

**Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the
City of Long Beach, California)**

Annual Financial Report

Fiscal Year Ended September 30, 2007

CITY OF LONG BEACH, CALIFORNIA

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
September 30, 2007

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Members of the Redevelopment Agency Board

	<u>Term Expires</u>
Thomas T. Fields, Chair	June 2008
William E. Baker, Vice Chair	June 2011
Diane L. Arnold	June 2011
John L. Cross	June 2011
John W. Thomas	June 2011
Vivian M. Tobias	June 2009
"Vacant position"	June 2011

Management

Patrick H. West, Executive Director

Craig Beck, Assistant Executive Director

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KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Honorable Mayor and City Council of the City of Long Beach, California
The Honorable Members of the Redevelopment Agency Board
The Citizens of the City of Long Beach, California:

We have audited the accompanying combined financial statements of the governmental activities and each major fund of the Redevelopment Agency of City of Long Beach (the Agency), a component financial reporting unit of the City of Long Beach, California (the City) and of the Low- and Moderate-Income Housing Fund, as of and for the year ended September 30, 2007, which collectively comprise the Agency's basic combined financial statements as listed in the table of contents. These combined financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these combined 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in note 1 to the combined financial statements, the Agency has prepared these combined financial statements using accounting practices required by the State of California Health and Safety Code Section 33080.1, which practices differ from U.S. generally accepted accounting principles. The funds included in the Low- and Moderate-Income Housing Fund columns presented in these combined financial statements are not maintained by the Agency and, accordingly, are not includable in financial statements prepared in accordance with U.S. generally accepted accounting principles. However, State of California Health and Safety Code Section 33080.1 requires the Agency to prepare financial statements that include these funds. The effect on these combined financial statements of the inclusion of these funds is apparent in the columns labeled Low- and Moderate-Income Housing Fund.

In our opinion, because of the effects of including the Low- and Moderate-Income Housing Fund as a separate column in the Agency's combined financial statements, the combined financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the Agency as of September 30, 2007, or the changes in the Agency's financial position for the year then ended.

However, in our opinion, the combined financial statements referred to above do present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency and the Low- and Moderate-Income Housing Fund as of September 30, 2007, and the respective changes in financial position for the year then ended, on the basis of accounting described in note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2008 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 5 through 12 is not a required part of the basic combined financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the combined basic financial statements of the Redevelopment Agency of the City of Long Beach and the Low- and Moderate-Income Housing Fund. The accompanying information identified in the table of contents as the supplementary financial information section and the general information section is presented for the purposes of additional analysis and is not a required part of the basic combined financial statements. The accompanying statements and schedules included in the supplementary financial information section have been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole. The accompanying information in the general information section has not been subjected to the auditing procedures applied in the audit of the basic combined financial statements, and accordingly, we express no opinion on it.

KPMG LLP

May 27, 2008

Management's Discussion and Analysis

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The information presented in the "Management's Discussion and Analysis" (MD&A) is intended to be a narrative overview and analysis of the Redevelopment Agency of the City of Long Beach's (Agency) financial activities for the fiscal year ended September 30, 2007. We encourage readers to consider this information in conjunction with the accompanying combined financial statements. The MD&A includes only the activity of the Agency and excludes the Low- and Moderate-Income Housing Fund.

Financial Highlights

Government-wide

- The liabilities of the Agency exceeded its assets at September 30, 2007, by \$150,150,000. Of this amount \$2,241,000 is invested in capital assets, net of related debt and net assets totaling \$144,769,000 restricted for specific purposes. The Agency's accumulated net deficit of \$150,150,000 resulted mainly from long-term debt due to the City of Long Beach and bonds payable, both intended to be relieved from future tax increment revenues, as well as any other available revenue resources.
- The Agency's total net deficit decreased by \$9,657,000. This is the result of total program revenues of \$85,116,000 exceeding total expenses of \$75,459,000. The increase in revenues was primarily due to the increase in tax increment revenue of the Downtown, West Beach, Poly High, Los Altos, Central Long Beach and North Long Beach Project Areas, minus the decrease in interest income. The \$276,000 in other expenses includes net operating transfers from the City of Long Beach of \$3,468,000, transfers from Low- and Moderate-Income Housing Fund of \$3,348,000 and land reconveyance of \$7,092,000.
- The Agency's net long-term debt decreased by \$5,398,000 during the current fiscal year. The decrease is primarily due to principal payments on Agency bonds.
- The Agency's current and other liabilities decreased by \$11,223,000 during the current fiscal year. The decrease is mainly due to the deferred revenue for the payments to the Port of Long Beach to fund the debt service of the Aquarium of the Pacific Project Lease Revenue Refunding Bonds Series 2001 less the outstanding balances of accounts and vouchers payable.

Fund basis

- As of September 30, 2007, the Agency's governmental funds reported an ending fund balance of \$331,978,000, a \$3,458,000 increase from the prior fiscal year's fund balance of \$328,520,000 due mainly to the increase in the net transfers from the City of Long Beach of \$10,630,000 less reconveyance of land held for resale from the Agency to the Housing Development Fund of \$7,092,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's combined financial statements. The Agency's combined financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements,

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and 3) notes to combined financial statements. This report also contains other supplementary information in addition to the combined financial statements.

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 reported as *net assets (deficit)*. Over time, increases and 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 current fiscal year. Changes in net assets are reported as soon as the underlying event giving rise to change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

Governmental activities of the Agency include housing, community and economic development, public improvements and debt service. The activities of the Agency are carried out in seven project areas.

The State of California Health and Safety Code Section 33080.1 requires every redevelopment agency to submit an annual audit of the financial statements of the agency which presents the results of the operations and financial position of the agency, including all financial activities with moneys required to be held in a separate Low- and Moderate Income Housing Fund pursuant to Section 33334.3. As such, the Agency has included in the accompanying combined financial statements the Low- and Moderate-Income Housing Fund which represents funds recorded within the City of Long Beach and the Long Beach Housing Development Company for the purpose of recording the Agency's 20% set aside tax increment revenues that the State of California Health and Safety code Section 33334.2 requires to be used to increase, improve and preserve the supply of low- and moderate-income housing within the Agency's territorial jurisdiction.

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 units of state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are classified as 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, government 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

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evaluating the Agency's financial resources that are available in the near future to finance the various activities.

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 activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Agency maintains two 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 balance for the capital projects fund and the debt service fund.

The Agency adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for governmental funds as supplementary information to demonstrate compliance with this budget.

Notes to Combined Financial Statements

The notes provide narrative information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the combined financial statements and accompanying notes, this report also includes other supplementary information relating to the Agency's fund financial statements and budgetary comparison to actual expenditures for each of the redevelopment project areas. A schedule of changes in long-term debt has been included in this report.

Government-wide Financial Analysis

The Agency presents its financial statements in accordance with GASB Statement No. 34, and its related pronouncements, with the focus on the analysis of the current fiscal year's net assets and changes in net assets.

Analysis of Net Assets

Net assets may serve, over time, as a useful indicator of a government's financial position. At September 30, 2007, the Agency's liabilities exceeded its assets by \$150,150,000. Of this amount, \$2,241,000 is invested in capital assets, net of related debt and \$144,769,000 represents restricted net assets for capital projects, low- and moderate-income housing activities, debt service and other non-current receivables. The Agency's deficit is intended to be relieved from future Agency revenues. The Agency's deficit is caused from the issuance of long-term debt instead of capital contributions. This is primarily due to the nature of redevelopment financing, whereby the Agency issues bonds or incurs long-term debt to finance a substantial portion of its redevelopment activities which

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include land acquisition, housing, public parking, commercial and retail projects, community development activities and others. In some cases, assets may be transferred to the City of Long Beach; however, the debt remains with the Agency. The Agency also provides "gap" financing in other types of redevelopment activities; any equity assumed in these projects is usually significantly less than the underlying expenditures. Redevelopment activities are designed to alleviate urban blight. Redevelopment activities often improve property values and as a result generate additional tax increment to service the Agency's debt and finance additional projects.

The Agency's current and other liabilities decreased by \$11,223,000 during the current fiscal year. The decrease is mainly due to the adjustment in the current fiscal year of deferred revenue for the payments to the Port of Long Beach to fund the debt service of the Aquarium of the Pacific Project Lease Revenue Refunding Bonds Series 2001 less the outstanding balances of accounts and vouchers payable.

The following table summarizes the Agency's net assets (deficit) as of September 30, 2007, with comparative figures for 2006 (in thousands):

	Governmental Activities		
	2007	2006	% Change
ASSETS			
Current and other assets	\$ 345,540	\$ 353,796	(2.33)
Capital assets	14,655	13,802	6.18
Total assets	360,195	367,598	(2.01)
LIABILITIES			
Current and other liabilities	23,748	34,971	(32.09)
Noncurrent liabilities	486,597	492,434	(1.19)
Total liabilities	510,345	527,405	(3.23)
NET ASSETS			
Invested in capital assets	2,241	1,244	80.14
Restricted net assets	144,769	156,179	(7.31)
Unrestricted deficit	(297,160)	(317,230)	(6.33)
Total deficit	<u>\$ (150,150)</u>	<u>\$ (159,807)</u>	<u>(6.04)</u>

Analysis of Changes in Net Assets

During fiscal year 2007, governmental activities decreased the deficit by \$9,657,000 from the prior year to \$150,150,000. Key elements of the governmental activities are as follows:

Incremental property tax revenues are the Agency's major source of funding for redevelopment activities. For the year ended September 30, 2007, the Agency recognized \$73,011,000 in tax increment revenues. This represents 85.8% of the total revenues of \$85,116,000. The increase in current year total revenues of 2.53% is due to increase in tax increment revenues. The decrease in interest income is due to the reduction of cash with fiscal agent.

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Community and cultural expenditures totaled \$52,887,000 or 70.09% of the total expenses of the governmental activities of \$75,459,000. The 7.98% increase in community and cultural expenditures is mainly due to the net of the gain on sale and write-offs of land held for resale of \$9,184,000. The \$21,975,000 interest in long-term debt resulted from a 6.62% increase over last year, which is due to interest on advances from the City of Long Beach. The \$276,000 in other expenses includes net operating transfers from the City of Long Beach of \$3,468,000, transfers from Low- and Moderate-Income Housing Fund of \$3,348,000 and land reconveyance of \$7,092,000.

Changes in Net Assets
Years Ended September 30
(In Thousands)

	Governmental Activities		
	2007	2006	% Change
REVENUES			
Program revenues:			
Operating grants and contributions	\$ 873	\$ 62	1,308.06
Charges for services	1,116	3,805	(70.67)
General revenues:			
Incremental property taxes	73,011	63,406	15.15
Interest income	6,083	12,106	(49.75)
Other	4,033	3,634	10.98
Total revenues	<u>85,116</u>	<u>83,013</u>	<u>2.53</u>
EXPENSES			
Program expenses:			
General government	321	268	19.78
Community/ economic development	52,887	48,978	7.98
Interest in long-term debt	21,975	20,610	6.62
Other	276	420	(34.29)
Total expenses	<u>75,459</u>	<u>70,276</u>	<u>7.38</u>
Change in net asset	9,657	12,737	(24.18)
Deficit, October 1	<u>(159,807)</u>	<u>(172,544)</u>	<u>(7.38)</u>
Deficit, September 30	<u><u>\$ (150,150)</u></u>	<u><u>\$ (159,807)</u></u>	<u><u>(6.04)</u></u>

Community and economic development expenses shown on the Statement of Activities relate to activities intended to relieve urban blight and payments to other government entities. These expenses include costs for the acquisition and development of sites for needed public improvements such as libraries, parks, and street improvements. Other activities to remove blight include the assembly of sites for the private development of housing, commercial and retail facilities. The Agency is also required by Community Redevelopment Law to provide statutory pass-through payments to other government entities.

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Financial Analysis of the Agency's Governmental 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 spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, the fund balance serves as a useful measure of the Agency's net resource available for spending at the end of the fiscal year.

At September 30, 2007, the Agency's governmental funds reported a combined accumulated ending fund balance of \$331,978,000, an increase of \$3,458,000 over the prior fiscal year of \$328,520,000. This amount consists of fund balance reserved for debt service, land held for resale, future projects, long-term receivables and encumbrances. The portion of the fund balance that is available for spending has been appropriated in fiscal year 2008.

Capital Projects Fund - The Capital Projects Fund is used to account for redevelopment expenditures from tax increment, bond proceeds, federal grants and project area program income. The Capital Projects Fund is the Agency's principal fund. The accumulated fund balance at September 30, 2007, aggregated \$178,068,000. The Capital Projects Fund fund balance of \$166,941,000 at September 30, 2006 increased by \$11,127,000 due to property tax increment revenues transferred to this fund from the Agency's Debt Service Fund and transfers received from the City to this fund for the acquisition of real property for housing development projects.

Debt Service Fund - The Debt Service Fund is used to accumulate resources to pay principal and interest and other costs related to the Agency's long-term debt. At September 30, 2007, the Debt Service Fund had a total fund balance of \$153,910,000, of which \$58,238,000 was reserved for debt service, \$76,865,000 for redevelopment projects and \$18,807,000 for long-term receivables. The net decrease in fund balance over the prior year of \$7,669,000 is primarily due to interfund transfers made to the Capital Projects Fund for redevelopment projects net of excess of revenues over expenditures.

Governmental Fund Budgetary Highlights

A comparison between the initial budget and the final amended budget for the Agency's governmental funds shows a net increase in expenditures from \$179,883,000 to \$218,791,000, or \$38,908,000. The increase is mainly due to the anticipated expenditures for acquisition costs.

The Agency's governmental funds net positive ending fund balance variance of \$116,916,000 is committed to be spent in various project areas in the next fiscal year. The budget variances by project area are summarized under the Supplementary Financial Information sections of this report.

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Capital Assets and Debt Administration

Capital Assets

The Agency's investments in capital assets for its governmental activities as of September 30, 2007, is comprised of land totaling \$13,802,000 and building, machinery and equipment, net of accumulated depreciation, totaling \$853,000. Additional information on the Agency's capital assets can be found in Note 5 to the combined financial statements.

Long-Term Liabilities

At September 30, 2007, the Statement of Net Assets included the Agency's long-term liabilities in the amount of \$494,848,000, which includes the current portion of bond indebtedness and is net of unamortized bond discount and loss on defeasance. This is summarized as follows in the table below (in thousands).

<u>Agency's Long-Term Debt</u>	
Tax allocation bonds	\$ 340,055
Notes payable	3,959
Advances from the City of Long Beach	133,572
Advances from Low- and Moderate-Income Housing Fund	17,262
Total	<u>\$ 494,848</u>

The Agency's total bonded indebtedness at September 30, 2007, was \$340,055,000. The bonds are secured solely by specified revenue sources (i.e., property tax increment). The bonds have a Moody's, S&P, and Fitch Aaa-AAA, prime, maximum Safety rating.

Additional information on the long-term liabilities can be found in Notes 7, 8 and 9 of the combined financial statements.

As of September 5, 2004, Senate Bill 1096 amended Section 33333.6 of the Health and Safety Code to allow City Council, under certain circumstances, to extend by one year the time limit on the effectiveness of a redevelopment plan and the time limit on the receipt of tax increment and the payment of indebtedness to make up for required Education Revenue Augmentation Fund (ERAF) payments made in fiscal years 2005 and 2006. On January 18, 2005, the City Council approved extensions for the West Beach, Downtown and Poly High Project Areas for the fiscal year 2005 ERAF payment. On December 6, 2006, the City Council approved extensions for the West Beach and Poly High Project Areas for the fiscal year 2006 ERAF payment. The time limits for the project areas as of September 30, 2007 are summarized in the following table:

<u>Project Area</u>	<u>Date Adopted</u>	<u>Time Limit for Incurring Indebtedness</u>	<u>Termination Date</u>	<u>Time Limit For Repayment of Indebtedness</u>
Central Long Beach	03/06/2001	03/06/2021	03/06/2032	03/06/2047
Downtown	06/17/1975	01/01/2004	06/17/2017	06/17/2027
Los Altos	12/10/1991	12/10/2011	12/10/2032	12/10/2042
Poly High	04/03/1973	None	04/03/2016	04/03/2026
West Beach	07/21/1964	None	01/01/2012	01/02/2022
West Long Beach Industrial	07/01/1975	None	07/01/2015	07/01/2025
North Long Beach	07/16/1996	07/16/2016	07/16/2027	07/16/2042

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Future Outlook - Economic Factors and Next Year's Budget

- Property values reported by the Los Angeles County Assessor continued to increase for fiscal year 2008. However, mortgage foreclosures within the City of Long Beach are following the County trend and increasing significantly. Beginning in fiscal year 2009, the Agency anticipates assessed value growth within its project areas will slow and potentially stagnate.
- In early 2008, Governor Schwarzenegger announced that the State of California was facing a multi-million dollar deficit. During a previous period of budget deficits (fiscal years 2004 through 2006), the California State Legislature passed laws requiring redevelopment agencies to make payments to the Educational Revenue Augmentation Fund (ERAF). Neither the Governor nor the State Legislature has yet suggested that redevelopment agencies make payments to ERAF again; however, it remains a possibility.

All of the above economic factors were considered in preparing the Agency's budget for fiscal year 2008.

Request 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 request for additional financial information should be addressed to:

City of Long Beach
Department of Financial Management
333 W. Ocean Boulevard, 6th Floor
Long Beach, California 90802

COMBINED FINANCIAL STATEMENTS

Redevelopment Agency of the City of Long Beach
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Combined Statement of Net Assets (Deficit)
September 30, 2007
(In Thousands)

	Governmental Activities		
	Governmental Activities	Low- and Moderate-Income Housing Fund	Total
ASSETS			
Current assets:			
Pooled cash and cash equivalents	\$ 54,538	\$ 31,104	\$ 85,642
Non-pooled cash and cash equivalents	104,592	16	104,608
Interest receivable	1,941	-	1,941
Accounts and loans receivables	390	1	391
Due from other governments	39	-	39
Other assets	8,836	-	8,836
Land held for resale	143,459	8,588	152,047
Noncurrent assets:			
Investments	10,000	-	10,000
Advances to the City of Long Beach	18,807	589	19,396
Advances to Housing Development Company	-	1,035	1,035
Advances to the Redevelopment Agency	-	17,262	17,262
Other non-current receivables	2,938	21,106	24,044
Capital assets			
Land and other assets not being depreciated	13,802	815	14,617
Buildings, improvements and equipment net of accumulated depreciation	853	835	1,688
Other assets	-	1	1
Total assets	<u>360,195</u>	<u>81,352</u>	<u>441,547</u>
LIABILITIES			
Current liabilities:			
Accounts and vouchers payable	6,349	495	6,844
Accrued wages and other benefits	110	50	160
Due to the City of Long Beach	3,524	25	3,549
Accrued interest payable	4,719	444	5,163
Deferred revenue, credits and other payable	795	31	826
Bonds payable within one year	8,251	-	8,251
Noncurrent liabilities:			
Advances from the City of Long Beach	133,572	-	133,572
Advances from Low- and Moderate-Income Housing Fund	17,262	-	17,262
Bonds payable	331,804	-	331,804
Other long-term obligations	3,959	1,015	4,974
Total liabilities	<u>510,345</u>	<u>2,060</u>	<u>512,405</u>
NET ASSETS (DEFICIT)			
Invested in capital assets,			
Net of related debt	2,241	635	2,876
Restricted for:			
Debt service	49,036	-	49,036
Operations and maintenance	-	40	40
Capital/Housing projects	76,926	16	76,942
Other non-current receivable	18,807	-	18,807
Unrestricted (deficit)	(297,160)	78,601	(218,559)
Total net assets (deficit)	<u>\$ (150,150)</u>	<u>\$ 79,292</u>	<u>\$ (70,858)</u>

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combined Statement of Activities
Year Ended September 30, 2007
(In Thousands)

		Governmental Activities					
		Program Revenues				Net (Expense) and Changes in Net Assets	Total
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities Total	Low- and Moderate-Income Housing Fund	
Primary Government:							
General government	\$ 321	\$ -	\$ -	\$ -	\$ (321)	\$ -	\$ (321)
Community and cultural	52,887	1,116	873	-	(50,898)	-	(50,898)
Interest on long-term debt	21,975	-	-	-	(21,975)	-	(21,975)
Total governmental activities	<u>75,183</u>	<u>1,116</u>	<u>873</u>	<u>-</u>	<u>(73,194)</u>	<u>-</u>	<u>(73,194)</u>
 Low-and moderate-income housing fund	 <u>\$ 3,818</u>	 <u>\$ 221</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>-</u>	 <u>(3,597)</u>	 <u>(3,597)</u>
 General revenues							
Taxes:							
Property tax increment					73,011	18,253	91,264
Other					4,033	-	4,033
Unrestricted investment earnings					6,083	1,464	7,547
Reconveyance of land					(7,092)	7,092	-
Transfers (to)/from the Redevelopment Agency					3,348	(3,348)	-
Transfers to the City					(18,243)	-	(18,243)
Transfers from the City					21,711	-	21,711
Total general revenues and transfers					<u>82,851</u>	<u>23,461</u>	<u>106,312</u>
Change in net assets					9,657	19,864	29,521
Net assets (deficit) - October 1					(159,807)	59,428	(100,379)
Net assets (deficit) - September 30					<u>\$ (150,150)</u>	<u>\$ 79,292</u>	<u>\$ (70,858)</u>

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combined Balance Sheet - Governmental Funds
September 30, 2007
(In Thousands)

	Capital Projects Funds	Debt Service Funds	Sub-Total	Low- and Moderate-Income Housing Fund	Total
ASSETS					
Pooled cash	\$ 36,126	\$ 18,412	\$ 54,538	\$ 31,104	\$ 85,642
Non-pooled cash and cash equivalents	-	104,592	104,592	16	104,608
Accounts and loans receivable	39	351	390	1	391
Interest receivable on investments	-	1,941	1,941	-	1,941
Receivables from other governments	39	-	39	-	39
Investments	-	10,000	10,000	-	10,000
Advances to Housing Development Co.	-	-	-	1,035	1,035
Advances to the City of Long Beach	-	18,807	18,807	589	19,396
Land held for resale	143,459	-	143,459	8,588	152,047
Other assets	8,836	-	8,836	1	8,837
Long-term receivables	2,938	-	2,938	21,106	24,044
TOTAL ASSETS	\$ 191,437	\$ 154,103	\$ 345,540	\$ 62,440	\$ 407,980
LIABILITIES					
Vouchers payable	\$ 2,457	\$ 8	\$ 2,465	\$ 160	\$ 2,625
Accounts payable	3,705	179	3,884	335	4,219
Accrued wages payable	110	-	110	50	160
Collections held in trust	482	-	482	15	497
Deferred revenue	3,091	6	3,097	21,122	24,219
Due to other funds	3,524	-	3,524	25	3,549
TOTAL LIABILITIES	13,369	193	13,562	21,707	35,269
FUND BALANCE					
Reserved:					
Land held for resale	143,459	-	143,459	8,588	152,047
Future projects	32,580	76,865	109,445	30,156	139,601
Debt service	-	58,238	58,238	-	58,238
Long-term receivables	1,848	18,807	20,655	1,624	22,279
Encumbrances	181	-	181	325	506
Other	-	-	-	40	40
TOTAL FUND BALANCE	178,068	153,910	331,978	40,733	372,711
TOTAL LIABILITIES, AND FUND BALANCE	\$ 191,437	\$ 154,103	\$ 345,540	\$ 62,440	\$ 407,980

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Reconciliation of Combined Balance Sheet of Governmental Fund Balance to the
Statement of Net Assets (Deficit)
September 30, 2007
(In Thousands)

	<u>Capital Projects/Debt Service Funds</u>	<u>Low- and Moderate-Income Housing Fund</u>
Amounts reported for governmental activities in the statement of net assets (deficit) are different because:		
Total governmental fund balance	\$ 331,978	\$ 40,733
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.	14,655	1,650
Advances due from/to the primary government is considered to be external activity that is reported only in the government-wide financial statements.	(150,834)	17,262
Because the focus of governmental funds is short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.	2,784	21,106
Governmental long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(348,733)</u>	<u>(1,459)</u>
Net assets (deficit) of governmental activities	<u>\$ (150,150)</u>	<u>\$ 79,292</u>

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
Year Ended September 30, 2007
(In Thousands)

	Capital Projects Funds	Debt Service Funds	Sub-Total	Low- and Moderate-Income Housing Fund	Total
REVENUES					
Property tax increment	\$ -	\$ 73,011	\$ 73,011	\$ 18,253	\$ 91,264
Interest income	2,126	3,957	6,083	1,427	7,510
Rental income	1,579	-	1,579	91	1,670
Transient occupancy tax	-	4,033	4,033	-	4,033
Other income	82	644	726	701	1,427
TOTAL REVENUES	3,787	81,645	85,432	20,472	105,904
EXPENDITURES					
Administrative costs	6,811	1,333	8,144	2,139	10,283
Professional services	841	-	841	222	1,063
Planning, survey and design	1,304	-	1,304	6	1,310
Acquisition expense	1,493	-	1,493	16	1,509
Operation of acquired property	3,386	-	3,386	227	3,613
Relocation costs	1,196	-	1,196	-	1,196
Relocation payments	1,387	-	1,387	-	1,387
Site Clearance costs	866	-	866	-	866
Project improvement/construction costs	11,899	-	11,899	560	12,459
Disposal costs	15	-	15	-	15
Interdepartmental charges	-	-	-	567	567
Loss on sale of land held for resale	9,184	-	9,184	-	9,184
Rehabilitation grants and loans	1,265	-	1,265	4,895	6,160
Furniture, fixture and equipment	37	-	37	-	37
Pass-through charges	291	12,651	12,942	-	12,942
Debt service payments:					
Bonds and notes payable - principal	-	7,812	7,812	-	7,812
City/County advances and loans - principal	1,415	-	1,415	-	1,415
Interest	553	18,250	18,803	-	18,803
TOTAL EXPENDITURES	41,943	40,046	81,989	8,632	90,621
Excess (deficiency) of Revenues over Expenditures	(38,156)	41,599	3,443	11,840	15,283
OTHER FINANCING SOURCES AND (USES)					
Other deferred payments	291	-	291	-	291
Reconveyance of land	(7,092)	-	(7,092)	7,092	-
Transfers to Capital Projects from Debt Service	53,138	(53,138)	-	-	-
Transfers to/from Redevelopment Agency	5	3,343	3,348	(3,348)	-
Transfers to/from other funds	-	-	-	1,624	1,624
Transfers to the City	(4,033)	(14,210)	(18,243)	-	(18,243)
Transfers from the City	6,974	14,737	21,711	-	21,711
TOTAL OTHER FINANCING SOURCES (USES)	49,283	(49,268)	15	5,368	5,383
Excess (deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Sources (Uses)	11,127	(7,669)	3,458	17,208	20,666
Fund Balance - October 1	166,941	161,579	328,520	23,525	352,045
FUND BALANCE SEPTEMBER 30	\$ 178,068	\$ 153,910	\$331,978	\$ 40,733	\$ 372,711

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Reconciliation of Combined Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2007
(In Thousands)

	<u>Capital Projects/Debt Service Funds</u>	<u>Low- and Moderate-Income Housing Fund</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Excess of revenue and other sources over expenditures and other uses - total governmental funds.	\$ 3,458	\$ 17,208
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the depreciation amount in the current period.	853	(58)
The Agency records advances from/to the primary government only in government-wide financial statements. Therefore, interest and principal thereon are eliminated in the governmental funds.	(2,061)	(1,599)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	-	672
Governmental funds report expenditures pertaining to the establishment of certain long-term loans made. Payments on these long-term receivables are recorded as revenue in the governmental funds. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding net expense is not reported on the statement of activities.	-	3,671
The issuance of long term debt (for example, bonds and leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long- term debt and related items.	7,445	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(38)</u>	<u>(30)</u>
Change in net assets in governmental activities.	<u>\$ 9,657</u>	<u>\$ 19,864</u>

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Combined Financial Statements
September 30, 2007

Note 1 - Description of Entity, Funds and Summary of Significant Accounting Policies

Reporting Entity

The Redevelopment Agency of the City of Long Beach (the Agency) was established by action of the City Council in 1961 under provisions of State Law. The Agency is an independent public agency governed by a board comprised of seven citizens who are appointed by the Mayor and confirmed by the City Council. The City Council approves the Agency's annual budget and subsequent changes for the year. The City Council also approves all decisions that impact the Agency's fiscal operations, such as the determination of the redevelopment project areas and changes thereto, issuance of bonds and sale of properties. The City has financial oversight responsibility over the Agency and provides all staff, treasury management and investment analysis, facilities and administrative services to conduct the Agency's daily operations.

The Agency is a component financial reporting unit of the City of Long Beach, California (City). In accordance with the Governmental Accounting Standards Board Statement No. 14, the Agency's financial activities are included in the City's Comprehensive Annual Financial Report as a blended component unit.

The State of California Health and Safety Code Section 33080.1 requires every redevelopment agency to submit an annual audit of the financial statements of the agency which presents the results of the operations and financial position of the agency, including all financial activities with moneys required to be held in a separate Low- and Moderate-Income Housing Fund pursuant to Section 33334.3. As such, the Agency has included in the accompanying combined financial statements the Low- and Moderate-Income Housing Fund which represents funds recorded within the City of Long Beach and the Long Beach Housing Development Company for the purpose of recording the Agency's 20% set aside tax increment revenues that the State of California Health and Safety Code Section 33334.2 requires to be used to increase, improve and preserve the supply of low- and moderate-income housing within the Agency's territorial jurisdiction.

Governmental Funds

The accounts of the Agency are organized and operated on the basis of separate funds, each of which is defined as a separate fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Capital Projects Funds – were set up to account for financial resources to be used for land acquisition, relocation, demolition, public improvements, and sale of properties within the redevelopment project areas in accordance with the California Redevelopment Law. Redevelopment projects are financed with property tax increment funds, developers' contributions, grant funds, loans and operating transfers from the City, and bond proceeds.

Debt Service Funds – were set up to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and other related costs, primarily from property tax increment revenues.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Combined Financial Statements
September 30, 2007

Low- and Moderate-Income Housing Fund

Low- and Moderate-Income Housing Fund – was set up to account primarily for the 20% tax increment housing set-aside revenue, used to provide housing for low- and moderate-income households, as required under California Redevelopment Law Section 33334.3.

Basis of Accounting and Measurement Focus and Financial Statement Presentation

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) are reported using the accrual basis of accounting and economic resources measurement focus. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

In the statement of net assets (deficit), the amounts paid to acquire capital assets are capitalized as assets, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities, rather than as other financing sources. Amounts paid to reduce long-term indebtedness are reported as reductions of the related liability, rather than as expenditures.

In the statement of activities, expenses are directly identified with a specific function or segment and are offset by program revenues. Taxes and other resources not appropriately included among program income are reported as general revenues.

The governmental fund financial statements are reported using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Agency considers revenues to be available if they are collected within one year at the end of the current fiscal period, with the exception of property taxes which are considered available if collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting, other than debt service expenditures. The matured principal and accrued interest on long-term debt are recorded when payment is due.

Generally, only current assets and current liabilities are included on the governmental fund balance sheets. However, non-current portions of long-term receivables related to governmental funds are also reported on the balance sheets and are offset by deferred revenue or fund balance reserve accounts. Statements of revenues, expenditures, and changes in fund balances (deficit) for governmental funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Combined Financial Statements
September 30, 2007

Pooled Cash, Cash Equivalents and Investments

In order to enhance investment return, the Agency pools its available cash with that of the City for investment purposes except for the funds held by the outside fiscal agents under the provisions of bond indentures. The cash management pool is used essentially as a demand deposit account by various funds; accordingly, the City has defined Cash and Cash Equivalents as demand deposits plus all investments maintained in the cash management pool, regardless of maturity period. Investment decisions are made by the City Treasurer in accordance with the City's investment policy. Interest is allocated to the Agency based on the relationship of its daily cash balances to the total pooled cash and investments. Pooled cash and investments are stated at fair value at September 30, 2007.

Long-Term Receivables

In the government-wide financial statements, the Agency's loans or long-term receivables are reported net of an allowance for uncollectible accounts. In the fund financial statements, these loans are shown in the balance sheet with an offset to a deferred revenue account or a reservation of fund balance. In the fund financial statements, loans are not available spendable resources and have been recorded as expenditures when the loan was disbursed. Repayments of principal and interest were recorded as revenues in the period received.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other liabilities are reported as liabilities in the statement of net assets (deficit). Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the unamortized portion of applicable premium, discount or deferred amount on refunding. Amortization of bond premiums or discounts and deferred amounts on refunding are included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the period issued. The face amount of the debt is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Bond issuance costs are reported as debt service expenditures, whether or not withheld from the actual bond proceeds.

Land Held for Resale

To aid in the elimination of blighted areas within the project areas, the Agency acquires selected parcels of land and makes such sites suitable for sale to recognized developers. The purchase price of the land acquired is capitalized as "Land Held for Resale" and the fund balance is reserved for the investment in the land.

Purchased land is recorded at the lower of cost or market value (when a definite market value can be determined) excluding demolition and relocation costs, which are considered by the Agency to be expenditures in the year incurred.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Combined Financial Statements
September 30, 2007

Capital Assets

The Agency has adopted the City's policy regarding recordation of capital assets, which is defined as assets with initial individual costs of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs.

Capital assets are depreciated on a straight-line basis, over the estimated useful lives of the assets as follows:

Land Improvements	15-35 years
Buildings	20-50 years
Machinery and Equipment	5-20 years
Office Furniture, Fixtures and Equipment	3-20 years

Net Assets and Fund Equity

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and, unrestricted deficit. Restricted net assets represent net assets restricted by parties outside of the Agency (such as investors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets, to the extent that restricted net assets remain positive. The Agency's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not readily available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent Redevelopment Agency Board actions or policies that are subject to change.

Property Tax Increment Revenues

Property tax increment represents the property taxes paid on the increase in assessed property values that result from redevelopment. Tax increment revenue up to the amount necessary to make Agency debt payments reverts to the Agency for the life of the redevelopment project area or until the time limit for repayment of indebtedness established by State law.

Property Tax Calendar

Under the State Constitution, the property tax rate is limited to 1% of assessed value, but may be adjusted for specific voter-approved indebtedness. Property taxes are levied by the Los Angeles County (County) Tax Assessor and shared among all other local taxing authorities within the City. Accordingly, the County collects property taxes and distributes such taxes on the basis of the taxing authorities' tax rate percentages, allowing for such adjustments as may be authorized for voter-approved debt. Secured property taxes are levied during September of every year and become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Combined Financial Statements
September 30, 2007

Budgetary Principles

The Agency is required to adopt an annual budget on or before September 30 for the ensuing fiscal year for all funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the funds. During the fiscal year, the Board may amend its adopted budget by motion and subsequent approval by the City Council. The Agency's executive director may transfer appropriations from one program, activity, or object to another within the same fund type. All appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Accounting for Encumbrances

The Agency utilizes an encumbrance system of accounting wherein encumbrances outstanding at year end are not reported as expenditures, but are reported as a reservation of fund balance available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year.

Personnel

The Agency is supported by employees of the City and all employee-related costs are accounted for in the City's financial systems.

Estimates

The preparation of the Agency's combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to 2006 financial statements to conform to the 2007 presentation. Such reclassifications had no effect on previously reported change in net assets.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Combined Financial Statements
September 30, 2007

Note 2 - Cash and Investments

The Agency pools its cash and investments with other City funds maintained by the City Treasurer. The Agency's individual cash deposits and investments within this pool cannot be specifically identified. Interest income earned on pooled cash and investments is allocated monthly to the various pool participants based on their average daily cash balances.

As a component financial reporting unit of the City, the Agency is authorized to participate in investments in obligations issued or guaranteed by the Federal Government, its agencies and instrumentalities, as well as in commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, reverse repurchase agreements, bank certificates of deposit, the State Treasurer's Local Agency Investment Fund, and shares of beneficial interest (mutual funds) issued by diversified management companies in accordance with the City's general investment policy.

Cash and Investments

The Agency's cash and investments are maintained by the City Treasurer and are pooled with other City funds and investments to enhance the investment returns for these funds. Interest income earned on pooled cash and investments is allocated monthly to the various participating entities based on their average daily cash balances. The City's bank deposits are either covered by appropriate Federal insurance, or are collateralized in accordance with the California Government Code. Pooled cash and investments for each fund type are included in the City's Comprehensive Annual Financial Report, Statement of Net Assets under the caption entitled "Pooled Cash and Cash Equivalents".

Cash with Fiscal Agents

Independent fiscal agents also hold the Agency's funds. These funds are pledged to the payment of outstanding bonds and project costs eligible under the bond indenture for each project area related to the Tax Allocation Bonds 1992, 2002 Series A and B, and 2005 Series A, B and C issuance. These funds are reserved in the Debt Service Fund amounting to \$104,592,000. Monies held by fiscal agents, unless otherwise required by statute, may be invested in accordance with the underlying bond indentures specifying the types of investments the Agency's fiscal agents may make. These underlying indentures are generally more restrictive than the City's general investment policy. Additional types of investments, not permitted by the City's general investment policy, are not authorized.

Cash and Investments as of September 30, 2007 are classified in the Agency's combined financial statements as follows (in thousands):

Statement of net assets:	
Cash and investments in city pool	\$ 85,642
Cash and investments held by bond trustee	<u>114,608</u>
Total cash and investments	<u>\$ 200,250</u>

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Combined Financial Statements
September 30, 2007

Investments Authorized by the California Government code and the City's Investment Policy

The table below identifies the investment types that are authorized by the City's investment policy. The table also identifies certain provisions of the city's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provision of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bonds issued by the City	5 years *	30%	None
U.S. Treasury notes, bonds, or bills	5 years *	None	None
Registered state warrants or treasury notes or bonds of the State of California	5 years *	30%	None
Local Agency Bonds	5 years *	30%	None
Federal agency securities	5 years *	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years *	30%	10%
Time Certificates of Deposit	5 years *	100%	10%
Repurchase Agreements	90 days	100%	None
Reverse Repurchase Agreements	92 days	20%	None
Securities Lending Program	92 days	20%	None
Medium-Term Notes	5 years *	30%	10%
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	\$40 million per account
Asset-backed Securities	5 years	20%	None
Mortgage-backed Securities	5 years	20%	None

* Maximum maturity of five (5) years unless a longer maturity is approved by the City Council, either specifically or as part of an investment program, at least three (3) months prior to purchase.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will 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 changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is 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 closer to maturity evenly over time as necessary to provide cash flow and liquidity needed for operations.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Combined Financial Statements
September 30, 2007

The following schedule indicates the interest rate risk of the City's investments as of September 30, 2007 (in thousands):

<u>City Pooled Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
Inter-Department Loan (Health Savrs)	\$ 3,098	11.60
U.S. Treasury Notes	145,149	0.90
Federal agency securities	1,190,784	2.28
Medium-Term Notes	49,881	1.83
Short-term Commercial Paper	135,874	0.02
Local Agency Investment Fund (LAIF)	139,156	0.01
Subtotal City Pool	1,663,942	
Cash on Hand	32,878	
Outstanding Checks	(10,379)	
Total City Pool	<u>\$ 1,686,441</u>	

The Agency pooled cash and investments amount of \$85,642,000 is 5.08% of the City's pooled cash and investments of \$1,686,441,000.

The Agency non-pooled cash of \$114,608,000 consists of bond proceeds with the trustee and a certificate of deposit for the North Long Beach Project Area.

<u>Agency Non-Pooled Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
Guaranteed Investment Contracts	\$ 90,914	-
Money Market Funds	13,694	-
Time Certificates of Deposit	10,000	1.00
Total held by Bond Trustee	<u>\$ 114,608</u>	

Investments with Fair Values Highly Sensitive to Investment Risk

The City had no investments with values that were highly sensitive to investment risk as of September 30, 2007. Highly sensitive investments are investments whose sensitivity to market interest rate fluctuations are not fully addressed by use of one of the five methods for reporting interest rate risk.

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Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, and the actual rating as of year end for each investment type (in thousands):

Investment Type		Rating as of Year End						
		Minimum Legal Rating	Not Required To Be Rated	A-1+	A-1	AAA	AA-	Unrated
Inter-Department Loan (Health Savrs)	\$ 3,098	N/A	\$ 3,098	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	145,149	N/A	145,149	-	-	-	-	-
Federal agency securities	1,190,784	N/A	-	-	-	1,190,784	-	-
Medium-Term Notes	49,881	A	-	-	-	44,861	5,020	-
Short-term Commercial Paper	135,874	N/A	-	54,350	81,524	-	-	-
Local Agency Investment Fund (LAIF)	139,156	N/A	139,156	-	-	-	-	-
Subtotal City Pool	1,663,942		287,403	54,350	81,524	1,235,645	5,020	-
Cash on Hand	32,878		-	-	-	-	-	32,878
Outstanding Checks	(10,379)		-	-	-	-	-	(10,379)
Total City Pool	<u>\$ 1,686,441</u>		<u>\$ 287,403</u>	<u>\$ 54,350</u>	<u>\$ 81,524</u>	<u>\$ 1,235,645</u>	<u>\$ 5,020</u>	<u>\$ 22,499</u>

Agency Non-Pooled Investment Type		Rating as of Year End						
		Minimum Legal Rating	Not Required To Be Rated	A-1+	A-1	AAA	AA-	Unrated
Guaranteed Investment Contracts	\$ 90,914	N/A	\$ 90,914	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Funds	13,694	N/A	13,694	-	-	-	-	-
Time Certificates of Deposit	10,000	N/A	10,000	-	-	-	-	-
Total held by Bond Trustees	<u>\$ 114,608</u>		<u>\$ 114,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of the City's total pooled investments are as follows (in thousands):

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal Agency Securities	\$ 89,334
Federal Home Loan Bank	Federal Agency Securities	354,763
Federal Home Loan Mortgage Association	Federal Agency Securities	307,865
Federal National Mortgage Association	Federal Agency Securities	438,822
U.S. Treasuries	U.S. Treasury Notes & bonds	145,149
Commercial Paper	Unsecured Corporate debt	135,874
Local Agency Investment Fund (LAIF)	Local Agency Investment Fund (LAIF)	139,156

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of 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

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investment or collateral securities that are in the possession of another party. The California Government Code and the City'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.

All securities owned by the City are deposited in trust for safekeeping with a custodial bank different from the City's primary bank except for one City issued bond and investment in the State's Local Area Investment Fund.

As of September 30, 2007, the City reports cash deposits of \$32,878,000 less \$10,379,000 for checks outstanding.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code section 16429 under the oversight of the Treasurer of the State of California. The fair 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). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are mortgage-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured basis.

GASB 31

GASB 31 requires that certain investments and external investment pools be reported at fair value. At September 30, 2007 and 2006, the effect of valuating the City's investments as fair value did not have a material impact on its financial position.

Securities-Lending

The City did not engage in any securities lending programs for the fiscal year ending September 30, 2007. However, from time to time, the City engages in limited securities-lending activities. These activities are governed by formal agreements with the City's contract bank. These agreements limit the nature and amount of the transactions, and provide for full collateralization of each transaction.

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Non-Pooled Restricted Cash and Investments

Non-pooled restricted cash and investments stated at fair value, in accordance with GASB Statement No. 31, including accrued interest thereon, and net of premiums and discounts, consisted of the following at September 30th, (in thousands):

	Cash with Fiscal Agent	Non-pooled Cash	Investments	Total
<u>Tax Allocation Bonds:</u>				
1992 Multiple Series:				
West Long Beach Beach Industrial Project	\$ 2,599	-	-	\$ 2,599
Downtown Project - Series A	5,717	-	-	5,717
2002 Multiple Series:				
2002A Poly High Project	113	-	-	113
2002A West Beach Project	742	-	-	742
2002B West Long Beach Industrial Project	562	16	-	578
2002A Downtown Project	2,489	-	-	2,489
2002B Downtown Project	565	-	-	565
2002A North Long Beach Project	3,283	-	-	3,283
2005 Multiple Series:				
2005A-2 Poly High Project	863	-	-	863
2005A-2 West Beach Project	876	-	-	876
2005A-1 Los Altos Project	408	-	-	408
2005A-1 Central Long Beach Project	11,583	-	-	11,583
2005B Central Long Beach Project	33	-	-	33
2005A-1 North Long Beach Project	28,782	-	-	28,782
2002B Downtown Project	1,962	-	-	1,962
2005B Housing Fund	43,976	-	-	43,976
2005C Downtown Project	39	-	-	39
North Long Beach Project	-	-	10,000	10,000
Total	<u>\$ 104,592</u>	<u>\$ 16</u>	<u>\$ 10,000</u>	<u>\$ 114,608</u>

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Note 3 - Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Deficit)

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets (deficit) – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds." The details of the \$348,733,000 and \$1,459,000 differences are as follows (in thousands):

	Capital Projects/Debt Service Funds	Low- and Moderate- Income Housing Fund
Bonds Payable	\$ 340,813	\$ -
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(7,191)	-
Unamortized loss on defeasance	(2,336)	
Plus: Issuance premium, net (to be amortized as a reduction of interest expense)	8,769	-
Notes payable	3,959	1,015
Accrued interest payable	4,719	444
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets (deficit) - governmental activities	<u>\$ 348,733</u>	<u>\$ 1,459</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$7,445,000 difference are as follows (in thousands):

	Capital Projects/Debt Service Funds
<u>Debt issued or incurred</u>	
Issuance of notes, certificates of participation commercial paper, and other long-term obligations	367
<u>Principal payments</u>	
Tax Allocation Bonds obligation debt	(7,812)
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (7,445)</u>

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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of such \$38,000 and \$30,000 differences are as follows (in thousands):

	Capital Projects/Debt Service Funds	Low- and Moderate- Income Housing Fund
Accrued interest	\$ 52	\$ 30
Amortization of premium	(432)	-
Amortization of issuance cost	315	-
Amortization of loss on defeasance	103	
Net adjustment	<u>\$ 38</u>	<u>\$ 30</u>

Note 4 - Receivables

The following receivables are expected to be collected within one year. There are no allowances for uncollectable accounts. Current receivables at September 30, 2007, are as follows (in thousands):

	Capital Projects/Debt Service Funds	Low- and Moderate- Income Housing Fund
Interest	\$ 1,941	\$ -
Accounts and loans receivable	390	1
Total	<u>\$ 2,331</u>	<u>\$ 1</u>

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Note 5 - Capital Assets

Capital asset activity for the year ended September 30, 2007 is as follows (in thousands):

	Balance at October 1, 2006	Increase	Decrease	Balance at September 30, 2007
<u>Capital Project/Debt Service Fund</u>				
Capital assets, not being depreciated:				
Land	\$ 13,802	\$ -	\$ -	\$ 13,802
Total capital assets not being depreciated	13,802	-	-	13,802
Capital assets, being depreciated:				
Building	-	483	-	483
Machinery and equipment	8	393	-	401
	8	876	-	884
Less accumulated depreciation for:				
Machinery and equipment	(8)	(23)	-	(31)
	(8)	(23)	-	(31)
Total capital assets being depreciated, net	-	853	-	853
Redevelopment Agency capital assets, net	\$ 13,802	\$ 853	\$ -	\$ 14,655
Depreciation was charged to functions/programs of governmental activities as follows (in thousands):				
Community and cultural/housing				
Community development	\$ 23			

	Balance at October 1, 2006	Increase	Decrease	Balance at September 30, 2007
<u>Low- and Moderate-Income Housing Fund</u>				
Capital assets, not being depreciated:				
Land	\$ 815	\$ -	\$ -	\$ 815
Total capital assets not being depreciated	815	-	-	815
Capital assets, being depreciated:				
Building	236	-	-	236
Improvements other than buildings	1,053	-	-	1,053
Total capital assets being depreciated	1,289	-	-	1,289
Less accumulated depreciation for:				
Building	(81)	(12)	-	(93)
Improvements other than buildings	(315)	(46)	-	(361)
Total accumulated depreciation	(396)	(58)	-	(454)
Total capital assets being depreciated, net	893	(58)	-	835
Low- and Moderate-Income Housing Fund, Governmental activities capital assets, net	\$ 1,708	\$ (58)	\$ -	\$ 1,650
Depreciation was charged to functions/programs of governmental activities as follows (in thousands):				
Community and cultural/housing				
Community and development	\$ 58			

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Note 6 - Due to/from and Advances from/to the City of Long Beach

The composition of receivables and payables to the City as of September 30, 2007 is as follows (in thousands):

Redevelopment Agency

Due to the City of Long Beach

General Fund	\$ 3,470
Internal Service Fund	54
Total due to the City of Long Beach	<u>\$ 3,524</u>

Advances from the City of Long Beach

General Fund	\$ 101,001
Housing Development Fund 20% set-aside	17,262
Housing Development Fund other project costs	3,666
General Capital Projects	1,470
Harbor Fund	27,435
Total advances from the City of Long Beach	<u>\$ 150,834</u>

Advances to the City of Long Beach

Aquarium of the Pacific	
Funds transfer	\$ 18,461
Accrued interest	346
Total advances to the City of Long Beach	<u>\$ 18,807</u>

Low- and Moderate-Income Housing Fund

Due to the City of Long Beach

Internal Service Fund	\$ 25
Total due to the City of Long Beach	<u>\$ 25</u>

Advances to the Housing Development Fund

City of Long Beach	\$ 589
Housing Development Company	1,035
Total advances to the Housing Development Fund	<u>\$ 1,624</u>

Advances to the Redevelopment Agency

20% set-aside	\$ 16,361
Project costs	901
Total advances to the Redevelopment Agency	<u>\$ 17,262</u>

The advances from/to the City of Long Beach of \$133,572,000 and \$17,262,000, respectively, are reported only in the government-wide financial statements.

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Due to/from the City of Long Beach

At September 30, 2007, the Agency owed the City's General Fund \$3,470,000 for an interim loan to fund estimated Redevelopment Agency operating costs. This loan will be paid in the next fiscal year as tax increment revenues are received.

Employee Benefit overhead costs of \$54,000, such as funding for health benefits and paid time of, relating to the wages and salaries accrued at September 30, 2007, are payable to the City's Employee Benefits Internal Service Fund at September 30, 2007.

Advances from/to the City of Long Beach

The Agency records its debt owed to the City of Long Beach only in its government-wide financial statements. From 1974 to 2007, the City transferred funds to the Agency, including Federal grant monies for use on redevelopment projects. The Agency occasionally makes discretionary payments to the City which in fiscal year 2007 amounted to \$1,444,000. At September 30, 2007, the outstanding balances of these transfers amounted to \$101,001,000, \$4,567,000 and \$1,470,000 in the City's General Fund, Housing Development Special Revenue Fund, and General Capital Projects Fund, respectively, for land acquisition, project and administration costs. It is the intent of the Agency to repay these transfers as future property tax increment revenues permit. Due to the long-term nature of the repayment, the City has reserved these interfund receivables in the General Fund and established deferred revenue in the Housing Development Special Revenue Fund and General Capital Projects Fund.

Effective in fiscal year 1986, the Agency was allowed to defer a portion or 100% of the housing set-aside based on the financial obligations existing prior to January 1986. The deferred payments of \$16,361,000 at September 30, 2007, are considered "Advances from the Housing Development Fund" and constitute a debt of the project area to the Housing Development Fund. There was no deferral of the 20% housing set-aside for the Downtown Project Area for the fiscal year ending September 30, 2007. Advances from the Housing Development Fund at September 30, 2007, is a component of the Statement of Net Assets, "Advances from the City of Long Beach" showing a total of \$17,262,000.

In December 1993, the City agreed to convey to the Agency real property for the Central Long Beach Project equal to the fair market value less any costs of demolition and remediation of the property or \$1,877,000. Pursuant to the loan agreement, the Agency is required to make a loan repayment equal to at least 1% of the net tax increment received by the Agency for the Central Long Beach Project Area. The funds paid to the City are required to be utilized for gang prevention and other youth-related activities. In fiscal year 2007, the Agency made a loan repayment of \$144,000 to the City. The balance of this advance on September 30, 2007 was \$1,470,000.

In 1990, the Agency received an advance from the Long Beach Harbor Department for the expansion of the Long Beach Convention and Entertainment Center. The resulting note was previously scheduled to be repaid commencing on October 1, 1997. In August 1995 the agreement was amended to defer payment until a certificate of occupancy was issued for the Aquarium of the Pacific Project, which was completed in fiscal year 1998. In 2002 a subsequent amendment deferred further the scheduled quarterly payments of \$441,000 over 16 years. The advance is payable solely from the Downtown Project Area's transient

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occupancy taxes levied pursuant to the provisions of the California Revenue and Taxation Code. At September 30, 2007, the total aggregate balance outstanding was \$27,435,000.

The repayment to the Port is subordinated to a pledge to fund payments of the Aquarium of the Pacific Project bond issue in 2001. According to the Owner Participation Agreement by and among the Redevelopment Agency of the City of Long Beach, Long Beach Bond Finance Authority and the Aquarium of the Pacific, all Redevelopment Agency Fund transient occupancy taxes are pledged to fund the debt service payments of the Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 if needed. The Redevelopment Agency will be reimbursed for any such advances together with accrued interest, at an interest rate equal to the rate earned on the City Treasurer's Investment Pool as monies are available. At September 30, 2007, the Redevelopment Agency advanced \$18,807,000 to the City for the bond payment, including accrued interest of \$346,000 through fiscal year 2007.

Low- and Moderate-Income Housing Fund

The advances to the Agency of \$17,262,000 consist of the prior years deferred payments for the Downtown Project Area housing set-aside of \$16,361,000 and advances made to the Central Long Beach Project Area of \$901,000 for a residential construction project.

In 2007, the Low- and Moderate-Income Housing Fund advanced \$1,624,000 to the City and the Long Beach Housing Development Company for the repayment of long-term notes payable to the California Housing Finance Agency. As of September 30, 2007, \$589,000 has been advanced to the City for the Parwood Project and \$1,035,000 advanced to the Housing Development Company for the Grisham Project.

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Note 7 - Long-Term Obligations

Long-Term Debt activity for the year ended September 30, 2007, was as follows (in thousands):

	Balance at October 1, 2006	Additions	Reductions	Balance at September 30, 2007	Due within one year
Capital Project/Debt Service Fund					
Bonds payable					
Tax allocation bonds	\$ 348,625	\$ -	\$ (7,812)	\$ 340,813	\$ 8,251
Add (less) deferred amounts					
Premium	9,834	-	(454)	9,380	-
Discount	(633)	-	22	(611)	-
Issuance costs	(7,506)	-	315	(7,191)	-
Loss on defeasance	(2,439)	-	103	(2,336)	-
Total bonds payable	\$ 347,881	\$ -	\$ (7,826)	\$ 340,055	\$ 8,251
Notes payable	3,592	367	-	3,959	-
Advances from the City of Long Beach	131,536	3,480	(1,444)	133,572	-
Advances from Low- and Moderate-Income Housing Fund	17,237	25	-	17,262	-
Long-term liabilities	\$ 500,246	\$ 3,872	\$ (9,270)	\$ 494,848	\$ 8,251

Low- and Moderate-Income Housing Fund

There was no activity in the long-term liabilities of the Low- and Moderate-Income Housing Fund (in thousands):

	Balance at October 1, 2006	Additions	Reductions	Balance at September 30, 2007	Due within one year
Notes payable	\$ 1,015	-	-	\$ 1,015	\$ -

Note 8 - Bonds Payable

At September 30, 2007, bonded indebtedness consisted of the following (in thousands):

	Date Issued	Final Maturity	Range of Semi- Annual Interest Rates	Authorized and Issued	Outstanding Balance September 30, 2007
<u>Tax Allocation Bonds:</u>					
1992 Multiple Series:					
Downtown Project - Series A	12/01/92	11/01/22	2.9 - 6.00%	\$ 81,020	\$ 34,310
West Long Beach Beach Industrial Project	12/01/92	11/01/22	2.9 - 6.00%	36,470	15,450
2002 Multiple Series:					
2002A Poly High Project	06/25/02	08/01/12	4.809%	1,710	954
2002A West Beach Project	06/25/02	08/01/18	5.152%	8,895	6,862
2002B West Long Beach Industrial Project	12/05/02	11/01/24	2.00 - 5.50%	21,860	19,545
2002A Downtown Project	06/25/02	08/01/24	5.04 - 5.25%	26,820	16,141
2002B Downtown Project	12/05/02	11/01/22	2.25 - 5.50%	25,920	22,615
2002A North Long Beach Project	06/25/02	08/01/31	6.105%	40,290	10,484
2005A-1 Los Altos Project	03/02/05	08/01/20	2.20 - 4.00%	4,685	4,165
2005A-1 Central Long Beach Project	03/02/05	08/01/40	3.52 - 5.34%	22,690	22,150
2005A-1 North Long Beach Project	03/02/05	08/01/35	3.52 - 5.16%	39,000	37,725
2005A-2 Poly High Project	03/02/05	08/01/24	3.79 - 4.90%	2,558	2,558
2005A-2 West Beach Project	03/02/05	08/01/20	4.59 - 4.66%	839	839
2005B Central Long Beach Project	03/02/05	08/01/40	3.52 - 5.34%	34,240	33,425
2005B North Long Beach Project	03/02/05	08/01/35	3.52 - 5.16%	25,080	24,260
2005B Housing Fund	03/02/05	08/01/40	3.52 - 5.44%	55,665	54,350
2005C Downtown Project	02/01/06	08/01/24	3.25 - 5.50%	7,900	7,835
2005C North Long Beach Project	02/01/06	08/01/31	3.70 - 5.50%	27,145	27,145
Total Bonds Payable				\$ 462,787	\$ 340,813

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Annual Payments

Combined annual debt-service payments to maturity for all bonds are as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2008	\$ 8,251	\$ 17,857	\$ 26,108
2009	8,672	17,428	26,100
2010	9,130	16,971	26,101
2011	9,593	16,491	26,084
2012	10,110	15,976	26,086
2013 - 2017	59,863	73,975	133,838
2018 - 2022	73,034	59,336	132,370
2023 - 2027	59,920	35,709	95,629
2028 - 2032	45,875	21,793	67,668
2033 - 2037	37,295	10,316	47,611
2038 - 2040	19,070	2,025	21,095
Totals	\$ 340,813	\$ 287,877	\$ 628,690

Note 9 - Notes and Interest Payable

At September 30, 2007, the Agency had the following notes payable to land sellers, developers, and other governmental entities (in thousands):

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Range of Interest Rates</u>	<u>Originally Issued</u>	<u>Outstanding at September 30, 2007</u>
Capital Project/Debt Service Fund					
Los Angeles County	1/21/1992	12/10/2036	3.75%	\$ 2,509	\$ 2,509
419 West Broadway, LLC	6/3/2004	6/18/2009	6.00-8.00%	1,450	1,450
Total Redevelopment Capital Project Fund				<u>\$ 3,959</u>	<u>\$ 3,959</u>
Low- and Moderate-Income Housing Fund					
State of California	1/23/1992	1/23/2022	3.00%	<u>\$ 1,015</u>	<u>\$ 1,015</u>

Combined annual debt service payments to maturity for all notes are as follows (in thousands):

<u>Capital Projects / Debt Service Funds</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2008	\$ -	\$ 87	\$ 87
2009	1,450	65	1,515
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013-2022	-	-	-
2023-2036	2,509	2,323	4,832
Totals	\$ 3,959	\$ 2,475	\$ 6,434

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<u>Low- and Moderate-Income Housing Fund</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2008	\$ -	\$ -	\$ -
2009	-	-	-
2010	-	-	-
2011	-	30	30
2012	-	30	30
2013-2017	-	152	152
2018-2021	-	122	122
2022	1,015	566	1,581
Totals	<u>\$ 1,015</u>	<u>\$ 900</u>	<u>\$ 1,915</u>

Tax Increment Pass-Through Obligation

The Agency has an agreement to pay Los Angeles County 49.44% of tax increment generated by the Los Altos Project Area, payable commencing in 2020 at a simple interest rate of 3.75%. The tax increment due to the County at September 30, 2007, totaled \$2,509,000.

Downtown Project Obligation

In June 2004, the Redevelopment Agency executed a promissory note with a principal sum of \$1,450,000 for real property purchased for the Downtown Project Area. The interest rate of the note is variable and set at 2% over prime with a minimum rate of 6% and a maximum rate of 8%. Interest-only payments are due quarterly until June 2009 when the principal amount is due and payable or when the property is sold by the Agency, whichever occurs first. The promissory note is secured by a deed of trust in favor of the lender.

Note 10 - Other Assets

Other current assets depicted in the Capital Projects/Debt Service Fund include the following at September 30, 2007 (in thousands):

Prepaid rent for the IDM structure	\$ 1,729
Deposits with Superior Court	4,497
Deposits with State Treasurer's Office	2,608
Other	<u>2</u>
Total Other Assets	<u>\$ 8,836</u>

Other non-current assets of \$1,000 depicted in the Low- and Moderate-Income Housing Fund represent loan repayments that are to be remitted by the collection agency.

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Note 11 - Low- and Moderate-Income Housing Set-aside

Community Redevelopment Law requires redevelopment agencies to set-aside 20% of their property tax increment to increase or improve the supply of low- and moderate-income housing in the community. Agencies must deposit the housing set-aside funds in a low- and moderate-income housing fund. The Redevelopment Agency of the City of Long Beach deposits its housing set-aside with the City of Long Beach.

Effective January 1, 1986, the laws governing redevelopment were amended to include project areas created prior to 1977 into the low- and moderate-income housing set-aside program. However, the law allows pre-1977 projects to set aside less than 20% of tax increment revenue if the project area's obligations from programs, projects and financial obligations existing prior to January 1, 1986, exceeded the tax increment revenue available. Beginning January 1, 1986, the portion of the set-aside not paid became indebtedness of the project area.

In fiscal year 1986, all Redevelopment Project Areas, except West Beach, qualified for reduced set-aside payments. In fiscal year 1988, only the Downtown Project Area qualified for a reduced payment but elected to recognize the amount as deferred rather than exempt. The Downtown Project Area qualified for and deferred a portion or all of the set-aside amount in fiscal years 1989 through 2002. Amendments in 1989 to the State Health and Safety Code Section 33334.6 (g) required redevelopment agencies to treat shortfalls in fiscal years 1986 and 1987 as deficits in the low- and moderate-income housing fund. As a result, in fiscal year 1995 the Agency recorded an additional \$1,821,000 as a liability in the City's Housing Development Fund; this amount was equal to the fiscal years 1986 and 1987 Downtown Project Area set-aside.

The deferred debt was previously accounted for as a current liability because it was payable from any excess funds that might have become available. However, it has been determined that projections of tax increment revenues in the immediate future made it unlikely that payments would begin soon. As a result, the Agency has determined it necessary to account for the deferred set-aside as a long-term liability beginning in fiscal year 1996. With the implementation of GASB Statement No. 34, the deferred set-aside of \$16,361,000 for the Downtown Project Area has been reclassified from the General Long-Term Debt Account Group to Advances from the City of Long Beach (see note 6). Effective October 1, 2004, the Agency changed its method of accounting for advances from the City of Long Beach based on additional guidance issued by the Governmental Accounting Standards Board (GASB). The Agency now records its debt owed to the City of Long Beach only in its government-wide financial statements. The Agency has adopted a "Downtown Project Area Housing Fund Deficit Reduction Plan" Resolution RA 21-95, which calls for an analysis of available tax increment and existing obligations beginning in 2010, and every two years thereafter, until reduction of the deferred debt is found feasible, and commences.

During fiscal year 2007, all seven Redevelopment Project Areas paid a full 20% of their tax increment revenue to the Housing Development Fund and no Project Area deferred a low- and moderate-income housing set-aside payment.

The Agency deposits set-aside funds into the Low- and Moderate-Income Housing Fund (Housing Fund). The following table shows the amount deferred from prior years, the

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current fiscal year's 20% set-aside requirement, the current fiscal year's payment, and the total amount not yet paid to the City's Housing Fund at September 30, 2007, for each Project Area (in thousands):

Project Area	Advances from Housing Fund October 1, 2006	Current Year 20% Set Aside	Current Year Payment to Low- and Moderate- Income Housing Fund	Advances from Low- and Moderate- Income Housing Fund September 30, 2007
Downtown	\$ 16,361	\$ 3,826	\$ (3,826)	\$ 16,361
West Beach	-	337	(337)	-
West Long Beach Industrial	-	2,189	(2,189)	-
Poly High	-	135	(135)	-
Los Altos	-	147	(147)	-
Central Long Beach	-	2,296	(2,296)	-
North Long Beach	-	9,323	(9,323)	-
Total	<u>\$ 16,361</u>	<u>\$ 18,253</u>	<u>\$ (18,253)</u>	<u>\$ 16,361</u>

Note 12 - Transfers from/to the City of Long Beach

For the fiscal year ended September 30, 2007, the City transferred \$10,322,000 to the Agency: from the Low- and Moderate-Income Housing Fund of \$6,517,000 to the Central Long Beach Project Area for project development plus \$3,343,000 for amortization payment on the 2005 Housing Bonds and from the City Community Development Grants Fund of \$462,000 for project development. In addition, the Agency recorded \$14,737,000 of operating transfers from Tidelands related to transit occupancy tax transactions resulting in total transfers from the City of \$25,059,000.

Details of \$18,243,000 in funds transferred from the Agency to the City for the fiscal year ended September 30, 2007 were as follows (in thousands):

Transfers to	Amount
Business Assistance Program	\$ 2,700
Capital Projects Fund	1,333
Tidelands Operating Fund	529
Housing Development Fund	13,681
Total transfers to the City	<u>\$ 18,243</u>

The Agency transferred \$2,700,000 to the City for the support and administration of the business loan program from the West Long Beach Industrial, Downtown, Central Long Beach and North Long Beach Project Areas.

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The Agency transferred \$1,333,000 to the Capital projects Fund of the City from the Central Long Beach Project Area 2005 bond proceeds.

The Agency transferred \$529,000 to the Tidelands Fund in fiscal year 2007 to supplement the debt service of the bonds issued for the construction of an energy plant at the Convention Center.

The Agency transferred \$13,681,000 of 2005 Housing Bond proceeds to the Housing Development Fund for various projects.

Any redevelopment project area adopted after 1994 is required to share 20% of its tax increment with the taxing agencies affected by the adoption of the project area including city governments. As a result, the Central Long Beach and North Long Beach Project Areas paid \$859,000 and \$2,221,000, respectively, to the City of Long Beach.

In addition, an amendment to Section 33333.6 of the Health and Safety Code took effect on January 1, 2002, authorizing redevelopment agencies to eliminate the time limit for incurring indebtedness; if this time limit is eliminated for a project area that project area must commence statutory pass-through payments one year following the year its time limit for incurring indebtedness would have otherwise have been reached. On November 11, 2003, the Long Beach City Council adopted ordinances amending the Redevelopment Plans for the West Beach, Poly High and West Long Beach Industrial Project Areas to eliminate their time limits for incurring indebtedness. Fiscal year 2007 is the third year these project areas are required to make statutory pass-through payments. The Poly High, West Beach and West Long Beach Industrial Redevelopment Project Areas paid \$8,000, \$35,000 and \$163,000, respectively, to the City.

These payments are part of the pass-through charges expenditure category of \$12,651,000 under the Debt Service Fund in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance. The remaining balance of \$9,365,000 pass-through charges relate to money due to agencies other than the City.

Note 13 - Land Held for Resale

The Agency owns various parcels of land located within its various project areas. These properties have been recorded at the lower of cost or market value (when a definite market value can be determined), excluding demolition and relocation costs. Due to the potential long-term nature of these assets, the Agency has reserved fund balance for land held for resale. At September 30, 2007, the Agency had the following amount of land held for resale in each project area (in thousands):

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Project Area	Value at Lower of Cost or Market Value	
	Capital Projects/Debt Service Funds	Low- and Moderate-Income Housing Fund
Downtown	\$ 29,308	\$ -
West Long Beach Industrial	4,466	-
Poly High	815	
Central Long Beach	55,671	-
North Long Beach	53,199	8,588
Total	<u>\$ 143,459</u>	<u>\$ 8,588</u>

Note 14 - Eliminations and Reclassifications of Interproject Loans

In prior years, interproject loans were recorded to allow one project area to invest excess cash in another project area. This practice is no longer used by the Agency. Existing loans are repayable by the project area if and when sufficient revenues for repayment are available or as provided for under the applicable loan agreement. The principal amount of the loan accrues interest at the various interest rates specified in the corresponding loan agreements.

The following schedule presents interproject loans outstanding as of September 30, 2007 (in thousands):

From Project	To				
	West Beach	Downtown	Los Altos	Central LB	Total
West Long Beach Industrial	\$ 314	\$ 14,946	\$ 2,943	\$ 2,240	\$ 20,443
Total	<u>\$ 314</u>	<u>\$ 14,946</u>	<u>\$ 2,943</u>	<u>\$ 2,240</u>	<u>\$ 20,443</u>

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Advances between redevelopment project areas are as follows
(in thousands):

	<u>Original</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Outstanding</u>
In July 1980 and September 1982, the West Long Beach Industrial and Downtown Project Areas entered into a promissory note and temporary loan agreements for the West Long Beach Industrial Project Area to advance funds necessary to finance the project costs in the Downtown Project Area. The initial interest rates on the advances were 8% and 12%. Effective July 1, 1988, the rates were revised to equal that which is earned by the City Treasurer on the City of Long Beach pooled cash. Repayment of the advances will be made as funds become available.	\$ 6,771	\$ 4,743	\$ 7,992	\$ 12,735
In April 1995, the West Long Beach Industrial Project Area exchanged a certain property owned by the City of Long Beach in the Downtown Project Area. The purchase price of the West Long Beach Industrial Project Area was agreed to be indebtedness of Downtown and West Long Beach Industrial Project Areas. The indebtedness accrued interest at a rate equal to that which accrued on the Tax Anticipation Notes of the City of Long Beach. Repayment of the indebtedness will be made solely from the proceeds of sale of property.	861	861	340	1,201
In June 1995, the West Long Beach Industrial and Los Altos Project Areas entered into a promissory note and loan agreement for the West Long Beach Industrial Project Area to advance funds on an as needed basis to meet Los Altos acquisition and relocation expenses. The indebtedness accrued interest at a rate equal to that earned by the City Treasurer on the City of Long Beach pooled cash. The sales tax allocated to the Los Altos Project Area by the City of Long Beach and any surplus tax increment from the project are pledged to the West Long Beach Industrial Project Area loan repayment.	12,700	2,943	-	2,943
In July 1995 a promissory note and loan agreement was entered into by the West Long Beach Industrial Project Area and Poly High, West Beach, Downtown, and Central Long Beach Project Areas for the West Long Beach Industrial Project Area to advance for contributions to the development of the Long Beach Unified School District Transportation Facility. The indebtedness accrued interest at a rate equal to that which accrues on the Tax Anticipation Notes of the City of Long Beach. Repayment of the indebtedness will be made as future tax increments become available. However, in June 2002, the advance to Poly High Project Area was repaid from tax allocation bond proceeds.	2,626	2,572	992	3,564
Totals	<u>\$22,958</u>	<u>\$ 11,119</u>	<u>\$ 9,324</u>	<u>\$ 20,443</u>

Redevelopment Agency of the City of Long Beach
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Notes to Combined Financial Statements
September 30, 2007

Note 15 - Long-Term Receivables, Reserved Fund Balance and Deferred Revenue

Long-term receivables are offset by either reserved fund balance-other or deferred revenue in the accompanying fund financial statements. The table below presents the detail components of the Agency's and the Low-and Moderate-Income Housing Fund's long-term receivables and corresponding offset accounts at September 30, 2007 (in thousands):

Governmental Funds:

Description	Capital Projects / Debt Service Fund			Low- and Moderate-Income Housing Fund - Deferred Revenue
	Long-Term Receivables	Reserved Fund Balance-Long Term Receivables	Deferred Revenue	
Loans receivable:				
Blk M	\$ 35	\$ 35	\$ -	\$ -
Olson, Downtown Promenade Land Sale	2,499	-	2,499	-
Lennar LB, Downtown Promenade-Land Sale	285	-	285	-
Delinquent Tax Los Angeles County	24	24	-	-
A & E Amador	95	95	-	-
Low-and moderate-income housing loans	-	-	-	21,106
Total Long-Term Receivables	\$ 2,938	154	2,784	21,106
Additional components:				
Prepaid rent for the IDM structure, non-current		1,694	-	-
Early payment of accounts receivable		-	8	-
Brownfields Clean-up revolving loan fund		-	22	-
Cash-Deposits from contractors/developers		-	283	15
Miscellaneous deposits		-	-	1
Total Reserved / Deferred Revenues		\$ 1,848	\$ 3,097	\$ 21,122

Note 16 - Other Reserved Fund Balances

Low- and Moderate-Income Housing Fund

At September 30, 2007, the reserved fund balance of \$40,000 has been accumulated for operating and maintenance reserves required under the Regulatory Agreement of the promissory note with the State for \$1,015,000.

Note 17 - Commitments and Contingencies

Litigation

The Agency is subject to claims and lawsuits arising from the normal course of business. Such claims are routinely evaluated by representatives of the City Attorney's Office. In the event of litigation, the Agency's management may make provision for probable losses if deemed appropriate on advice of legal counsel. In cases where such provision for damages would be considered necessary, appropriate amounts would be reflected in the accompanying combined financial statements. Based upon information obtained from the City Attorney with respect to the Agency, it is the opinion of the Agency's management that there are no existing or potential liabilities for claims and suits, which could have a material impact on the Agency's combined financial statements.

Supplementary Financial Information

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Redevelopment Agency of the City of Long Beach
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Combining Balance Sheet - Governmental Funds
Capital Project Funds by Project Area
September 30, 2007
(In Thousands)

	Downtown Project Area	West Beach Project Area	West Long Beach Industrial Project Area
ASSETS			
Pooled cash and cash equivalents	\$ 10,937	\$ 53	\$ 16,237
Accounts receivable	25	-	-
Receivables from other governments	39	-	-
Land held for resale	29,308	-	4,466
Other assets	1,729	-	2
Long-term receivables	2,843	-	95
Interproject loan and interest receivable	-	-	20,443
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 44,881</u>	<u>\$ 53</u>	<u>\$ 41,243</u>
LIABILITIES			
Voucher payables	\$ 103	\$ -	\$ 86
Accounts payable	416	-	186
Accrued wages payable	15	2	19
Collections held in trust	285	-	60
Deferred revenues	2,986	-	30
Due to other funds-Current	3,477	1	10
Interproject loan and interest payable	14,946	314	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>22,228</u>	<u>317</u>	<u>391</u>
FUND BALANCE (ACCUMULATED DEFICIT)			
Reserved:			
Land held for resale	29,308	-	4,466
Future projects	6,425	50	15,838
Interproject Loans	(14,946)	(314)	20,443
Encumbrances	113	-	10
Other	1,753	-	95
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE (ACCUMULATED DEFICIT)	<u>22,653</u>	<u>(264)</u>	<u>40,852</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 44,881</u>	<u>\$ 53</u>	<u>\$ 41,243</u>

See accompanying independent auditors' report

Poly High Project Area	Project Income Fund	Los Altos Project Area	Central Long Beach Project Area	North Long Beach Project Area	Total
\$ 364	\$ 2,679	\$ 43	\$ 163	\$ 5,650	\$ 36,126
-	-	-	7	7	39
-	-	-	-	-	39
815	-	-	55,671	53,199	143,459
925	-	-	3,572	2,608	8,836
-	-	-	-	-	2,938
-	-	-	-	-	20,443
<u>\$ 2,104</u>	<u>\$ 2,679</u>	<u>\$ 43</u>	<u>\$ 59,413</u>	<u>\$ 61,464</u>	<u>\$ 211,880</u>
\$ -	\$ -	\$ -	\$ 2,062	\$ 206	\$ 2,457
8	-	-	940	2,155	3,705
3	-	2	22	47	110
-	1	-	81	55	482
-	-	-	25	50	3,091
1	-	1	11	23	3,524
-	-	2,943	2,240	-	20,443
<u>12</u>	<u>1</u>	<u>2,946</u>	<u>5,381</u>	<u>2,536</u>	<u>33,812</u>
815	-	-	55,671	53,199	143,459
1,277	2,678	40	585	5,687	32,580
-	-	(2,943)	(2,240)	-	-
-	-	-	16	42	181
-	-	-	-	-	1,848
<u>2,092</u>	<u>2,678</u>	<u>(2,903)</u>	<u>54,032</u>	<u>58,928</u>	<u>178,068</u>
<u>\$ 2,104</u>	<u>\$ 2,679</u>	<u>\$ 43</u>	<u>\$ 59,413</u>	<u>\$ 61,464</u>	<u>\$ 211,880</u>

Redevelopment Agency of the City of Long Beach
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Combining Balance Sheet - Governmental Funds
Debt Service Funds by Project Area
September 30, 2007
(In Thousands)

	Downtown Project Area	West Beach Project Area	West Long Beach Industrial Project Area
ASSETS			
Pooled cash and cash equivalents	\$ 5,258	\$ 745	\$ 2,647
Non-pooled cash and cash equivalents	8,810	1,618	3,161
Accounts and loans receivable	-	-	-
Interest receivable on investments	174	22	45
Investments	-	-	-
Advances to the City of Long Beach	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 14,242</u>	<u>\$ 2,385</u>	<u>\$ 5,853</u>
LIABILITIES			
Vouchers payable	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Deferred revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Reserved:			
Future projects	567	894	-
Long-term receivables	-	-	-
Debt service	13,675	1,491	5,853
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>14,242</u>	<u>2,385</u>	<u>5,853</u>
	<u>-</u>		
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 14,242</u>	<u>\$ 2,385</u>	<u>\$ 5,853</u>

See accompanying independent auditors' report

Poly High Project Area	Project Income Fund	Los Altos Project Area	Central Long Beach Project Area	North Long Beach Project Area	Housing Fund	Total
\$ 296	\$ -	\$ 277	\$ 1,450	\$ 7,717	\$ 22	\$ 18,412
976	-	408	11,616	34,027	43,976	104,592
-	351	-	-	-	-	351
13	-	4	153	647	883	1,941
-	-	-	-	10,000	-	10,000
-	18,807	-	-	-	-	18,807
<u>\$ 1,285</u>	<u>\$ 19,158</u>	<u>\$ 689</u>	<u>\$ 13,219</u>	<u>\$ 52,391</u>	<u>\$ 44,881</u>	<u>\$ 154,103</u>
\$ 7	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 8
-	-	-	1	178	-	179
-	6	-	-	-	-	6
<u>7</u>	<u>6</u>	<u>-</u>	<u>1</u>	<u>178</u>	<u>1</u>	<u>193</u>
769	-	-	7,537	26,458	40,640	76,865
-	18,807	-	-	-	-	18,807
509	345	689	5,681	25,755	4,240	58,238
<u>1,278</u>	<u>19,152</u>	<u>689</u>	<u>13,218</u>	<u>52,213</u>	<u>44,880</u>	<u>153,910</u>
<u>\$ 1,285</u>	<u>\$ 19,158</u>	<u>\$ 689</u>	<u>\$ 13,219</u>	<u>\$ 52,391</u>	<u>\$ 44,881</u>	<u>\$ 154,103</u>

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach California)
Combining Balance Sheet - Governmental Funds
Low- and Moderate-Income Housing by Project Area
September 30, 2007
(In Thousands)

	<u>Downtown Project Area</u>	<u>West Beach Project Area</u>	<u>West Long Beach Industrial Project Area</u>
ASSETS			
Pooled cash and cash equivalents	\$ -	\$ -	\$ 10,717
Non-pooled cash and cash equivalents	-	-	9
Accounts and loans receivable	-	-	-
Advances to Housing Development Co.	-	-	-
Advances to the City of Long Beach	-	-	-
Land held for resale	-	-	-
Other assets	-	-	-
Long-term receivable	-	-	5,593
	<u>-</u>	<u>-</u>	<u>5,593</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,319</u>
LIABILITIES			
Voucher payables	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Accrued wages payable	-	-	-
Collections held in trust	-	-	-
Deferred revenue	-	-	5,593
Due to other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>5,593</u>
FUND BALANCE			
Reserved	-	-	-
Land held for resale	-	-	-
Future projects	-	-	10,686
Long-term receivables	-	-	-
Encumbrances	-	-	-
Other	-	-	40
	<u>-</u>	<u>-</u>	<u>40</u>
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>10,726</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,319</u>

See accompanying independent auditors' report

<u>Poly High Project Area</u>	<u>Los Altos Project Area</u>	<u>Central Long Beach Project Area</u>	<u>North Long Beach Project Area</u>	<u>Totals</u>
\$ -	\$ -	\$ 259	\$ 20,128	\$ 31,104
-	-	7	-	16
-	-	-	1	1
-	-	1,035	-	1,035
-	-	589	-	589
-	-	7,593	995	8,588
-	-	-	1	1
-	-	4,478	11,035	21,106
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,961</u>	<u>\$ 32,160</u>	<u>\$ 62,440</u>
\$ -	\$ -	\$ 160	\$ -	\$ 160
-	-	-	335	335
-	-	50	-	50
-	-	15	-	15
-	-	4,494	11,035	21,122
-	-	25	-	25
<u>-</u>	<u>-</u>	<u>4,744</u>	<u>11,370</u>	<u>21,707</u>
-	-	7,593	995	8,588
-	-	-	19,470	30,156
-	-	1,624	-	1,624
-	-	-	325	325
-	-	-	-	40
<u>-</u>	<u>-</u>	<u>9,217</u>	<u>20,790</u>	<u>40,733</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,961</u>	<u>\$ 32,160</u>	<u>\$ 62,440</u>

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
Capital Project Funds by Project Area
Year Ended September 30, 2007
(In Thousands)

	Downtown Project Area	West Beach Project Area	West Long Beach Industrial Project Area
REVENUES			
Interest income	\$ 228	\$ 4	\$ 779
Rental income	911	-	8
Gain on land sale	367	-	-
Other income	1,261	1	19
TOTAL REVENUES	<u>2,767</u>	<u>5</u>	<u>806</u>
EXPENDITURES			
Administrative costs	1,659	86	1,125
Professional services	165	-	18
Planning, survey and design	287	18	189
Acquisition expense	659	-	127
Operation of acquired property	651	30	83
Relocation costs	51	-	37
Relocation payments	195	-	161
Site clearance costs	187	2	18
Project improvement/construction costs	454	-	228
Disposal costs	12	-	3
Loss on sale of land held for resale	6,765	-	206
Rehabilitation grants and loans	-	-	180
Furniture, fixture and equipment	8	-	-
Pass-through charges	-	-	-
Debt service payments:			
City/County advances and loans - principal	-	-	-
Interest	221	1	82
TOTAL EXPENDITURES	<u>11,314</u>	<u>137</u>	<u>2,457</u>
Excess of Revenues over/(under) Expenditures	<u>(8,547)</u>	<u>(132)</u>	<u>(1,651)</u>
OTHER FINANCING SOURCES AND (USES)			
Other deferred payments	-	-	-
Advances-capitalized interest	(228)	(8)	418
Reconveyance of land	-	-	-
Operating transfers from Debt Service	4,621	163	4,082
Operating transfers from/(to) the other funds, net	1,928	-	(316)
Operating transfers to the City of Long Beach	(400)	-	(600)
Operating transfers from the City of Long Beach	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,921</u>	<u>155</u>	<u>3,584</u>
Excess of Revenues and Other Sources over Expenditures and Other Uses	<u>(2,626)</u>	<u>23</u>	<u>1,933</u>
Fund balance (accumulated deficit)-October 1	25,279	(287)	38,919
FUND BALANCE (ACCUMULATED DEFICIT) - SEPTEMBER 30	<u><u>\$ 22,653</u></u>	<u><u>\$ (264)</u></u>	<u><u>\$ 40,852</u></u>

See accompanying independents auditors' report.

Poly High Project Area	Project Income Fund	Los Altos Project Area	Central Long Beach Project Area	North Long Beach Project Area	Total
\$ 23	\$ 174	\$ 4	\$ 109	\$ 805	\$ 2,126
-	-	-	262	398	1,579
-	-	-	-	300	667
1	-	-	281	(1,481)	82
<u>24</u>	<u>174</u>	<u>4</u>	<u>652</u>	<u>22</u>	<u>4,454</u>
133	27	76	1,470	2,235	6,811
4	-	-	150	504	841
5	-	2	366	437	1,304
31	-	-	350	326	1,493
8	-	-	536	2,078	3,386
3	-	-	892	213	1,196
40	-	-	541	450	1,387
2	-	-	335	322	866
52	-	-	3,459	7,706	11,899
-	-	-	-	-	15
-	-	-	2,177	703	9,851
-	-	-	-	1,085	1,265
-	-	-	1	28	37
-	-	291	-	-	291
-	-	-	1,415	-	1,415
1	-	-	107	141	553
<u>279</u>	<u>27</u>	<u>369</u>	<u>11,799</u>	<u>16,228</u>	<u>42,610</u>
<u>(255)</u>	<u>147</u>	<u>(365)</u>	<u>(11,147)</u>	<u>(16,206)</u>	<u>(38,156)</u>
-	-	291	-	-	291
-	-	(128)	(54)	-	-
-	-	-	(7,092)	-	(7,092)
1,909	-	693	23,522	18,148	53,138
(490)	(1,511)	-	389	-	-
-	-	-	(1,733)	(1,300)	(4,033)
-	-	-	6,517	462	6,979
<u>1,419</u>	<u>(1,511)</u>	<u>856</u>	<u>21,549</u>	<u>17,310</u>	<u>49,283</u>
1,164	(1,364)	491	10,402	1,104	11,127
<u>928</u>	<u>4,042</u>	<u>(3,394)</u>	<u>43,630</u>	<u>57,824</u>	<u>166,941</u>
<u>\$ 2,092</u>	<u>\$ 2,678</u>	<u>\$ (2,903)</u>	<u>\$ 54,032</u>	<u>\$ 58,928</u>	<u>\$ 178,068</u>

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Debt Service Funds by Project Area
Year Ended September 30, 2007
(In Thousands)

	Downtown Project Area	West Beach Project Area	West Long Beach Industrial Project Area	Poly High Project Area
REVENUES				
Property tax increment	\$ 15,302	\$ 1,348	\$ 8,755	\$ 539
Transient occupancy tax	-	-	-	-
Interest income	815	98	355	39
Other income	-	-	-	-
TOTAL REVENUES	<u>16,117</u>	<u>1,446</u>	<u>9,110</u>	<u>578</u>
EXPENDITURES				
Administrative costs	301	24	129	11
Pass-through charges	-	111	858	37
Debt service payments:				
Bonds and notes payable - principal	2,720	460	1,090	166
Interest	4,540	377	1,989	54
TOTAL EXPENDITURES	<u>7,561</u>	<u>972</u>	<u>4,066</u>	<u>268</u>
Excess of Revenues over (under) Expenditures	<u>8,556</u>	<u>474</u>	<u>5,044</u>	<u>310</u>
OTHER FINANCING SOURCES AND (USES)				
Operating transfers to Capital Projects	(4,621)	(163)	(4,082)	(1,909)
Operating transfers from the City of Long Beach	-	-	-	-
Operating transfers to the City of Long Beach	-	-	-	-
Payments to City of Long Beach, net	-	-	(529)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,621)</u>	<u>(163)</u>	<u>(4,611)</u>	<u>(1,909)</u>
Excess (deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	<u>3,935</u>	<u>311</u>	<u>433</u>	<u>(1,599)</u>
Fund balance-October 1	<u>10,307</u>	<u>2,074</u>	<u>5,420</u>	<u>2,877</u>
FUND BALANCE - SEPTEMBER 30	<u><u>\$ 14,242</u></u>	<u><u>\$ 2,385</u></u>	<u><u>\$ 5,853</u></u>	<u><u>\$ 1,278</u></u>

See accompanying independent auditors' report.

Project Income Fund	Los Altos Project Area	Central Long Beach Project Area	North Long Beach Project Area	Housing Fund	Total
\$ -	\$ 588	\$ 15,684	\$ 30,795	\$ -	\$ 73,011
4,033	-	-	-	-	4,033
24	36	(275)	1,854	1,011	3,957
-	644	-	-	-	644
<u>4,057</u>	<u>1,268</u>	<u>15,409</u>	<u>32,649</u>	<u>1,011</u>	<u>81,645</u>
-	12	287	567	2	1,333
-	25	3,596	8,024	-	12,651
-	265	690	1,751	670	7,812
-	143	2,948	5,214	2,985	18,250
<u>-</u>	<u>445</u>	<u>7,521</u>	<u>15,556</u>	<u>3,657</u>	<u>40,046</u>
<u>4,057</u>	<u>823</u>	<u>7,888</u>	<u>17,093</u>	<u>(2,646)</u>	<u>41,599</u>
-	(693)	(23,522)	(18,148)	-	(53,138)
14,737	-	-	-	3,343	18,080
-	-	-	-	(13,681)	(13,681)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(529)</u>
<u>14,737</u>	<u>(693)</u>	<u>(23,522)</u>	<u>(18,148)</u>	<u>(10,338)</u>	<u>(49,268)</u>
18,794	130	(15,634)	(1,055)	(12,984)	(7,669)
<u>358</u>	<u>559</u>	<u>28,852</u>	<u>53,268</u>	<u>57,864</u>	<u>161,579</u>
<u>\$ 19,152</u>	<u>\$ 689</u>	<u>\$ 13,218</u>	<u>\$ 52,213</u>	<u>\$ 44,880</u>	<u>\$ 153,910</u>

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Low- and Moderate-Income Housing Funds by Project Area
Year Ended September 30, 2007
(In Thousands)

	Downtown Project Area	West Beach Project Area	West Long Beach Industrial Project Area
REVENUES			
Property tax increment	\$ 3,826	\$ 337	\$ 2,189
Interest income	309	-	177
Rental income	-	-	-
Other income	-	-	-
TOTAL REVENUES	<u>4,135</u>	<u>337</u>	<u>2,366</u>
EXPENDITURES			
Administrative costs	1,800	-	126
Professional services	222	-	-
Planning, survey & design	6	-	-
Acquisition expense	10	-	-
Operation of acquired property	227	-	-
Project improvement/construction costs	225	-	-
Interdepartmental charges	119	10	68
Rehabilitation grants and loans	1,526	327	587
TOTAL EXPENDITURES	<u>4,135</u>	<u>337</u>	<u>781</u>
Excess of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>1,585</u>
OTHER FINANCING SOURCES AND (USES)			
Reconveyance of land	-	-	-
Transfers to the Redevelopment Agency	-	-	-
Transfers to/from other funds	-	-	-
TOTAL OTHER FINANCING SOURCES/(USES)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>1,585</u>
Fund balance-October 1	<u>-</u>	<u>-</u>	<u>9,141</u>
FUND BALANCE - SEPTEMBER 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,726</u></u>

See accompanying independent auditors' report.

Poly High Project Area	Los Altos Project Area	Central Long Beach Project Area	North Long Beach Project Area	Total
\$ 135	\$ 147	\$ 2,296	\$ 9,323	\$ 18,253
-	-	886	55	1,427
-	-	91	-	91
-	-	701	-	701
<u>135</u>	<u>147</u>	<u>3,974</u>	<u>9,378</u>	<u>20,472</u>
-	-	-	213	2,139
-	-	-	-	222
-	-	-	-	6
-	-	-	6	16
-	-	-	-	227
-	-	-	335	560
4	5	71	290	567
<u>131</u>	<u>142</u>	<u>54</u>	<u>2,128</u>	<u>4,895</u>
<u>135</u>	<u>147</u>	<u>125</u>	<u>2,972</u>	<u>8,632</u>
-	-	3,849	6,406	11,840
-	-	7,092	-	7,092
-	-	(3,348)	-	(3,348)
-	-	1,624	-	1,624
-	-	5,368	-	5,368
-	-	9,217	6,406	17,208
-	-	-	14,384	23,525
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,217</u>	<u>\$ 20,790</u>	<u>\$ 40,733</u>

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
Budget and Actual (Non-GAAP Budgetary Basis) Capital Projects Fund
Year Ended September 30, 2007
(In Thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
				Positive (Negative)
REVENUES				
Interest income	\$ 1,151	\$ 1,151	\$ 2,126	\$ 975
Rental income	(447)	(447)	1,579	2,026
Land sale proceeds	(7,098)	(7,098)	4,965	12,063
Other income	3,092	3,092	82	(3,010)
TOTAL REVENUES	(3,302)	(3,302)	8,752	12,054
EXPENDITURES				
Administration costs	9,492	9,490	6,992	2,498
Professional services	3,800	3,800	841	2,959
Planning survey and design	(1,787)	(1,787)	1,304	(3,091)
Acquisition costs	150,317	191,317	1,493	189,824
Operation of acquired property	2,033	(1,967)	3,386	(5,353)
Relocation costs	501	501	1,196	(695)
Relocation payments	(10,157)	(10,157)	1,387	(11,544)
Site clearance costs	(12)	(12)	866	(878)
Project improvement/construction costs	44,851	39,636	11,899	27,737
Disposal costs	(1,155)	(1,155)	15	(1,170)
Land purchases	(69,222)	(62,097)	48,195	(110,292)
Rehabilitation grants and loans	8,787	8,787	1,265	7,522
Furniture, fixture and equipment	101	101	37	64
Pass through's and ERAF payments	244	244	291	(47)
Debt service payments:				
City/County advances and loan principal	368	368	1,415	(1,047)
U.S., State and other long-term debt principal	1,772	1,772	-	1,772
Interest	(11)	(11)	553	(564)
TOTAL EXPENDITURES	139,922	178,830	81,135	97,695
Deficiency of Revenues over Expenditures	(143,224)	(182,132)	(72,383)	109,749
OTHER FINANCING SOURCES (USES)				
Other deferred payments	-	-	291	291
Proceeds from other long-term debt	3,611	33,611	-	(33,611)
Transfers in, net	(39,475)	(39,475)	53,138	92,613
Interagency payments	38,115	38,115	-	(38,115)
Transfer to the City	119	(1,081)	(4,033)	(2,952)
Transfer from the City	4,641	5,102	6,979	1,877
Payments to the City of Long Beach	539	539	-	(539)
TOTAL OTHER FINANCING SOURCES (USES)	7,550	36,811	56,375	19,564
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(135,674)	(145,321)	(16,008)	129,313
Fund balance-October 1, budgetary basis	49,704	49,704	49,704	-
Encumbrances-beginning of the year	732	732	732	-
FUND BALANCE (DEFICIT)-SEPTEMBER 30, BUDGETARY BASIS	\$ (85,238)	\$ (94,885)	\$ 34,428	\$ 129,313

See accompanying independent auditors' report and supplementary note on page 70.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis) Debt Service Fund
Year Ended September 30, 2007
(In Thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
REVENUES				
Property tax increment	\$ 61,077	\$ 61,077	\$ 73,011	\$ 11,934
Interest income	4,672	4,672	3,957	(715)
Transient occupancy tax	3,921	3,921	4,033	112
Other income	530	530	644	114
TOTAL REVENUES	70,200	70,200	81,645	11,445
EXPENDITURES				
Administration costs	1,853	1,853	1,333	520
Pass through's and ERAF payments	10,539	10,539	12,651	(2,112)
Debt service payments:				
Bonds and notes payable-principal	7,597	7,597	7,812	(215)
Interest	19,972	19,972	18,250	1,722
TOTAL EXPENDITURES	39,961	39,961	40,046	(85)
 Excess of Revenues over Expenditures	 30,239	 30,239	 41,599	 11,360
OTHER FINANCING SOURCES (USES)				
Transfers in (out), net	-	-	(53,138)	(53,138)
Transfer to the City	(28,493)	(28,493)	(13,681)	14,812
Transfer from the City	3,521	3,521	18,080	14,559
Payments to the City of Long Beach	(539)	(539)	(529)	10
TOTAL OTHER FINANCING SOURCES (USES)	(25,511)	(25,511)	(49,268)	(23,757)
 Deficiency of Revenues and Other Financing Sources Over Expenditures and Other U	 4,728	 4,728	 (7,669)	 (12,397)
Fund balance - October 1, budgetary basis	161,579	161,579	161,579	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ 166,307	\$ 166,307	\$ 153,910	\$ (12,397)

See accompanying independent auditors' report and supplementary note on page 70.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
Budget and Actual (Non-GAAP Budgetary Basis) Low- and Moderate-Income Housing Fund
Year Ended September 30, 2007
(In Thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
REVENUES				
Property tax increment	\$ 12,822	\$ 18,300	\$ 18,253	\$ (47)
Interest income	(113)	738	1,427	689
Rental income	338	338	91	(247)
Proceeds from land sales	321	387	-	(387)
Other	(1,950)	(1,385)	701	2,086
TOTAL REVENUES	11,418	18,378	20,472	2,094
EXPENDITURES				
Administration costs	2,320	2,307	2,160	147
Professional Services	(55)	-	222	(222)
Planning, survey & design	-	-	6	(6)
Acquisition costs	-	-	16	(16)
Operation of acquired property	116	406	508	(102)
Relocation costs	-	-	-	-
Project improvement/construction costs	677	816	583	233
Disposal costs	(9)	-	-	-
Land purchases	-	190	501	(311)
Interdepartmental charges	468	468	567	(99)
Rehabilitation grants and loans	32,658	41,651	4,895	36,756
Debt service:				
Principal	1,363	1,363	-	1,363
Interest	490	490	-	490
TOTAL EXPENDITURES	38,028	47,691	9,458	38,233
Excess (deficiency) of Revenues Over Expenditures	(26,610)	(29,313)	11,014	40,327
OTHER FINANCING SOURCES (USES)				
Proceeds from other long-term debt	(21)	(3)	-	3
Transfers in	(70)	2,113	-	(2,113)
Transfer to other funds	(5,885)	(5,885)	(3,348)	2,537
Transfer Adjustment to/from other funds	-	-	1,624	1,624
Transfer to the City	(886)	(886)	-	886
Transfer from the City	22,270	16,808	-	(16,808)
TOTAL OTHER FINANCING SOURCES (USES)	15,408	12,147	(1,724)	(13,871)
Excess (deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Uses	(11,202)	(17,166)	9,290	26,456
Fund balance-October 1, budgetary basis	22,530	22,530	22,530	-
FUND BALANCE (DEFICIT)-SEPTEMBER 30, BUDGETARY BASIS	\$ 11,328	\$ 5,364	\$ 31,820	\$ 26,456

See accompanying independent auditors' report and supplementary note on page 71.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2007
(In Thousands)

Downtown Project Area				
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 9,917	\$ 9,917	\$ 15,302	\$ 5,385
Interest income	630	630	1,043	413
Rental income	(203)	(203)	911	1,114
Land sale proceeds	(3,103)	(3,103)	2,678	5,781
Other income	1,043	1,043	1,261	218
TOTAL REVENUES	8,284	8,284	21,195	12,911
EXPENDITURES				
Administration costs	1,537	1,537	2,073	(536)
Professional services	1,171	1,171	165	1,006
Planning, survey and design	700	700	287	413
Acquisition costs	14,373	14,373	659	13,714
Operation of acquired property	(225)	(225)	651	(876)
Relocation costs	(111)	(111)	51	(162)
Relocation Payments	(1,198)	(1,198)	195	(1,393)
Site clearance costs	210	210	187	23
Project improvement/construction costs	7,947	7,947	454	7,493
Disposal costs	(48)	(48)	12	(60)
Land purchases	(1,127)	1,198	4,612	(3,414)
Furniture and equipment	1	1	8	(7)
Debt service payments:				
Bonds and notes payable-principal	2,545	2,545	2,720	(175)
City/County advances and loans-principal	550	550	-	550
U.S., State and other long-term debt principal	(255)	(255)	-	(255)
Interest payments	4,666	4,666	4,761	(95)
TOTAL EXPENDITURES	30,736	33,061	16,835	16,226
Excess (deficiency) of Revenues				
Under Expenditures	(22,452)	(24,777)	4,360	29,137
OTHER FINANCING				
SOURCES AND (USES)				
Proceeds from long term debt	2,415	2,415	-	(2,415)
Interproject loan-capitalized interest	-	-	(228)	(228)
Transfers in (out), net	(1,259)	(1,259)	-	1,259
Payment to/from Redevelopment Agency	12,032	12,032	1,928	(10,104)
Transfer to the City	(332)	(532)	(400)	132
Transfer from the City	1,000	1,000	-	(1,000)
TOTAL OTHER FINANCING				
SOURCES (USES)	13,856	13,656	1,300	(12,356)
Excess (deficiency) of Revenues and Other Sources				
Over Expenditures and Other Uses	(8,596)	(11,121)	5,660	16,781
Fund balance-October 1, budgetary basis	1,752	1,752	1,752	-
Encumbrances, beginning of the Year	62	62	62	-
FUND BALANCE (DEFICIT)-SEPTEMBER 30, BUDGETARY BA	\$ (6,782)	\$ (9,307)	\$ 7,474	\$ 16,781

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2007
(In Thousands)

West Beach Project Area				
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 1,101	\$ 1,101	\$ 1,348	\$ 247
Interest income	77	77	102	25
Other income	-	-	1	1
TOTAL REVENUES	1,178	1,178	1,451	273
EXPENDITURES				
Administration costs	134	133	110	23
Professional services	4	4	-	4
Planning, survey and design	6	6	18	(12)
Operation of acquired property	-	-	30	(30)
Site clearance costs	-	-	2	(2)
Project improvement/construction costs	800	800	-	800
Pass through's and ERAF payments	27	27	111	(84)
Debt service payments:				
Bonds and notes payable-principal	460	460	460	-
Interest payments	378	378	378	-
TOTAL EXPENDITURES	1,809	1,808	1,109	699
Excess (deficiency) of Revenues Over (under) Expenditures	(631)	(630)	342	972
OTHER FINANCING SOURCES AND (USES)				
Interproject loan-capitalized interest	-	-	(8)	(8)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(8)	(8)
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(631)	(630)	334	964
Fund balance-October 1, budgetary basis	1,787	1,787	1,787	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ 1,156	\$ 1,157	\$ 2,121	\$ 964

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2007
(In Thousands)

West Long Beach Industrial Project Area				
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 7,520	\$ 7,520	\$ 8,755	\$ 1,235
Interest income	1,033	1,033	1,134	101
Rental income	(4)	(4)	8	12
Land sale proceeds	(2,902)	(2,902)	287	3,189
Other income	(11)	(11)	19	30
TOTAL REVENUES	<u>5,636</u>	<u>5,636</u>	<u>10,203</u>	<u>4,567</u>
EXPENDITURES				
Administration costs	2,720	2,719	1,264	1,455
Professional services	113	113	18	95
Planning, survey and design	363	363	189	174
Acquisition costs	5,479	5,479	127	5,352
Operation of acquired property	1,913	1,913	83	1,830
Relocation costs	(116)	(116)	37	(153)
Relocation payments	(120)	(120)	161	(281)
Site clearance costs	-	-	18	(18)
Project improvement/construction costs	3,723	3,723	228	3,495
Disposal costs	10	10	3	7
Land purchases	(632)	(632)	1,870	(2,502)
Rehabilitation grants and loans	151	151	180	(29)
Pass through's and ERAF payments	332	332	858	(526)
Debt service payments:				
Bonds and notes payable-principal	1,090	1,090	1,090	-
Interest payments	2,014	2,014	2,071	(57)
TOTAL EXPENDITURES	<u>17,040</u>	<u>17,039</u>	<u>8,197</u>	<u>8,842</u>
Excess (deficiency) of Revenues				
Over (under) Expenditures	<u>(11,404)</u>	<u>(11,403)</u>	<u>2,006</u>	<u>13,409</u>
OTHER FINANCING				
SOURCES AND (USES)				
Interproject loan-capitalized interest	-	-	418	418
Transfers in (out), net	(3,067)	(3,067)	-	3,067
Payment to/from Redevelopment Agency	4,602	4,602	(316)	(4,918)
Transfer to the City	(1,112)	(1,412)	(600)	812
Transfer from the City	419	419	-	(419)
Payments to the City of Long Beach, net	-	-	(529)	(529)
TOTAL OTHER FINANCING				
SOURCES (USES)	<u>842</u>	<u>542</u>	<u>(1,027)</u>	<u>(1,569)</u>
Excess (deficiency) of Revenues and Other Sources				
Over Expenditures and Other Uses	<u>(10,562)</u>	<u>(10,861)</u>	<u>979</u>	<u>11,840</u>
Fund balance-October 1, budgetary basis	41,243	41,243	41,243	-
Encumbrances, beginning of the Year	6	6	6	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	<u>\$ 30,687</u>	<u>\$ 30,388</u>	<u>\$ 42,228</u>	<u>\$ 11,840</u>

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2007
(In Thousands)

Poly High Project Area				
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 378	\$ 378	\$ 539	\$ 161
Interest income	80	80	62	(18)
Other income	-	-	1	1
TOTAL REVENUES	458	458	602	144
EXPENDITURES				
Administration costs	124	124	144	(20)
Professional services	5	5	4	1
Planning, survey and design	16	16	5	11
Acquisition costs	4,093	4,093	31	4,062
Operation of acquired property	5	5	8	(3)
Relocation costs	(2)	(2)	3	(5)
Relocation payments	-	-	40	(40)
Site clearance costs	-	-	2	(2)
Project improvement/construction costs	-	-	52	(52)
Land purchases	-	-	815	(815)
Pass through's and ERAF payments	13	13	37	(24)
Debt service payments:				
Bonds and notes payable-principal	166	166	166	-
Interest payments	63	63	55	8
TOTAL EXPENDITURES	4,483	4,483	1,362	3,121
Excess (deficiency) of Revenues				
Over (under) Expenditures	(4,025)	(4,025)	(760)	3,265
OTHER FINANCING				
SOURCES AND (USES)				
Operating transfers in (out), net	(14)	(14)	-	14
Payments to/from Redevelopment Agency funds	(490)	(490)	(490)	-
TOTAL OTHER FINANCING				
SOURCES (USES)	(504)	(504)	(490)	14
Excess (deficiency) of Revenues and Other Sources				
Over Expenditures and Other Uses	(4,529)	(4,529)	(1,250)	3,279
Fund balance-October 1, budgetary basis	3,805	3,805	3,805	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ (724)	\$ (724)	\$ 2,555	\$ 3,279

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2007
(In Thousands)

	Project Income			
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest income	\$ 62	\$ 62	\$ 198	\$ 136
Rental income	5	5	-	(5)
Transient occupancy tax	3,921	3,921	4,033	112
TOTAL REVENUES	3,988	3,988	4,231	243
EXPENDITURES				
Administration costs	31	31	27	4
Operation of acquired property	26	26	-	26
Project improvement/construction costs	(1)	(1)	-	(1)
TOTAL EXPENDITURES	56	56	27	29
Excess of Revenues Over Expenditures	3,932	3,932	4,204	272
OTHER FINANCING SOURCES AND (USES)				
Transfers in (out), net	(11)	(11)	-	11
Payment to/from Redevelopment Agency	(3,664)	(3,664)	(1,511)	2,153
Transfer from the City	-	-	14,737	14,737
Transfer to the City	(3,921)	(3,921)	-	3,921
TOTAL OTHER FINANCING SOURCES (USES)	(7,596)	(7,596)	13,226	20,822
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(3,664)	(3,664)	17,430	21,094
Fund balance-October 1, budgetary basis	4,400	4,400	4,400	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ 736	\$ 736	\$ 21,830	\$ 21,094

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2007
(In Thousands)

Los Altos Project Area				
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 472	\$ 472	\$ 588	\$ 116
Interest income	29	29	40	11
Other income	530	530	644	114
TOTAL REVENUES	1,031	1,031	1,272	241
EXPENDITURES				
Administration costs	126	126	88	38
Professional services	1	1	-	1
Planning, survey and design	15	15	2	13
Pass through's and ERAF payments	264	264	316	(52)
Debt service payments:				
Bonds and notes payable-principal	265	265	265	-
U.S., State & other L-T Debt-principal	529	529	-	529
Interest payments	158	158	143	15
TOTAL EXPENDITURES	1,358	1,358	814	544
Excess (deficiency) of Revenues Over (under) Expenditures	(327)	(327)	458	785
OTHER FINANCING SOURCES AND (USES)				
Other deferred payments	-	-	291	291
Proceeds from long-term debt	243	243	-	(243)
Interproject loan-capitalized interest	-	-	(128)	(128)
Transfers in (out), net	(11)	(11)	-	11
TOTAL OTHER FINANCING SOURCES (USES)	232	232	163	(69)
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(95)	(95)	621	716
Fund deficit-October 1, budgetary basis	(2,835)	(2,835)	(2,835)	-
FUND DEFICIT - SEPTEMBER 30, BUDGETARY BASIS	\$ (2,930)	\$ (2,930)	\$ (2,214)	\$ 716

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2007
(In Thousands)

	Central Long Beach Project Area			Variance with
	Budgeted Amounts		Actual on	Final Budget
	Original	Final	Budgetary	Positive
			Basis	(Negative)
REVENUES				
Property tax increment	\$ 11,987	\$ 11,987	\$ 15,684	\$ 3,697
Interest income	988	988	(166)	(1,154)
Rental income	(72)	(72)	262	334
Land sale proceeds	(956)	(956)	-	956
Other income	949	949	281	(668)
TOTAL REVENUES	12,896	12,896	16,061	3,165
EXPENDITURES				
Administration costs	956	956	1,773	(817)
Professional services	2,584	2,584	150	2,434
Planning, survey and design	(354)	(354)	366	(720)
Acquisition costs	79,967	101,967	350	101,617
Operation of acquired property	(2,222)	(2,222)	536	(2,758)
Relocation costs	1,058	1,058	892	166
Relocation Payments	(5,817)	(5,817)	541	(6,358)
Site clearance costs	(127)	(127)	335	(462)
Project improvement/construction costs	7,995	7,995	3,459	4,536
Disposal costs	(3)	(3)	-	(3)
Land purchases	(26,003)	(26,003)	27,277	(53,280)
Rehabilitation grants and loans	(323)	(323)	-	(323)
Furniture and equipment	-	-	1	(1)
Pass through's and ERAF payments	2,936	2,936	3,596	(660)
Debt service payments:				
Bonds and notes payable-principal	690	690	690	-
City/County advances and loans-principal	(182)	(182)	1,415	(1,597)
U.S., State and other long-term debt principal	1,456	1,456	-	1,456
Interest payments	3,123	3,123	3,055	68
TOTAL EXPENDITURES	65,734	87,734	44,436	43,298
Deficiency of Revenues				
Under Expenditures	(52,838)	(74,838)	(28,375)	46,463
OTHER FINANCING				
SOURCES AND (USES)				
Proceeds from long term debt	3,101	25,101	-	(25,101)
Interproject loan-capitalized interest	-	-	(54)	(54)
Transfers in (out), net	(40,544)	(40,544)	-	40,544
Payment to/from Redevelopment Agency	27,240	27,240	389	(26,851)
Transfer to the City	596	396	(1,733)	(2,129)
Transfer from the City	3,222	3,222	6,517	3,295
TOTAL OTHER FINANCING				
SOURCES (USES)	(6,385)	15,415	5,119	(10,296)
Excess (deficiency) of Revenues and Other Sources				
Over Expenditures and Other Uses	(59,223)	(59,423)	(23,256)	36,167
Fund balance-October 1, budgetary basis	34,665	34,665	34,665	-
Encumbrances, beginning of the Year	154	154	154	-
FUND BALANCE (DEFICIT)-SEPTEMBER 30, BUDGETARY BASIS	\$ (24,404)	\$ (24,604)	\$ 11,563	\$ 36,167

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2007
(In Thousands)

	North Long Beach Project Area			
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 29,702	\$ 29,702	\$ 30,795	\$ 1,093
Interest income	2,770	2,770	2,659	(111)
Rental income	(173)	(173)	398	571
Land sale proceeds	(137)	(137)	2,000	2,137
Other income	1,111	1,111	(1,481)	(2,592)
TOTAL REVENUES	33,273	33,273	34,371	1,098
EXPENDITURES				
Administration costs	5,712	5,712	2,844	2,868
Professional services	(78)	(78)	504	(582)
Planning, survey and design	(2,533)	(2,533)	437	(2,970)
Acquisition costs	46,405	65,405	326	65,079
Operation of acquired property	2,536	(1,464)	2,078	(3,542)
Relocation costs	(328)	(328)	213	(541)
Relocation payments	(3,022)	(3,022)	450	(3,472)
Site clearance costs	(95)	(95)	322	(417)
Project improvement/construction costs	24,387	19,172	7,706	11,466
Disposal costs	(1,114)	(1,114)	-	(1,114)
Land purchases	(41,460)	(36,660)	13,621	(50,281)
Rehabilitation grants and loans	8,959	8,959	1,085	7,874
Furniture and equipment	100	100	28	72
Pass through's and ERAF payments	7,211	7,211	8,024	(813)
Debt service payments:				
Bonds and notes payable-principal	1,711	1,711	1,751	(40)
U.S., State and other long-term debt principal	42	42	-	42
Interest payments	6,574	6,574	5,355	1,219
TOTAL EXPENDITURES	55,007	69,592	44,744	24,848
Deficiency of Revenues				
Under Expenditures	(21,734)	(36,319)	(10,373)	25,946
OTHER FINANCING				
SOURCES AND (USES)				
Proceeds from long term debt	(2,148)	5,852	-	(5,852)
Transfers in (out), net	5,431	5,431	-	(5,431)
Payment to/from Redevelopment Agency	(1,605)	(1,605)	-	1,605
Transfer to the City	967	467	(1,300)	(1,767)
Transfer from the City	-	461	462	1
TOTAL OTHER FINANCING	2,645	10,606	(838)	(11,444)
Deficiency of Revenues and Other Sources				
Over Expenditures and Other Uses	(19,089)	(25,713)	(11,211)	14,502
Fund balance-October 1, budgetary basis	68,602	68,602	68,602	-
Encumbrances, beginning of the Year	510	510	510	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ 50,023	\$ 43,399	\$ 57,901	\$ 14,502

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2007
(In Thousands)

	Housing Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
REVENUES				
Interest income	\$ 154	\$ 154	\$ 1,011	\$ 857
TOTAL REVENUES	154	154	1,011	857
EXPENDITURES				
Administration costs	5	5	2	3
Debt service payments:				
Bonds and notes payable-principal	670	670	670	-
Interest payments	2,985	2,985	2,985	-
TOTAL EXPENDITURES	3,660	3,660	3,657	3
Deficiency of Revenues Under Expenditures	(3,506)	(3,506)	(2,646)	860
OTHER FINANCING SOURCES AND (USES)				
Transfer to the City	(24,572)	(24,572)	(13,681)	10,891
Transfer from the City	3,521	3,521	3,343	(178)
TOTAL OTHER FINANCING SOURCES (USES)	(21,051)	(21,051)	(10,338)	10,713
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(24,557)	(24,557)	(12,984)	11,573
Fund balance-October 1, budgetary basis	57,864	57,864	57,864	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ 33,307	\$ 33,307	\$ 44,880	\$ 11,573

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Supplementary Financial Information
September 30, 2007

Supplementary Note: Reconciliation of Actual Revenues and Expenditures to the Non-GAAP Budgetary Basis

Budget information is presented on a non-GAAP budgetary basis, for the Capital Project and Debt Service Funds as well as the Low- and Moderate-Income Housing Fund, wherein appropriations represent budgeted amounts to be expended or encumbered during the period as presented on the Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, pages 58 – 60.

Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year, which were contingent upon new, or additional revenue sources. Total expenditures of each governmental fund may not legally exceed fund appropriations.

The following reconciles actual revenues and expenditures for Agency funds to the non-GAAP budgetary basis by fund type for the fiscal year ended September 30, 2007 (in thousands):

	Capital Project Funds	Debt Service Funds	Total
Beginning fund balance at October 1, 2006, on an actual GAAP basis	\$ 166,941	\$ 161,579	\$ 328,520
Encumbrances outstanding at October 1, 2006	(732)	-	(732)
Cumulative effect of capitalization of land held for resale at October 1, 2006	(116,505)	-	(116,505)
Beginning fund balance at October 1, 2006, on a budgetary basis	49,704	161,579	211,283
Actual GAAP basis revenue	3,787	81,645	85,432
Adjustment to GAAP basis revenues:			
Proceeds from the sale of land for resale	4,965	-	4,965
Revenues on a budgetary basis	8,752	81,645	90,397
Actual GAAP basis expenditures	41,943	40,046	81,989
Adjustments to GAAP basis expenditures:			
Encumbrances outstanding at October 1, 2006	(732)	-	(732)
Encumbrances outstanding at September 30, 2007	181	-	181
Loss on sale of land held for resale	(9,184)	-	(9,184)
Current effect of capitalization of land held for resale	48,195	-	48,195
Expenditures on a budgetary basis	80,403	40,046	120,449
Excess of revenues over (under) expenditures on a budgetary basis	(71,651)	41,599	(30,052)
Other financing sources (uses), on an actual GAAP basis	49,283	(49,268)	15
Reconveyance of land held for resale	7,092	-	7,092
Other financing sources (uses) on a budgetary basis	56,375	(49,268)	7,107
Excess of revenues and other sources over (under) expenditures and other uses, on a budgetary basis	(15,276)	(7,669)	(22,945)
Ending fund balance at September 30, 2007, on a budgetary basis	\$ 34,428	\$ 153,910	\$ 188,338

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Supplementary Financial Information
September 30, 2007

The following reconciles actual revenues and expenditures for the Low- and Moderate-Income Housing Fund to the non-GAAP budgetary basis for the fiscal year ended September 30, 2007 (in thousands):

Beginning fund balance at October 1, 2006, on an actual GAAP basis	\$23,525
Cumulative effect of capitalization of land held for resale at October 1, 2006	<u>(995)</u>
Beginning fund balance at October 1, 2006, on a budgetary basis	<u>22,530</u>
Actual GAAP basis revenue	<u>20,472</u>
Revenues on a budgetary basis	<u>20,472</u>
Actual GAAP basis expenditures	8,632
Adjustments to GAAP basis expenditures:	
Encumbrances outstanding at September 30, 2007	325
Current effect of capitalization of land held for resale	<u>501</u>
Expenditures on a budgetary basis	<u>9,458</u>
Excess of revenues over (under) expenditures on a budgetary basis	<u>11,014</u>
Other financing sources (uses), on an actual GAAP basis	5,368
Adjustment to GAAP basis other financing sources (uses):	
Reconveyance of land	<u>(7,092)</u>
Other financing sources (uses) on a budgetary basis	<u>(1,724)</u>
Excess of revenues and other sources over expenditures and other uses, on a budgetary basis	<u>9,290</u>
Ending fund balance at September 30, 2007, on a budgetary basis	<u><u>\$31,820</u></u>

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Changes in Long-Term Debt
Year Ended September 30, 2007
(In Thousands)

	Balance September 30 2006	Additions	Deductions	Balance September 30 2007
<u>Poly High Project</u>				
Bonds-Tax Allocation Bonds 2002	\$ 1,120	\$ -	\$ 166	\$ 954
Bonds-Tax Allocation Bonds 2005A-2	2,558	-	-	2,558
Total	3,678	-	166	3,512
<u>West Beach Project</u>				
Bonds-Tax Allocation Bonds 2002	7,322	-	460	6,862
Bonds-Tax Allocation Bonds 2005A-2	839	-	-	839
Total	8,161	-	460	7,701
<u>West Long Beach Ind'l Proj.</u>				
Bonds-Tax Allocation Bonds 1992	16,425	-	975	15,450
Bonds-Tax Allocation Bonds 2002B	19,660	-	115	19,545
Total	36,085	-	1,090	34,995
<u>Downtown Project</u>				
Bonds-Tax Allocation Bonds 1992A	36,475	-	2,165	34,310
Bonds-Tax Allocation Bonds 2002A	16,651	-	510	16,141
Bonds-Tax Allocation Bonds 2002B	22,615	-	-	22,615
Bonds-Tax Allocation Bonds 2005C	7,880	-	45	7,835
419 West Broadway, LLC-West Gateway	1,450	-	-	1,450
Total	85,071	-	2,720	82,351
<u>Los Altos Project</u>				
Bonds-Tax Allocation Bonds 2005A-1	4,430	-	265	4,165
Notes-Los Angeles County-Share of Tax Increment: Principal	1,830	289	-	2,119
Interest Payable	295	75	-	370
Notes-Los Angeles County Office of Education- Share of Tax Increment: Principal	15	2	-	17
Interest Payable	2	1	-	3
Total	6,572	367	265	6,674
<u>Central Long Beach Proj</u>				
Bonds-Tax Allocation Bonds 2005A-1	22,425	-	275	22,150
Bonds-Tax Allocation Bonds 2005B	33,840	-	415	33,425
Total	56,265	-	690	55,575
<u>North Long Beach Project</u>				
Bonds-Tax Allocation Bonds 2002	11,170	-	686	10,484
Bonds-Tax Allocation Bonds 2005A-1	38,373	-	648	37,725
Bonds-Tax Allocation Bonds 2005B	24,677	-	417	24,260
Bonds-Tax Allocation Bonds 2005C	27,145	-	-	27,145
Total	101,365	-	1,751	99,614
<u>Housing Fund</u>				
Bonds-Tax Allocation Bonds 2005B	55,020	-	670	54,350
Total	55,020	-	670	54,350
TOTAL AGENCY LONG-TERM DEBT	\$ 352,217	\$ 367	\$ 7,812	\$ 344,772
Long-term Indebtedness is summarized as follows:				
Notes	\$ 3,592	\$ 367	\$ -	\$ 3,959
Bonds	348,625	-	7,812	340,813
Total	\$ 352,217	\$ 367	\$ 7,812	\$ 344,772

See accompanying independent auditors' report.

Auditor's Report on Compliance



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

**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***

The Honorable Mayor and City Council
City of Long Beach, California

The Honorable Members of the Redevelopment Agency Board
City of Long Beach, California:

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Long Beach (the Agency), a component financial reporting unit of the City of Long Beach, California, (the City) and of the Low- and Moderate-Income Housing Fund, as of and for the year ended September 30, 2007, which collectively comprise the Agency's basic combined financial statements and have issued our report thereon dated May 27, 2008. 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 the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings FS-07-01 to FS-07-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's combined 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. 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 or other matters that are required to be reported under *Government Auditing Standards*.

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Agency's responses, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's mayor, City Council, the City's management, the Agency's board, the Agency's management, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

May 27, 2008

REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH

Schedule of Findings and Responses

September 30, 2007

I. Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*

FS 07-01: Financial Reporting

Criteria

A significant deficiency in internal controls is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We believe the control deficiencies described below represent significant deficiencies in internal controls.

Condition and Context

The Agency does not have an effective process or controls in place to compile their financial statements and related disclosures in accordance with U.S. generally accepted accounting principals (U.S. GAAP). During our audit and review of the financial statements of the Agency, we identified, and management subsequently corrected, errors in the presentation and disclosure of the financial statements. These include improper initial reporting and/or disclosure of the following:

- Improper recording of \$18.8 million of deferred revenue and long-term receivables
- Improper presentation of \$1.6 million of advances on the fund financial statements
- Lack of disclosure related to the fair market value requirements of Governmental Accounting Standards Board (GASB) Statement No. 31, *Certain Investments and External Investment Pools* related to the agency cash & cash equivalents balances.

Cause

Although the agency has certain controls in place relating to the review and approval of the financial statement the agency had not identified the specific issues noted above internal before the audit took place.

Effect or Potential Effect

The lack of effective controls in place over the preparation of financial statements and related disclosures may lead to the Agency producing financial information that does not adhere to U.S. GAAP.

Recommendation

We recommend that management implement internal controls to ensure the preparation of financial statements is in accordance with U.S. GAAP.

Views of Responsible Officials

The Agency will strengthen the internal controls to ensure the preparation of financial statements is in accordance with U.S. GAAP. The Agency will ensure that staff responsible for preparing and approving journal entries attend annual U.S. GAAP training or review courses to assure the monthly recording of transactions complies with U.S. GAAP. Staff responsible for preparing the Agency's financial statements

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will attend annual U.S. GAAP training or review courses to assure the presentation of the statements are in accordance with U.S. GAAP. In addition, the Agency will ensure the staff reviewing prepared financials has U.S. GAAP training.

FS-07-02: Lack of Information Security Policies and Procedures

Criteria

A significant deficiency in internal controls is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We believe the control deficiency described below represents a significant deficiency in internal controls.

Condition and Context

The City does not have formal Information Technology (IT) security and safeguarding policies and procedures. During our audit, we noted that the City has implemented procedures to address the issues surrounding information security, such as signing a confidentiality agreement upon commencing of employment. However, policies and procedures are not formally documented.

Additionally, the City does not have formally documented policies and procedures related to systems and application change control. Based on our audit of the Human Resources System (Tesseract), we note that the system changes do follow an informal process, and programming changes are documented into the program itself; however, formal documentation of appropriate approval, testing, and user acceptance is not always obtained. Based on our audit of Financial Accounting and Management Information System (FAMIS), the Fixed Asset Accounting System (FAACS), and the Advanced Purchasing and Inventory Control System (ADPICS), we note that system patches and bug fixes performed by the Financial Systems Officer in the Department of Financial Management do follow a formal process and programming changes are documented. However, changes made by the Technology Services programmers for other changes, such as modifying custom reports, follow an informal documentation process, and appropriate approval, testing, and user acceptance are not always obtained.

Cause

Prior to fiscal year 2008, information security policies were developed and reviewed by Technology Services' respective operating units but were not formalized in a citywide information security policy or citywide change management policy.

Effect or Potential Effect

Lack of documented information security policies and procedures weaken the IT general control environment. With regard to change management, once a system is operational, further changes to the system are usually required to meet the business development needs. Such changes should be subjected to controls as stringent as those used in the development or implementation of a new system. If there is little or no control over system changes, the benefits originally gained by controlling the system's implementation are lost as subsequent changes are made.

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Recommendation

We recommend that management formalize the current procedures into policies and develop standard IT security and safeguarding policies, such as:

- Information Security Infrastructure Requirements
- Password-Based Access Control
- Password Protection
- Virus Protection
- Internet Web Site Controls
- Standard Network System Configuration
- Network System Administration
- Application Security Administration
- Firewall and Router Security
- Transmission of Data/Encryption
- Physical/Perimeter Security and Data Center Protection

Additionally, we recommend that management develop and implement formal IT change management policies, standards, and related procedures associated with system (e.g., infrastructure and configuration change) and application change control. Management should ensure that the new developments are understood and communicated to all IT and supporting the City personnel. Adequate formal change management procedures should be designed and implemented to ensure that changes to the key financial systems are made in a controlled manner. Specifically, we recommend that the following controls be implemented and enforced:

- All change requests should be formally authorized and documented by appropriate management and business owner;
- Appropriate change management software should be utilized for the Tesseract application to support the migration of programming changes to the live environment;
- Changes that are made to the IT systems are tested, validated, and approved prior to implementation into the production environment. Test criteria should be documented and applied for all testing. This is to ensure that the changes will meet the user requirements and that the changes will not have a negative impact on any of the existing;
- User acceptance sign-off should be obtained and maintained before changes are migrated to the production environment;
- Changes made to IT systems should be validated after promotion to production to confirm that the change did not impact the system functionality or data integrity and that unauthorized changes were not inadvertently or intentionally promoted;

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- Access to migrate changes into production should be segregated from the responsibilities of program development. Only a limited number of personnel should have access to migrate changes to the production environment to ensure that this process is well controlled and only tested, authorized, and properly approved changes are migrated into production;
- Change procedures also be applied to both system and application configuration settings (e.g., tolerance setting, such as check authorization limits, 3-way match, work flow flags to escalate for approval, and system configuration on hardware). Configuration settings are a key component of many information systems. Configuration settings frequently can impact the design and/or operating effectiveness of internal control over financial reporting;
- Emergency change provisions and controls are outlined to ensure that changes requiring immediate implementation are properly handled, allowing for timely change and no impact to systems and applications related to the financial reporting process; and
- Finally, we recommend that documentation of the activities above be maintained to strengthen the overall IT general control environment.

We recommend that these policies be formally communicated throughout the organization to users supporting and maintaining information systems and technology and are accessible and understandable to all persons. This ensures that management sets a clear direction and demonstrates support and commitment to information security through the issuance and maintenance of an information security policy. We recommend an annual review and update of the IT policies and procedures occur to integrate any new system, technology, and process improvements.

Views of Responsible Officials

In fiscal year 2008, the City's Technology Services department formalized its various security procedures in a comprehensive information technology security policy to guide those supporting and maintaining information systems, as well as those using the systems. This security policy was approved by the City Manager on April 22, 2008. Also in fiscal year 2008, the City's Technology Services department formalized its various change management policies in a comprehensive information technology change management policy to guide those supporting and maintaining the City's software applications.

FS-07-03: Administrative Access – Inappropriate Administrative Access and Lack of Review over Appropriateness of User Access and Segregation of Duties within Certain Applications

Criteria

A significant deficiency in internal controls is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We believe the control deficiency described below represents a significant deficiency in internal controls.

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Condition and Context

Management does not have a control in place to ensure proper segregation of duties within Software Configuration and Library Manager (SCLM). We noted several programmers have SCLM access to promote changes to production causing a segregation of duties conflict. Access to SCLM should be limited to two to three individuals independent of any programming responsibilities. Furthermore, management does not currently have controls in place to periodically review and document the appropriateness of user access to the financially significant applications, administrative access to Active Directory, Resource Access Control Facility (RACF), and SCLM.

Cause

Technology Services' current level of application support staff precludes segregation of duties between the test and production environments for the SCLM application.

Effect or Potential Effect

Weaknesses in user access control may lead to situations where an employee has the ability to perpetrate an error or irregularity and to conceal the error or irregularity. Additionally, a lack of adequate security over user access in the business systems and improper segregation of duties can potentially expose the City to a variety of risks resulting from unauthorized manipulation of financial data as well as an unauthorized exercise of system functions.

Recommendation

We recommend that Administrative Access be restricted to users within the IT department with a specific job need. Users with Administrator Access, making programming changes, and promoting those changes into production should be segregated. Periodic review of users with access to financially significant applications helps prevent unauthorized access and potential financial misstatement due to unauthorized access. We recommend that the City implement a formal review, similar to the established procedures performed on the FAMIS system, of users with access to significant financial applications and Administrative Access to supporting applications, including Active Directory, SCLM, and RACF. Additionally, management should include the Data Center as part of the annual review or review data center access more frequently based on the rate of turnover. This review should be performed at least annually to ensure that inappropriate system access is detected and remediated. Similar to the FAMIS procedures, this review should be performed in conjunction with the IT department and business owners. Evidence of review by business owners and the IT department should be documented, signed and dated, and maintained for audit purposes.

Views of Responsible Officials

Since SCLM is a tool that was not utilized for the City's primary financial systems (FAMIS, ADPICS, BPREP, FAACS), we believe that the lack of segregation of duties within SCLM does not pose a significant risk. Also, budgetary constraints may require SCLM access be maintained at the current levels. However, the Technology Services department will perform a review of SCLM security to determine whether changes are feasible before the end of fiscal year 2008.

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General Information

**DOWNTOWN REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2006-2007
WITH ACCOMPLISHMENTS FOR FY 2006-2007**

GOAL #1

Encourage commercial development in the Downtown in conformance with the Redevelopment Plan and Downtown Strategy for Development.

- Provide incentives to appropriate retailers to locate in Downtown.
- Continue to facilitate development of the D'Orsay Hotel.
- Provide support for the redevelopment of the block at Long Beach Boulevard and 3rd Street.
- Implement mixed-use projects (see residential development below).

ACCOMPLISHMENTS

- Worked in partnership with Downtown Long Beach Associates and the City's Economic Development Bureau to provide incentive packages for appropriate retailers to establish on Pine Avenue and engaged a retail recruitment firm to specifically focus on target retailers.
- Worked with D'Orsay Hotel developer to approve project revisions so that project can move forward.
- Entered into an MOU with Williams & Dame Development to prepare a development concept package and a financial pro forma for the Broadway Block.

GOAL #2

Encourage residential development in the Downtown in conformance with the Redevelopment Plan and the Downtown Strategy for Development.

- Implement DDAs for Promenade sites with The Olson Company, Lyon Realty Advisors, and Lennar Southcoast.
- Implement DDAs for West Gateway Projects with The Olson Company, Lennar Southcoast, and Jamboree Housing Company.
- Implement CityPlace OPA for 4th Street Lofts.
- Assist with development of the Press-Telegram block.
- Implement OPA for a mixed-use project at Ocean Boulevard and Alamitos Avenue.
- Implement OPA for mixed-use project along Long Beach Boulevard between 1st Street and Broadway.
- Implement OPA for Cedar Court.
- Negotiate development agreements for the block bordered by 6th and 7th Streets and Pine and Pacific Avenues.

ACCOMPLISHMENTS

- Monitored construction on The Olson Company and Lennar Southcoast's Promenade developments in accordance with the terms of their respective DDAs.

- Finalized negotiations for Lyon Realty Advisors' Promenade project, obtained all approvals, executed Amendment to DDA and commenced construction on the Lyon development.
- Continued construction on Jamboree Housing Company project in the West Gateway area.
- Negotiated West Gateway DDA with Lyon West Gateway, LLC and cleared the site.
- Terminated negotiations with The Olson Company and Lennar Southcoast for West Gateway projects.
- Monitored construction of CityPlace Lofts (4th Street at Elm Avenue).
- Provided staff input into the development of the Press-Telegram block.
- Negotiated OPA for Shoreline Gateway project at Ocean Boulevard and Alamitos Avenue. The project was transferred to the Central Project Area.
- Continued construction on the Standard Pacific lofts north of the Post Office.
- Continued to market property along Long Beach Blvd. between 1st Street and Broadway to qualified developers.
- Cedar Court OPA has been terminated. The project was transferred to the City's Project Development Bureau.
- Continue to negotiate with Bixby Tower, Inc. for development of a portion of the block bounded by 6th and 7th Streets and Pine and Pacific Avenues.

GOAL #3

Pursue planning initiatives in conformance with the Redevelopment Plan and Downtown Strategy for Development.

- Implement recommendations of the Downtown Parking Study.
- Participate in a comprehensive revision of PD-30 Zoning for height and density flexibility and for mixed-use project standards.
- Continue participation in General Plan update.
- Negotiate development agreement for the block bordered by 3rd and 4th Streets and Pine and Pacific Avenues, including a public parking garage.

ACCOMPLISHMENTS

- Enhanced directional signage to Downtown parking.
- Enhanced parking garage signage.
- Opened new public parking in the Olson Promenade parking garage.
- Participated in a strategic visioning process and presented the vision to stakeholders, Redevelopment Agency, Planning Commission and City Council.
- Participated in the General Plan update process.
- Entered into an Exclusive Negotiation Agreement with Williams & Dame Development to prepare a development concept package for the block generally bounded by 3rd and 4th Streets and Pine and Pacific Avenues.

GOAL #4

Support activities that foster an inviting, safe pedestrian environment in the Downtown.

- Contribute to Downtown marketing efforts.
- Support the weekly Farmers' Market and Craft Fair.
- Begin construction of open space and pedestrian linkages through the West Gateway Area to The Promenade and Long Beach Boulevard.

ACCOMPLISHMENTS

- Continued public information program on changes in Downtown parking.
- Continued to support the Farmers' Market and Craft Fair at CityPlace.
- Finalized design of open space and pedestrian linkages through the West Gateway Area to The Promenade and Long Beach Boulevard.
- Awarded contract and commenced construction drawings for Promenade Master Plan (middle block).
- Selected artists for Public Art on the Promenade.

GOAL #5

Support the development of affordable housing in Long Beach.

- Transfer 20% of available project area tax increment to the Housing Development Fund.

ACCOMPLISHMENTS

- Transferred 20% of available increment to the Housing Development Fund.
- Incorporated 26 affordable units into Disposition and Development Agreements for the Lyon West Gateway Project.

GOAL #6

Serve as staff support to various committees and organizations.

- Provide staff support for the Downtown Property Based Improvement District (PBID) and the Downtown Long Beach Associates (DLBA).
- Provide staff support to the Pine Avenue Task Force and to the Downtown Business Advisory Committee.

ACCOMPLISHMENTS

- Attended DLBA meetings to report on Redevelopment activities.
- Participated in Pine Avenue Task Force meetings.
- Participated in Downtown Public Right-of-Way meetings.

**DOWNTOWN REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2007-2008**

- (1) Encourage neighborhood revitalization through commercial and mixed-use development in the Downtown in conformance with the Redevelopment Plan and the Downtown Strategy for Development.**

 - Provide incentives to appropriate retailers to locate in Downtown.
 - Continue to facilitate development of the Hotel Esterel (formerly D'Orsay Hotel).
 - Implement DDAs for Promenade sites with The Olson Company, Lyon Realty Advisors, and Lennar South Coast Homebuilding.
 - Implement DDA for West Gateway Project with Lyon Realty Advisors.
 - Negotiate DDA with Williams & Dame Development for the redevelopment of the block at Long Beach Boulevard and 3rd Street (Broadway Block).
 - Negotiate OPA with Urban Growth Long Beach and The Related Companies for mixed-use project along Long Beach Boulevard between 1st Street and Broadway (MTA Block).
 - Negotiate OPA with Williams & Dame Development for the block bordered by 3rd and 4th Streets and Pine and Pacific Avenues, including public parking spaces.
 - Implement OPA for Cedar Court.
 - Work with the owner of Pine Square/Pacific Court on the conversion of underutilized AMC Theater space into condominiums.
- (2) Encourage open space and public art development in the Downtown in conformance with the Redevelopment Plan and the Downtown Strategy for Development.**

 - Implement The Promenade Open Space Master Plan and public art installation on three blocks of The Promenade between Ocean Blvd. and 3rd Street.
 - Redevelop the 3rd Street and Promenade site adjacent to the WPA Mosaic into open space.
- (3) Support the development of affordable housing in Long Beach.**

 - Transfer 20% of available project area tax increment to the Housing Development Fund.
- (4) Encourage infrastructure and public improvements in conformance with the Redevelopment Plan and Downtown Strategy for Development.**

 - Begin construction of open space and pedestrian linkages through the West Gateway Area to The Promenade and Long Beach Boulevard.
 - Implement recommendations of the Downtown Parking Study.
 - Implement DDA with Long Beach Transit on the redevelopment of the southeast corner of Pine Avenue and First Street with the new Long Beach Transit Visitor and Information Center.

**DOWNTOWN REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2007-2008**

- (5) **Encourage effective project area administration in conformance with the Redevelopment Plan and Downtown Strategy for Development.**
- Participate in Downtown Visioning Master Plan, a comprehensive revision of PD30 Zoning for height and density flexibility and for mixed-use project standards.
 - Participate in Pacific Avenue Visioning.
 - Continue participation in General Plan update.
 - Continue partnership with Downtown Long Beach Associates and Downtown businesses through contributions to marketing and economic development efforts.
 - Provide staff support for the Downtown Property Based Improvement District (PBID) and the Downtown Long Beach Associates (DLBA).
 - Provide staff support to the Pine Avenue Task Force and the Downtown Business Advisory Committee.

**WEST BEACH REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2006-2007
WITH ACCOMPLISHMENTS FOR FY 2006-2007**

GOAL #1

Continue to support development of the West Ocean commercial corridor.

- Continue to assist private sector developments in the Project Area in conformance with the Redevelopment Plan and Downtown Strategy for Development.

ACCOMPLISHMENT

- Staff has continued to assist private sector initiatives in the Project Area that conform to the Redevelopment Plan and Downtown Strategy for Development.

GOAL #2

Support the development of affordable housing in Long Beach.

- Transfer 20% of available project area tax increment to the Housing Development Fund.

ACCOMPLISHMENT

- The Housing Development Fund has received 20% of available increment.

GOAL #3

Serve as staff support to various committees and organizations.

- Provide staff support for the Downtown Property Based Improvement District (PBID) and the Downtown Long Beach Associates (DLBA).

ACCOMPLISHMENT

- Agency staff has continued to provide support to a variety of committees and organizations, including the DLBA and the Arts Council.

GOAL #4

Provide additional recreation opportunities or other infrastructure improvements to benefit the project area.

- Assist with infrastructure improvements that benefit the project area.

ACCOMPLISHMENT

- Staff has continued to provide support to the City of Long Beach in the redesign of Santa Cruz Park along Ocean Blvd. as part of the adjacent residential developments.

**WEST BEACH REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2007-2008**

- (1) Continue to support development of the West Ocean commercial corridor.**
 - Continue to assist private sector developments in the Project Area in conformance with the Redevelopment Plan and Downtown Strategy for Development.
- (2) Provide additional recreation opportunities or other infrastructure improvements to benefit the project area.**
 - Assist with infrastructure improvements that benefit the project area.
- (3) Support the development of affordable housing in Long Beach.**
 - Transfer 20% of available project area tax increment to the Housing Development Fund.
- (4) Administer the Project Area effectively.**
 - Provide staff support for the Downtown Property Based Improvement District (PBID) and the Downtown Long Beach Associates (DLBA).

**WEST LONG BEACH INDUSTRIAL PROJECT AREA
COMPARISON OF GOALS FOR FY 2006-2007
WITH ACCOMPLISHMENTS FOR FY 2006-2007**

GOAL #1

Facilitate the replanning, redesign and redevelopment of the Project Area.

- Study the opportunities for under grounding utilities and providing fiber-optic cable service.
- Complete project design of the Westside Storm Drain Improvement Project.
- Explore feasibility of Canal-Caspian diagonal parking demonstration project.
- Initiate streetscape improvement project for Pacific Coast Highway.

ACCOMPLISHMENTS

- Incorporated under grounding of utilities and providing fiber-optic cable service into the Westside Storm Drain Improvement Project.
- Received approval from County of Los Angeles and City of Long Beach Public Works department regarding design of the Westside Storm Drain Improvement Project.
- Initiated dialogue with community regarding a diagonal parking demonstration project.
- Completed design of streetscape improvement project for Pacific Coast Highway.

GOAL #2

Contribute to project area revitalization.

- Facilitate removal and conversion of non-conforming residential, nightclub and motel sites to development more appropriate uses for the area.
- Implement Agency approved Disposition and Development Agreements (DDA).
- Implement the revised Facade Improvement Program (FIP).
- Enhance the pedestrian environment.
- Increase street and alley security through additional lighting and surveillance equipment.
- Restore the SnugTop Water Tower.
- Initiate Pro-Active Code Enforcement Program.

ACCOMPLISHMENTS

- Acquired three residential non-conforming properties and a crime-ridden motel for future development more appropriate for the area.
- Concluded, amended, and initiated Exclusive Negotiating Agreements and DDAs.
- Initiated 18 FIP projects throughout the Project Area. The first six projects underway are located on the major corridors of Pacific Coast Highway and Santa Fe Avenue.
- Included traffic safety components to the streetscape improvement project for Pacific Coast Highway.

- Continued to partner with the City's Public Works Department to administer the alley surveillance camera program. Also, explored the possibility of adding solar lighting to targeted alleys.
- Completed restoration of the SnugTop Water Tower.
- Initiated Pro-Active Code Enforcement Program on major corridors of Pacific Coast Highway and Santa Fe Avenue.

GOAL #3

Strengthen the economic base of the Project Area.

- Assemble land with Agency-owned properties to facilitate new development.
- Support projects that provide for expanded industrial development and additional employment opportunities.
- Provide funding for small business assistance programs in West Long Beach.
- Provide funding for economic development activities in West Long Beach.
- Provide opportunities to retain existing businesses in West Long Beach.

ACCOMPLISHMENTS

- Acquired various residential non-conforming properties for future development of industrial uses and sought to acquire neighboring properties of Agency owned land for purposes of land assembly for industrial development.
- Initiated discussions with various property owners neighboring Agency owned sites, regarding assembling sites in partnership with the Agency through Owner Participation Agreements. Targets sites are located in: 1400 block of Cota Avenue, 1600 block of 17th Street, 2100 block of 16th Street, 1500 block of Santa Fe Avenue, 1600 block of Seabright Avenue, 1300 block of Canal Avenue, and 2100 block of 16th Street.
- Provided \$600,000 to the City's Economic Development Bureau for business retention and attraction activities.
- Initiated discussion regarding the creation of an Energy Solutions Business Loan Program.

GOAL #4

Provide staff support to various committees and organizations.

- Continue to provide funding and staff support to the West Long Beach Project Area Committee.

ACCOMPLISHMENT

- Provided funding and staff support to the West Long Beach Project Area Committee.

GOAL #5

Support the development of affordable housing in Long Beach.

- Transfer 20% of project area tax increment to the Housing Development Fund.

ACCOMPLISHMENT

- The Housing Development Fund has received 20% of available tax increment.

**WEST LONG BEACH INDUSTRIAL REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2007-2008**

(1) Neighborhood Revitalization

- Facilitate removal and conversion of non-conforming uses.
- Create new development opportunities.
- Ensure that adequate infrastructure is in place to support the growth of existing businesses and other future development.
- Introduce Community Code Enforcement Program.
- Address real and perceived safety by making the Westside a clean, safe and welcoming environment.
- Implement Façade Improvement Program.
- Strengthen the industrial character of the Westside by retaining existing manufactures and attracting new ones.

(2) Corridor Revitalization

- Create a more pleasant urban environment through an attractive streetscape program.
- Facilitate removal and conversion of non-conforming property uses.
- Create new development opportunities.
- Introduce Community Code Enforcement Program.
- Implement Façade Improvement Program.

(3) Open Space / Public Art Development

- Enhance the image and identity of the Westside as a prosperous industrial community through improved signage and other actions designed to change the perceptions of the area.

(4) Facilitate the Efficient Administration of the Project Area.

- Strengthen partnership with WPAC.
- Develop a comprehensive public relations, marketing and communications program to market the Westside as a dynamic industrial community.

**POLY HIGH REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2006-2007
WITH ACCOMPLISHMENTS FOR FY 2006-2007**

GOAL #1

Preserve the public amenities created as part of the redevelopment of the Poly High Project Area.

- Assist in the development of public infrastructure and open space development projects.

ACCOMPLISHMENTS

- Acquired property at Atlantic Avenue and Pacific Coast Highway to eliminate blight and allow for traffic improvements and open space development.
- Acquired property at Pacific Coast Highway and Martin Luther King Jr. Avenue to provide open space and a gateway to Poly High School.

GOAL # 2

Continue to support the development of affordable housing by transferring 20% of project area tax increment to the Housing Development Fund.

- Provide 20% of project area tax increment for the development of affordable housing.

ACCOMPLISHMENT

- Transferred 20% of project area tax increment to the Housing Development Fund.

GOAL #3

Eliminate and prevent blight along the Project Area's commercial corridors.

- Acquire or provide rehabilitation assistance for commercial properties on Pacific Coast Highway.
- Explore the possibility of joint development of sites along Pacific Coast Highway with the Long Beach Unified School District.

ACCOMPLISHMENT

- Acquired property at Atlantic Avenue and Pacific Coast Highway to eliminate blight and allow for traffic improvements and open space development.
- Acquired property at Pacific Coast Highway and Martin Luther King Jr. Avenue to provide open space and a gateway to Poly High School.

**POLY HIGH REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2007-2008**

- (1) Eliminate and prevent blight along the Project Area's commercial corridors.**
 - Acquire or provide rehabilitation assistance for commercial properties on Pacific Coast Highway.
 - Explore the possibility of joint development of sites along Pacific Coast Highway with the Long Beach Unified School District.
- (2) Preserve the public amenities created as part of the redevelopment of the Poly High Project Area.**
 - Assist in the development of public infrastructure and open space development projects.
- (3) Continue to support the development of affordable housing by transferring 20% of project area tax increment to the Housing Development Fund.**
 - Provide 20% of project area tax increment for the development of affordable housing.

**LOS ALTOS REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2006-2007
WITH ACCOMPLISHMENTS FOR FY 2006-2007**

GOAL #1

Fully meet all of the financial obligations of the Project Area.

- Use all tax increment, less expenses for project area administration, housing set aside, and public art maintenance, for repayment of the loan from the West Long Beach Industrial Redevelopment Project Area.

ACCOMPLISHMENT

- Used sales tax revenue to provide payments to the West Long Beach Industrial Project Area.

GOAL #2

Support the development of affordable housing in Long Beach.

- Transfer 20% of available project area tax increment to the Housing Development Fund.

ACCOMPLISHMENT

- Transferred 20% of available project area tax increment to the Housing Development Fund.

GOAL #3

Preserve the public amenities created as part of the redevelopment of the Los Altos Shopping Center.

- Maintain reserve for capital replacement.

ACCOMPLISHMENT

- Public amenities did not require expenditures maintenance in FY06-07.

**LOS ALTOS REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2007-2008**

- (1) Preserve the public amenities created as part of the redevelopment of the Los Altos Shopping Center.**
 - Maintain reserve for capital replacement.
- (2) Support the development of affordable housing in Long Beach.**
 - Transfer 20% of available project area tax increment to the Housing Development Fund.
- (3) Administer the Project Area's obligations effectively.**
 - Use sales tax revenue and tax increment for bond debt service, administrative expenses, public art maintenance, and repayment of the loan from the West Long Beach Industrial Project Area.

**CENTRAL LONG BEACH REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2006-2007
WITH ACCOMPLISHMENTS FOR FY 2006-2007**

GOAL #1

Facilitate the replanning, redesign and redevelopment of the Central Long Beach Project Area.

- Implement the Strategic Guide for Development for the Central Study Area.
- Implement the Willmore District Implementation Plan.
- Implement the Central Long Beach Design Guidelines.
- Update Atlantic Avenue Master Plan.
- Support the long-range strategic planning of Long Beach Boulevard.
- Identify priority sites for redevelopment consistent with the Strategic Guide.
- Support the revision of planned development district ordinances to further redevelopment efforts in the Project Area.

ACCOMPLISHMENTS

- Supported the implementation strategies for the eight targeted Neighborhood Centers for concentrated redevelopment activities as identified in the Central Long Beach Strategic Guide for Development.
- Incorporated the recommendations identified in the Central Design Guidelines into all new construction projects in the Project Area.
- Relocated historic homes to vacant residential sites as identified in the Willmore District Implementation Plan.
 - 539-543 Daisy Avenue
 - 226 West 10th Street
 - 734 Maine Avenue
- Revised the Atlantic Avenue Planned Development District (PD-25) ordinance.
- Completed site acquisition of targeted blighted parcels to allow for future development opportunities.
 - 552-558 E. Willow Street
 - 1225-1227 Lime Avenue
 - 101 E. Pacific Coast Highway
 - 1814 Pine Avenue
- Leveraged project area funds with local, state and federal funds to support projects and initiatives.
 - Atlantic Avenue Senior Housing Project
 - Atlantic Avenue Façade Program
 - Ronald McDonald House

GOAL #2

Contribute to neighborhood revitalization.

- Continue redevelopment efforts along commercial corridors including transit-oriented developments.

- Encourage human-scale, pedestrian-oriented developments.
- Support the preservation and enhancement of historic districts.
- Support the development and expansion of open space.
- Support the development of public infrastructure improvements.
- Develop programs for enhancing and rehabilitating existing housing stock.
- Continue to facilitate and encourage homeownership opportunities.
- Develop initiatives to reduce density in overcrowded neighborhoods.

ACCOMPLISHMENTS

- Identified five target corridors and initiated participation in the Commercial Façade Improvement Program.
- Provided funding to support targeted code enforcement activities on Atlantic Avenue and in the Wrigley and Hellman neighborhoods.
- Started construction on the development of an affordable senior housing development on Atlantic Avenue at Vernon Street.
- Provided funding to support land assembly for the expansion and development of open space and recreational opportunities throughout the Project Area.
 - Orizaba Park
 - Drake Park
 - Pacific Electric Right-of-Way
 - California Recreation Senior Center
 - 15th Street and Alamitos Avenue
 - 9th Street and Pacific Avenue
- Completed the Martin Luther King Jr. Avenue and Santa Fe Avenue Median Island Projects.
- Provided funding to support infrastructure improvements in the Magnolia Industrial District.
- Provided funding for peer design review of non-Agency residential projects in the development pipeline.
- Removed blighted rooftop signs from existing commercial buildings.
- Completed on-site public art at the new Mark Twain Library.
- Commenced development of the Wrigley Village Streetscape Enhancement Master Plan.
- Completed a development agreement for the construction of a 35-story high-rise development on Ocean Boulevard and Alamitos Avenue.

GOAL #3

Strengthen the economic base of the Project Area.

- Support the recruitment, retention and expansion of project area businesses.
- Support and encourage business assistance programs that focus on Central Long Beach businesses.
- Provide funding for economic development activities in Central Long Beach.
- Support the implementation of St. Mary Medical Center and Long Beach Memorial Medical Center master plans.

ACCOMPLISHMENTS

- Assisted in the pre-development of a commercial project at Atlantic Avenue and Anaheim Street.
- Assisted in the development of business recruitment and retention initiatives throughout the Project Area.
- Provided funding to support economic development activities in the Project Area.
- Providing façade improvements to an outdated commercial center on Willow Street and Caspian Avenue.
- Supported the expansion of Long Beach Memorial Medical Center and Miller Children's Hospital at Long Beach Memorial.

GOAL #4

Continue to support the implementation of the East Village Guide for Development.

- Support the long-range strategic planning of the East Village Arts District.
- Facilitate the adaptive reuse of existing structures.
- Facilitate the development of an arts entertainment complex.
- Administer the East Village Artist Loan Program to assist in the development of artist live/work units and studio space.

ACCOMPLISHMENTS

- Continued facilitating façade improvements and the development of new buildings that enhance the East Village Arts District.
 - 825 East 7th Street
 - 4th Street and Alamitos Avenue
- Developing conceptual design for streetscape improvements on Alamitos Avenue.
- Continue to support the development of the East Village Art Exchange in the 1st and Long Beach Boulevard Development proposal.
- Pursued tenant improvements of Koo's Art Center using the East Village Artist Loan Program.
- Acquired property at 825 E. 7th Street to allow for the development of artist live/work units.

GOAL #5

Continue the development of the West Gateway District.

- Work with selected developers to establish a cohesive residential community.
- Complete site assembly for targeted blocks and in-fill sites.
- Implement the streetscape master plan.
- Monitor construction.

ACCOMPLISHMENTS

- Nearing completion of Puerto del Sol (Jamboree Housing) – 64 workforce-housing units.
- Actively researching and pursuing development opportunities of Blocks 9 and 10 in response to housing market decline.
- Completed site assembly of targeted blocks.
- Supported the West Gateway Landscaping Master Plan.

GOAL #6

Serve as staff support to various committees and organizations.

- Continue to provide staff support to the Central Project Area Committee.
- Continue to provide staff support to the East Village Steering Committee.
- Continue to liaison with the Arts Council for Long Beach in implementing new public art.

ACCOMPLISHMENTS

- Continued support of events and organizations within the East Village.
- Continued providing staff support to the Central Project Area Committee.
- Completed a temporary art project, SPIN, in association with the Arts Council for Long Beach.
- Continue to partner with the Arts Council for Long Beach in implementing new public art.
- Released a Request for Qualifications for Public Artists in collaboration with the Arts Council for Long Beach.

GOAL #7

Support the Long Beach Unified School District

- Support joint-use agreements to increase open space and recreational opportunities.

ACCOMPLISHMENT

- Assisted in the identification of proposed school sites along Pacific Coast Highway and along Long Beach Boulevard.

GOAL #8

Support the development of affordable housing in Long Beach.

- Transfer 20% of available project area tax increment to the Housing Development Fund.
- Continue to identify future opportunities for affordable housing within Housing Action Plan target areas.
- Assist in site assembly to support affordable housing developments.

- Support opportunities to incorporate affordable housing in residential or mixed-use developments.

ACCOMPLISHMENTS

- Provided 20% of the available project area tax increment to the Housing Development Fund.
- Assisted in the design development of a workforce housing project located at 2000-2200 Atlantic Avenue.
- Assisted in the implementation of the Housing Action Plan.

**CENTRAL REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2007-2008**

(1) Contribute to Neighborhood Revitalization.

- Encourage human-scale, pedestrian-oriented developments.
- Encourage neighborhood identity initiatives.
- Support the preservation and enhancement of historic districts and structures.
- Support the development of market-rate housing developments.
 - Shoreline Gateway
 - West Gateway
 - Willmore City
 - Atlantic Avenue and Willow Street
- Develop programs for enhancing and rehabilitating existing housing stock.
- Continue to facilitate and encourage homeownership opportunities.
- Develop initiatives to reduce density in overcrowded neighborhoods.

(2) Contribute to Corridor Revitalization.

- Continue redevelopment efforts along commercial corridors including transit-oriented developments.
- Initiate the Commercial Façade Improvement Program along target corridors.
 - West Willow Street
 - East Anaheim Street
 - West Anaheim Street
 - Pacific Avenue
- Facilitate the development of the Pacific Avenue and Pacific Coast Highway Node.
- Initiate the disposition and development of the Walnut Avenue and Anaheim Street Developable Site.
- Complete construction of the Anaheim Street and Atlantic Avenue Development Site.
- Support the implementation of St. Mary and Memorial Hospital's master plans.
- Complete construction of exterior improvements to the Big Saver Center at Willow Street and Caspian Avenue.
- Initiate a Fence Enhancement Pilot Program with Long Beach Unified School District.
 - Burnett Elementary
 - Washington Elementary
 - Poly High
- Support the recruitment, retention and expansion of Project Area businesses.
- Support and encourage business assistance programs that focus on Central Long Beach businesses.
- Provide funding for economic development activities in Central Long Beach.

**CENTRAL REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2007-2008**

- (3) **Contribute to Open Space and Public Art Development.**
- Facilitate the development of the Orizaba Park Expansion Project.
 - Facilitate the development of the 15th Street and Alamos Avenue Development.
 - Facilitate the development and expansion of Chittick Field.
 - Facilitate the development of the California Recreation Senior Center.
 - Facilitate the development at the P E Right of Way Bike Trail Project.
- (4) **Contribute to infrastructure and public improvements.**
- Begin construction of the Magnolia Industrial Group Street Reconstruction Project - Phase I.
 - Complete the construction of the Martin Luther King Median Islands.
 - Initiate the development of the Burnett Library Expansion Plan.
 - Begin pedestrian oriented streetscape improvements within pedestrian oriented retail districts:
 - East Village
 - Wrigley Village
- (5) **Facilitate the Efficient Administration of the Project Area.**
- Implement the Strategic Guide for Development for the Central Study Area.
 - Implement the Willmore District Implementation Plan.
 - Implement the Central Long Beach Design Guidelines.
 - Continue to provide staff support to the Central Project Area Committee.
 - Continue to provide staff support to the East Village Steering Committee and East Village Association.
 - Continue to liaison with the Arts Council for Long Beach.
- (6) **Support the Development of Affordable Housing in Long Beach.**
- Transfer 20% of available project area tax increment to the Housing Development Fund.
 - Continue to identify future opportunities for affordable housing within the Housing Action Plan target areas.
 - Assist in site assembly to support affordable housing developments.
 - Support the implementation of the goals identified in the Housing Action Plan.
 - Support opportunities to incorporate affordable housing in residential or mixed-use developments.

**NORTH LONG BEACH REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2006-2007
WITH ACCOMPLISHMENTS FOR FY 2006-2007**

GOAL # 1

Facilitate the replanning, redesign and redevelopment of the Project Area.

- Implement the North Long Beach Strategic Guide for Redevelopment.
- Implement the North Long Beach Street Enhancement Master Plan.
- Implement the Village Center and Historic Node Implementation Plan.
- Select a developer for negotiations for a mixed-use project, which covers two blocks of the Village Center.
- Implement the North Long Beach Design Guidelines.
- Implement the Bixby Knolls Design Guidelines.
- Identify priority sites for redevelopment consistent with the Strategic Guide.
- Work with the Planning and Building Department to revise the General Plan and Zoning Ordinance for consistency with the Strategic Guide.

ACCOMPLISHMENTS

- Selected a developer for the North Village Center and began negotiations.
- Acquired the following property for future public parking:
 - 510 E. South Street
- Acquired the following properties for future development:
 - 5645 Atlantic Avenue
 - 5649 Atlantic Avenue
 - 5661 Atlantic Avenue
 - 5701 Atlantic Avenue
 - 5827-29 Atlantic Avenue
 - 6620-6630 Atlantic Avenue
 - 306 E. Home Street
 - 4860 Long Beach Boulevard
 - 4870 Long Beach Boulevard
 - 5096 Long Beach Boulevard
 - 5098 Long Beach Boulevard
 - 5365 Long Beach Boulevard
- Continued working with Planning and Building Department towards revising General Plan and Zoning Ordinance for consistency with Strategic Guide.

GOAL #2

Contribute to neighborhood revitalization.

- Implement the Commercial Façade Improvement Program in the North Village and Historic Core.
- Complete approved streetscape improvements along North Long Beach corridors.
- Complete approved street improvements in North Long Beach neighborhood corridors.

- Add new public parking in the North Village and Historic Core.
- Provide funding for the Neighborhood Enhancement Areas, including multi-family housing.
- Support neighborhood efforts to create beauty and pride.
- Facilitate development of additional park open space.
- Support the preservation of buildings of key historical or architectural significance.

ACCOMPLISHMENTS

- Completed the following commercial façade projects:
 - 3821 Atlantic Avenue
 - 4129-49 Atlantic Avenue
 - 4301 Atlantic Avenue
 - 4320 Atlantic Avenue
 - 4335-4343 Atlantic Avenue
 - 1707-1729 South Street
- Completed construction of new gateway medians on Atlantic Avenue and Cherry Avenue.
- Completed streetscape improvements for the North Village at South Street and Atlantic Avenue.
- Began design of streetscape improvements for the Historic Core at Market Street and Long Beach Boulevard.
- Began design of new median improvements for Long Beach Boulevard between Victoria Street and Bort Street.
- Began construction contracts to repave or reconstruct 26 streets in North Long Beach and completed construction (Areas C, D and E) consistent with the Street Enhancement Master Plan.
- Began repaving project on Long Beach Boulevard from Wardlow Road to San Antonio.
- Began repaving project with new medians on Long Beach Boulevard from San Antonio to Del Amo Boulevard.
- Began construction of new medians on Atlantic Avenue in front of Jordan High School.
- Completed acquisition of 5550 Paramount Boulevard for expansion of Pops Davenport Park.
- Provided funding for completion of new teen center at Admiral Kidd Park.
- Provided funding for several Neighborhood Enhancement Areas (Bret Harte, DeForest Park, Cal-Cherry, McKinley, and Ramona Park Neighborhoods).
- Supported neighborhood efforts to create beauty and pride through funding of Neighborhood Partners Program grants and funding of neighborhood murals, including the Veteran's Mural.
- Completed acquisition of four blighted motels and two liquor stores.
- Continued implementation of the North Long Beach Design Guidelines.
- Continued implementation of the Bixby Knolls Design Guidelines.

GOAL #3

Strengthen the economic base of the Project Area.

- Revitalize commercial/retail areas consistent with the Strategic Guide (i.e., former Home Base and Bixby Knolls Shopping Center).
- Facilitate development of new commercial/retail areas consistent with the Strategic Guide (i.e., Atlantic Boulevard Motel, Waite Motel, northeast corner of Atlantic Avenue and Artesia Boulevard).
- Provide funding for economic development activities in North Long Beach.
- Support projects that provide for expanded small business development and additional employment opportunities.
- Address parking concerns in commercial areas, specifically Bixby Knolls and the North Village Center.

ACCOMPLISHMENTS

- Issued two Request For Proposals for development of two priority sites:
 - NEC Atlantic Avenue and Artesia Boulevard
 - NEC Long Beach Boulevard and Home Street (formerly Waite Motel)
- Worked with existing property owner to facilitate redevelopment of the former Home Base into a new Target Department Store.
- Worked with existing property owner to facilitate redevelopment of the former Robert's Department Store into a new Marshall's Department Store.
- Provided funding for economic development activities in North Long Beach.
- Began design work for new public parking lots in the North Village Center.

GOAL #4

Market the North Long Beach Community and provide community outreach.

- Implement a marketing program to promote the qualities of North Long Beach (i.e., North Long Beach newsletter, street banners, utility box art, anti-litter program, and graffiti removal program).
- Inform the public as to the vital role of redevelopment in removing blight, reversing deterioration, building partnerships between local businesses and the community, implementing the community's vision, and strengthening neighborhoods.
- Implement the Agency's Communications and Public Outreach Plan.

ACCOMPLISHMENTS

- Continued seasonal street banner program.
- Continued Redevelopment in Review quarterly project report.
- Added a new Communications Officer to staff.
- Assisted the North PAC with publication of four issues of the North PAC Review newsletter.

GOAL # 5

Provide staff support to various committees and organizations.

- Continue to provide staff support to the North Long Beach Subcommittee.
- Continue to provide staff support to the North Long Beach Project Area Committee.

ACCOMPLISHMENTS

- Provided staff support to the Agency's North Long Beach Subcommittee.
- Provided staff support to the North Long Beach Project Area Committee.

GOAL #6

Support the development of affordable housing in Long Beach.

- Transfer 20% of project area tax increment to the Housing Development Fund.
- Acquire priority sites in North Long Beach for new market rate housing development and home ownership opportunities.

ACCOMPLISHMENTS

- Transferred over 20% of project tax increment to the Housing Development Fund for the purpose of increasing or enhancing affordable housing in North Long Beach.
- Acquired the following sites in North Long Beach for new market rate housing development and home ownership opportunities:
 - Waite Motel development site
 - Long Beach Boulevard Motels site
 - 306 E. Home Street site

**NORTH REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2007-2008**

- (1) Contribute towards neighborhood revitalization.**
 - Continue Neighborhood Enhancement Area program
 - Continue Multi-Family Improvement program
 - Continue Pro-active Code Enforcement program
 - Add work force housing
 - Add home ownership opportunities
 - Add senior housing near public transportation corridors
 - Implement one-way street couplet in Dairy Neighborhood

- (2) Contribute towards corridor revitalization.**
 - Revitalize existing commercial/retail sites
 - Develop new commercial/retail sites
 - Add median and/or streetscape improvements
 - Add public facilities
 - Continue commercial façade renovations
 - Add public parking
 - Implement decorative fencing program
 - Continue business incentive program
 - Preserve buildings with historical or architectural significance

- (3) Contribute towards open space/public art development.**
 - Continue development of additional open/park space
 - Continue development of public art

- (4) Contribute towards infrastructure/public improvements.**
 - Add infrastructure improvements (including reconstructing major streets, collector streets, local streets, curbs, gutters, alleys, sidewalks and other public works)

- (5) Facilitate efficient administration of the Project Area.**
 - Implement North Long Beach Strategic Guide for Redevelopment
 - Implement North Long Beach Street Enhancement Plan
 - Facilitate General Plan and Zoning Ordinance changes to implement Strategic Guide
 - Continue business attraction/retention in North Long Beach
 - Create job opportunities for residents of North Long Beach
 - Implement North Long Beach Design Guidelines
 - Identify sites for redevelopment consistent with the Strategic Guide
 - Provide support to the North Project Area Committee