted net assets* ($58,156,889) due primarily to a significant amount ($168,892,719) of outstanding long-term debt. Restricted net assets are an additional portion of the Agency's net assets ($28,930,258) that represent resources that are subject to external restrictions on how they may be used.

Glendale Redevelopment Agency's Net Assets

		Total Governmental Activities	
		2005	2004 As Restated
Current and other assets	$	143,850,534	135,807,017
Capital assts, net		11,189,750	10,687,765
Total assets		155,040,284	146,494,782
Long-term liabilities outstanding		163,106,983	168,395,607
Other liabilities		9,970,182	5,255,841
Total liabilities		173,077,165	173,651,448
Net assets (deficits):			
Invested in capital assets, net of related debt		11,189,750	10,687,765
Restricted		28,930,258	30,493,840
Unrestricted		(58,156,889)	(68,338,271)
Total net assets (deficits)	$	(18,036,881)	(27,156,666)

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.

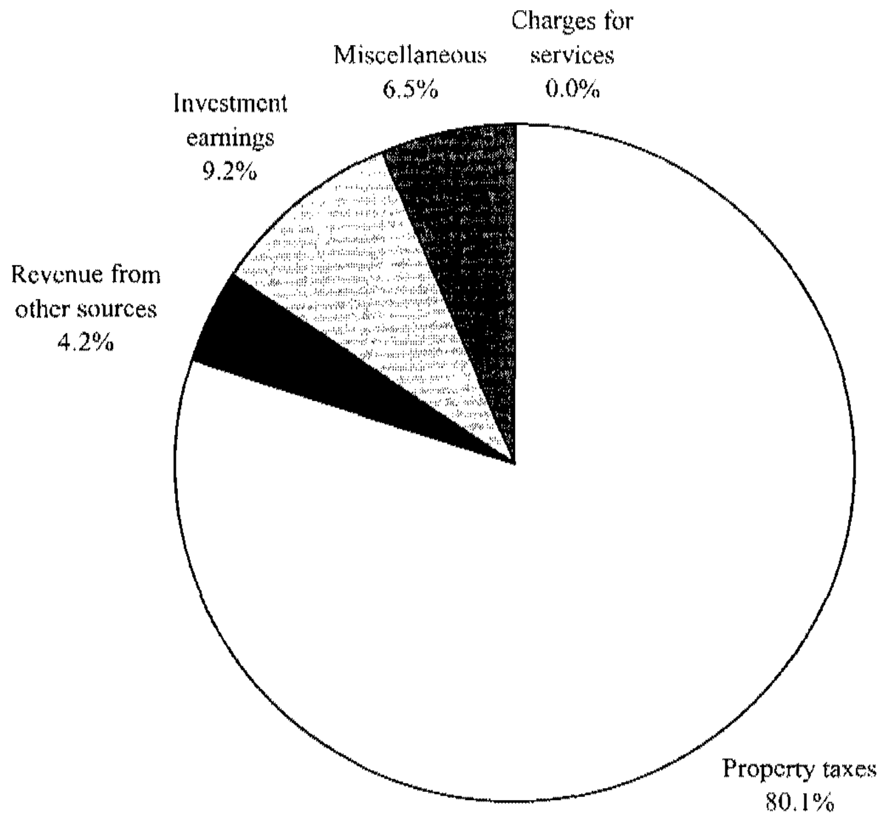
Governmental activities. Governmental activities increased the Agency's net assets by $9,119,785, thereby accounting for the total increase in the net assets of the Agency. Key elements of this increase are as follows:

Glendale Redevelopment Agency's Changes in Net Assets

		Total Governmental activities	
		2005	2004 As Restated
Revenues:			
Program revenues:			
Charges for services	$	13,476	50,092
General revenues:			
Property taxes		27,740,477	21,995,982
Revenue from other sources		1,457,976	1,158,263
Investment earnings		3,314,708	1,361,003
Miscellaneous		2,131,740	1,593,606
Total revenues		34,658,377	26,158,946
Expenses			
Community development		12,336,796	9,207,171
Education		2,665,235	1,417,840
Housing assistance		3,666,430	3,118,069
Interest and fiscal charges on bonds		6,870,131	6,080,165
Total expenses		25,538,592	19,823,245
Increase/(decrease) in net assets		9,119,785	6,335,701
Net assets (deficit) at the beginning of the year, restated		(27,156,666)	(33,492,367)
Net assets (deficit) at the end of the year	$	(18,036,881)	(27,156,666)

- Property taxes increased by $5.7 million primarily due to an increase in property tax revenues in the Central ($1,377,083) and San Fernando Road ($875,668) Project areas compared to last fiscal year.
- Investment earnings also increased by $1.9 million, largely due to a $0.5 million increase in the Central project area alone. This increase is due primarily to the increase of fair market value in investments.
- Community development related expenses increased by $3.1 million in the current year.

Revenues By Source – Governmental Activities



Financial Analysis of the Agency'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 Agency'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 $137,174,833, an increase of $5,364,941 in comparison with the prior year. The Agency has $32,184,227 in *unreserved fund balance* and 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 $5,203,029, (2) to hold property for future development $72,626,955, (3) for principal and interest payments toward outstanding bond debt $8,785,681, (4) for anticipated capital project expenditures $18,367,941, or (5) for deposits $7,000.

The combined fund balance of the Agency's Central Project, San Fernando Project, Town Center, and Low & Moderate Housing funds increased from $122,857,885 to $127,851,991, an increase of $4,994,106 compared to the prior fiscal year. This change is primarily due to revenues exceeding expenses this year.

The debt service funds have a total fund balance of $9,322,842, of which $8,785,681 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, 2005, amounts to $11,189,750 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress. The total increase in the Agency's investment in capital assets for the current fiscal year was $501,985, which resulted from a net retirement of $2,658,595 and a net decrease of $164,674 in accumulated depreciation.

Glendale Redevelopment Agency's Capital Assets

		Total Governmental activities	
		2005	2004
Land	$	1,918,312	1,918,312
Buildings and improvements		8,639,953	8,512,111
Machinery and equipment		582,803	602,249
Infrastructure		-	127,842
Construction in Progress		2,707,277	2,021,173
Total capital assets		13,848,345	13,181,687
Less accumulated depreciation		2,658,595	2,493,922
Net of depreciation	$	11,189,750	10,687,765

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

Long-term debt. At the end of the current fiscal year, the Agency has total bonded debt outstanding of $102,266,424, 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	
		2005	2004
Tax allocation bonds	$	102,266,424	106,182,160
Total		102,266,424	106,182,160
Long-term debt to City		66,626,295	66,129,183
Grand total	$	168,892,719	172,311,343

- The Agency's total debt decreased by $3,418,624 (1.98 percent) during the current fiscal year due to a net bond premium of $250,870, $3,865,000 in ongoing debt service payments, a net deferred amount of ($200,134) on the refunding of the 1993 tax allocation bonds, and a net increase of $497,112 to amounts owed to the City of Glendale.

Additional information on the Agency's long-term debt can be found on pages 25 through 27 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 SECTION

Year Ending - June 30, 2005

Exhibit A

GLENDALE REDEVELOPMENT AGENCY

Statement of Net Assets (Deficit)

June 30, 2005

		Governmental Activities
ASSETS		
Current assets:		
Cash and invested cash	$	56,308,882
Imprest cash		500
Cash with fiscal agents		8,785,681
Interest receivable		410,576
Due from other agencies		2,848,610
Deposits		7,000
Total current assets		68,361,249
Noncurrent assets:		
Deferred charges		2,862,330
Real property held for resale		72,626,955
Capital assets, net		11,189,750
Total noncurrent assets		86,679,035
Total assets		155,040,284
LIABILITIES		
Current liabilities:		
Accounts payable		3,218,451
Accrued wages & withholdings		131,603
Due to other agencies		438,317
Interest payable		371,075
Deposits		25,000
Due to the City of Glendale, due in one year		1,500,000
Bonds payable, due in one year		4,285,736
Total current liabilities		9,970,182
Noncurrent liabilities		
Due to the City of Glendale		65,126,295
Bonds payable		97,980,688
Total non current liabilities		163,106,983
Total liabilities		173,077,165
NET ASSETS		
Invested in capital assets, net of related debt		11,189,750
Restricted for:		
Housing, health, and community development		20,144,577
Debt service		8,785,681
Unrestricted (deficit)		(58,156,889)
Total net assets (deficit)	$	(18,036,881)

See accompanying notes to financial statements.

Exhibit B

GLENDALE REDEVELOPMENT AGENCY

Statement of Activities

For the year ended June 30, 2005

		Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Governmental activities				
Community development	$	12,336,796	13,476	(12,323,320)
Education		2,665,235	-	(2,665,235)
Housing assistance		3,666,430	-	(3,666,430)
Interest and fiscal charges on bonds and other long term debts		6,870,131	-	(6,870,131)
Total government activites		25,538,592	13,476	(25,525,116)
General revenues				
Property taxes				27,740,477
Revenue from other sources				1,457,976
Investment earnings				3,314,708
Miscellaneous				2,131,740
Total general revenue				34,644,901
Change in net assets				9,119,785
Net assets (deficit) - July 1, 2004, restated				(27,156,666)
Net assets (deficit) - June 30, 2005				$ (18,036,881)

See accompanying notes to financial statements.

Exhibit C
Glendale Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2005

		Special Revenue Funds				Debt Service Funds		
		Central Project	San Fernando Road	Low and Moderate Housing Fund	Town Center	2003 Tax Allocation Fund	2002 Tax Allocation Bond	Total Govern-mental Funds
Assets								
Cash and invested cash	$	28,706,635	8,001,353	13,651,304	5,412,429	258,437	278,724	56,308,882
Imprest cash		500	-	-	-	-	-	500
Cash with fiscal agent		-	-	-	-	4,914,284	3,871,397	8,785,681
Interest receivable		199,999	61,518	104,215	44,844	-	-	410,576
Due from other agencies		474,979	2,095,504	278,127	-	-	-	2,848,610
Deposits		-	7,000	-	-	-	-	7,000
Property held for resale		27,660,875	-	7,318,469	37,647,611	-	-	72,626,955
Total assets	$	57,042,988	10,165,375	21,352,115	43,104,884	5,172,721	4,150,121	140,988,204
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$	948,788	377,189	1,142,577	749,897	-	-	3,218,451
Due to other agencies		-	438,317	-	-	-	-	438,317
Accrued wages and withholding		55,738	10,904	64,961	-	-	-	131,603
Deposits		25,000	-	-	-	-	-	25,000
Total liabilities		1,029,526	826,410	1,207,538	749,897	-	-	3,813,371
Fund Balances:								
Reserved:								
Deposit		-	7,000	-	-	-	-	7,000
Debt service		-	-	-	-	4,914,284	3,871,397	8,785,681
Capital projects		3,016,325	6,303,671	6,539,093	2,508,852	-	-	18,367,941
Encumbrances		896,827	461,452	2,961,028	883,722	-	-	5,203,029
Property held for resale		27,660,875	-	7,318,469	37,647,611	-	-	72,626,955
Unreserved		24,439,435	2,566,842	3,325,987	1,314,802	258,437	278,724	32,184,227
Total fund balances		56,013,462	9,338,965	20,144,577	42,354,987	5,172,721	4,150,121	137,174,833
Total liabilities and fund balances	$	57,042,988	10,165,375	21,352,116	43,104,884	5,172,721	4,150,121	140,988,204

Exhibit C.1

GLENDALE REDEVELOPMENT AGENCY

Governmental Funds

Reconciliation of Balance Sheet of

Governmental Funds to the Statement of Net Assets (Deficits)

June 30, 2005

Fund balances of governmental funds		$ 137,174,833
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	$ 13,848,345	
Accumulated depreciation	(2,658,595)	11,189,750
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	951,489	
2003 Tax Allocation Bonds	1,910,841	2,862,330
Long-term debt are not included in the governmental fund activity:		
Due within one year:		
Principal:		
Due to the City of Glendale	(1,500,000)	
2002 Tax allocation bonds	(1,920,000)	
2003 Tax allocation bonds - net of deferred amount on refunding	(2,114,866)	
Bond premium:		
2002 Tax allocation bonds	(105,619)	
2003 Tax allocation bonds	(145,251)	(5,785,736)
Due more than one year:		
Principal:		
Due to the City of Glendale	(65,126,295)	
2002 Tax allocation bonds	(42,420,000)	
2003 Tax Allocation Bonds - net of deferred amount on refunding	(51,696,419)	
Bond premium:		
2002 Tax allocation bonds	(1,637,089)	
2003 Tax allocation bonds	(2,227,180)	(163,106,983)
Accued interest payable for the current portion of interest due are not included in the governmental fund activity:		
2002 Tax allocation bonds	(160,586)	
2003 Tax allocation bonds	(210,489)	(371,075)
Net assets (deficit) of governmental activities		$ (18,036,881)

See accompanying notes to financial statements.

Exhibit D

Glendale Redevelopment Agency

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Fund

For Fiscal Year Ended June 30, 2005

		Special Revenue Funds				Debt Service Funds		
		Central Project	San Fernando Project	Low and Moderate Housing Fund	Town Center	2003 Tax Allocation Bonds	2002 Tax Allocation Bond	Total Governmental Funds
Revenues:								
Property taxes	$	9,545,159	4,271,345	5,548,095	-	4,555,865	3,820,013	27,740,477
Revenue from other agencies		-	1,457,976	-	-	-	-	1,457,976
Charges for services		13,476	-	-	-	-	-	13,476
Use of money and property		1,729,923	231,485	488,386	491,878	244,552	128,484	3,314,708
Miscellaneous revenue		83,489	-	2,048,251	-	-	-	2,131,740
Total Revenues		11,372,047	5,960,806	8,084,732	491,878	4,800,417	3,948,497	34,658,377
Expenditures:								
Community development								
County property tax administration		232,645	110,900	85,886	-	-	-	429,431
Pass through		-	2,449,604	-	-	-	-	2,449,604
Administration		2,355,444	296,574	2,110,718	307	-	2,201	4,765,244
Housing and community development		1,594,217	1,936,730		1,663,602			5,194,549
Education		2,141,918	523,317	-	-	-	-	2,665,235
Housing assistance		-	-	3,666,383	-	-	-	3,666,383
Debt service								
Principal retirement		-	-	-	-	2,000,000	1,865,000	3,865,000
Interest on bonds		-	-	-	-	2,555,865	1,955,013	4,510,878
Interest on debt to City		1,562,916	184,196	-	-	-	-	1,747,112
Total expenditures		7,887,140	5,501,321	5,862,987	1,663,909	4,555,865	3,822,214	29,293,436
Net change in fund balances balances		3,484,907	459,485	2,221,745	(1,172,031)	244,552	126,283	5,364,941
Fund balance, July 1 restated		52,528,555	8,879,480	17,922,832	43,527,018	4,928,169	4,023,838	131,809,892
Fund Balance, June 30	$	56,013,462	9,338,965	20,144,577	42,354,987	5,172,721	4,150,121	137,174,833

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, 2005

Net change in fund balances - total governmental funds		$ 5,364,941
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital assets changes as expenditures		686,104
In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		(184,119)
In the statement of activities, the cost of issuance of bonds is allocated over the life of bonds as an expense		
2002 Tax Allocation Bonds	$ (57,666)	
2003 Tax Allocation Bonds	(117,762)	(175,428)
In the statement of activities, the deferred amounts on refunding are allocated over the life of the bonds as a component of interest expense.		(200,134)
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	145,251	250,870
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	2,000,000	
2002 Tax Allocation Bonds	1,865,000	3,865,000
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, 2005		
Due to the City of Glendale	(1,747,112)	
2002 Tax Allocation Bonds	(160,586)	
2003 Tax Allocation Bonds	(210,489)	(2,118,187)
Accrued interest, June 30, 2004		
Due to the City of Glendale	1,250,000	
1993 Tax Allocation Bonds	215,489	
2002 Tax Allocation Bonds	165,249	1,630,738
Change in net assets of governmental activities		$ 9,119,785

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.

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 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 2004-05 property tax levy that was based on the assessed value of secured and unsecured property as of the lien date of January 1, 2004. 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 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.

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.

E. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

The Agency pools its cash with the City. The City values its cash and investments in accordance with the provisions of Government Accounting Standard Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investments Pools (GASB 31)," which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net assets/balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred Fair value is determined using published market prices.

The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee and adopted by the City Council and that follow the guidelines of the State of California Government Code. 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 outlays required in excess of normal operating needs. Funds must request large outlays in advance in order that the City Treasurer will have the funding available.

Interest income from the investment is allocated to all funds on a monthly basis based upon the prior month end cash balance of the fund as a percent of the month end total pooled cash balance. Accordingly, the Agency receives its portion of interest income. The City normally holds the investment to term; therefore no realized gain/loss is recorded.

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.

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.

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. 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.

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, 2005, the Agency had $5,203,029 in outstanding encumbrances

III. Cash and Investments

Cash and investments at fiscal year end consist of the following:

Investments	$	558,306,802
Cash with fiscal agents		18,622,859
		576,929,661
Cash on hand		(649,867)
Total	$	576,279,794

The following amounts are reflected in the government-wide statement of assets:

Cash and investments	$	439,805,054
Imprest cash		28,930
Cash with fiscal agents		18,622,859
Investment-gas/electric commodity		3,945,569
Designated cash and investments		113,877,382
Total	$	576,279,794

The Agency pools its cash and investments with the City. Of this total, $65,095,063 pertains to the Agency for fiscal year 2005 of which $8,785,681 is cash with fiscal agents and $500 is imprest cash. The remaining cash and investments of $56,308,882 cannot be identified with any single investment because the City may be required to liquidate its investments at any time to cover outlays required in excess of normal operating needs. Funds must request large outlays in advance in order that the City Treasurer will have the funding available.

Authorized Investments

Under provisions of the City's investment policy, and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

	Maximum Maturity	Maximum % of Portfolio
U.S. Treasuries	5 years	100%
Federal Agencies	5 years	100%
Medium Term Corporate Notes	5 years	15%
Commercial Paper (A1,P1 minimum rating)	180 days	15%
Bankers Acceptance	180 Days	30%
Negotiable Certificates of Deposit	1 year	30%
Local Agency Investment Fund (State Pool)	N/A	LAIF maximum
Money Market Mutual Funds	90 days	5%
Time Deposits	1 year	10%

Investments in Medium Term Corporate Notes may be invested in Securities rated AA or better by Moody's or Standard and Poor's rating services and no more than 5% of the market value of the portfolio may be invested in one corporation. Maximum participation in Bankers Acceptance is limited to 10% per bank.

Investments Authorized by Debt Agreements

The Provisions of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy, governs investments of debt proceeds held by bond fiscal agents. Permitted investments are specified in related trust agreements and include the following:

1) Federal Securities
2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies
3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by non-full faith and credit U.S. Government agencies
4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard and Poor's of AAAm-G, AAA-m, or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2
5) Certificates of deposits secured at all times by collateral described in (1) and (2)
6) Certificates of deposits savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF
7) Investment Agreements
8) Commercial papers rated, at the time of purchase, Prime-1 by Moody's and A-1 or better by Standard and Poor's.
9) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard and Poor's in one of the two highest rating categories assigned by such agencies
10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of Prime-1 or A3 or better by Moody's and A-1 or A or better by Standard and Poor's
11) Repurchase Agreements
12) Local Agency Investment Fund of the State of California.

No maximum percentage of the related debt issue or maximum investment in one issuer is specified.

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that fluctuations in market rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The City manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

			Remaining Maturity (in Months)			
			12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Commercial Paper	$	12,990,571	12,990,571	-	-	-
Federal Agency Term Notes		88,396,123	43,691,250	29,877,329	14,827,544	-
Federal Agency Callable Bonds		385,539,403	44,602,869	111,798,657	229,137,877	-
Corporate Notes		35,490,245	17,925,704	8,078,693	9,485,848	-
State Investment Pool		18,957,204	18,957,204	-	-	-
Money Market		16,933,256	16,933,256	-	-	-
Held by Fiscal Agents						
Federal Agency Term Notes		8,880,479	8,880,479	-	-	-
Guaranteed Investment Contracts		4,909,098				4,909,098
Money Market		4,833,282	4,833,282	-	-	-
	$	576,929,661	168,814,615	149,754,679	253,451,269	4,909,098

The City assumes that callable investments will not be called.

Disclosures Relating to Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City invest only in the most risk-adverse instruments, such as AAA-rate government securities, and AAA or AA-rate corporate securities.

			Rating as of Year End				
			AAA	AA	Aa2	A1,P1	Unrated
Commercial Paper	$	12,990,571	-	-		12,990,571	-
Federal Agency Term Notes		88,396,123	88,396,123	-		-	-
Federal Agency Callable Bonds		385,539,403	385,539,403	-		-	-
Corporate Notes		35,490,245	24,992,435	10,497,810		-	-
State Investment Pool		18,957,204	-	-		-	18,957,204
Money Market		16,933,256	16,933,256	-		-	
Held by Fiscal Agent							
Federal Agency Term Notes		8,880,479	8,880,479	-		-	-
Guaranteed Investment Contracts		4,909,098			4,909,098		
Money Market		4,833,282	4,838,282	-		-	-
	$	576,929,661	529,579,978	10,497,810	4,909,098	12,990,571	18,957,204

Concentration on Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stated above. Investments in any one issuer that represent 5% or more of total City investments are as follows

Issuer	Investment Type		Reported Amount
FHLB	Federal Agency Term Notes	$	51,540,938
FHLB	Federal Agency Callable Bonds		248,340,822
	Total		299,881,760
FHLMC	Federal Agency Term Notes		18,729,405
FHLMC	Federal Agency Callable Bonds		66,881,618
	Total		85,611,023
FNMA	Federal Agency Term Notes		9,806,250
FNMA	Federal Agency Callable Bonds		60,509,150
	Total	$	70,315,400

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Entity's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral

pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2005, the carrying amount of the City's deposits was ($649,867) and the corresponding bank balance was $1,073,920. The difference of $1,723,787 was principally due to outstanding warrants, wires and deposits in transit. Of the Bank balance, $100,000 was insured by the FDIC depository insurance and $973,920 was uncollateralized and not insured by FDIC depository insurance.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair market value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio

IV. Changes in Capital Assets

	Balance at July 1	Increases	Decreases / Reclass	Ending Balance
Governmental activities - Housing, health and community development:				
Capital assets not being depreciated				
Land	1,918,312	-	-	1,918,312
Construction in progress	2,021,173	1,018,626	(332,522)	2,707,277
Total assets not being depreciated	3,939,485	1,018,626	(332,522)	4,625,589
Other capital assets				
Building and improvements	8,512,111		127,842	8,639,953
Machinery and equipment	602,249		(19,446)	582,803
Infrastructure	127,842		(127,842)	-
Total other capital assets at cost	9,242,202	-	(19,446)	9,222,756
Less accumulated depreciation:				
Building and improvements	1,891,673	184,119		2,075,792
Machinery and equipment	602,249		(19,446)	582,803
Infrastructure		-		-
Total accumulated depreciation	2,493,922	184,119	(19,446)	2,658,595
Total assets being depreciated	6,748,280	(184,119)	-	6,564,161
Governmental activities capital assets, net	10,687,765	834,507	(332,522)	11,,189,750

Depreciation expense of $184,119 has been allocated to the Housing, health and community development function within the Statement of Activities.

GLENDALE REDEVELOPMENT AGENCY

Notes to the Basic Financial Statements
June 30, 2005

V. Real Property Held for Resale

The following is a list of real property held for resale at June 30, 2005:

Purpose	Acquisition Date	Location		Carrying Value
Retail expansion	Mar-70	239 S. Orange Street	$	184000
	Jan-79	225 West Colorado		300,000
	Jul-81	237 S. Brand		262,785
	Sep-81	233 S. Brand		292,600
	May-83	216 S. Central		700,000
	Oct-83	217-219 W. Colorado		853,058
	Oct-84	228-230 S. Central		916,609
	Feb-87	225 S. Orange		284,000
	Aug-87	143-147 S. Brand		1,712,000
	Sep-87	218-220 W. Harvard		318,324
	Oct-87	209-215 S. Brand		900,000
	Oct-90	201-207-209 W. Colorado		1,000,000
	Oct-90	220-222 S. Central		700,000
	Oct-90	210-212 S. Central		700,000
	Feb-92	221 S. Orange St.		440,000
	Feb-92	224 S. Central		700,000
	Mar-95	139 S. Brand		488,096
	Jul-95	229 S. Orange		440,000
	Dec-00	226 S. Brand		554,870
	Mar-01	217 S. Brand		443,576
	Oct-02	201-205 Harvard		979,367
	Nov-02	225 S. Brand		2,710,565
	Nov-02	206-8 W. Harvard/213 S. Orange		2,703,154
	Nov-02	232 S. Central		1,105,063
	May-03	133-371/2 S. Orange		604,271
	Jun-04	126-30 S. Central		10,236,253
	Jun-04	126 S. Central		3,762,340
	Jun-04	200 S. Central		1,902,730
	Jun-04	200 W. Harvard		1,735,489
	Jun-04	217 S. Orange		915,655
	Jun-04	136 S. Orange		646,705
	Jun-04	205-207 S. Brand		2,974,511
	Jun-04	129-33 ½ S. Brand		1,876,478
	Jun-04	219 S. Brand		835,241
	Jun-04	221 S. Brand		5,012,631
	Jun-05	135-37 S. Brand Blvd		1,966,890
	Jun-05	243 S. Brand		2,085,228
				54,242,489
North Central	Jun-87	211 Burchett		1,000,000
	Dec-87	820 N. Central		825,000
	Sep-87	217-219 Burchett		411,507
	Jun-87	221 Burchett		975,000
				3,211,507

Purpose	Acquisition Date	Location	Carrying Value
Housing Projects	May-01	401-411Pacific Ave and	
		501-503 ½ W. Vine	702,589
	Oct-02	816 S. Maryland	380,000
	Jan-03	810-812 S. Maryland	636,193
	May-03	900-910 E. Palmer	189,055
	Jun-05	711-717 Kenwood	30,000
	Jun-05	339-343 W. Doran	2,790,557
	Jun-05	6200 San Fernando Rd.	2,590,075
			7,318,469
Other	Aug-82	111 E. Wilson	351,649
	Mar-86	225 W. Wilson	1,012,914
	Mar-01	225 E. Broadway	3,605,015
	Jun-04	216-218 S. Brand	2,884,912
			7,854,490
			$ 72,626,955

VI. Outstanding Indebtedness and Changes in Long-Term Debt

A summary of outstanding bonds payable at June 30, 2005 is as follows:

		Outstanding at June 30, 2004	Additions	Retirements	Amount outstanding at June 30, 2005	Due within one year
Governmental Activities						
2002 Tax Allocation Bond	$	46,205,000	-	1,865,000	44,340,000	1,920,000
2003 Tax Allocation Bond		58,880,000	-	2,000,000	56,880,000	2,315,000
2002 Bond Premium		1,848,327	-	105,619	1,742,708	105,619
2003 Bond Premium		2,517,681	-	145,251	2,372,430	145,251
Deferred amount on refunding - 2003 Tax Allocation Bond		(3,268,848)	-	(200,134)	(3,068,714)	(200,134)
Total bonds payable		106,182,160	-	3,915,736	102,266,424	4,285,736
Due to the City of Glendale		66,129,183	1,747,112	1,250,000	66,626,295	1,500,000
Total long term liabilities	$	172,311,343	1,747,112	5,165,736	168,892,719	5,785,736

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

2003 Tax Allocation Refunding Bonds

The 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 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.

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 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, 2005:

Fiscal Year		Interest	Principal	Total
2006	$	4,366,228	4,235,000	8,601,228
2007		4,188,978	4,415,000	8,603,978
2008		4,004,002	4,590,000	8,594,002
2009		3,808,477	4,780,000	8,588,477
2010		3,599,090	4,980,000	8,579,090
2011-2015		14,664,413	28,085,000	42,749,413
2016-2020		7,931,559	34,155,000	42,086,559
2021-2022		781,575	15,980,000	16,761,575
	$	43,344,322	101,220,000	144,564,322

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

GLENDALE REDEVELOPMENT AGENCY

Notes to the Basic Financial Statements
June 30, 2005

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:

		Balance at 6/30/04			Additions			Balance at 6/30/05		
Project	Date of Agreement	Principal	Interest	Total	Principal	Interest	Reductions	Principal	Interest	Total
Central Project										
South Brand Improvement	May 1977	$ -	2,319,912	2,319,912	-	61,408	-	-	2,381,320	2,381,320
Glenoaks Improvement	Oct 1977	659,667	2,801,532	3,461,199	-	91,618	-	659,667	2,893,150	3,552,817
Parking lots transferred to the Agency	Apr 1983	3,061,550	10,725,857	13,787,407	-	364,953	-	3,061,550	11,090,810	14,152,360
North Brand Improvement	Apr 1983	79,809	3,635,283	3,715,092	-	98,338	-	79,809	3,733,621	3,813,430
Verdugo Utility Improvement	Dec 1985	3,314,492	5,119,438	8,433,930	-	223,246	-	3,314,492	5,342,684	8,657,176
Block 24 Parking Structure	Oct 1985	6,947,217	12,596,513	19,543,730	-	517,323	-	6,947,217	13,113,836	20,061,053
Broadway Improvement	Dec 1985	2,549,097	2,278,058	4,827,155	-	127,775	-	2,549,097	2,405,833	4,954,930
Central Avenue Improvement	Jun 1988	1,042,524	1,913,854	2,956,378	-	78,255	(1,250,000)	1,042,524	742,109	1,784,633
Sub-total		17,654,356	41,390,447	59,044,803	-	1,562,916	(1,250,000)	17,654,356	41,703,363	59,357,719
San Fernando Project										
San Fernando Project-Advance	Dec 1996	1,465,606	1,057,884	2,523,490	(193,600)	65,611	-	1,272,006	1,123,495	2,395,501
New Business Incentive	Dec 1996	15,500	9,635	25,135	-	654	-	15,500	10,289	25,789
Dreamworks	Dec 1996	176,906	85,315	262,221	1,402	6,818	-	178,308	92,133	270,441
San Fernando Master Plan	Dec 1996	556,765	211,003	767,768	44,966	19,962	-	601,731	230,965	832,696
Facade Program	Dec 1996	37,185	9,105	46,290	147,232	1,204	-	184,417	10,309	194,726
Water Treatment Facilities	Jul 1997	1,600,000	495,933	2,095,933	-	54,494	-	1,600,000	550,427	2,150,427
Grand Central Business	Nov 1997	50,000	13,677	63,677	-	1,656	-	50,000	15,333	65,333
Recycling Center	Jul 1996	1,000,000	299,866	1,299,866	-	33,797	-	1,000,000	333,663	1,333,663
Subtotal		4,901,962	2,182,418	7,084,380	-	184,196	-	4,901,962	2,366,614	7,268,576
Grand Total		$ 22,556,318	43,572,865	66,129,183	-	1,747,112	(1,250,000)	22,556,318	44,069,977	66,626,295

VII. Employee Retirement System and Plans

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 of the Agency with other City employees are required to participate in CalPERS , and related benefits vest after five years of service. Upon five years of service, employees who retire at age 50 or older are entitled to receive an annual retirement benefit. The benefit is payable monthly for life. The benefit is calculated as follows: years of credited service multiplied by their highest twelve consecutive months of salary multiplied by a percentage factor. This factor is age-based – public safety employees use the 3% at age 50 factor while all others use the 2% at age 55 factor. Effective December 1, 2005 the general employees will use the 2.5% at age 55 factor. 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. Effective December 1, 2005 general members contribution rate will increase to 8% of reportable earnings. The City is also required to contribute at an actuarially determined rate; the current public safety rate and the current general employee rates are 24.99% and 0% respectively of annual covered payroll. 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 decreased in fiscal year 2005-06 from 24.99% to 24.577%, the rate for general employees have increased from 0% to 6.289%. Effective December 1, 2005 this rate will increase from 6.289% to 9.591%

Annual Pension Cost

Contributions to CalPERS totaling $9,832,076 were made during the fiscal year ended June 30, 2005 in accordance with actuarially determined contribution requirements through an actuarial valuation performed at June 30, 2003. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.75% a year compounded annually (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%, (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 percent 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
6/30/03	$ 561,070	100%	0
6/30/04	$ 2,090,971	100%	0
6/30/05	$9,832,076	100%	0

REQUIRED SUPPLEMENTARY INFORMATION – (Unaudited) 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>
06/30/2001	$ 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 %
06/30/2003	$770,652,222	795,007,184	(24,354,962)	96.9 %	114,964,463	(21.2 %)

VIII. 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, 2005 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 the prior fiscal years are as follows:

Fiscal Year		Beginning Balance	Claims and Changes	Claim Payments	Ending Balance
2003-04	$	30,213,000	27,121,143	19,802,812	37,531,331
2004-05	$	37,531,331	25,507,585	20,118,827	42,920,089

IX. 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.

X. Lease Agreements

In 1976, the City and Agency entered into a lease agreement with Glendale Associates, to lease the multi-story parking facility constructed adjacent to the Glendale Galleria I. The lease agreement required payment by the operator of a base rent in the amount of $255,840 per year with an additional rent of $672,000 per year. The additional rent was required until the Parking Lease Revenue Bonds Series 1974 and 1976 were paid off plus three additional years beyond repayment. These bonds were paid off in May 2003 as scheduled.

In December 2002, Glendale Associates sold the Galleria I and Galleria II properties to General Growth Properties (the current operator). The lease agreement remains in effect. The lease has a provision that in the event that the Galleria I is re-assessed and the property taxes paid by the Operator and the other Major Tenants exceeds the adjusted base year property tax, the additional rent of $672,000 will be terminated. At this time, the Operator is appealing their re-assessment with the Los Angeles County Property Tax Appeals Board. Until this appeal is resolved, the Operator is required to pay the additional rent until May 2006. The base rent of $255,840 will continue for the term of the 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 to the Agency (the amount is currently $10,000)annually. This amount will decrease due to the inflationary increase of the Possessory Tax assessment on this Lease Agreement, and by 2008 this amount will be equal to the base rent, therefore no base rent will be due to the Agency for the remainder of Lease Period and and it's two extension periods.

XI. Restatement of Prior Year Fund Balances

The beginning fund balances of Central Project and San Fernando Road Project funds have been restated to reflect the intergovernmental payable to the City of Glendale that are not yet due. This restatement increased the beginning fund balances of Central Project and San Fernando Road Project by $59,044,803, and $7,084,380, respectively.

Duplicate of payments of $9,193,945 was recorded for Glendale Redevelopment Agency Fund. To correct the error, the Glendale Redevelopment Agency Fund beginning balance has been restated.

STATISTICAL SECTION

Year Ending - June 30, 2005

GLENDALE REDEVELOPMENT AGENCY
COMPUTATION OF LOW-MODERATE INCOME HOUSING EXCESS/SURPLUS FUNDS
YEAR ENDED JUNE 30,2005

FUND BALANCE - BEGINNING OF YEAR		$ 17,922,832
Less unavailable funds - included in beginning fund balance:		
Land held for resale		(7,318,469)
Total unavailable funds		(7,318,469)
Available Fund Balance - Beginning of Year		10,604,363
Current year proceeds/uses (actual plus changes in unavailable):		
Proceeds		8,084,732
Uses		(5,862,987)
Changes in unavailable amounts		-
Available Fund Balance - End of Year		12,826,108
Encumbrances		(2,961,028)
Available Fund Balance - for Excess Surplus		9,865,080
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.		9,865,080
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 2000-01	$ 4,061,545	
Fiscal year 2001-02	3,941,434	
Fiscal year 2002-03	4,442,961	
Fiscal year 2003-04	4,399,198	
Total set-aside deposited into fund	16,845,138	
Greater of the tax increment deposits or $1,000,000		16,845,138
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		20,144,577
Available fund balance - end of year above		12,826,108
Add unavailable funds - end of year:		
Land held for resale	7,318,469	
Total unavailable funds		7,318,469
Computed Ending Fund Balance		$ 20,144,577

Not covered by Independent Auditors' Report

Table 1

GLENDALE REDEVELOPMENT AGENCY

General Expenditures by Function - Last Ten Fiscal Years

			Principal Retirement			Interest				City reimbursements		
Fiscal year	**Administration and capital outlay**	**Projects**	**Tax allocation bonds**	**Lease revenue bonds**	**Total principal**	**Tax allocation bonds**	**Lease revenue bonds and notes**	**Debt to City**	**Total interest**	**Lease**	**Other**	**Total general expenditures**
1995-1996 $	2,271,737	6,865,141	1,315,000	970,000	2,285,000	3,977,585	582,720	-	4,560,305	1,629,575	1,695,340	19,307,098
1996-1997	2,388,814	7,718,937	1,395,000	1,020,000	2,415,000	3,898,550	523,605	-	4,422,155	1,629,575	3,229,328	21,803,809
1997-1998	2,612,030	6,965,296	1,470,000	1,085,000	2,555,000	3,813,910	461,460	-	4,275,370	1,629,575	1,115,000	19,152,271
1998-1999	3,045,536	5,630,907	1,555,000	1,155,000	2,710,000	3,723,385	394,605	-	4,117,990	1,629,575	875,000	18,009,008
1999-2000	2,556,623	3,405,706	1,655,000	1,220,000	2,875,000	3,626,115	323,440	-	3,949,555	1,629,575	2,975,000	17,391,459
2000-2001	2,766,299	4,831,896	1,755,000	1,295,000	3,050,000	3,531,790	248,270	-	3,780,060	1,629,575	1,375,000	17,432,830
2001-2002	3,938,735	3,310,622	1,845,000	1,370,000	3,215,000	3,441,790	168,495	3,143,404	6,753,689 (1)	1,629,575	57,809	18,905,430
2002-2003	4,035,685	2,612,512	1,935,000	1,465,000	3,400,000	4,365,934	84,095	2,387,024	6,837,053	1,420,143	6,554,682	24,860,075
2003-2004	5,624,057	12,778,151	61,194,031 (3)	-	61,194,028	6,421,360 (4)	-	2,425,884	8,847,240	- (5)	8,539,254 (2)	96,982,730
2004-2005 $	4,753,107	-3,506,305	3,865,000	-	3,865,000	4,510,878	-	1,747,112	6,257,990	-	9,210,653	20,580,445

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.

(5) Lease payments terminated when the lease revenue bonds were paid off.

Source: City of Glendale - Finance Division

Not covered by independent auditors' report.

Table 2

GLENDALE REDEVELOPMENT AGENCY

General Revenues by Source - Last Ten Fiscal Years

Fiscal year		Property taxes		Use of money and property: Interest and investment income	Use of money and property: Rental income	Charges for Services	Misceallaneous		Total
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
2004-2005	$	27,740,477		2,415,046	780,289	13,476	3,692,978		34,642,266

(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
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)
2004-2005	$	34,642,266		20,580,445	14,061,821

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

(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
1995-1996	1,180,344,948	103,490,665	13,533,136	11,710,458 (2)
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
2004-2005	1,965,220,574	179,311,505	28,488,937	27,740,476

(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.

Not covered by independent auditors' report.

Table 5

GLENDALE REVELOPMENT AGENCY

Market Values of Taxable Properties - Last Ten Fiscal Years

CENTRAL PROJECT

Fiscal year	Market value	Base year (1972)	Net increment	Secured	Unsecured	Total
1973-1974	$ 30,234,870	24,659,336	5,575,534	5,212,254	363,280	5,575,534
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
2004-2005	1,783,854,787	85,369,720	1,698,485,067	1,547,948,115	150,536,952	1,698,485,067

SAN FERNANDO PROJECT

Fiscal year	Market value	Base year (1972)	Net increment	Secured	Unsecured	Total
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
2004-2005	1,176,255,386	730,208,374	446,047,012	417,272,459	28,774,553	446,047,012

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
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
2004-2005	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.

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COMPLIANCE SECTION

Year Ending - June 30, 2005

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

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, 2005, and have issued our report thereon dated November 18, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

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

FRESNO • LAGUNA • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA

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 18, 2005

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

ACCOMPLISHMENTS-FISCAL YEAR 2004-2005

SAN FERNANDO ROAD CORRIDOR REDEVELOPMENT PROJECT AREA

- Coordinated the removal of 18 billboards, overhead wires and 70 utility poles from the railroad right-of-way.
- Assisted Planning in the completion and adoption of new zoning for San Fernando Road Corridor Project Area.
- Assisted Planning and Community Development & Housing in the creation and adoption of Inclusionary Housing Ordinance including Implementation Policies and In-Lieu fee for the San Fernando Road Corridor Project Area.
- Provide project management assistance with Grand Central Creative Campus (Disney) Phase I of development including entitlement, preconstruction and construction assistance.
- Coordinated the installation of the first two phases of the San Fernando Road Landscape improvements on City right-of-way and completed design approval for landscape improvements to the MTA right-of-way.
- Began the process of establishing a Landscape and Light Maintenance District in and around the Grand Central Creative Campus (Disney) project area; tasks include consultant selection and engineering feasibility.

CENTRAL GLENDALE REDEVELOPMENT PROJECT AREA

- Providing on-going assistance and coordination with Planning in the development and refinement of the Downtown Specific Plan.
- Town Center - Secured Stage III Design approval; successfully defended project environmental review document and entitlements against legal challenges; began demolition and hazardous materials abatement; completed site acquisition and relocated 36 businesses from the project site.
- Coordinated the pre-development entitlement process with Developer, adjacent private property interests and City for the Embassy Hotel project.
- Approved the entitlements including design and the environmental document for the 300 N. Central project consisting of an 8-story, 72 unit residential condominium development with approximately 4,000 SF of ground floor retail space.
- Coordinated the budget and managed capital projects for the Theatre to insure preservation of this historic resource. Completed capital projects this year included installation of new carpeting in the theatre.
- Secured Stage I Design approval on proposed SNK housing project at Broadway/Louise.

CITYWIDE ECONOMIC DEVELOPMENT

- Continued main-point-of-contact for citywide Business Assistance.
- Continued staff support to six business districts including Kenneth Village, Sparr Heights, Montrose, Adams Square, Downtown Merchants, and the South Brand Auto Dealers.
- Established a BID in the Adams Square business district.
- 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.
- Enhanced the Agency funded façade grant program including implementation of a new Building Conservation façade program.
- Completion of the Sparr Heights Street Redesign/Improvements (Ocean View/Verdugo).

WORK PROGRAM-FISCAL YEAR 2005-2006
(Not covered by the Independent Auditors' Report)

SAN FERNANDO ROAD CORRIDOR REDEVELOPMENT PROJECT AREA

- Coordinate the bidding and construction of landscape in the MTA right-of-way spring-summer 2006.
- Provide oversight and management for completion of the Grand Central Creative Campus (Disney) Phase I project.
- Complete the establishment (including adoption of) Landscape and Lighting Maintenance District in and around the Grand Central Creative Campus (Disney) project area.
- Working collaboratively with Planning Division and Community Development/Housing work to implement development in the San Fernando Road Corridor permitted under the new zoning.

CENTRAL GLENDALE REDEVELOPMENT PROJECT AREA

- Provide on-going assistance for development and adoption of a new Downtown Specific Plan including policy direction, standards preparation and community outreach.
- Town Center - Complete relocation of remaining tenants; demolition and hazardous materials remediation; and begin construction.
- Coordinate the permitting and start of the Embassy Suites Hotel construction fall 2005 – spring 2006.
- Finalize Request For Proposal and assist the Agency in determining and implementing desired redevelopment options for DPSS building/site.
- Provide assistance and coordination for implementation of various housing/mixed-use projects proposed in the Central Glendale Redevelopment Project Area.
- Provide ongoing management and coordination of Alex Theatre operations and capital projects. Complete contractor selection and project oversight for installation of waterproofing improvements for the building exterior. Coordinate development of long-range capital improvement program for the facility.

CITYWIDE ECONOMIC DEVELOPMENT

- Assist with the development of economic development strategies, to include: Business Attraction, Retention and Expansion Programs.
- Continue assisting local businesses, on a citywide basis, with the City's entitlement and development process.
- Continue to market and promote the City of Glendale to encourage business attraction and retention. Continue to provide opportunities for the promotion of the Glendale business community through events such as the Summer Street Parties, community parades, holiday festivals and merchant- sponsored special events and participate in regional economic development efforts to promote Glendale.
- Assist with the entitlement and expansion of several auto dealerships and local retail businesses renovations.
- Assist Sparr Heights with additional CIP project: Ocean redesign and median outlets on Verdugo.

ACTIVITIES AFFECTING HOUSING AND DISPLACEMENT

(Not Covered by Independent Auditors' Report)

ACCOMPLISHMENTS – FISCAL YEAR 2004-2005

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

During fiscal year 2004-05, the Housing Authority allocated approximately $465,407 of Redevelopment Set-Aside, HOME, and City of Glendale General Funds to complete rehabilitation of 24 single-family homes. Fourteen additional projects were started toward the end of the fiscal year and are expected to be complete in FY 2005-06.

A) Home Owner Rehabilitation Program

The Home Owner Rehabilitation Loan Program has three 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, and Lead Based Paint Hazard Reduction Grant.

<u>Single Family Rehabilitation Senior and Disabled Grant:</u> 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.

<u>Single Family Rehabilitation Loan:</u> 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.

<u>Lead Based Paint Hazard Reduction Grant:</u> 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.

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. Condominiums and single family homes prices increased by 21% during the fiscal year. Condominiums increased to a median sales price of $417,000 and single family homes increased to a median sales price of $761,000. Despite historically low interest rates, these price increases have made it difficult for entry-level first time homebuyers to purchase in this market.

Interest in home ownership is strong. During this fiscal year, the Housing Authority provided additional assistance above that initially anticipated for the 7 unit Elk Avenue Town Homes in order to assure a successful completion to the project. Over 300 potential home buyers attended informational meetings on the project and 115 households applied to purchase the homes. HOME funded projects done in collaboration with Habitat for Humanity have also produced a successful model for serving low-income homebuyers. During this year 3 home buyer households were selected for the Palmer project and they will assist in building their own homes in the coming year.

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, 519 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 2004-05, two applicants completed the process and purchased homes each with a $75,000 FTHB loan. At the time of this report, another applicant has also purchased a home after the close of FY 2004-05. 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 2004-05, the Housing Authority successfully initiated development and/or continued in construction five new affordable home ownership development projects consisting of approximately 33 affordable units for low and moderate-income first time homebuyers.

The descriptions below summarize the affordable home ownership projects either currently under development in Glendale using Redevelopment Set-Aside or federal HOME funds.

Projects in Progress in FY 2004-05

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 $1,485,500 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 $732,200 to the moderate-income purchasers of the affordable housing units (up to $104,600 for each purchaser). Construction began in March 2004 and is expected to be complete in early 2006. 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. Home buyers have been selected. Construction is underway and is expected to finish in December 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. A Disposition and Development Agreement was approved by the Housing Authority in December 2004 with Habitat for Humanity for development of 3 affordable home ownership units on the site. Demolition of the existing commercial building on the site is anticipated in December 2005. Construction is anticipated to start in January 2006 and to be completed by January 2007.

711-717 N. Kenwood

The Housing Authority had been negotiating for the purchase of a commercial property at 711-717 N. Kenwood during Program Year 2004-05 and completed the purchase in July 2005. The Housing Authority allocated $1,525,000 in Redevelopment Set-Aside funds for the purchase of the property. Concurrently, the Housing Authority is negotiating with a developer for development of 11 low-income affordable home condominium ownership units on the site, including subterranean parking.

339-343 W. Doran

In January 2005, the Authority acquired three single family houses on three contiguous parcels. This site allows for higher density development and is being considered for an affordable home ownership development project of approximately 33 units. The project is in the preliminary site design stage. $2.9 million in Redevelopment Set-Aside funds have been allocated for assistance in development of the site for affordable housing. Relocation of the three households residing on the site is nearly complete. The Housing Authority approved the Relocation and Last Resort Housing Plan for 339-343 W. Doran Avenue this program year following required public review and comment.

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 2004-05, the Housing Authority completed two multifamily rehabilitation projects, one with three units and the other with seven units using approximately $115,430 of Redevelopment Set-Aside funds.

B) New Construction of Renter Housing

In FY 2004-05, the Housing Authority successfully completed, initiated, or continued in the construction of 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.

Project Completed in FY 2004-05

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 was completed and occupied in December 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.

Projects in Progress in FY 2004-05

1855 S. Brand Blvd.

In February 2005 the Housing Authority executed an Affordable Housing Agreement 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 Authority committed approximately $5.8 million to the project consisting of $3.7 million in HOME funds and $2.1 million in Redevelopment Set-Aside funds. Additional financing is 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 broke ground in May 2005 and is scheduled for completion in Spring 2007.

6206 San Fernando Road

In September 2004 the Housing Authority acquired property located 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 Housing Authority is in negotiation with a developer to construct 24 permanent affordable units contingent upon additional financing from HUD 811 Program. The new construction renter development proposed on this site is anticipated to contribute to revitalization of the surrounding neighborhood as well as provide much needed special needs housing for the community. Relocation of 28 households is now in process and is being funded through Redevelopment-Set Aside funds. Each household is being provided with a rental assistance payment, a fixed moving payment, and technical assistance in finding comparable, appropriate housing. Twenty households have relocated to date. The Housing Authority approved the Relocation and Last Resort Housing Plan for 6206 San Fernando Road this program year following required public review and comment.

East Garfield Neighborhood Revitalization

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. 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 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.

Issues/concerns that were identified for this neighborhood area 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. A revitalization plan was developed to address many of these concerns in a multi-disciplinary manner, which would 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 been acquired to date at 800 – 812 and 816 S. Maryland as well as 295, 305, and 307 E. Garfield. Since the acquisition of these parcels following the planning process, the City determined that the two contiguous parcels at 800-812 and 816 S. Maryland would be excellent sites for a neighborhood park, as open space is scarce and much needed in the East Garfield Neighborhood. The City's Parks, Recreation, and Community Services Department now intends to purchase these parcels from the Housing Authority.

In the Fall of 2005, the Housing Authority issued a Request for Proposals from affordable housing developers for new construction of approximately 20 – 30 units of affordable rental housing on the remaining three parcels at 295, 305 and 307 E. Garfield.

C) Multifamily Rental Assistance

Ongoing Program

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 2004-05, 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 2004-05 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 2004-05 was the fourth 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 2004-05, the Housing Authority assisted 75 households through these programs, committing approximately $53,870 in Redevelopment Set-Aside funds. This includes 66 Dwelling Repair Grants totaling $49,770, some of which will be disbursed over a three-year period, and 9 Moving Assistance Grants totaling approximately $4,100. 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 rental assistance programs. The Low-Income Family Employment and Rental Assistance Program (LIFERAP) provided 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 2004-05, 49 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 five households during FY 2004-05.

III) Continuum of Care for the Homeless

A Continuum of Care strategy is used to address the needs of homeless persons in the City of Glendale. The Glendale Homeless Coalition is a partnership between public and governmental agencies, local non-profits and community organizations, the business community, concerned residents, and formerly homeless individuals. The Continuum of Care conducted an unduplicated count of homeless persons in January 2005 and determined that there are 362 homeless men, women and children on any given day. Fundamental components of the Continuum of Care include prevention, outreach and assessment, supportive services, transitional housing and permanent housing programs. An emergency shelter program, partially funded with Redevelopment Set-Aside funds, is one of the services provided as part of the Continuum of Care strategy.

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 2004-05, these funds assisted approximately 35-40 people per night and assisted 233 unduplicated individuals.

IV) Administrative Activities

A) 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.

At present, 3 new residential projects comprising approximately 242 units have been brought forth for initial review by the City. All of the projects are proposing to satisfy the inclusionary requirement through payment of the in lieu fee, potentially generating up to $1.6 million dollars to be used by the Authority for future affordable housing development.

B) 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.

C) 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 2005-06

I) Home Owner Assistance

A) Home Owner Rehabilitation Loan Program

For fiscal year 2005-06, the Housing Authority has allocated approximately $1.2 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 2005-06, the Housing Authority has allocated approximately $1 million of Redevelopment Set-Aside funds to provide approximately 13 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 2005-06, the Housing Authority has allocated approximately $4.6 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 23 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 2005-06, the Housing Authority has allocated $5 million of Redevelopment Set-Aside and federal HOME funds to acquire and develop and/or rehabilitate 37 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 2005-06, the code enforcement augmentation program will use a new 3 year $2.9 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 2005-06, the Section 8 HQS Grant and Moving Assistance Grant program will use the remainder of limited Redevelopment Set-Aside carryover funds in the amount of $55,000 and $3,900 respectively. The HQS grant program is no longer accepting applications for new grants; however staff will continue to process second and third year installments of grant payments. New applications continue to be accepted for Moving Assistance Grants.

4) LIFERAP and ERAP:

Following a program evaluation, the Housing Authority determined that for fiscal year 2005-06, the Low-Income Family Employment and Rental Assistance Program (LIFERAP) will use a three year funding allocation of $1.637 million to continue operations in order to assist approximately 50 additional households. The Emergency Rental Assistance Program (ERAP) will use $65,000 in carryover funds which is the remainder of a one-time allocation in Redevelopment Set-Aside funds in order to assist 23 households.

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 2005-06. The subsidy assists Project ACHIEVE to serve approximately 200 individuals.

B) Transitional Housing

Assistance to a future potential transitional housing project is anticipated with $125,509 of Redevelopment Set-Aside funds combined with $125,000 of HOME funds.

IV) Administrative Activities

A) 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.

A) 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.

C) 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 auditor's report)

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

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.

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

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

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.

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.

Affordable housing needs ongoing funding. Unmet housing needs require more ongoing funding streams to generate the resources necessary to produce additional units. Much of the Proposition 46 bond funding program funding has been expended and limited remaining funds are available for most State housing programs for only an additional one or two year period at most.