GLENDALE
Redevelopment Agency

Annual Financial Report

Year Ended - June 30, 2006

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Glendale, California

Chairperson
Bob Yousefian

Agency Members
Rafi Manoukian
Ara Najarian
Frank Quintero
Dave Weaver

Executive Director
James E. Starbird

Director of Development Services
Philip S. Lanzafame

Director of Administrative Services
Robert J. Franz

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INTRODUCTORY SECTION

Year Ending - June 30, 2006

Glendale Redevelopment Agency

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November 17, 2006

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, 2006.

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, 2006, 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, 2006, 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 Director of Administrative Services serves as the Treasurer of the Agency; the City Clerk serves as Secretary of the Agency; and the City Attorney serves as Agency Counsel.

The Agency currently has two project areas as follows:

1. The Central Glendale Redevelopment Project was formally created by Ordinance No. 4042 dated August 1, 1972. Originally encompassing 221 acres located in the heart of the City of Glendale (the City), the project area has grown by annexation to encompass 263 acres. The project area consists principally of commercial, office, and retail uses.

2. The San Fernando Road Corridor Redevelopment Project was formally created by Ordinance No. 5003 dated December 15, 1992. The project area encompasses 750 acres, which is primarily used for industrial, manufacturing and entertainment related business.

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

LOCAL ECONOMY

Economic growth in the City of Glendale is relatively stable. During the last year, there has been increased property tax revenue due to continued real estate sales and healthy values for properties being sold. Overall, sales tax revenue has increased due to strong sales activity for general consumer goods and in the retailed auto sector.

LONG-TERM FINANCIAL PLANNING
The Agency uses a cash-flow model in its long-term financial planning. This model is segregated by each project area {Central & San Fernando} and projects tax increment and project expenses out for ten years or longer.

CENTRAL PROJECT
Los Angeles County completed its reassessment of the Glendale Galleria, which was sold in December 2002. General Growth, the owner of the mall, appealed the decision, which delayed receipts of the increased tax increment from the new value of the property. The appeal process is now complete and the value of the property has been determined by LA County. Additional tax increment is expected to be generated in the future from new development {Americana at Brand and Embassy Suites Hotel} and resales of existing properties.

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. The site is cleared of all improvements and excavation is currently underway. The Americana at Brand is scheduled to open in spring 2008.

EMBASSY SUITES HOTEL
The Embassy Suites Hotel project is an all-suites business class hotel located on Burchett Street adjacent to the Hilton Glendale. The 272 room hotel is currently under construction with the subterranean foundations and garage structure nearly complete. Construction of the tower element is slated to begin in early 2007. The new hotel should be ready to open by December 2007.

SAN FERNANDO CORRIDOR PROJECT
The Walt Disney Co. development project is continuing, bringing new construction and more jobs to the area, along with increased tax increment revenue. Phase 1 of the development agreement is complete with Phase 2 expected to start in 2008.

CASH MANAGEMENT POLICIES AND PRACTICES
Cash temporarily idle during the year was invested in the City Treasurer's portfolio. The average yield was 2.84 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 Services Administrator, Lily Fang, whose hard work and dedication have made the preparation of this report possible. I would like to express my appreciation to the Agency Members and the Director of Development Services for their support and responsible planning of the Agency's financial affairs.

Respectfully submitted,

Robert J. Franz
Director of Administrative Services

FINANCIAL SECTION

Year Ending - June 30, 2006

GLENDALE REDEVELOPMENT AGENCY
GLENDALE • 1972 • CALIFORNIA

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, 2006, 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, 2006, 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 17, 2006 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 28 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 17, 2006

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, 2006. 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 iv* 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 $18,747,138 (*net assets*). Of this amount, a negative $62,103,499 (*unrestricted net assets*) exists. The deficit in unrestricted net assets is typical in redevelopment agencies. All redevelopment agencies leverage current tax increment revenues by issuing long-term debt to raise capital to promote economic growth within the project area.
- The Agency's total net assets decreased by $710,258. This decrease is attributable to ongoing expenditures exceeding ongoing revenues in the current fiscal year
- As of the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of $132,097,652, a decrease of $5,077,182 in comparison with the prior year's combined fund balance of $137,174,834. This decrease is due primarily to expenses exceeding revenues in the current fiscal year. At the end of the current fiscal year, total unreserved fund balance for the Central Project, San Fernando Project, Low and Moderate Housing, and Town Center funds was a positive $20,474,926, $8,107,364, $10,112,238 and $5,699,752 respectively.
- The Agency's total debt decreased by $3,860,392 (2.29 percent) during the current fiscal year. This decrease is due to a net bond premium of $250,870, $4,235,000 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 $425,344 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 are comprised 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, San Fernando Road Project, Low and Moderating Housing, Town Center, 2002 Tax Allocation Bonds, and 2003 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 $18,747,138 at the close of the fiscal year.

The Agency has a large negative balance in *unrestricted net assets* ($62,103,499) due primarily to a significant amount ($165,032,326) of outstanding bonded debt. Restricted net assets are an additional portion of the Agency's net assets of $31,630,096 that represent resources that are subject to external restrictions on how they may be used.

Glendale Redevelopment Agency's Net Assets

		Total Governmental Activities	
		2006	**2005**
Current assets and other assets	$	134,614,987	143,850,534
Capital assets		11,726,265	11,189,750
Total assets		146,341,252	155,040,284
Long term debt		158,566,591	164,606,982
Current liabilities		8,121,799	8,470,181
Total liabilities		166,688,390	173,077,163
Net assets (deficits):			
Investment in general FA		11,726,265	11,189,750
Restricted		31,630,096	28,930,258
Unrestricted		(62,103,499)	(58,156,889)
Total net assets (deficits)	$	(18,747,138)	(18,036,881)

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 conduct activities that eliminate blight and to promote economic development within the project area. The new projects constructed, in turn, generate additional tax increment revenues, which again, may only be captured to the extent that the Agency incurs indebtedness. Indebtedness includes bonded indebtedness, notes, loans, advances, payments due under development agreements, and City loans. The Agency incurs debt based on future tax increments to fund infrastructure projects. Once the infrastructure projects are completed, the asset is transferred to the City, however, the debt remains with the Agency resulting in deficit net assets.

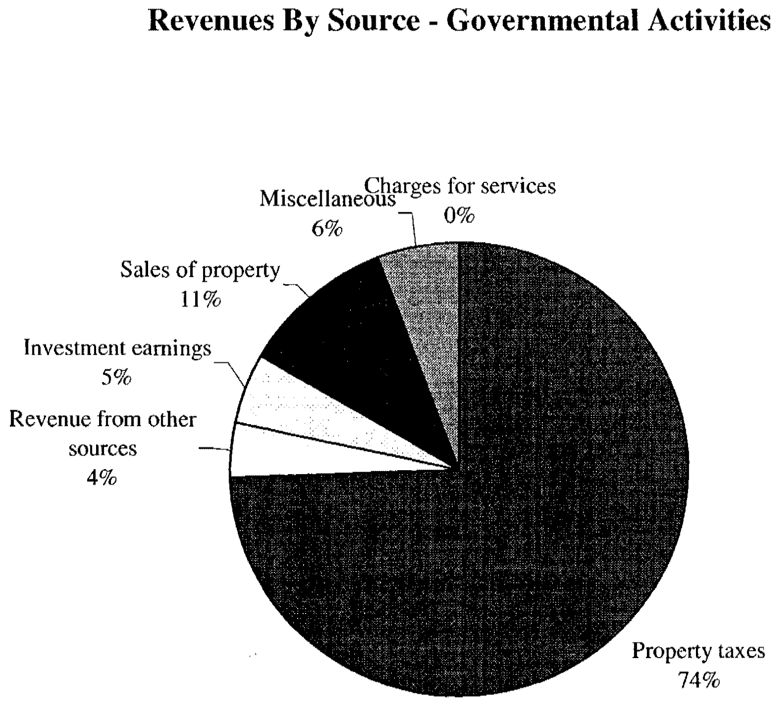
Governmental activities. Governmental activities decreased the Agency's net assets by $710,258, thereby accounting for the total increase in the net assets of the Agency. Key elements of this increase are as follows:

Glendale Redevelopment Agency's Changes in Net Assets

		Total Governmental Activities	
		2006	2005
Revenues:			
Program revenues:			
Charges for services	$	14,156	13,476
General revenues:			
Property taxes		27,930,762	27,740,477
Revenue from other sources		1,415,830	1,457,976
Investment earnings		1,903,977	3,314,708
Sale of property		5,633,987	-
Miscellaneous		2,238,542	2,131,740
Total revenues		39,137,253	34,658,378
Community development		24,432,232	12,336,796
Education		2,172,713	2,665,235
Housing assistance		6,840,749	3,666,430
Interest and fiscal charges on bonds		6,401,819	6,870,131
Total expenses		39,847,512	25,538,592
Change in net assets		(710,258)	9,119,786
Net assets - July 1		(18,036,880)	(27,156,666)
Net assets - June 30	$	(18,747,138)	(18,036,880)

- Property taxes stayed relatively flat with an increase of $190,285.
- Investment earnings decreased by $1.4 million, largely due to large cash outflow to the Americana project thereby reducing the base for interest calculation.
- Sale of property consists of land valued at $2,917,449 to the developer for development of 33 units affordable housing, $1,600,000 to the developer of Embassy Suites Hotel for the construction of the 272 room hotel and to the City for development of mini-park valued at $1,116,538.
- Miscellaneous revenues consists primarily of First Time Home Buyer Program loan payoffs.
- Community development related expenses increased by $12.1 million in the current year as the Americana Project moves to the construction phase.

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 $132,097,652, a decrease of $5,077,182 in comparison with the prior year. The Agency has $45,401,868 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 $8,502,000, (2) to hold property for future development $66,150,316, (3) for principal and interest payments toward outstanding bond debt $8,603,978, or (4) for deposits $7,000.

The combined fund balance of the Agency's Central Project, San Fernando Project, Town Center, and Low & Moderate Housing funds decreased from $127,851,991 to $122,486,086, a decrease of $5,365,905 compared to the prior fiscal year. This change is primarily due to increase activities in the project areas.

The debt service funds have a total fund balance of $9,611,566, of which $8,603,978 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, 2006, amounts to $11,726,265 (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 $726,808, which resulted from a net retirement of $25,788 and a net increase of $164,505 in accumulated depreciation.

Glendale Redevelopment Agency's Capital Assets

		Total Governmental Activities	
		2006	**2005**
Land	$	1,918,312	1,918,312
Buildings and improvements		8,639,953	8,639,953
Machinery and Equipment		557,015	582,803
Construction in progress		3,434,085	2,707,277
Total capital assets		14,549,365	13,848,345
Less Accumulated Depreciation			
Building and Improvements		2,266,085	2,075,792
Machinery and Equipment		557,015	582,803
Total Accumulated Depreciation		2,823,100	2,658,595
Capital Assets Net of Depreciation	$	11,726,265	11,189,750

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 $97,980,687, all of which is backed by the Agency's income from property tax increment.

Glendale Redevelopment Agency's Outstanding Debt

		Total Governmental Activities	
		2006	**2005**
Tax allocation bonds	$	97,980,687	102,266,424
Long-term debt to City		67,051,639	66,626,295
Total outstanding debt	$	165,032,326	168,892,719

- The Agency's total debt decreased by $4,285,737 (4.19 percent) during the current fiscal year due to a net bond premium of $250,870, $4,235,000 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 $425,344 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

- 74 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 lost $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.

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, 2006

EXHIBIT A

Glendale Redevelopment Agency

Statement of Net Assets (Deficits)

June 30, 2006

		Governmental Activities
ASSET		
Current assets:		
Cash and invested cash	$	49,009,962
Imprest cash		500
Cash with fiscal agent		8,796,177
Interest receivable		438,868
Due from other agencies		5,561,773
Deposits		7,000
Prepaid items		32,490
Accounts receivable, net		131,000
Total current assets		63,977,770
Noncurrent assets:		
Deferred charges		2,686,901
Loans receivable		3,400,000
Property held for resale		66,150,316
Capital assets, net		11,726,265
Total noncurrent assets		83,963,482
Total assets		147,941,252
LIABILITIES		
Current liabilities:		
Accounts payable		716,475
Accrued wages and withholding		135,092
Due to other agencies		422,867
Accrued interest		356,629
Due to the City, due in one year		2,000,000
Bonds payable, due in one year		4,465,736
Deposits		25,000
Total current liabilities		8,121,799
Noncurrent liabilities:		
Due to the City		65,051,639
Bonds payable		93,514,952
Total noncurrent liabilities		158,566,591
Total liabilities		166,688,390
NET ASSETS		
Investment in general fixed assets		11,726,265
Restricted		
Low and moderate housing		18,203,753
Debt service		13,426,343
Unrestricted		(62,103,499)
Total net assets	$	(18,747,138)

The notes to the financial statement are integral part of this statement.

EXHIBIT B
Glendale Redevelopment Agency
Statement of Activities
For Fiscal Year Ended June 30, 2006

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Community developme $	24,432,232	14,156	-	-	(24,418,076)
Education	2,172,713	-	-	-	(2,172,713)
Housing assistance	6,840,749	-	-	-	(6,840,749)
Interest and fiscal charges on	6,401,819	-	-	-	(6,401,819)
Total government $	39,847,512	14,156	-	-	(39,833,356)
			General revenues:		
			Property taxes		27,930,762
			Revenue from other sources		1,415,830
			Investment earnings		1,903,977
			Sale of property		5,633,987
			Miscellaneous		2,238,542
			Transfers		-
			Total general revenues		39,123,098
			Change in net assets		(710,258)
			Net assets - July 1		(18,036,880)
			Net assets - June 30		$ (18,747,138)

EXHIBIT C

Glendale Redevelopment Agency

Balance Sheet

Governmental Funds

June 30, 2006

		Special Revenue funds				Debt Service Funds		
		Central Project	San Fernando Project	Low and Moderate Housing	Town Center	2002 Tax Allocation Bonds	2003 Tax Allocation Bonds	Total Govern-mental Funds
Assets								
Cash and invested cash	$	19,499,732	10,055,817	12,983,091	5,655,933	367,486	447,903	49,009,962
Imprest cash		500	-	-	-	-	-	500
Cash with fiscal agent		-	-	-	-	3,847,671	4,948,506	8,796,177
Interest receivable		205,602	86,111	98,804	48,351	-	-	438,868
Due from other agencies		2,707,766	1,865,656	988,351	-	-	-	5,561,773
Prepaid items		-	-	32,490	-	-	-	32,490
Accounts receivable, net		-	-	131,000	-	-	-	131,000
Deposits		-	7,000	-	-	-	-	7,000
Loans receivable		3,400,000	-	-	-	-	-	3,400,000
Property held for resale		25,477,476	-	4,196,024	36,476,816	-	-	66,150,316
Total assets		51,291,075	12,014,584	18,429,761	42,181,100	4,215,157	5,396,409	133,528,086
Liabilities and Fund Balances								
Liabilities:								
Accounts payable		686,605	921	24,417	4,532	-	-	716,475
Due to other agencies		-	422,867	-	-	-	-	422,867
Deferred revenues		-	-	131,000	-	-	-	131,000
Deposits		25,000	-	-	-	-	-	25,000
Accrued wages and withholding		55,069	9,432	70,591	-	-	-	135,092
Total liabilities		766,674	433,220	226,008	4,532	-	-	1,430,434
Fund Balances:								
Reserved:								
Deposit		-	7,000	-	-	-	-	7,000
Prepaid		-	-	32,490	-	-	-	32,490
Debt service		-	-	-	-	3,819,738	4,784,240	8,603,978
Encumbrances		1,172,000	3,467,000	3,863,000	-	-	-	8,502,000
Loans Receivable		3,400,000	-	-	-	-	-	3,400,000
Property Resale		25,477,476	-	4,196,024	36,476,816	-	-	66,150,316
Unreserved		20,474,926	8,107,364	10,112,238	5,699,752	395,419	612,169	45,401,868
Total fund balances		50,524,401	11,581,364	18,203,753	42,176,568	4,215,157	5,396,409	132,097,652
Total liabilities and fund balances	$	51,291,075	12,014,584	18,429,761	42,181,100	4,215,157	5,396,409	133,528,086

The notes to the financial statement are integral part of this statement.

Exhibit C.1

GLENDALE REDEVELOPMENT AGENCY

Governmental Funds

Reconciliation of Balance Sheet of

Governmental Funds to the Statement of Net Assets (Deficits)

June 30, 2006

Fund balances of governmental funds		$ 132,097,652
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	$ 14,549,366	
Accumulated depreciation	(2,823,101)	11,726,265
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	893,823	
2003 Tax Allocation Bonds	1,793,078	2,686,901
Long-term debt are not included in the governmental fund activity:		
Due within one year:		
Principal:		
Due to the City of Glendale	(2,000,000)	
2002 Tax allocation bonds	(1,980,000)	
2003 Tax allocation bonds - net of deferred amount on refunding	(2,234,866)	
Total principal	(6,214,866)	
Bond premium:		
2002 Tax allocation bonds	(105,619)	
2003 Tax allocation bonds	(145,251)	
Total bond premium	(250,870)	
Total long term debt due within one year		(6,465,736)
Due more than one year:		
Principal:		
Due to the City of Glendale	(65,051,639)	
2002 Tax allocation bonds	(40,440,000)	
2003 Tax Allocation Bonds - net of deferred amount on refunding	(49,461,552)	
Total principal	(154,953,191)	
Bond premium:		
2002 Tax allocation bonds	(1,531,471)	
2003 Tax allocation bonds	(2,081,929)	
Total bond premium	(3,613,400)	
Total long term debt due more than one year		(158,566,591)
Accued interest payable for the current portion of interest due are not included in the governmental fund activity:		
2002 Tax allocation bonds	(155,786)	
2003 Tax allocation bonds	(200,843)	(356,629)
Revenues that do not provide current financial resources are reported as accounts receivable in the statement of net assets		131,000
Net assets (deficit) of governmental activities		$ (18,747,138)

EXHIBIT D

Glendale Redevelopment Agency

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Fund

For Fiscal Year Ended June 30, 2006

		Special Revenue Funds				Debt Service Funds		
		Central Project	San Fernando Project	Low and Moderate Housing	Town Center	2002 Tax Allocation Bonds	2003 Tax Allocation Bonds	Total Governmental Funds
Revenues:								
Property taxes	$	9,632,033	4,111,349	5,586,152	-	3,818,238	4,782,990	27,930,762
Revenue from other agencies		9,243	1,406,587	-	-	-	-	1,415,830
Charges for services		14,156	-	-	-	-	-	14,156
Use of money and property		906,192	213,944	369,228	120,915	67,261	226,438	1,903,977
Miscellaneous revenue		1,876,948	-	5,864,580	-	-	-	7,741,529
Total Revenues		12,438,572	5,731,880	11,819,960	120,915	3,885,498	5,009,428	39,006,253
Expenditures:								
Current								
Community development								
County property tax administration		245,779	111,263	89,260	-	-	-	446,302
Pass through		-	2,363,262	-	-	-	-	2,363,262
Lease		-	-	-	-	-	-	-
Administration		3,152,131	132,213	9,064,286	200	2,225	2,750	12,353,806
Education		1,664,845	507,867	-	-	-	-	2,172,713
Capital outlay		-	-	-	-	-	-	-
Capital project		11,140,971	173,439	4,607,238	299,135	-	-	16,220,782
Debt Serice								
Principal retirement		-	-	-	-	1,920,000	2,315,000	4,235,000
Interest bonds		-	-	-	-	1,898,238	2,467,990	4,366,228
Interest on debt to City		1,723,907	201,437	-	-	-	-	1,925,344
Total expenditures		17,927,633	3,489,481	13,760,785	299,335	3,820,463	4,785,740	44,083,436
Net change in fund balances balances		(5,489,061)	2,242,399	(1,940,824)	(178,419)	65,036	223,688	(5,077,182)
Fund balance, July 1		56,013,462	9,338,965	20,144,577	42,354,987	4,150,121	5,172,721	137,174,834
Fund Balance, June 30	$	50,524,401	11,581,364	18,203,753	42,176,568	4,215,157	5,396,409	132,097,652

The notes to the financial statement are integral part of this statement.

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, 2006

Net change in fund balances - total governmental funds		$ (5,077,182)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital assets changes as expenditures		701,020
In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		(164,505)
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	2,315,000	
2002 Tax Allocation Bonds	1,920,000	4,235,000
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, 2006		
Due to the City of Glendale	(1,925,344)	
2002 Tax Allocation Bonds	(155,786)	
2003 Tax Allocation Bonds	(200,843)	(2,281,973)
Accrued interest, June 30, 2005		
Due to the City of Glendale	1,500,000	
2002 Tax Allocation Bonds	160,586	
2003 Tax Allocation Bonds	210,489	1,871,075
Revenues in the statement of activities that do not provide current financial resources are reported as revenues in the funds		130,999
Change in net assets of governmental activities		$ (710,258)

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 2005-06 property tax levy that was based on the assessed value of secured and unsecured property as of the lien date of January 1, 2005. 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 deemed 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.

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.

Loans Receivable

As of June 30, 2006, the Agency's outstanding loans total is $3,400,000. It consists of $1,800,000, agency's loan to Glendale Unified School District (GUSD) to fund for the Moyse Field improvement project of the school district and $1,600,000, agency's loan to Embassy Suites.

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 and the County of Los Angeles.

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 has been included in the accompanying basic financial statements as the completion of these projects may take more than one year. As part of its budgetary control, the Agency utilizes the encumbrance accounting method. Under this method, commitments such as purchase orders and uncompleted project expenditures are recorded as reservations of fund balance captioned "Fund Balances Reserved: Encumbrances". As of June 30, 2006, the Agency had $8,603,978 in outstanding encumbrances

III. Cash and Investments

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

Investments	$	466,122,189
Cash with fiscal agents		16,387,568
		482,509,756
Cash on hand		(2,922,632)
Total	$	479,587,125

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

Cash and invested cash	$	393,626,073
Imprest cash		29,480
Cash with fiscal agents		16,387,568
Investment-gas/electric commodity		2,814,247
Designated cash and investments		66,729,757
Total	$	479,587,125

The Agency pools its cash and investments with the City. Of this total, $57,806,639 pertains to the Agency for fiscal year 2006 of which $8,796,177 is cash with fiscal agents and $500 is imprest cash. The remaining cash and investments of $49,009,962 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. 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	$ 27,364,310	27,364,310	-	-	-
Federal Agency Term Notes	88,295,418	71,701,887	16,593,531	-	-
U.S. Government Agency Callable Bonds	306,674,280	76,158,671	167,912,549	62,603,060	-
Corporate Notes	12,256,334	2,990,754	2,937,285	6,328,295	-
State Investment Pool	28,947,389	28,947,389	-	-	-
Money Market	2,584,458	2,584,458	-	-	-
Held by Fiscal Agents					
Federal Agency Term Notes	3,737,896	-	3,737,896	-	-
Guaranteed Investment Contracts	4,909,098	-	-	-	4,909,098
Money Market	7,740,573	7,740,573	-	-	-
	$ 482,509,756	221,225,938	187,443,365	68,931,355	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 invests only in the most risk-adverse instruments, such as AAA-rate government securities, and AAA or AA-rated corporate securities.

		Rating as of Year End				
		AAA	AA	Aa2	A1,P1	Unrated
Commercial Paper	$ 27,364,310	-	-	-	27,364,310	-
Federal Agency Term Notes	88,295,418	88,295,418	-	-	-	-
Federal Agency Callable Bonds	306,674,280	306,674,280	-	-	-	-
Corporate Notes	12,256,334	4,916,750	7,339,584	-	-	-
State Investment Pool	28,947,389	-	-	-	-	28,947,389
Money Market	2,584,458	2,584,458	-	-	-	-
Held by Fiscal Agent						
Federal Agency Term Notes	3,737,896	3,737,896	-	-	-	-
Guaranteed Investment Contracts	4,909,098	-	-	4,909,098	-	-
Money Market	7,740,573	7,740,573	-	-	-	-
	$ 482,509,756	413,949,375	7,339,584	4,909,098	27,364,310	28,947,389

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
LAIF	State Investment Pool	$ 28,947,389
FHLB	Federal Agency Term Notes	38,453,125
FHLB	Federal Agency Callable Bonds	201,056,234
	Total	239,509,359
FHLMC	Federal Agency Term Notes	30,622,450
FHLMC	Federal Agency Callable Bonds	47,219,052
	Total	77,841,502
FNMA	Federal Agency Term Notes	9,889,062
FNMA	Federal Agency Callable Bonds	48,616,182
	Total	$ 58,505,244

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, 2006, the carrying amount of the City's deposits was ($2,922,632) and the corresponding bank balance was $2,039,505. The difference of $4,962,137 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 $1,939,505 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

GLENDALE REDEVELOPMENT AGENCY

Notes to the Basic Financial Statements
June 30, 2006

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		2,707,277	726,808	-	3,434,085
Total assets not being depreciated		4,625,589	726,808	-	5,352,397
Other capital assets					
Building and improvements		8,639,953	-	-	8,639,953
Machinery and equipment		582,803	-	(25,788)	557,015
Total other capital assets at cost		9,222,756	-	(25,788)	9,196,968
Less accumulated depreciation:					
Building and improvements		2,075,792	190,293	-	2,266,085
Machinery and equipment		582,803	-	(25,788)	557,015
Total accumulated depreciation		2,658,595	190,293	(25,788)	2,823,100
Total assets being depreciated		6,564,161	(190,293)	-	6,373,868
Governmental activities capital assets, net	$	11,189,750	536,515	-	11,726,265

Depreciation expense of $190,293 has been allocated to the Housing, health and community development function within the Statement of Activities.

V. Real Property Held for Resale

The following is a list of real property held for resale at June 30, 2006:

Purpose	Acquisition Date	Location		Carrying Value
Retail expansion	Mar-70	239 S. Orange Street	$	184,000
	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		2,710,690

Purpose	Acquisition Date	Location	Carrying Value
	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	12,783,593
	Jun-04	200 S. Central	1,902,730
	Jun-04	200 W. Harvard	1,738,069
	Jun-04	217 S. Orange	915,655
	Jun-04	136 S. Orange	872,108
	Jun-04	205-207 S. Brand	2,974,511
	Jun-04	129-33 ½ S. Brand	1,895,683
	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
			53,274,802
North Central	Dec-87	820 N. Central	825,000
			825,000
Housing Projects	May-03	900-910 E. Palmer	189,054
	Jun-05	711-717 Kenwood	1,504,645
	Jun-06	624-630 Geneva	2,502,325
			4,196,024
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
			$ 66,150,316

VI. Outstanding Indebtedness and Changes in Long-Term Debt

A summary of outstanding bonds payable at June 30, 2006 is as follows:

	Outstanding at June 30, 2005	Additions	Retirements	Amount outstanding at June 30, 2006	Due within one year
Governmental Activities					
2002 Tax Allocation Bond	$ 44,340,000	-	1,920,000	42,420,000	1,980,000
2003 Tax Allocation Bond	56,880,000	-	2,315,000	54,565,000	2,435,000
2002 Bond Premium	1,742,708	-	105,619	1,637,089	105,619
2003 Bond Premium	2,372,430	-	145,251	2,227,180	145,251
Deferred amount on refunding - 2003 Tax Allocation Bond	(3,068,714)	-	(200,134)	(2,868,580)	(200,134)
Total bonds payable	102,266,424	-	4,285,736	97,980,689	4,465,736
Due to the City of Glendale	66,626,295	1,925,344	1,500,000	65,051,639	2,000,000
Total long term liabilities	$ 168,892,719	1,925,344	5,785,736	163,032,328	6,465,736

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

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.

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 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 annual requirements (including payments to sinking fund) to amortize all bonded indebtedness outstanding as of June 30, 2006:

Fiscal Year		Interest	Principal	Total
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		3,377,753	5,195,000	8,572,753
2012-2016		13,474,438	29,135,000	42,609,438
2017-2021		6,326,713	35,715,000	42,041,713
2022		197,644	8,175,000	8,372,644
	$	38,977,093	96,985,000	135,962,093

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

GLENDALE REDEVELOPMENT AGENCY

Notes to the Basic Financial Statements
June 30, 2006

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 6/30/05			Additions			Balance at 6/30/06		
Project	Date of Agreement	Principal	Interest	Total	Principal	Interest	Reductions	Principal	Interest	Total
Central Project										
South Brand Improvement	May 1977	$ -	2,381,320	2,381,320	-	69,160	-	-	2,381,320	2,381,320
Glenoaks Improvement	Oct 1977	659,667	2,893,150	3,552,817	-	103,183	-	659,667	2,893,150	3,552,817
Parking lots transferred to the Agency	Apr 1983	3,061,550	11,090,810	14,152,360	-	411,022	-	3,061,550	11,090,810	14,152,360
North Brand Improvement	Apr 1983	79,809	3,733,621	3,813,430	-	110,752	-	79,809	3,733,621	3,813,430
Verdugo Utility Improvement	Dec 1985	3,314,492	5,342,684	8,657,176	-	251,428	-	3,314,492	5,342,684	8,657,176
Block 24 Parking Structure	Oct 1985	6,947,217	13,113,836	20,061,053	-	582,627	-	6,947,217	13,113,836	20,061,053
Broadway Improvement	Dec 1985	2,549,097	2,405,833	4,954,930	-	143,904	-	2,549,097	2,405,833	4,954,930
Central Avenue Improvement	Jun 1988	1,042,524	742,109	1,784,633	-	51,831	(1,500,000)	336,464	0	336,464
Sub-total		17,654,356	41,703,363	59,357,719	-	1,723,907	(1,500,000)	16,948,296	42,633,330	59,581,626
San Fernando Project										
San Fernando Project-Advance	Dec 1996	1,272,006	1,123,495	2,395,501	-	66,387	-	1,272,006	1,189,882	2,461,888
New Business Incentive	Dec 1996	15,500	10,289	25,789	-	715	-	15,500	11,004	26,504
Dreamworks	Dec 1996	178,308	92,133	270,441	-	7,495	-	178,308	99,628	277,936
San Fernando Master Plan	Dec 1996	601,731	230,965	832,696		23,077	-	601,731	254,042	855,773
Facade Program	Dec 1996	184,417	10,309	194,726	-	5,397	-	184,417	15,706	200,123
Water Treatment Facilities	Jul 1997	1,600,000	550,427	2,150,427	-	59,595	-	1,600,000	610,022	2,210,022
Grand Central Business	Nov 1997	50,000	15,333	65,333	-	1,811	-	50,000	17,144	67,144
Recycling Center	Jul 1996	1,000,000	333,663	1,333,663	-	36,960	-	1,000,000	370,623	1,370,623
Subtotal		4,901,962	2,366,614	7,268,576	-	201,437	-	4,901,962	2,568,051	7,470,013
Grand Total		$ 22,556,318	44,069,977	66,626,295	-	1,925,344	(1,500,000)	21,850,258	45,201,381	67,051,639

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 and employer contributions as well as earnings from investments. According to the plan, City employees were required to contribute 7% of annual salary for general members and 9% of annual salary for public safety members. Effective December 1, 2005, the general members' contribution rate increased to 8% of reportable earnings. The City is also required to contribute at an actuarially determined rate; the public safety and the general employee rates were 24.99% and 0% of the annual covered payroll, respectively. As of July 1, 2005, the City's contribution rate for safety members decreased from 24.99% to 24.577% while the City's contribution rate for general members increased from 0% to 6.289%. The City's contribution rate for general members increased again as of 12/1/05 to 9.591%. The contribution requirements of plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

Contributions to CalPERS totaling $17,792,610 were made during the fiscal year ended June 30, 2003 in accordance with actuarially determined contribution requirements through an actuarial valuation performed at June 30, 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
6/30/04	$ 2,090,971	100%	0
6/30/05	$ 9,832,076	100%	0
6/30/06	$17,792,610	100%	0

<u>REQUIRED SUPPLEMENTARY INFORMATION – (Unaudited) Schedule of Funding Progress</u>

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>
06/30/2003	$770,652,222	795,007,184	(24,354,962)	96.9 %	114,964,463	(21.2 %)
6/30/2004	$806,230,814	864,127,882	(57,897,068)	93.3%	122,073,007	(47.4%)
6/30/2005	$854,260,613	929,960,421	(75,699,808)	91.9%	131,264,713	57.7%

VIII. <u>Risk Management</u>

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, 2006 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
2004-05	37,531,000	23,514,000	18,125,000	42,920,000
2005-06	42,920,000	(1,579,000)	15,394,000	25,947,000

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 November 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. The Operator appealed their re-assessment with the Los Angeles County Property Tax Appeals Board. Until this time, the appeal is still pending. It is expected to be finished on November 28, 2006. 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 its two extension periods.

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STATISTICAL SECTION

Year Ending - June 30, 2006

GLENDALE REDEVELOPMENT AGENCY
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GLENDALE REDEVELOPMENT AGENCY
COMPUTATION OF LOW-MODERATE INCOME HOUSING EXCESS/SURPLUS FUNDS
YEAR ENDED JUNE 30,2006

FUND BALANCE - BEGINNING OF YEAR		$ 20,144,577
Less unavailable funds - included in beginning fund balance:		
Land held for resale		(4,196,024)
Total unavailable funds		(4,196,024)
Available Fund Balance - Beginning of Year		15,948,553
Current year proceeds/uses (actual plus changes in unavailable):		
Proceeds		11,819,960
Uses		(13,760,784)
Changes in unavailable amounts		-
Available Fund Balance - End of Year		14,007,729
Encumbrances		(3,863,000)
Available Fund Balance - for Excess Surplus		10,144,729
Does available fund balance for excess/surplus exceed $1,000,000? If so, enter available fund balance and evaluate that amount against tax increment. If less, enter zero.		10,144,729
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 2001-02	$ 3,941,434	
Fiscal year 2002-03	4,442,961	
Fiscal year 2003-04	4,399,198	
Fiscal year 2004-05	5,548,095	
Total set-aside deposited into fund	18,331,688	
Greater of the tax increment deposits or $1,000,000		18,331,688
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		18,203,753
Available fund balance - end of year above		14,007,729
Add unavailable funds - end of year:		
Land held for resale	4,196,024	
Total unavailable funds		4,196,024
Computed Ending Fund Balance		$ 18,203,753

Not covered by Independent Auditors' Report

Schedule 1
GLENDALE REDEVELOPMENT AGENCY
Net Assets by Component,
Last Five Fiscal Years
(accrual basis of accounting)

		Fiscal Year				
		2006	2005	2004	2003	2002
Governmental activities						
Invested in capital assets, net of related debt	$	11,726,265	11,189,750	10,687,765	8,734,028	8,979,899
Restricted		31,630,096	28,930,258	30,493,840	51,457,623	38,752,353
Unrestricted		(62,103,499)	(58,156,889)	(77,532,216)	(93,684,018)	(91,438,141)
Total governmental activities net assets		(18,747,138)	(18,036,881)	(36,350,611)	(33,492,367)	(43,705,889)

Note: City of Glendale implemented GASB Statement 34 in fiscal year 2002.

Not covered by independent auditor's report

Schedule 2

GLENDALE REDEVELOPMENT AGENCY

Changes in Net Assets,

Last Five Fiscal Years

(accrual basis of accounting)

		Fiscal Year				
		2006	2005	2004	2003	2002
Expenses						
Governmental activities:						
Community Development	$	24,418,076	12,323,320	18,351,024	10,837,328	10,499,594
Education		2,172,712	2,665,235	1,417,840	1,126,058	275,804
Housing Assistance		6,840,749	3,666,430	3,118,069	1,599,952	818,606
Interest and fiscal charges on bonds		6,401,819	6,870,131	6,080,165	7,214,997	3,619,933
Total governmental activities expenses		39,833,356	25,525,116	28,967,098	20,778,335	15,213,937

		Fiscal Year				
		2006	2005	2004	2003	2002
General Revenues						
Governmental activities:						
Property Taxes	$	27,930,762	27,740,477	21,995,982	22,214,805	18,004,728
Revenue from other sources		1,415,830	1,457,976	1,158,263	1,266,467	1,094,306
Investment Earnings		1,903,977	3,314,708	1,361,003	6,380,168	4,364,977
Miscellaneous		7,872,529	2,131,740	1,593,606	1,130,417	1,190,220
Total governmental activities revenues		39,123,098	34,644,901	26,108,854	30,991,857	24,654,231
Net (Expense) / Revenue						
Governmental activities		(710,258)	9,119,785	(2,858,244)	10,213,522	9,440,294
Total primary government net expense	$	(710,258)	9,119,785	(2,858,244)	10,213,522	9,440,294

		Fiscal Year				
		2006	2005	2004	2003	2002
Change in Net Assets						
Governmental activities		(710,258)	9,119,785	(2,858,244)	10,213,522	9,440,294
Total primary government	$	(710,258)	9,119,785	(2,858,244)	10,213,522	9,440,294

Note: City of Glendale implemented GASB Statement 34 in fiscal year 2002.

Not covered by independent auditor's report

Schedule 3

GLENDALE REDEVELOPMENT AGENCY

Fund Balances, Governmental Funds,
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2006	2005	2004	2003	2002
All Governmental Funds					
Reserved	86,695,784	104,990,606	132,914,751	51,457,623	38,752,353
Unserved, reported in:					
Special revenue funds	44,394,280	31,647,066	(76,673,986)	14,358,409	(29,085,999)
Debt service funds	1,007,588	537,161	245,999	-	-
Total all governmental funds	$ 132,097,652	137,174,833	56,486,764	65,816,032	9,666,354

Note: City of Glendale implemented GASB Statement 34 in fiscal year 2002.

Not covered by independent auditor's report

Schedule 4
GLENDALE REDEVELOPMENT AGENCY
Changes in Fund Balances, Governmental Funds,
Last Five Fiscal Years
(accrual basis of accounting)

		Fiscal Year				
		2006	2005	2004	2003	2002
Revenues						
Property taxes	$	27,930,762	27,740,477	21,995,982	22,214,805	18,004,728
Revenue from other agencies		1,415,830	1,457,976	1,158,263	1,266,467	1,094,306
Charges for services		14,156	13,476	50,092	48,950	716,729
Use of money and property		1,903,977	3,314,708	1,361,003	6,327,359	4,364,977
Miscellaneous revenue		7,741,529	2,131,740	1,593,606	1,130,417	1,190,220
Total revenues		39,006,254	34,658,377	26,158,946	30,987,998	25,370,960
Expenditures						
Community development						
County property tax administration		446,302	429,431	468,275	444,225	-
Pass through		2,363,262	2,449,604	1,946,043	2,127,842	-
Lease		-	-	-	1,420,143	1,629,575
Other		-	-	-	-	3,201,213
Administration		12,353,806	4,765,244	3,505,836	3,968,291	3,899,401
Housing and community development		-	5,194,549	-	-	-
Education		2,172,713	2,665,235	1,417,840	1,126,058	-
Housing assistance		-	3,666,383	3,118,069	1,599,952	-
Capital outlay		-	-	1,656,548	67,394	39,334
Capital porjects		16,220,782	-	12,778,151	2,612,512	3,310,622
Debt service						
Principal retirement		4,235,000	3,865,000	1,810,000	3,400,000	3,215,000
Interest on bonds		4,366,228	4,510,878	3,626,303	4,450,029	3,610,285
Interest on debt to City		1,925,343	1,747,112	2,425,884	2,387,024	-
Bond issuance costs		-	-	2,119,724	1,256,605	-
Total expenditures		44,083,436	29,293,436	34,872,673	24,860,075	18,905,430
Excess of revenues over (under) expenditures	$	(5,077,182)	5,364,941	(8,713,727)	6,127,923	6,465,530

Note: City of Glendale implemented GASB Statement 34 in fiscal year 2002.

Not covered by independent auditor's report

Schedule 4

GLENDALE REDEVELOPMENT AGENCY

Changes in Fund Balances, Governmental Funds,
Last Five Fiscal Years, continued
(accrual basis of accounting)

		Fiscal Year				
		2006	2005	2004	2003	2002
Other Financing Sources (Uses)						
Issuance of debt	$	-	-	58,880,000	50,021,755	-
Bond Premium		-	-	2,614,516	-	-
Payment to refund bond escrow agent		-	-	(62,110,057)	-	-
Transfer in		-	-	-	-	-
Transfer out		-	-	-	-	-
		-	-	-	-	-
Total other financing sources (uses)		-	-	(615,541)	50,021,755	-
Net change in fund balances	$	(5,077,182)	5,364,941	(9,329,268)	56,149,678	6,465,530
Debt service as a percentage of noncapital expenditures		19.5%	28.6%	16.4%	31.7%	36.2%

Note: City of Glendale implemented GASB Statement 34 in fiscal year 2002.

Not covered by independent auditor's report

Schedule 5

GLENDALE REDEVELOPMENT AGENCY

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

CENTRAL PROJECT

Fiscal Fiscal Year Ended June 30,		Residential Property		Commercial Property		Industrical Property		Other Property		Less: Tax-Exempt Property		Total Taxable Assessed Value	Total Direct Tax Rate
1997	$	24,313,590	$	1,073,095,419	$	467,338	$	316,034,410	$	17,617,566	$	1,396,293,191	0.96144%
1998		23,932,139		1,048,612,479		476,682		312,646,507		17,516,935		1,368,150,872	0.96054%
1999		22,759,593		980,702,797		486,213		443,998,192		17,516,935		1,430,429,860	0.96251%
2000		23,236,942		1,027,726,449		495,219		470,622,757		17,684,871		1,504,396,496	0.96474%
2001		24,212,155		1,097,337,020		505,120		511,720,720		17,882,803		1,615,892,212	0.96763%
2002		25,518,693		1,204,413,494		515,220		489,187,085		47,371,341		1,672,263,151	0.96750%
2003		26,493,568		1,199,413,948		389,085		486,471,152		19,695,735		1,693,072,018	0.96604%
2004		27,665,076		1,463,270,142		230,324		356,955,098		21,433,219		1,826,687,421	0.96817%
2005		29,877,704		1,446,991,423		445,978		332,275,533		25,735,851		1,783,854,787	0.96666%
2006		31,630,612		1,813,450,519		454,895		280,192,474		23,595,646		2,102,132,854	0.97197%

SAN FERNANDO PROJECT

Fiscal Year		Residential Property		Commercial Property		Industrical Property		Other Property		Less: Tax-Exempt Property		Total Taxable Assessed Value	Total Direct Tax Rate
1997	$	38,493,255	$	145,747,028	$	319,496,425	$	208,350,053	$	7,507,303	$	704,579,458	0.17763%
1998		35,688,533		158,481,889		311,559,030		199,996,263		6,762,068		698,963,647	0.17763%
1999		37,622,033		184,398,325		377,779,531		248,952,498		6,674,177		842,078,210	0.28816%
2000		34,495,286		200,707,852		473,573,659		257,888,478		6,674,177		959,991,098	0.37706%
2001		39,359,563		213,346,867		495,418,690		262,540,046		5,997,902		1,004,667,264	0.40519%
2002		41,218,131		253,273,963		521,580,430		272,607,355		7,032,554		1,081,647,325	0.44679%
2003		43,289,483		255,853,643		547,927,656		278,207,133		6,608,376		1,118,669,539	0.45562%
2004		47,992,035		269,460,004		569,883,674		272,999,506		7,256,666		1,153,078,553	0.47241%
2005		50,649,950		290,255,268		577,572,900		265,763,772		7,986,504		1,176,255,386	0.48331%
2006		50,273,647		335,262,700		563,158,656		258,063,573		10,236,063		1,196,522,513	0.49332%

Notes:

(1) In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon th assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, properyt is only re-assessed at the time that it is sold to a new owner. At that point, the new asssessed value is assessed at the puchased price of the property sold. The assessed valuation data shown above represents the only data currently available with respect the actual market value of taxable property and is subject to the limitations described above.

(2) Total direct tax rate is the weighted average of all individual direct rates, calculated by HdL Coren & Cone.

Not covered by independent auditor's report

Schedule 6

GLENDALE REDEVELOPMENT AGENCY

Direct and Overlapping Property Tax Rates

Fiscal Year 2006

	City Direct Rates			Overlapping Rates				
Fiscal Year	City Basic Rate	Redevelopment Agency Rate	Total Direct Tax Rate	City of Glendale Area	Flood Control District	Detention Facilities	Glendale Community College District	Glendale Unified School District
2006	0.13687%	1.00600%	0.25043%	0.0052%	0.00005%	0.0008%	0.01858%	0.0522%

Note: In 1978, California voters passed Porposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the property resides within. Due to the passage of the Proposition 13, the City of Glendale levies no tax but receives a portion (0.13687%) of the County's 1% rate apportioned apportioned on a complex formula. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the various voter-approved bonds.

Not covered by independent auditor's report

Schedule 7
GLENDALE REDEVELOPMENT AGENCY
Property Tax Levies and Collections
Last Two Fiscal Years

	Redevelopment Agency					
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	20,012,000	17,532,343	87.6%	472,385	18,004,728	90.0%
2003	21,931,000	21,704,431	99.0%	510,374	22,214,805	101.3%
2004	23,474,000	21,405,782	91.2%	590,200	21,995,982	93.7%
2005	28,488,937	26,662,156	93.6%	1,078,321	27,740,477	97.4%
2006	26,505,326	25,798,484	97.3%	2,132,278	27,930,762	105.4%

Note: City of Glendale implemented GASB Statement 34 in fiscal year 2002.

Not covered by independent auditor's report

Schedule 8
GLENDALE REDEVELOPMENT AGENCY
Ratios of Outstanding Debt by Type,
Last Five Fiscal Years

Fiscal Year	Parking Lease Revenue Bonds Series A	Refunding Parking Lease Revenue Bonds Series 1976	1993 Tax Allocation Bond	2002 Tax Allocation Bond	2003 Tax Allocation Bond	Total Primary Government (1)	Total Personal Income (2)	Percentage of Personal Income	Population (3)	per Capita
2002	440,000	1,025,000	61,250,000	-	-	62,715,000	8,352,544,200	0.75%	200,200	313
2003	-	-	59,315,000	49,968,945	-	109,283,945	8,458,807,587	1.29%	202,747	539
2004	-	-	-	48,053,327	58,128,833	106,182,160	7,743,409,110	1.37%	205,341	517
2005	-	-	-	46,082,708	56,183,716	102,266,424	7,805,405,942	1.31%	207,007	494
2006	-	-	-	44,057,089	53,923,600	97,980,689	8,015,891,032	1.22%	206,308	475

Notes:

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(2) Source: Sales and Marketing Management: Survey of Buying Power and Media Markets

(3) California State Department of Finance, January 1 of every year.

(4) City of Glendale implemented GASB Statement 34 in fiscal year 2002.

Not covered by independent auditor's report

Schedule 9
GLENDALE REDEVELOPMENT AGENCY
Pledged-Revenue Coverage
Last Five Fiscal Years

	Tax Allocation Bonds					
	Property Tax	Less: Operating	Net Available	Debt Service		
Fiscal Year	Increment	Expenses	Revenue	Principal	Interest	Coverage
2002	5,640,244	-	5,640,244	1,845,000	3,441,790	1.07
2003	5,925,738	-	5,925,738	1,935,000	4,365,934	0.94
2004	6,033,031	-	6,033,031	1,810,000	3,626,303	1.11
2005	8,375,878	-	8,375,878	3,865,000	4,510,878	1.00
2006	8,601,228	-	8,601,228	4,235,000	4,366,228	1.00

Note: City of Glendale implemented GASB Statement 34 in fiscal year 2002.

Not covered by independent auditor's report

Schedule 10
GLENDALE REDEVELOPMENT AGENCY
Principal Employers
Fiscal Year 2006

Employer	Employees	Rank	Percentage of Total City Employment
CITY OF GLENDALE	2,706 (4)	1	3.55% (5)
GLENDALE UNIFIED SCHOOL DISTRICT	2,681 (3)	2	3.51% (5)
GLENDALE ADVENTIST MED CENTER #262	1,999 (2)	3	2.62% (5)
NESTLE COMPANY	1,735 (2)	4	2.27% (5)
GLENDALE MEMORIAL	1,248 (2)	5	1.64% (5)
GLENDALE COMMUNITY COLLEGE DIST.	1,141 (2)	6	1.50% (5)
PUBLIC STORAGE INC	967 (2)	7	1.27% (5)
BANK AMERICA NORTH AMERICA	834 (2)	8	1.09% (5)
WALT DISNEY IMAGINEERING	765 (2)	9	1.00% (5)
ACCO ENGINEERED SYSTEMS	711 (2)	10	0.93% (5)

Notes:

(1) Both full-time and hourly employees are included.

(2) Source: Labor Market Information Division, California Employment Development Department, Septermber 2005 data

(3) Source: GUSD Human Resource Department

(4) City of Glendale Payroll Section

(5) % of total employment is calculated using a baseline of 76,276 workers employed in Glendale.

Not covered by independent auditor's report

Schedule 11
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
2005-2006	2,102,132,854	85,369,720	2,016,763,134	1,870,512,297	146,250,837	2,016,763,134

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
2005-2006	1,196,522,513	730,208,374	466,314,139	456,956,404	9,357,735	466,314,139

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.

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COMPLIANCE SECTION

Year Ending - June 30, 2006

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, 2006, and have issued our report thereon dated November 17, 2006. 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 HILLS • 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 17, 2006

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

ACCOMPLISHMENTS-FISCAL YEAR 2005-06

Accomplishment	Expenditures FY 05-06	Blighting Conditions Alleviated	Corresponding Citywide Strategic Goals
CENTRAL GLENDALE REDEVELOPMENT PROJECT AREA			
• Completed property acquisition, tenant relocation, and demolition and site preparation for the Town Center project. Successfully defended entitlements and environmental review from legal challenges	$6,703,000	Defective Design and Character; Age, Obsolescence, Deterioration, Dilapidation, Mixed Character or Shifting of Uses; Depreciated or Stagnant Property Values or Impaired Investments; Abnormally Low Lease Rates, High Business Turnover Rates, Abandoned Buildings, or Excessive Vacant Lots	Housing, Sense of Community, Parks and Open Space, Economic Vitality, community and Planning Character
• Closed escrow and started construction on the Embassy Suites Hotel project	$24,850	Subdivided Lots of Irregular form and Shape and Inadequate Size; Factors that Prevent or Substantially Hinder the Economically Viable Use or Capacity of Buildings or Lots	Economic Vitality
• Assisted on the formulation of new zoning and development standards and in the recruitment, retention, and contract management of various technical experts in conjunction with the preparation of the Downtown Specific Plan (DSP) including CEQA review	$362,500	Factors that Prevent or Substantially Hinder the Economically Viable Use or Capacity of Buildings or Lots	Community Planning and Character, Economic Vitality, Community Planning and Character
• Provided entitlement assistance and construction coordination for SNK 34-unit residential condominium project at 220 East Broadway	$0	Defective Design and Character; Age, Obsolescence, Deterioration, Dilapidation, Mixed Character or Shifting Uses; Subdivided Lots of Irregular form and Shape and Inadequate Size; Factors that Prevent or Substantially Hinder the Economically Viable Use or Capacity of	Housing, Safe Community, Economic Vitality, community Planning and Character

Accomplishment	Expenditures FY 05-06	Blighting Conditions Alleviated	Corresponding Citywide Strategic Goals
		Buildings or Lots	
• Issued request for proposals to determine reuse options for DPSS Site	$17,000	Defective Design and Character; Factors that Prevent or Substantially Hinder the Economically Viable Use or Capacity of Buildings or Lots	Economic Vitality, Community Planning and Character
• Provided entitlement assistance and plan check coordination with various residential projects including Intracorp project at Orange/Wilson, 300 North Central, City Center II, Verdugo Gardens, Milford Street project, and Intracorp 416 East Broadway	$0	Factors that Prevent or Substantially Hinder the Economically Viable Use or Capacity of Buildings or Lots	Housing, Safe Community, Economic Vitality, Community Planning and Character
• Assisted City with the completion of major improvements and upgrades to the infrastructure along Brand Boulevard between Milford and Colorado Streets including sidewalk and street pavement replacement, new bus shelters, median island modifications, utility relocation, and new street furniture.	$726,700	Existence of Inadequate Public Improvements, public Facilities, Open Spaces, and Utilities	Character and Design
• Assisted in the development and implementation of the "Open for Business" marketing program for downtown businesses during the Brand Boulevard Streetscape Project	$0	Abnormally High Business Vacancies, abnormally low Lease rates, High Business Turnover Rates, Abandoned Buildings, or Excessive Vacant Lots	Economic Vitality
SAN FERNANDO ROAD CORRIDOR REDEVELOPMENT PROJECT AREA			
• Provided project management assistance with Disney (GC3) first phase development. Monitored the project for compliance with terms and conditions of the development agreements	$3,600	Defective Design and Character; Age, Obsolescence, Deterioration, Dilapidation, Mixed Character or Shifting Uses; Subdivided Lots of Irregular form and Shape and Inadequate Size	Economic Vitality, Community Planning and Character
• Completed construction of Phase I & II San Fernando Road Landscape project	$146,800	Existence of Inadequate Public Improvements, Public Facilities, Open Spaces, and Utilities	Community Planning and Character

Accomplishment	Expenditures FY 05-06	Blighting Conditions Alleviated	Corresponding Citywide Strategic Goals
• Completed design and approval of Phase III San Fernando Road Landscape project	(incl.)	Existence of Inadequate Public Improvements, Public Facilities, Open Spaces, and Utilities	Community Planning and Character
• Provided oversight and management of feasibility and engineering studies for formation of Lighting and Landscape Maintenance District for portions of San Fernando Road Corridor	$13,400	Existence of Inadequate Public Improvements, public Facilities, Open Spaces, and Utilities	Community Planning and Character, Parks and Open Space
• Working collaboratively with Planning Division and Community Development/Housing, began implementation of the San Fernando Road Zoning, and Inclusionary Housing Policy	$0	Factors that Prevent or Substantially Hinder the Economically Viable Use or Capacity of Buildings or Lots	Community Planning and Character, Economic Vitality, Environment and Conversation

WORK PROGRAM-FISCAL YEAR 2006-07
(Not covered by the Independent Auditors' Report)

Goals	Corresponding Citywide Strategic Goals
CENTRAL GLENDALE REDEVELOPMENT PROJECT AREA	
• Complete site preparation, convey property and begin construction of the Town Center (Americana at Brand) project.	• Housing, Sense of Community, Parks and Open Space, Economic Vitality, Community Planning and Character
• Coordinate construction of the Embassy Suite Hotel (24 month schedule).	• Economic Vitality
• Complete the preparation and implementation of the Downtown Specific Plan.	• Community Planning and Character, Economic Vitality, Housing, Safe Community
• Select desired redevelopment option for DPSS site and begin project negotiation, design and entitlement.	• Economic Vitality, Community Planning and Character
• Provide entitlement assistance and construction coordination for various downtown mixed-use residential condominium projects.	• Housing, Safe Community, Economic Vitality, Community Planning and Character
• Provide ongoing management and coordination of the Alex Theatre operations. Complete first phase of the Sound System upgrade project.	• Arts and Culture, Sense of Community, Community Services and Facilities
SAN FERNANDO ROAD CORRIDOR REDEVELOPMENT PROJECT AREA	
• Provide construction coordination for completion of the first phase of Disney (GC3) project.	• Economic Vitality, Community Planning and Character
• Complete the formation of Lighting and Landscape Maintenance District for portions of San Fernando Road Corridor.	• Community Planning and Character, Parks and Open Space
• Coordinate construction, Phase III San Fernando Road Landscape project.	• Community Planning and Character

ACTIVITIES AFFECTING HOUSING AND DISPLACEMENT

(Not Covered by Independent Auditors' Report)

ACCOMPLISHMENTS – FISCAL YEAR 2005-2006

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) Increasing Affordable Home Ownership Opportunities

During fiscal year 2005-06, the Housing Authority expended/capitalized approximately $7.8 million of Redevelopment Set-Aside and $49,200 in HOME funds to increase affordable home ownership opportunities as described below.

A) New Construction of Ownership Housing

The Housing Authority promotes home ownership through new construction of ownership housing units. In fiscal year 2005-06, the Housing Authority completed development of two projects containing 8 affordable ownership units and 3 market rate units. The Housing Authority initiated development and/or continued in construction five new affordable home ownership development projects consisting of approximately 56 affordable units for low and moderate-income first time homebuyers and 11 market rate units.

These affordable home ownership projects are described below.

Projects Completed in FY 2005-06

Elk Avenue Townhomes

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. Due to significant increases in construction and financing costs, the project was restructured during development as a mixed income project with 4 affordable units and 3 market rate units. The Housing Authority assistance was restructured so that the assistance was not used for the market rate housing units. The Housing Authority committed $817,715 of Redevelopment Set-Aside funds to the project, $399,315 for an acquisition and development subsidy and $418,400 in low-interest second mortgage deferred loans ($104,600 for each moderate income buyer). The project was completed in March 2006.

Vine / Pacific Habitat

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 $104,000 in Redevelopment Set-Aside funds, the Housing Authority relocated the five existing households in compliance with relocation requirements and demolished the units. The Housing Authority approved a Disposition and Development Agreement (DDA) with San Gabriel Valley Habitat for Humanity (Habitat) for a 4-unit affordable home ownership project for low income first time home buyers on the site, and the family selection was completed in early 2004. Home buyers and numerous volunteers assisted in construction. The project was completed in December 2005.

Projects in Progress in FY 2005-06

900 - 910 E. Palmer Habitat

In June 2003, the Housing Authority expended $300,000 in Redevelopment Set-Aside funds to purchase a non-conforming use, blighted, commercial property at 900 - 910 E. Palmer Avenue, to relocate two existing commercial businesses operating on the site and to demolish the existing commercial building. A DDA was approved by the Housing Authority in December 2004 with Habitat for development of 3 affordable home ownership units for low income first time home buyers on the site. Construction began in early 2006 and is projected to be completed by March 2007.

711-717 N. Kenwood Habitat

The Housing Authority purchased a long-standing blighted, vacant, and residentially zoned site in July 2005. The Housing Authority allocated $1,525,000 in Redevelopment Set-Aside funds for the purchase of the property and entered into an Exclusive Negotiating Agreement with Habitat for construction of 11 affordable home ownership units. Habitat is conducting an aggressive fund raising campaign to raise $1.1 million dollars for construction of the new homes. When these funds have been raised and entitlements received, the Housing Authority would enter into a DDA for the project. Construction would begin in May 2007 and be completed by November 2009. In 2006-07 funding for this project was switched from Redevelopment Set-Aside to HOME funds. This resulted in these Redevelopment Set-Aside funds becoming available for additional projects.

Doran Street Housing HHP

In January 2005, the Authority acquired three single family houses on three contiguous parcels. A DDA was approved with Heritage Housing Partners (HHP) a nonprofit housing development corporation. Through a complex series of partnerships, including the City of Pasadena Community Development Commission, financing for the project was arranged. This financing includes New Market Tax Credits and $3.24 million in Redevelopment Set-Aside funds. Relocation of the three households residing on the site was completed in 2005-06 in accordance with the approved Relocation and Last Resort Housing Plan for 339-343 W. Doran Avenue following required public review and comment. The project is in the preliminary design phase but is anticipated to result in 35 units of ownership housing including 24 units affordable to moderate income households, and the rehabilitation of the three existing single family homes.

624-630 Geneva

The site at 624-630 Geneva was acquired by the Housing Authority in May 2006 for an affordable ownership housing development project. Development of the residentially zoned site for affordable housing will aid in neighborhood revitalization and is appropriate for new construction units. The cost of acquisition was $2.55 million dollars and was funded with Redevelopment Set-Aside funds.

Doran II

Throughout 2005-06 the Housing Authority was in protracted negotiations to purchase 331-335 W. Doran Street. The property is now in escrow and acquisition is anticipated to be completed in 2006-07 for approximately $4.8 million dollars. Preliminary design plans call for construction of 18 housing units affordable to moderate income first time home buyers. However a feasibility analysis is being prepared and may indicate a higher density of residential units may be appropriate. The acquisition of this site will be funded with Redevelopment Set-Aside funds.

B) Home Ownership Education Classes

A program of providing free homeownership education courses for households that live and/or work in Glendale is funded through Redevelopment Set-Aside Administrative funds. This class encourages households with incomes between 51%-120% of MFI to prepare for the home buying process. A HUD certified home buyer education and counseling trainer provides information and resources to home buyers on budget and credit issues, the mortgage prequalification and approval process, available loan options including special programs available, working with realtors and real property options, the loan closing process, predatory lending practices, fair housing regulations for home buyers, and basic home maintenance. A lender and realtor participate in the class and answer questions. Seven courses were presented to approximately 131 individuals. Two of these classes were provided in foreign languages – one in Armenian and one in Spanish.

C) Downpayment and Closing Cost Assistance

The Housing Authority offers two Downpayment and Closing Cost Assistance programs. One is the First Time Home Buyer Program (FTHB), funded through Redevelopment Set-Aside funds. This program is currently targeting moderate income home buyers with substantial down payments available, who are interested in purchasing an entry level home which is typically a condominium, in the City. Another is the federally funded American Dream Downpayment Assistance Program (ADDI) which currently targets low income home buyers who are typically purchasing a heavily leveraged and subsidized new construction unit such as those developed by Habitat.

The ADDI Program provided downpayment and closing cost assistance to four large, low-income households in 2005-06. These families purchased units in the Vine and Pacific Habitat project described in the Owner New Construction section of this report. Four deferred/forgiveable loans in the amount of $12,300 each were provided to these home buyers and funded through the HOME program.

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 median sales prices increased by 9% from February 2005 to February 2006 and increased 74% from February 2003 to February 2006. During this time period, condominiums increased to a median sales price of $427,000 and single family homes increased to a median sales price of $775,000. Despite historically low interest rates, these price increases have made it extremely difficult for entry-level first time home buyers to purchase in this market.

Interest in home ownership remains strong as evidenced by hundred of applicants that applied for Owner New Construction developments in recent years and hundreds of participants that attended FTHB Classes. During this fiscal year, staff 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, 349 inquiries into the program were made during this program year.

The FTHB Program provided assistance to one moderate home buyer with $75,000 in Redevelopment Set-Aside funds in 2005-06. Through this program home buyers receive no-interest mortgage assistance loans of up to $75,000 to assist 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. This Program is funded through Redevelopment Set-Aside funds and is targeted to moderate income home buyers purchasing an entry level home, typically a condominium in the City. Staff also provides ongoing assistance to the existing FTHB loan portfolio which includes 168 borrower households with active loan servicing concerns, such as requests to refinance or payoff their Housing Authority loans.

II) Increasing Affordable Rental Opportunities

During fiscal year 2005-06, the Housing Authority expended/capitalized approximately $2.3 million of Redevelopment Set-Aside, and $3.0 million in HOME Funds to increase affordable rental opportunities as described below.

A) New Construction of Renter Housing

In FY 2005-06, the Housing Authority successfully initiated or continued construction of 5 new rental housing development projects for low and very-low income renter households. The descriptions below summarize the affordable renter projects currently in some stage of development in Glendale using Redevelopment Set-Aside or federal HOME funds.

Projects in Progress in FY 2005-06

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 $5.8 million to the project consisting of $2.0 million in HOME funds and $3.8 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 early 2007. Marketing and outreach activities are now being conducted to meet affirmative marketing requirements. A lottery selection process will be used to select potential renters.

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 30 years. The Housing Authority committed $3.5 million of Redevelopment Set-Aside funds to this project for acquisition and related relocation expenses for 28 households. Relocation activities were completed in 2004-05. Each household was provided with a rental assistance payment, a fixed moving payment, and technical assistance in finding comparable, appropriate housing in accordance with the approved the Relocation and Last Resort Housing Plan for 6206 San Fernando Road.

The Housing Authority provided a predevelopment loan to the developer, United Cerebral Palsy of Los Angeles and Ventura Counties, to construct 24 permanent affordable rental units. Several financing layers have been committed to the project including HUD 811 Program funds, developer equity, and State MHP funds. During 2005-06 the funding source was switched to HOME funds and the Redevelopment Set-Aside funds were repaid and are available for other projects. 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 developmentally disabled). Upon completion of the entitlement process and the financing plan, the Housing Authority would enter into a DDA with the developer.

East Garfield Neighborhood Revitalization

The Authority has committed approximately $3.7 million in HOME funds for acquisition of property and new construction of affordable 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.

Through the planning process, two of the five parcels that were initially acquired using approximately $1.3 million in Redevelopment Set-Aside funds, at 800 – 812 and 816 S. Maryland were determined to be an excellent site for a neighborhood park, as open space is scarce and much need in the East Garfield Neighborhood. The City's Parks, Recreation and Community Services Department purchased the lots using Community Development and Block Grant funds and reimbursed the Redevelopment Set-Aside fund.

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. Thomas Safran and Associates was selected as the intended developer through this process. The Housing Authority has entered into an Exclusive Negotiating Agreement for a 30 unit family rental project to serve low income, large related renter households and to assist in neighborhood revitalization efforts.

Metro Loma

In July 2006 the Housing Authority executed a Letter of Loan Commitment for the amount of approximately $5 million dollars with Metro Loma, a California Limited Partnership, in support of development of a 44 unit affordable family rental housing project at 328 Mira Loma Avenue. This site is adjacent to the 1855 Brand Project nearing completion of construction (as described above.) Metro Loma would be developed by the same partners in a new joint venture partnership. The developers have just obtained commitments for 9% tax credits for the project and would provide developer equity to the project. Additional funding is being requested from the

County of Los Angeles through City of Industry funds. The Housing Authority has committed Redevelopment Set-Aside funds for this project at this time. The project has received approval of necessary entitlements from the City of Glendale (Environmental, Design Review, and Redevelopment Agency Design Review) needed to develop the project. The DDA is projected to be approved in December 2006.

The project is targeted to serve large-related low income households, a high priority group as identified in Glendale's 2005-10 Consolidated Plan. Amenities, including a recreation/open space area, are incorporated into the design of the project. Construction is anticipated to start in early 2007 and be completed within 18 months.

615 Chester Street

The Housing Authority was approached by the Salvation Army regarding the possibility of Housing Authority assistance in a 4-unit permanent supportive housing project for formerly homeless families. The Salvation Army had identified and acquired a site for the proposed project located at 615 Chester, and secured additional financing from the HUD Supportive Housing Program. The project is in its preliminary design phase, and the parties continue to refine the financial feasibility of this proposal. A preliminary estimate of Housing Authority's assistance would be approximately $600,000 in HOME funds.

B) 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 2005-06, 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 2005-06 resulted in the improvement and preservation of housing for low and moderate-income households in targeted areas. The code enforcement program was augmented with an allocation of approximately $955,300 of Redevelopment Set-Aside funds for the Rental Housing Inspection Program and enforcement in neighboring areas. Neighborhood Services Section inspected 10,834 units in 1,200 buildings. Through the use of these funds 75% of city rental properties are being inspected on a periodic basis for their ability to meet required housing standards.

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 the Moving Assistance Grant, in an effort to create and maintain affordable housing. The Dwelling Repair Grant assisted 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 were 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 continued to process second and third year installments of grant payments during the program year.

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 2005-06, the Housing Authority assisted 31 households through these programs, committing approximately $21,566 in Redevelopment Set-Aside funds. This includes 29 Dwelling Repair Grants totaling

$19,941, and three Moving Assistance Grants totaling approximately $1,625. The majority of households assisted by these two programs have incomes below 30% of area median income.

LIFERAP and ERAP

To assist low income 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 $1,637,000. The program provides up to thirty-six (36) 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 2005-06, 54 households were assisted through this program.

The Emergency Rental Assistance Program (ERAP) provides short-term rental assistance to households with incomes below 80% of area median income that experience a housing crisis due to a demonstrated catastrophic event such as an illness, injury, or job loss. The one-time Redevelopment Set-Aside funding allocation for ERAP is $98,520. Participating households pay 30% of their income in rent, and Redevelopment Set-Aside funds fill the rent payment gap. The program is intended to provide temporary assistance for 3 to 12 months for households whose housing cost was affordable prior to the presenting crisis. Because of these unique participant selection criteria, ERAP assisted five households during FY 2005-06.

III) Preserving and Maintaining the City's Existing Affordable Housing Stock

A) Single Family Rehabilitation Program

The Home Owner Rehabilitation Loan Program has four loan and grant products to assist eligible property owners with repairs and improvements to their homes. These products include the Senior Rehabilitation Grant, the Disabled Rehabilitation Grant, the Single Family Rehabilitation Loan, and the Lead Based Paint Hazard Reduction Grant. During 2005-06, 37 households were assisted through this program: 18 households were very low income, 15 were low income, and 4 were moderate income. Redevelopment Set-Aside funds in the amount of $556,800 were expended for this program in 2005-06. No ($0) HOME funds were expended for this program in this program year.

Senior Rehabilitation Grant: Grants of up to $10,000 are available for eligible low-income senior homeowners for the purpose of making health and safety improvements to their homes. In 2005-06 several "storm grants" were also completed under this program for qualifying individuals whose homes were damaged due to storms during the Federally Designated Disaster Area storms of the winter of 2004-05. Grants are available to eligible households whose income is below 80% of area median income.

Disabled Rehabilitation Grant: Grants up to $10,000 are available for low income homeowners/renters living with disabilities to make handicap accessibility modifications to single family homes or single apartment units. Grants are available to eligible households whose income is below 80% of area median income.

Single Family Rehabilitation Loan: Low-interest deferred repayment rehabilitation loans of up to $25,000 are also available to eligible households whose income is below 80% of area median income. In addition, in designated target neighborhoods within the City of Glendale, low-interest rehabilitation loans of up to $25,000 are available to eligible households whose income is below 120% of area median income. Repayments of the loans are deferred until title is transferred on the property.

Lead Based Paint Hazard Reduction Grant: 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) Multifamily Rehabilitation

The Multifamily Rehabilitation program consists of two separate activities. First, Glendale 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 2005-06 $111,500 in Redevelopment Set-Aside funds were expended for this program. One multi-family building rehab project (Palmer House) with 22 senior low income units was rehabilitated in this program year.

Second, the City provides low interest residual receipts loans to non-profit affordable housing providers for the purpose of acquiring and rehabilitation rental property. Rent levels and income levels of renters are restricted in return for this loan also.

While no funds were expended for this second type of loan, one project was initiated in 2005-06. Rehabilitation of two existing units at 624-630 Geneva Street for the purpose of rental to low income households has been initiated through a CHDO agreement with West Hollywood Housing Corporation as described in the Owner New Construction section of this report regarding the same site.

IV) 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 2006 and determined that there are 289 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 2005-06. During fiscal year 2005-06, these funds assisted approximately 35-40 people per night and assisted 181 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.

Through 2005-06 five new market rate residential projects comprising approximately 344 units have been been presented to the City for initial review. All of the projects are proposing to satisfy the inclusionary requirement through payment of the in lieu fee. To date, two of these projects have submitted Inclusionary Housing Plans. It is estimated that these two projects would generate approximately $5.6 million dollars to be used by the Authority for future affordable housing development. An additional three affordable housing developments are initiated or in construction and will provide an additional 133 affordable rental units for low income households in the San Fernando Corridor Redevelopment Project Area.

B) Environmental Impact Review

Staff continued to review new development projects under the City's environmental impact review process to require mitigation measures to assist low income tenants if they are displaced. Mitigation measures may include: requiring a minimum 90 day Notice to Vacate the unit; requiring return of deposits at least 30 days prior to the end of the 90 day Notice to Vacate time period, requiring assistance to locate comparable replacement housing; and requiring a free month for the last month of tenancy for low income households.

C) Land Use Controls

In 2005-06 the City Council and Housing Authority considered changes in land use controls that relate to affordable housing as they consider changes to the existing Density Bonus ordinance and the Downtown Specific Plan.

1) Density Bonus:

Glendale is revising its zoning code in an effort to respond to recent changes in California State law. An interim regulation has been adopted by Glendale and a permanent ordinance has been prepared and will be heard by the City Council in November 2006.

2) Down Town Specific Plan:

A new Plan is being considered by the City Council in November 2006. It would provide standards for Downtown development if approved. It will establish land uses and development standards for the area and establish design and open space guidelines for the area. The plan is intended to promote high quality design and provide for a mix of uses in the downtown. Height and density bonuses would be provided to developers as incentives for certain public benefits and desired uses including development of affordable housing. The Plan allows for incentives to create affordable housing which could be developed on or off-site and would be subject to special conditions and a development agreement.

D) Professional Organizations

The City of Glendale was active in professional advocacy organizations including Southern California Association of Non-Profit Housing (SCANPH), California Housing Consortium, California Redevelopment Association (CRA), National Association of Housing Redevelopment Officials (NAHRO), the Housing Authorities Association of Southern California (HAASC), and others.

E) 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 additiбn, 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:

1) 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.

2) Tenant Income and Rent Review: Rent rolls, income source documents, tenant statements of income, and sample files are reviewed for compliance with loan requirements.

3) 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, the community, 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 2006-07

II) Increasing Affordable Home Ownership Opportunities

A) New Construction of Ownership Housing

Staff will continue working on the home ownership projects described in the previous section. In addition, for fiscal year 2006-07, the Housing Authority has allocated approximately $4.1 million of Redevelopment Set-Aside 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 20 affordable home ownership units.

B) Home Buyer Education Classes

Staff also anticipates providing 6-9 seminars on "How to Buy a Home" serving approximately 180 – 270 home buyers. One of these classes will be presented in the Armenian language and another will be presented in the Spanish language.

C) Downpayment and Closing Cost Assistance Programs

The American Dream Down Payment Assistance Initiative (ADDI) is funded through the federal HOME program. For fiscal year 2006-07, the ADDI program has provided $26,700 to the Housing Authority which will provide approximately two down payment and closing cost assistance loans. In addition, approximately $470,000 in carryover Redevelopment Set-Aside funds will be available to fund approximately 6 FTHB loans, if it becomes feasible in the current housing market.

III) Increasing Affordable Rental Opportunities

A) New Construction of Renter Housing

Staff will continue working on the renter projects described in the previous section. In addition, for fiscal year 2006-07, the Housing Authority has allocated $680,000 of Redevelopment Set-Aside and $2.0 million of federal HOME funds to acquire and develop and/or rehabilitate 20 affordable rental housing units.

B) Multifamily Rental Assistance

1) Code Enforcement:

For fiscal year 2006-07, the code enforcement augmentation program will use a $1.1 million Redevelopment Set-Aside allocation to improve and preserve housing for low and moderate-income households.

2) Section 8 Moving Assistance Grants:

For fiscal year 2005-06, the Housing Authority has allocated approximately $20,000 for Section 8 HQS Grant and Moving Assistance Grant program to provide moving assistance to approximately 32 Section 8 Housing Voucher households.

3) LIFERAP and ERAP:

Following a program evaluation, the Housing Authority determined that for fiscal year 2006-07, the Low-Income Family Employment and Rental Assistance Program (LIFERAP) will use carryover funding from a one-time, multi-year allocation of $1.637 million to continue operations in order to assist an additional 57 households. The Emergency Rental Assistance Program (ERAP) will use $45,000 in carryover funds which is the remainder of a one-time allocation in Redevelopment Set-Aside funds in order to assist 18 households.

IV) Preservation of Affordable Housing Stock

A) Home Owner Rehabilitation Loan Program

For fiscal year 2006-07, the Housing Authority has allocated approximately $580,000 of Redevelopment Set-Aside and $100,000 in carryover federal HOME funds to provide approximately 50 homeowner rehabilitation loans and/or grants.

B) Multi-Family Rehabilitation Loan Program

For fiscal year 2006-07, the Housing Authority has allocated $100,000 of Redevelopment Set-Aside and no ($0) in federal HOME funds to rehabilitate 10 affordable rental housing units

V) 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 2006-07. The subsidy assists Project ACHIEVE to serve approximately 200 individuals.

VI) 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.

B) Environmental Impact Review

Staff will continue to implement the review of new development projects under the City's environmental impact review process to require mitigation measures to assist low income tenants if they are displaced by this development. Mitigation measures may include: requiring a minimum 90 day Notice to Vacate the unit; requiring return of deposits at least 30 days prior to the end of the 90 day Notice to Vacate time period, requiring assistance to locate comparable replacement housing; and requiring a free month for the last month of tenancy for low income households.

F) Land Use Controls

The City Council and Housing Authority will make determinations in 2006-07 on land use controls that relate to affordable housing, as they consider changes to the existing Density Bonus ordinance and the Downtown Specific Plan as described above.

C) Professional Organizations

The City of Glendale will continue to be active in professional advocacy organizations including Southern California Association of Non-Profit Housing, California Housing Consortium (SCANPH), California Redevelopment Association (CRA), National Association of Housing Redevelopment Officials (NAHRO), the Housing Authorities Association of Southern California (HAASC), and others. For example, to date in 2006-07 staff has served as panelists for CRA affordable housing presentations. The Housing Authority received two NAHRO Awards of Merit for affordable housing developments and a SCANPH "Project of the Year" award for the Pacific/Vine affordable homeownership development.

D) Monitoring

Staff will continue to perform financial, physical, and occupancy monitoring reviews of completed affordable housing projects; rehabilitation loans; and downpayment and closing cost assistance loans to first time home buyers.

RECOMMENDATIONS FOR NEEDED STATE LEGISLATION
(not covered by independent auditor's report)

No Action Recommended.