SAN JUAN CAPISTRANO CENTRAL REDEVELOPMENT PROJECT

IMPLEMENTATION PLAN

2010 – 2014

Final Draft
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IMPLEMENTATION PLAN
FOR THE
SAN JUAN CAPISTRANO
CENTRAL REDEVELOPMENT PROJECT

EXECUTIVE SUMMARY

A. INTRODUCTION

This Implementation Plan for the San Juan Capistrano Central Redevelopment Project describes the San Juan Capistrano Community Redevelopment Agency's ("Agency") proposed goals and objectives, activities, expenditures, and the relationship of these elements to blight elimination for the five-year period from 2010-2014. The Implementation Plan also includes a housing component (Housing Component) that describes how the Agency will fulfill its affordable housing requirements. Implementation Plans must be adopted every five years, and reviewed and updated, as necessary, at least once during the five-year period at a public hearing.

There is one redevelopment project within San Juan Capistrano ("City"): the San Juan Capistrano Central Redevelopment Project Area ("Project Area") which was adopted on July 12, 1983 by Ordinance No. 488. The Project Area encompasses 429 parcels and approximately 1,097 acres, or 12.6 percent of the total acreage of the City. The Project Area generally includes the Interstate 5 Freeway corridor from the City limits in the north to the City limits in the south. Major streets that traverse the Project Area include portions of State Route 74 (Ortega Highway), Rancho Viejo, Junipero Serra Road, Del Obispo, Camino Capistrano, and Paseo Adelanto. For planning purposes, the Implementation Plan references certain planning districts. All of the planning districts are within the Redevelopment Project Area. There are certain development sites that are outside of the Project Area that are identified for affordable housing development or which the development will be of significant benefit to the Project Area.

The Agency has initiated the process of studying the feasibility of adding territory, increasing the tax increment limit, extending the duration of the Redevelopment Plan and adding significant public improvements to the Redevelopment Plan for the San Juan Capistrano Central Redevelopment Project (collectively the Amendments). The territory under consideration for addition of the Project Area includes approximately 19± acres of territory (Added Territory) developed as the Capistrano Terrace Mobile Home Park that is planned for closure and the former El Parador hotel site, both of which are under common ownership. Redevelopment is being considered to facilitate the reuse of the hotel site for the proposed "Distrito La Novia" mixed-use project. Development of the project will include relocation of the mobile home park residents and the re-engineering of the hillside on which the mobile home park is situated (to stop sliding and stabilize the hill). The amendment to add the acquisition of open space to the list of eligible Agency capital improvement projects will allow the Agency to acquire roughly 116 acres of vacant land. The land, which is both within and outside of the Project Area, would be designated as open space or for recreational uses. The land would be of primary benefit to the residents and properties in the Project Area, but would also benefit the larger community. The proposed increase in tax increment is needed to fund the programs to complete redevelopment of the Project Area and fund the acquisition of land for open space and recreational use. This Implementation Plan assumes that the Agency and City Council will move forward with the adoption of the proposed amendments during the five-year implementation plan period.

The City's Downtown district is bounded by La Zanja to the north, the Orange County Transportation Authority ("OCTA") railroad tracks to the west, San Juan Creek Road on the south, and the Interstate 5 Freeway on the east. The Historic Town Center district (also referred to as the HTC) is located within the Downtown district. The HTC district is bounded by Ortega Highway on the north, Camino Capistrano on the west and Del Obispo on the south and east. The Los Rios Historic District is adjacent to and borders the Downtown district to the west. The Los Rios Historic District is bounded by Mission Street on the north, the OCTA Railroad on the east, Del Obispo Street on the south, and the Trabuco/Oso Creek on the west.

There are several potential development sites identified in the Implementation Plan. These sites are commonly referred to as the Ventanas project; the Endevco property, Marbella Lot 217; the Distrito La Novia project described above; the downtown Historic Town Center; the Calle Rolando Villas, a Habitat for Humanity affordable ownership residential project located at the terminus of Calle Rolando; the vacant Camino Capistrano car dealerships and the Lower Rosan Ranch property bounded by Capistrano Valley Mobile Estates ("CVME") to the north; the San Juan Creek to the west; the OCTA Railroad in the east; and Stonehill Drive in the south. The Lower Rosan Ranch site is an Agency-owned property outside of the Project Area, the development and disposition of which remains a City Council priority. The redevelopment project sites are shown on Map 1, and the affordable housing sites are shown on Map 2 following this Executive Summary.

The following is a summary of the Agency's goals, objectives and proposed redevelopment projects and affordable housing activities contemplated in the Project Area during the Five-Year Implementation Plan period (ending in December 2014). The initiation of many of the projects will depend on developer interest. With few exceptions, there are no specific development proposals or requests for assistance; therefore, it is not possible to identify specific Agency expenditures related to future development assistance. However, estimates have been provided for anticipated public improvement projects, and allocation to Agency programs based on past expenditures and known projects.

B. GOALS, OBJECTIVES AND BLIGHT ELIMINATION

The Agency proposes to focus its activities on eliminating blighting conditions, including impaired investments and public infrastructure deficiencies. Much of the impaired investment results from the high cost to prepare sites for development, including off-site public improvements. The Agency will assist in these improvements to make the projects financially feasible. Currently, there are several vacant and underutilized parcels in the Project Area, some of which are Agency-owned. The Agency's objective is to assist in marketing these parcels and to assist in private sector development that will bring jobs to the Project Area and revenues to the Agency and City. The Agency's assistance may take the form of securing zoning approvals and environmental clearances; public improvements to improve the quality and attractiveness of the area, and provide necessary infrastructure capacity upgrades to attract development. In other instances, the Agency will assist existing owners to improve their properties. In addition, the downturn in the automotive industry, combined with obsolete facilities, has resulted in an approximately 40 percent loss in retail sales revenues to the City. The Agency plans to work with the remaining dealerships to ensure their continued viability into the future. Agency activities may include relocation and consolidation among the existing facilities and potential reuse of some dealership sites for alternative use. In summary, the Agency goals and objectives for blight elimination are:

- Provide for the redevelopment of blighted property in the Project Area by private enterprise and through public agency assistance;

- Assist in economic development projects through business attraction and developer assistance;

- Plan for the disposition and development of Agency-owned property;

- Eliminate public improvement deficiencies through the installation or construct public improvements including street and park improvements;

- Facilitate rehabilitation of business structures and improvements; and

- Facilitate rehabilitation, preservation, and construction of affordable housing.[1]

C. REDEVELOPMENT PROJECTS AND EXPENDITURES

Because Agency activities are largely dependent on development interest, the list of potential projects and future expenditures is difficult to determine and is subject to change. To assist in determining the development potential of the Project Area, the Agency will undertake a financial strategy and will continue its outreach with stakeholders in the downtown to amend the Downtown Master Plan, including street alignments and other infrastructure and public improvements. The Agency will also continue its efforts to eliminate building deterioration and substandard design conditions through assistance to business and property owners in building rehabilitation and expansion. In addition, as mentioned above, the Agency will be working with existing automobile dealerships to upgrade obsolete facilities and consolidate, and expand inadequate sized dealership sites to ensure the viability of the remaining dealerships.

[1] The Agency's housing activities are discussed separately in the Implementation Plan Housing Component.

As discussed in the Housing Component of this Implementation Plan, the Agency will meet its affordable housing obligations by assisting the private sector in the construction and preservation of affordable housing throughout the City.

Based on current projections, the Agency will work toward the initiation of the projects summarized above and listed below during the Implementation Plan period (January 2010-December 2014).

Table 1: Summary of Planned Redevelopment Programs and Projects

Program/Project Description	*Project No.*	*Anticipated Budget*
Auto Dealership Assistance	--	$4,000,000
Business Recruitment/Economic Development Program	09907	$650,000
Hotel Recruitment	--	Unknown
Downtown Redevelopment/Library	--	Unknown
Capital Improvement Program		
Del Obispo Bridge Utility Undergrounding	09910	$722,000
Junipero Serra/Rancho Viego Road	09906	$1,100,000
Replacement of Old Freeway Signs	10904	$20,000
Landscape Median (Camino Capistrano South)	10901	$225,000
Developer Assistance and Property Disposition:		
Disposition of Agency-owned Property	--	Unknown
Lower Rosan Ranch Site Disposition	07901	Unknown
Lower Rosan Ranch Driveway	09903	$130,000
Paseo De Verdugo Retail/Office Dev	09908	$950,000
Distrito La Novia Assistance	--	Unknown
Façade Improvement Program		
Mission Village Center Façade	11901	$115,000
El Adobe Plaza/Union Bank Enhancements	09913	$50,000
Annual On-going Program	07904	$75,000
Open Space/Recreation Development Program	09914	Unknown
Continuing Life Communities	--	Unknown
Studies and Long Range Planning:		
Downtown Master Plan Amendment	09911	$600,000
Redevelopment Plan Amendment	09912	$350,000
TOTAL REDEVELOPMENT EXPENDITURES		**$8,987,000**

D. AFFORDABLE HOUSING PROJECTS AND EXPENDITURES

California Redevelopment Law ("CRL") requires that the Agency spend 20 percent of its gross tax increment (Set-Aside) on affordable housing activities. In addition, the law requires the Agency to fulfill the replacement and inclusionary housing obligations imposed by Section 33413. In addition, Set-Aside funds must be spent in proportion to the housing needs that have been determined for the community; that the proportion of funds spent on age-restricted housing be limited to the proportion of the population within the City that is over 65 years of age; and that the projects funded with Set-Aside funds must utilize non-Agency funding sources to the extent possible. Affordable housing projects may be developed anywhere within the City. Map 2 shows the location of the affordable housing projects anticipated to be developed during the Implementation Plan term.

The projects that are proposed to be undertaken over the next 10 years to fulfill the CRL requirements include:

Table 2: Summary of Planned Housing Programs and Projects

Project Description	Project No.	Anticipated Budget
1. 27 Units – Calle Rolando Villas – This 2.5-acre property is located at the terminus of Calle Rolando. The land was deeded to the Agency by Sun Cal Development to provide affordable housing. Under construction. Habitat for Humanity Project.		$2,400,000 loan
2. GPA + Rezone of Camino Capistrano/Junipero Serra. The Groves at Williams Ranch 25 ± unit complex. Unit mix = 30% very-low, 30% low and 40% Moderate-income units.	10906	$400,000 entitlements $400,000 construction docs $11,000,000 construction cost
3. 130 Units over the life of Plan – To be determined (TBD).		$4,500,000
4. Acquisition and rezoning of the Camino Las Ramblas/Via California 6.5 acre (approximately) site.		$200,000 rezone $4,650,000 acquisition
5. Rezone of the Capistrano Terrace MHP 19 acre (approximately) site.		$150,000
6. GPA + Rezone of City Hall 1.5 acre (approximate) site.		$400,000
TOTAL AFFORDABLE HOUSING EXPENDITURES		**$24,100,000**

Map 1: Proposed Redevelopment Projects

Map 2: Affordable Housing Projects

The Agency currently has an excess surplus of $778,000. Based on the proposed expenditures, this surplus will be eliminated by 2010, and the Housing Fund will not experience excess surplus again within the Implementation Plan period. However, it is essential that the Agency adhere to its housing production goals identified in the Implementation Plan to be in conformance with State law.

E. CONSIDERATIONS

Over the next five years, the Agency will pay $28.7 million in existing obligations which includes paying tax sharing agreements, retiring existing debt funding Agency administrative and capital project costs, and making ERAF payments. The Agency has a current non-housing balance of $1.7 million, and is projected to receive $21.8 million in net tax increment (net of Housing Set-Aside) over the next five years. In total, over the next five years, the Agency could have approximately $1 million in discretionary funds available if a tax allocation bond is not financed by the Agency. As identified above, the Agency has identified $4.4 million in project costs, which is likely to be a conservative estimate. To ensure sufficient future revenues for the five-year term and beyond, the Agency may consider issuing a tax allocation bond. Based upon current projections, the Agency could leverage approximately $8 million in net bond proceeds during the next five years.[2]

The Redevelopment Plan is almost at the mid-point of its life with Plan duration on July 12, 2023. Although approximately 17 years away, plans need to be made for the disposition of Agency-owned property and attainment of the Agency's goals and the vision for the ultimate build out of the Project Area. This requires the identification of specific projects to be implemented to achieve this vision. Similarly, the Agency needs to consider how and where affordable housing will be built. The production of affordable housing is not an option, but rather a requirement for Plan termination. To that end, the Agency may want to consider combining its affordable housing production with its redevelopment objectives. For example, a housing project, which includes a market rate and affordable housing component, could provide revenues (from the non-affordable housing component) to pay for other improvements such as a park or park improvements. The Implementation Plan should be used as a tool to meet the CRL requirements, and plan for the attainment of the community's vision for the Project Area, which as its centerpiece, is the downtown area.

[2] Bond signing assumes a tax-exempt bond issue based on a 6% interest rate, 25-year term, 1.25 times coverage requirement and a 12% reserve and cost of issuance factor.

I. INTRODUCTION

This document is the Five-Year Implementation Plan ("the Plan") for the San Juan Capistrano Central Redevelopment Project ("the Redevelopment Plan," "Project," or "Project Area"). This Implementation Plan was prepared by the San Juan Capistrano Community Redevelopment Agency (the "Agency") in compliance with Article 16.5 of the California Community Redevelopment Law (the "CRL" or "Law").

The original Implementation Plan for the Central Redevelopment Project (original Implementation Plan) was adopted in December 1994 by resolution No. 469 for the five-year term between 1995 and 1999. The first update was held on January 20, 1998. The second Five-Year Implementation Plan for 2000 though 2004 was adopted in April 2002. The third Five-Year Implementation Plan for 2005 through 2009 was adopted on November 16, 2004.

This 2010-2014 Implementation Plan is composed of two separate components: a Redevelopment Component and a Housing Component. The Redevelopment Component revisits the goals and objectives identified when the Project was adopted, and defines the Agency's strategy to achieve these goals and objectives. The goals and objectives will be accomplished by the implementation of the projects, programs and related expenditures that have been developed as a means to eliminate blight within the Project Area. In addition, Article 16.5 requires that an Implementation Plan explain how the components of the Implementation Plan will implement various CRL requirements regarding low and moderate income housing. The activities that implement these requirements are contained in the Housing Component. The Housing Component also shows how the Agency will meet the statutory requirements for the set-aside and expenditure of tax increment for housing purposes.

This Implementation Plan is a policy statement rather than an unalterable course of action. It has been prepared to set priorities for redevelopment activities within the Project Area for the five-year period covered by this Plan. The Implementation Plan incorporates currently known financial constraints of the Agency in developing a program of activities to accomplish revitalization efforts for the Project Area. However, new issues and opportunities may be encountered during the course of administering the Redevelopment Plan for the Project Area. Therefore, this Implementation Plan may be amended, if necessary, to effectuate its purposes.

The purpose of this Implementation Plan is to provide a clear and reasonable statement of the Agency's current intent regarding activities in the Project Area and to establish a nexus between Agency goals and objectives, program activities and the purpose of redevelopment, which is to eliminate blight and to develop and preserve affordable housing.

II. REDEVELOPMENT COMPONENT

A. HISTORY AND REASONS FOR ADOPTION OF THE PROJECT AREA

1. Setting

There is one redevelopment project within the San Juan Capistrano ("City"): the San Juan Capistrano Central Redevelopment Project Area adopted on July 12, 1983 by Ordinance No. 488. The Project Area encompasses approximately 1,097 areas or 12.6 percent of the total acreage of the City and includes approximately 429 parcels. The Project Area is generally located in the Central Business District of the City adjoining the Interstate 5 Freeway and includes portions of State Route 74 (Ortega Highway), Rancho Viejo Road, Junipero Serra Road, Del Obispo Street, Camino Capistrano, and Paseo Adelanto. Major public features within the Project Area include the Capistrano Depot train station, Mission San Juan Capistrano, Trabuco and San Juan Creeks, the Los Rios Historic District and the I-5 Freeway.

2. Reasons for Adoption of the Project Area

The Project Area was adopted to address the blighting conditions within the central district of the City that had resulted in the stagnation and decline of the area. The goal of the Agency was to assist the private sector in improving deteriorated and underutilized properties and facilitate the development of opportunity sites. Historic preservation and upgrading, and construction of public improvements were major concerns for the Project Area.

3. Prior Amendments

As outlined in Table 3, the Redevelopment Plan has been amended three times to add territory, increase the financial limits of the Plan, and add public improvements to the list of projects that the Agency proposes to undertake. In addition, the Redevelopment Plan limits were amended a fourth time as required by Assembly Bill (AB) 1290, which established new time limits for all redevelopment projects statewide. The City Council amended the Redevelopment Plan for the fifth time per Senate Bill (SB) 211 to repeal the debt establishment limit in July of 2003. The City Council amended the Redevelopment Plan for the sixth time per SB 1045 and SB 1096, which allows for the extension of plan effectiveness and receipt of tax increment for a total of three years for Educational Revenue Augmentation Fund ("ERAF") payments made in fiscal years 2003-2004, 2004-2005 and 2005-2006.

Table 3: Redevelopment Plan Amendment History

Amendment No.	Subject	Acres	Ordinance No.	Adoption Date
	Adoption of Project Area	904	488	7/12/1983
83-1	Increase tax increment limit from $84 to $432 million; increase bond debt limit from $25 to $100 million; extend Plan duration from 35 to 45 years, add to list of public improvements and made additional minor changes.	N/A	509	5/15/84
84-1	Add territory (east of Interstate 5); increase maximum allowable number of buildings and dwelling units; and add public improvement.	170	547	7/17/1985
86-1	Add territory (Great Western Property)	23	582	8/9/1986
	AB 1290 conformance ordinance (reduce the duration of the Plan from 45 to 40 years or July 12, 2023); reduce the period to establish debt from 25 to 20 years or July 12, 2003; establish a deadline for the repayment of debt which is 10 years following completion of redevelopment activity or July 12, 2033.	N/A	756	12/6/1994
	SB 211 Ordinance repealing the July 12, 2005 debt establishment limit.	N/A	883	7/15/03
	SB 53 Eminent Domain	N/A	923	5/15/07
	SB 1045 and SB 1096 three-year time extensions for duration (July 12, 2026) and repayment of debt/collection of tax increment (July 12, 2036).	N/A	932	12/18/07

4. Current Plans

The Redevelopment Project is at the mid-point of its life. The Redevelopment Plan has been in existence for approximately 25 years (1983) and the Agency has another 16 years to implement redevelopment activities. Table 4 on the following page outlines the current Redevelopment Plan limits and identifies the proposed time and financial amendments.

(Continued on the next page)

Table 4: Redevelopment Plan Limits

		Original Project Area July 12, 1983 904 Acres	Added Area No. 1 July 17, 1985 170 Acres	Added Area No. 2 Aug. 19, 1986 23 Acres
Plan Effectiveness Limit	40 years from adoption or 1/1/09, whichever is later; may be extended by 10 years w/ significant remaining blight	July 12, 2026	July 12, 2026	July 12, 2026
Time Limit to Establish Debt	20 years from adoption or 1/1/04, whichever is later; may be extended by 10 years w/ significant remaining blight; may be repealed by ordinance	Repealed	Repealed	Repealed
Time Limit to Repay Debt	10 years after plan effectiveness; may be extended by 10 years w/ significant remaining blight	July 12, 2036	July 12, 2036	July 12, 2036
Tax Increment Limit	Limit required; no maximum	$432,000,000 (Applies to all areas)		
Bond Debt Limit	Limit required; no maximum	$100,000,000 (Applies to all areas)		
Eminent Domain Time Limit	12 years maximum; may be extended by amendment	N/A	N/A	N/A

5. Proposed Plan Amendments

The Agency is in the process of studying the feasibility of adding territory, increasing the tax increment limit and adding significant public improvements to the Redevelopment Plan. The territory under consideration for addition of the Project Area includes the 18-acre Capistrano Terrace Mobile Home Park, which is planned for closure, and the former site of the El Parador hotel. Redevelopment is being considered to facilitate the reuse of hotel site for the “Distrito La Novia” mixed-use development. No use is currently planned for the existing mobile home park. Challenges to implementing the development include rebuilding and stabilizing the western slope of the hill, which is occupied by the mobile home park. The addition of acquisition of open space is sought in anticipation of availability of open space that is currently owned by Schuller Ministries. Schuller Ministries is proposing to sell approximately 116 acres of open space and City would like this area preserved for recreation and open space uses. The open space is located both within the outside of the Project Area and would be of primary benefit to the residents and properties in the Project Area, but would also benefit the larger community. The increase in tax increment is needed to fund the programs to complete redevelopment of the Project Area and fund the acquisition of the open space. This Implementation Plan assumes that the Agency and City Council will move forward with the adoption of the proposed amendments.

6. Goals and Objectives

From its inception, the primary purpose and focus of the Agency has been the implementation of vital public improvement projects; the preservation of cultural resources and historic structures; the acquisition of parklands; the retention of public facilities for continued community use; enhancement of economic development; the prevention of urban decay and the elimination of blight; and a commitment to meet the community's low to moderate income housing requirements.[3]

During the near-term, the Agency proposes to work towards achieving the above stated goals, through the acquisition of open space, construction of public improvements and utilities, and assisting the private sector in economic development projects. One of the private sector projects the Agency is anticipating in assisting in is the re-tenanting and repositioning of the vacant car dealerships in the Project Area. The vacant dealerships are located adjacent to Interstate 5 at 33301 and 33375 Camino Capistrano. Sales tax from car sales represented 40 percent of the City's sales tax revenue prior to the economic downturn. Since the recession, car sales in the City are down by 50 percent and the City has lost Hummer, Chevrolet, and Dodge/Chrysler Jeep dealerships. To preserve and make the remaining dealerships more competitive, the Agency is proposing to assemble land to relocate dealerships that are in small and obsolete facilities to adequate sites. The Agency anticipates that there may also be need to assist in the expansion and upgrading facilities so that the remaining dealerships can be competitive in the region.

It is the Agency's hope and intent that the Implementation Plan, as proposed and if fully implemented, will encourage further private sector investment in commercial-designated areas of the Project Area, and in particular, infill development that will provide employment opportunities, support the retail businesses and preserve the historic character of the Downtown and Historic Town Center. This could occur through the disposition and development of Agency-owned parcels within the Project Area. It is also the Agency's goal and objective to encourage commercial and office development on appropriate sites within the Project Area and develop and preserve affordable housing

[3] Agency's Annual Report for FY 2001-02.

throughout the City.

According to the Redevelopment Plan, the specific objectives designed to eliminate blighting conditions within the Project Area are to:

- Eliminate the conditions of blight existing in the Project Area;
- Prevent the recurrence of blighting conditions in the Project Area;
- Improve and construct, or provide for the construction of, public facilities, roads, and other public improvements and to improve the quality of the environment in the Project Area to the benefit of the Project Area and the general public;
- Encourage and ensure the redevelopment of the Project Area in the manner set forth by the Redevelopment Plan; and
- Encourage and foster the economic revitalization of the Project Area by protecting and promoting sound development and utilization of the Project Area; and by the replanning, redesigning, and developing portions of the Project Area that are stagnant or improperly utilized because of the lack of adequate utilities and public improvements and because of other causes.

In addition to the goals and objectives identified in the Redevelopment Plan, this Implementation Plan identifies near-term goals and objectives designed to eliminate blight in the next five years. These goals are related to those conditions of blight considered a priority and within the capacity of the Agency to remove such conditions during the present term. They are to:

- Provide for the redevelopment of blighted property in the Project Area by private enterprise and public agencies;
- Assist in economic development projects through business attraction and developer assistance;
- Plan for the disposition and development of Agency-owned property;
- Eliminate public improvement deficiencies through the installation or construct public improvements including street park improvements;
- Facilitate rehabilitation of business structures and improvements; and
- Facilitate rehabilitation, preservation, and construction of affordable housing.

To ensure that the Agency meets all of its goals and objectives, the Agency plans to amend the Downtown Master Plan and prepare a financial strategy to implement the redevelopment goals and objectives within the Downtown Master Plan area. These activities are examples of the efforts that the Agency will undertake in long-term planning during the Implementation Plan period.

B. AGENCY ACCOMPLISHMENTS SINCE PROJECT ADOPTION

In the past 25 years since the Central Project Area was adopted and subsequently amended, the Agency's efforts have included revitalization through the relocation of incompatible uses, historic rehabilitation, enhanced pedestrian experience, landscaping, park improvements, increased public parking opportunities and new downtown street lighting. The Agency has also participated in a several projects that have contributed to business retention, expansion and attraction, which has resulted in the creation of local jobs and increased revenues to the City. In addition, as discussed in detail later in this Implementation Plan, the Agency has contributed to the construction or preservation of 198 affordable housing units. The following is a description of the specific Agency assisted projects:

- **Camino Capistrano Bridge.** The Agency acquired the Kord property for the construction of the Camino Capistrano Bridge over San Juan Creek. The right-of-way acquisition facilitated the widening of Camino Capistrano consistent with the County Master Plan of Arterial Highways ("MPAH").

- **Capistrano Depot.** To ensure its preservation, the Agency purchased the 100-year old railroad depot. After seismic retrofitting, asbestos removal and other improvements, the facility was sold. It continues to be used as a train depot and includes a restaurant and bar.

- **Capistrano Pointe Apartments.** The Agency assisted the William Lyon Co. with the development of the City's first apartment complex. The 284-unit complex also provided fifty-two (52) affordable housing units for ten (10) years. The Agency paid certain City fees for the developer.

- **Capistrano Volkswagen.** The Agency provided financial assistance for the rehabilitation and expansion of Capistrano Volkswagen. The dealership has been located in the Project Area for over 35 years.

- **Casa De Amma.** This 31-unit complex located within the Project Area provides housing for adults with disabilities. Agency assistance provided for eleven (11) affordable units for 55 years.

- **Chico's.** The Agency provided financial incentives that resulted in public improvements to the parking lot at the Mission Promenade retail center contingent upon the property owner signing a lease with Chico's.

- **CUSD Cooperative Agreement.** The Agency funded the construction of the gymnasium at the Capistrano Valley High School; the development of Kinoshita Elementary school and the School District's headquarters.

- **Decorative Arts Center.** The Agency purchased the property from Gep Duranburger to facilitate the development of the Decorative Arts Center.

- **El Peon Complex.** The Agency initially acquired the property to facilitate the HTC redevelopment. The Agency made seismic retrofit improvements to the un-reinforced masonry units. During the property's redevelopment, the Agency participated in sidewalk enhancements, and recorded a facade easement of the El Peon Complex now known as the "Mission Promenade" to preserve the buildings.

- **Façade/Sidewalk Easements.** The Agency acquired a façade easement over the historically significant Provincial Building and a sidewalk easement for enhancements. This included façade easements for the Lupe Combs, Ferris-Kelly and Provincial Buildings.

- **Fluidmaster.** The Agency attracted Fluidmaster to the Project Area by off-setting development costs, fees and taxes. Fluidmaster is an international company headquartered in San Juan Capistrano that provides employment opportunities and is a significant contributor to tax increment.

- **Franciscan Plaza, Promenade and Parking Structure.** The Agency provided developer assistance to bring the City's first indoor movie theatre and parking structure.

- **Historic Town Center (HTC).** The Agency conducted a majority of the Downtown's redevelopment efforts including improvements to the Historic Town Center. The Agency paid for the EIR, archeology work, the developer selection, and assembly of a number of downtown properties which has resulted in the HTC Park, public restrooms, increased public parking, preservation of a historic adobe structure and a community playhouse.

- **HTC Landscaping, Parking, and Lighting.** To reinforce the pedestrian environment and encourage patronage of the HTC, the Agency installed pedestrian lighting, constructed public parking lots and provided landscaping.

- **Las Hadas Office Development.** The Agency assisted with the initial phase of the Paseo Adelanto extension, which is the primary circulation element of the Los Rios Specific Plan and a requirement for the Las Hadas office development.

- **Lincoln Mercury Dealership.** The Agency assisted the former Lincoln Mercury Dealership with off-site public improvements, including Valle Road street widening.

- **Little Hollywood Phase I & II.** The Agency purchased 13 housing units to preserve the character of the neighborhood and to provide for affordable rental opportunities, as well as the development of additional new units. The Agency added new and replacement units to bring the total project count to 24 units.

- **Los Rios Entry Plaza.** The Agency developed the Entry Plaza that provides a pedestrian link between the Downtown and the Los Rios Historic District.

- **Los Rios Historic District.** The Agency acquired four Los Rios properties to facilitate the goals of the Los Rios Precise Plan, to preserve cultural assets, improve circulation with the extension of Paseo Adelanto, and provide public parking and restrooms, so that the district's resources are more accessible to the general public.

- **Lower Rosan Ranch Wetlands Mitigation.** This project involved the provision of required environmental enhancements to mitigate the removal of 1.6 acres of wetlands that were filled in to create the Lower Rosan Ranch development site. The restoration site is not within Lower Rosan Ranch but rather within the City's northwest open space and is referred to as the Arroyo Trabucco Conservation Area. The improvements included non-native plant eradication and the planting of native species.

- **Pacific Sales.** The Agency assisted in providing gap financing to attract Pacific Sales to the Calle Perfecto Business Park.

- **Plaza Del Obispo "Area A".** The Capistrano Home Furnishings Center and Plaza Del Obispo Developments in Area "A" received assistance from the Agency for public improvements and clean-up cost in the removal of the Super 7 fueling station. Public improvements included street widening, traffic signal and storm drains.

- **Price Club Plaza.** The Agency assisted with the acquisition and infrastructure improvements for the Price Club Plaza.

- **Regency Theaters.** The Agency participation in the form of a no interest loan provided the assistance necessary to re-tenant the Franciscan Theaters left vacant from the Edwards Cinema bankruptcy.

- **San Juan Corporate Plaza.** The Agency provided assistance to the developer for off-site circulation improvements to the intersection of Junipero Serra and Rancho Viejo Road.

- **San Juan Saloon Master Lease.** The Agency acquired the San Juan Saloon leasehold interest in order to change the use to a more compatible use with a family atmosphere created by the Franciscan Plaza development.

- **Season's Senior Apartments Phase I & II.** The Agency provided financial assistance to both phases of the Seasons apartment complex. The first phase of 113 units was built in 1995 and the second phase with a 38-unit addition was completed in 2009, creating a total of 151 units with a 55 year affordability covenant.

- **Serra Vista Office Project.** The Agency provided assistance in financing off-site improvements for the development of a two-story 10,320 square foot office located on Camino Capistrano.

- **SOLAG Disposal Company.** The Agency purchased the SOLAG Disposal Company site to relocate this incompatible solid waste hauling use from within the Los Rios Historic District.

- **South Metrolink Platform.** The Agency contributed to the enhancement of the Metrolink Platform to bring brick façade, public restrooms and landscaped passenger waiting areas to match the historic district's architecture.

- **Sun Dried Tomato Restaurant.** The Agency reworked its existing parking lot lease to provide additional parking necessary for the Franciscan Plaza to attract this upscale eatery.

- **Toyota Dealership.** The Agency assisted the Toyota dealership with utility undergrounding expenses along Camino Capistrano fronting their property.

- **Villa Paloma Apartments.** 84-unit complex financed with Agency assistance ensured 26 units were made available for affordable housing for 55 years.

- **Way-Finding Signage.** The Agency provided funding for the design and installation of way-finding signage. The primary objective of the Way-Finding Signage Project is to enhance and complement the City's visual character while providing direction to the traveling public. The Way-Finding Signage Project provides improved flow of vehicular and pedestrian traffic, and reduces congestion by providing direction to the destinations and points of interest in the Project Area. The Project also included the abatement of existing duplicate, conflicting and illegible signage.

C. PROJECT FINANCING

The goals and objectives, projects and programs, and expenditures included in this Implementation Plan reflect the financial constraints of the Agency to implementing the Redevelopment Plan. The constraints are primarily the result of obligations that the Agency is contractually required to pay as a result of prior redevelopment activities.

1. Tax Increment Revenues

At the time a redevelopment plan is adopted for a project area, the taxes generated from taxable value of property in the area (often referred to as the base year value) continue to be distributed to each of the taxing entities that levy a property tax in the Project Area. The property taxes that occur due to growth in taxable value above the base year value are allocated to the redevelopment agency. This amount is commonly referred to as tax increment revenues.

The Project Area's taxable value has increased since the base year by over $714 million as of fiscal year (FY) 2007/08. For the past several years, the rate of annual growth in taxable value has been increasing by nearly 14 percent per year. This increase can be attributed to transfer of ownership activities and the increasing market value of real estate. However, with the economic downturn, the current annually increase is estimated at $157,748. For purposes of this analysis, future annual growth in tax increment is conservatively estimated to increased two percent in FY 2009/10 and thereafter. The Project Area anticipates gross tax increment revenues of approximately $8.05 million for FY 2009/10. Even with the decline in assessed value growth at the projected growth rate, it is anticipated that the Agency will reach the tax increment cap of $342 million in its final Year (2036). As described below, a portion of these monies are pledged to tax sharing and other obligations.

2. Existing Obligations

The Agency has incurred a number of significant financial obligations within the Central Project, including: a reimbursement agreement with the City of San Juan Capistrano, promissory notes, owner participation agreements, tax allocation bonds, and Agency operating costs.

Payments on obligations incurred in the Project Area commit a substantial portion of the Agency's primary funding source – tax increment revenue. In FY 2008/09, annual obligations equated to approximately 56 percent of the gross tax increment revenue that the Agency received. The Agency's existing obligations are discussed in the following paragraphs and outlined in Table 5.

On July 15, 2003, the Agency approved technical amendments to the redevelopment plan that eliminated the time limit for establishing debt. The Agency was required to allocate the statutory pass through to affected taxing entities commencing in FY 2004/05, which was the first fiscal year following the year in which the debt incurrent time limitation would have otherwise taken effect.

The statutory pass through allocation is made to those taxing entities that do not have existing tax sharing agreements, based upon the following formulas: (1) commencing in FY 2004/05, 25 percent of the tax increment in excess of the FY 2003/04 adjusted base value are passed through to these other taxing entities (net of the 20 percent housing set-aside); and (2) commencing in FY 2014/15, an additional 21 percent of the tax increment in excess of the FY 2013/14 adjusted base value is passed through to these other taxing entities (net of the 20% housing set-aside). The Agency's existing obligations are discussed below and outlined in Table 5.

- **Housing Set-Aside** – The CRL requires that all redevelopment agencies set aside 20 percent of their gross tax increment revenues to facilitate the development of housing for persons with low and moderate incomes. Particulars regarding the anticipated use of the Housing Set-Aside funds are discussed in the Housing Component of this Implementation Plan.

(Continued on the next page)

Table 5: Existing Obligations

Debt	Purpose	Maturity Date	Rate	Balance Owed (as of 6-30-2009)
Tax Allocation Bonds:				
Subordinated TA Bonds-1997	Affordable housing programs	August 2017	7.15% - 7.75%	$1,125,000
TA Bonds-1998	Refunding of 1991 TA Bonds; economic development, land acquisition and other improvements	August 2011	4.1% - 4.875%	$3,425,000
TA Bonds-2008-A	Financing non-housing redevelopment and economic development projects.	June 2033	4.3% - 4.5%	$9,740,000
TA Bonds-2008-B	Financing affordable housing redevelopment projects.	June 2033	6.3% - 6.5%	$9,980,000
		Total - Tax Allocation Bonds		**$24,270,000**
Notes Payable:				
City Advance #1	Economic development; land acquisition	On demand	9.00%	$4,420,329
City Advance #4	Promissory note for acquisition loan for Tullis property acquisition in 1998-99.	On demand	City Return on Investment (ROI)	$496,857
City Advance #5	Administrative loan	On demand	LAIF Rate	$1,734,947
Notes Payable - Kinoshita	Agricultural preservation and cultural heritage	March 2011	Fixed 7%	$9,250,000
Notes Payable - Farmer's & Merchant's Bank	Economic development; land acquisition	April 2011	Prime less 1.5%	$5,100,000
		Total - Notes Payable		**$21,002,133**
Agreements				
OPA - Fluidmaster	Job creation/employment - construction of corporate headquarters and a manufacturing plant	June 2017	0.00%	$394,760
OPA - Sierra Vista Office Project	Off-site infrastructure improvements	June 2023	0.00%	$93,021
OPA - Capistrano Volkswagen	Business retention - expansion of auto sales business	June 2023	0.00%	$391,783
City of San Juan Capistrano	Housing assistance and public improvements	February 1995	12.00%	$3,206,291
		Total - Agreements		**$4,085,855**
		Total - Outstanding Debt		**$49,357,988**

- **Tax Sharing Agreement - County of Orange** – Amended September 1987 – the Agency agrees to make annual payments of tax increment revenue to the Orange County General Fund, the Orange County Structural Fire Fund and the Orange County Flood Control District in the amount of 17.1 percent of the annual gross tax increment revenues generated by the Project Area and allocated to the Agency. Commencing after the Agency has received $315 million in tax increment revenue, the Agency will make annual payments to the Orange County General Fund, the Orange County Structural Fire Fund, the Orange County Flood Control District, the Orange County Library Fund, and the Orange County Harbors, Beaches and Parks District Fund their full respective shares of the property tax increment.

- **Tax Sharing Agreement - Capistrano Unified School District** – Amended May 1997 – The Agency agrees to make annual payments to the School District equal to the annual tax increment revenues generated by the Project Area in excess of $3 million, but in no event shall the District be allocated more than $5 million in any consecutive five-year period.

- **Tax Sharing Agreement - Saddleback Community College District** – Dated October 1983 – The Agency agrees to make payments to the Community College District equal to the tax increment revenues generated by the original portion of the Project Area in excess of $15 million aggregated for a consecutive five-year period, but in no event shall the District be allocated more than $5 million in any such period.

- **AB 1290 Statutory Pass Through –** Dated July 15, 2003 – The Agency approved technical amendments to the Redevelopment Plan that eliminated the time limit for establishing debt. The Agency is required to allocate the statutory pass through amounts to affected taxing entities commencing in FY 2004/05, which was the first fiscal year following the year in which the debt incurrent time limitation would have otherwise taken effect.

- **1998 Tax Allocation Refunding Bonds** – Dated June 1998 – The Agency issued $6,315,000 in Tax Allocation Refunding Bonds to advance refund the 1991 Bonds.

- **1997 Subordinated Tax Allocation Housing Bonds** - Dated May 1997 – The Agency issued $1,800,000 in Subordinated Taxable Tax Allocation Housing Bonds to finance certain redevelopment housing programs.

- **2008 Tax Allocation Bonds – Series A –** Dated June 3, 2008 – The Agency issued $9,780,000 in Tax Allocation Bonds to finance Agency redevelopment projects.

- **2008 Tax Allocation Bonds – Series B –** Dated June 3, 2008 – The Agency issued $10,540,000 in Tax Allocation Bonds to finance Agency affordable housing projects.

- **City Advances** – The Agency has entered into various borrowing agreements with the City for the purpose of financing various redevelopment activities in the Project Area. The various City Advances, as identified in the Agency's financial audit for fiscal year ending June 30, 2008, are summarized on Table 5.

- **Contracts Payable – Capistrano Valley Water District** – The Agency entered into a cooperation agreement with the Capistrano Valley Water District (CVWD) whereby the CVWD agreed to defer receipt of its fees for site development from developers in the Project Area and instead requested that such developers pay the Agency the fees instead. The Contracts Payable, as identified in the Agency's financial audit for fiscal year ending June 30, 2008, is included on Table 5.

- **Notes Payable** – The Agency entered into various borrowing agreements with developers and other property owners to finance property acquisitions to be subsequently sold, leased or retained for agricultural preservation and cultural heritage. The Notes Payable, as identified in the Agency's financial audit for fiscal year ending June 30, 2008, are included on Table 5.

- **Owner Participation Agreements - Various** – The Agency has entered into various Owner Participation Agreements to facilitate new development activities in the Project Area. The Agency agrees to reimburse the property owners annual tax increment revenues pursuant to the provisions of the respective agreements. The Owner Participation Agreements, as identified in the Agency's financial audit for fiscal year ending June 30, 2008, are included on Table 5.

- **Administration** – The CRL provides the Agency with the general authority to hire staff, execute contracts and/or purchase or rent space, equipment and supplies. In order to implement the Redevelopment Plan and the projects and programs of this Implementation Plan, the Agency has and will continue to incur administrative expenses and obligations. Such administrative expenses reflect the costs for staff salaries and benefits, technical assistance, operating services, purchase of equipment or supplies, and other ancillary expenses associated with the administration of the Project Area.

- **Capital Improvements** – The Agency's Capital Improvement Program anticipates continued funding of the Façade Improvement Program and the

Business Retention/Economic Development Program. Specific capital improvement projects contemplated include the Distrito La Novia street median landscaping (Camino Capistrano south), Ortega Highway redesign, replacement of old freeway signs, and installation of street fixtures. Additional projects, programs and expenditures for future capital improvements may be funded at the discretion of the Agency and are discussed in the subsequent sections of this Implementation Plan. The proposed amendment to the Redevelopment Plan capital improvement list will provide additional authority to acquire open space for preservation and development of recreation areas within and adjoining the Project Area.

3. Potential Bonding Capacity

The CRL provides authority to the Agency to create indebtedness, issue bonds, borrow funds or obtain advances in implementing and carrying out the specific intents of the Redevelopment Plan. The Agency is authorized to fund the principal and interest on the indebtedness, bond issues, borrowed funds or advances from tax increment revenue and any other funds available to the Agency. To the extent that it is able to do so, the City may also supply additional assistance through City loans or grants for various public facilities or other project costs.

Potential sources of funds to fund project costs include, but are not limited to, tax increment revenues, bond proceeds, interest earnings, and the issuance of tax allocation bonds. The Agency issued four tax allocation bonds as follows: $1,715,000 Housing Bonds issued in 1997 and to be retired August 2022; $6,105,000 Tax Allocation Refunding Bonds issued in 1998 and to be retired August 2016; $9,780,000 Tax Allocation Bonds issued in 2008 and to be retired in 2030; and $10,540,000 Tax Allocation Bonds issued in 2008 and retiring in 2023. The amount of indebtedness that can be outstanding at any time is $100,000,000 per the current Redevelopment Plan.

The Agency may elect to pledge future tax increment revenues to secure the principal and interest payments of additional tax allocation bonds issued to finance blight eliminating program and project costs. The issuance of tax-exempt bonds and the use of said proceeds are subject to federal tax restrictions.

D. PROPOSED PROJECTS, PROGRAMS AND EXPENDITURES

The projects, programs and expenditures listed below are based on estimated future tax increment revenues and financial obligations. The implementation of these projects and programs over the five-year period will satisfy the Implementation Plan goals and objectives, and in turn, the redevelopment actions identified at Project adoption. Table 6 at the end of this section illustrates the relationship between the Implementation Plan goals, projects and programs and blight elimination.

Auto Dealership Assistance Program – The City has lost two car dealerships. To assist in maintaining and improving the viability of the remaining dealerships, the Agency may assist in dealership relocation, modernization and expansion.

Anticipated Budget: $4,000,000

Business Recruitment/Economic Development Program – The Agency may issue an RFQ/RFP soliciting develop interest. Depending on response from developers, the Agency, through an OPA or DDA, may grant or loan money to assist new commercial development or expansion of existing commercial facilities. This program may fund construction, landscaping, parking improvements and City's Public Work's development requirements (e.g. fire hydrants or traffic mitigation projects, etc.)

Anticipated Budget: $650,000

Capital Improvement Program – The Agency anticipated undertaking or assisting a number of Capital Improvement projects, including improvements to Junipero Berra and Rancho Viego Road, Verdugo Street enhancements, and improvements and utility undergrounding at Del Obispo Bridge.

Anticipated Budget: $2,067,000

Developer Assistance and Property Disposition

Lower Rosan Disposition - This 16± acre infill property was acquired to facilitate the relocation of the waste hauler from the Los Rios Historic District. The Agency proposes to dispose of this property and put it back into private sector for productive use.

Anticipated Budget: $ Unknown

Disposition of Agency-Owned Properties - The Agency owns various properties within the Downtown area. As opportunities arise, these properties may be leased or sold to private developers.

Anticipated Budget: Expenditures will depend upon activities proposed and the degree of Agency assistance required.

Developer Assistance – The Agency anticipates providing assistance to ensure completion of various redevelopment projects, including the El Adobe Plaza/Union Bank, Paseo De Verdugo Retail/Office Development, and the Distrito La Novia mixed-use project. Costs for some of these projects have not yet been determined.

Anticipated Budget: $980,000

Façade Improvement Program – As requests are made and opportunities arise, the Agency will assist in façade rehabilitations. This may take the form of low interest loans, reduction in development fees, and other incentives to be determined on a case-by-case basis**.**

Anticipated Budget: $75,000/FY

Open Space/Recreation Development Program – A goal of the City has been to preserve and improve the quality of life for its residents. A major attraction to the City is its open and recreation space. As opportunities arise, the Agency would like to acquire additional land for both passive open space and for recreation use. The owners of the Shuller Christian Foundation have made the City aware that they will be selling a portion of their campus including 116 acres of open space in and adjoining the Project Area. The Agency is considering purchasing this land to preserve and open, and recreation and open space.

Continuing Care Retirement Community – Proposes a 34-acre development within the Central Redevelopment Project areas northern boundary. The project will contain 750,000 sf of independent living apartments and attached homes, assisted living facilities and skilled nursing facilities. The project is anticipated to generate $100M in assessed value and approximately 300 jobs to the project area.

Studies and Long Range Planning

Downtown Master Plan Amendment – The City has an adopted Master Plan for the Downtown area which needs to be updated to reflect the proposed reconstruction of the Ortega Highway/I-5 Interchange and related street realignments, the proposed development of a new hotel on the former Mission Inn site, SB 375 legislation requiring the re-planning of communities to reduce greenhouse gas emissions and increased Metrolink Service along the Orange County line. The Agency is currently meeting with stakeholders in the downtown to discuss the possible improvements and to elicit input. The Agency would like to build upon this prior work with the development of a financial strategy to implement the findings of the market and economic analysis through an update and amendment to the City's adopted HTC Master Plan.

Anticipated Budget: $600,000

Redevelopment Plan Amendment – The goal of the Redevelopment Plan Amendment is to add territory, increase the tax increment limits, add significant public improvements, and extend the duration of the Redevelopment Plan and the time limit to receive tax increment and repay debt by ten years.

Anticipated Budget: $350,000

TOTAL COSTS FOR FIVE-YEAR PERIOD = $8,987,000

E. BLIGHT ELIMINATION

The achievement of the goals and objectives will eliminate blighting conditions within the Project Area. The following is a list of blighting characteristics that are present in the Project Area as defined in the CRL (at the time of Project adoption), with a description of how the proposed Agency activities will address these blighting conditions.

- **Buildings in Which it is Unsafe or Unhealthy for Persons to Live or Work -** The hillside on which the Capistrano Terrace Mobile Home Park is situated is unstable. Two units have been "red tagged" due to slides. The entire slope needs to be re-engineered. The stabilization of the slope is required for development of "The Meadows" which is part of a larger development which includes the closure and removal of the mobile home park. Based on survey prepared for the closure of the mobile home park 61 of 158 units are deteriorated and substandard based on current mobile home standards. Due to the age and condition of the units, relocation of the units is not feasible.

- **Stagnant Property Values and Impaired Investments -** To facilitate development, the Agency may purchase, assemble and re-sell land to private entities at fair reuse value. The Agency may also assist in on-site improvements to prepare a site for development, such as grading and acquisition. These activities are anticipated to assist in the consolidation, and expansion of the remaining car dealerships along Interstate 5.

- **Factors That Prevent or Substantially Hinder the Economically Viable Use or Capacity of Buildings or Lots -** To reduce unusually high site preparation costs and attract development to underutilized and blighted areas, the Agency may assist in land assembly and providing site improvements such as grading or provide off-site improvements including extension of utilities. These activities are anticipated for both the assistance in the Distrito La Novia/The Meadows and the car dealership assistance properties.

- **The Existence of Inadequate Public Facilities That Cannot be Remedied by Private or Governmental Action Without Redevelopment -** The Agency may undertake public improvement projects including street and signage improvements to attract patronage to the HTC. The Agency is also contemplating acquiring land to preserve as recreation and open space.

F. SUMMARY OF THE REDEVELOPMENT COMPONENT

The Redevelopment Component of the Implementation Plan provides the framework for Agency activities during the term of the Implementation Plan. Effort has been taken to demonstrate that the Agency's goals and objectives to eliminate blight are based upon the proposed redevelopment actions identified for the Project Area. The projects and programs actually accomplished during the five-year period of the Implementation Plan may differ from those identified in this Implementation Plan due to development opportunities that may arise and unforeseen changes in the annual Redevelopment Agency budget, but the basic goals and objectives will remain the same.

In summary, the Agency proposes to focus its activities on eliminating physical and economic blight conditions through the construction of public improvements and assisting the private sector in developing vacant and/or underutilized properties. It is the Agency's hope and intent that the Redevelopment Implementation Plan as proposed, if fully implemented, will encourage further private sector investment. The relationships among the components of the Implementation Plan are described and illustrated in Table 6.

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Table 6: Elemental Relationship of the Implementation Plan

REDEVELOPMENT GOALS AND OBJECTIVES	PROJECTS AND PROGRAMS (TO SATISFY GOALS AND OBJECTIVES)	BLIGHTING CONDITIONS (TO BE REDUCED OR ELIMINATED)
	Auto Dealership Assistance	
Facilitate rehabilitation of residential and business structures and improvements.	The Agency will work with existing and closed dealerships to upgrade, expand and re-purpose obsolete facilities.	Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. Stagnant property values and impaired investments.

	Business Recruitment/Economic Development	
Participate in real estate transactions involving the disposition and acquisition of real property.	Depending on response from developers, the Agency, through an OPA or DDA, may grant or loan money to assist new commercial development or the expansion of existing facilities.	A prevalence of depreciated values and impaired investments. The existence of inadequate public facilities that cannot be remedied by private or governmental action without redevelopment.

	Capital Improvement Program	
Install, construct, or reconstruct streets, utilities, and other public improvements.	The Agency may assist or undertake street improvements, utility undergrounding, or other capital improvements to facilitate the redevelopment of properties, improvement of business conditions, and attraction of businesses to the Project Area.	The existence of inadequate public facilities that cannot be remedied by private or governmental action without redevelopment. Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots.

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Table 6 (cont'd)

REDEVELOPMENT GOALS AND OBJECTIVES	PROJECTS AND PROGRAMS (TO SATISFY GOALS AND OBJECTIVES)	BLIGHTING CONDITIONS (TO BE REDUCED OR ELIMINATED)
Developer Assistance and Property Disposition		
Lower Rosan Ranch		
Provide for the redevelopment of blighted property in the Project Area by private enterprise and public agencies; Take advantage of opportunities to enhance economic and social viability of the Project Area; Participate in real estate trans-actions involving the disposition and acquisition of real property; and Install, construct, or reconstruct streets, utilities, and other public improvements.	This 16+-acre infill property was acquired to facilitate the relocation of the waste hauler from the Los Rios Historic District. The Agency now proposes to dispose of this property and put it back into private sector for productive use. One possible alternative is the relocation Costco to this site.	The existence of inadequate public facilities that cannot be remedied by private or governmental action without redevelopment. Impaired investments resulting from the high cost to prepare the site for development.
Distrito La Novia and The Meadows (formerly El Parador)		
Provide for the redevelopment of blighted property in the Project Area by private enterprise and public agencies; Take advantage of opportunities to enhance economic and social viability of the Project Area; Participate in real estate transactions involving the disposition and acquisition of real property; and Install, construct, or reconstruct streets, utilities, and other public improvements.	The Agency may assist in development of the 8-acre site by assisting with public infrastructure improvements.	The existence of inadequate public facilities that cannot be remedied by private or governmental action without redevelopment. Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots.

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Table 6 (cont'd)

REDEVELOPMENT GOALS AND OBJECTIVES	PROJECTS AND PROGRAMS (TO SATISFY GOALS AND OBJECTIVES)	BLIGHTING CONDITIONS (TO BE REDUCED OR ELIMINATED)
Disposition of Agency-owned Properties		
Manage property under the ownership and control of the Agency. Participate in real estate transactions involving the disposition and acquisition of real property.	The Agency owns various properties within the downtown area that as opportunities occur may be leased or sold to private developers.	Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots including lack of parking. The existence of inadequate public facilities that cannot be remedied by private or governmental action without redevelopment.
Paseo De Verdugo Retail/Office Development		
Encourage and foster the economic revitalization of the Project Area by protecting and promoting sound development and utilization of the Project Area. Provide for the redevelopment of blighted property in the Project Area by private enterprise and public agencies.	The Agency may assist with the demolition of the existing building and development of a 2-story mixed use building with ground floor retail and office on the second floor.	Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots including lack of parking.
Façade Improvement Program		
Facilitate rehabilitation of residential and business structures and improvements.	As requests are made and opportunities arise, the Agency will assist in façade rehabilitation. The matching grant program encourages property owners in the downtown area to upgrade their properties' public appearance.	Factors that prevent or substantially hinder the economically viable use or capacity of buildings and lots.
Open Space/Recreation Development		
Install, construct, or reconstruct streets, utilities, and other public improvements.	As opportunities arise, the Agency may acquire additional land for both open space and for recreation use. This may include acquisition of a portion of the Schuller property.	The existence of inadequate public facilities that cannot be remedied by private or governmental action without redevelopment.

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Table 6 (cont'd)

REDEVELOPMENT GOALS AND OBJECTIVES	PROJECTS AND PROGRAMS (TO SATISFY GOALS AND OBJECTIVES)	BLIGHTING CONDITIONS (TO BE REDUCED OR ELIMINATED)
Studies and Long Range Planning:		
Downtown Master Plan Amendment		
Encourage and foster the economic revitalization of the Project Area by protecting and promoting sound development and utilization of the Project Area and by the replanning, redesigning, and developing portions of the Project Area that are stagnant or improperly utilized because of the lack of adequate utilities and public improvements and because of other causes.	The Agency would like to build upon the prior development strategy to implement the findings of the market and economic analysis and, as necessary, amend the Downtown Master Plan.	The purpose of the Implementation Plan is to identify the Agency's near term goals and objectives. To ensure that the Agency meets all of its goals and objectives, the Agency plans to undertake long-term vision planning for the Project Area to identify a vision for the area and develop a strategy to implement the vision within the remaining life of the Redevelopment Plan. The proposed updated and expanded Economic Development Strategy is one of the efforts that the Agency will undertake in the long term planning process.
Redevelopment Plan Amendment		
Encourage and foster the economic revitalization of the Project Area by protecting and promoting sound development and utilization of the Project Area and by the replanning, redesigning, and developing portions of the Project Area that are stagnant or improperly utilized because of the lack of adequate utilities and public improvements and because of other causes.	The Agency is considering amendments to the Redevelopment Plan that would add the Capistrano Terrace MHP, add significant public improvements, and extend the duration of the Redevelopment Plan and the time limits for the repayment of debt by ten years.	Buildings in which it is unsafe or unhealthy for persons to live or work. Stagnant property values and impaired investments. Factors that prevent of substantially hinder the economically viable use or capacity of buildings or lots. The existence of inadequate public facilities that cannot be remedied by private or governmental action without redevelopment.

III. AFFORDABLE HOUSING COMPONENT

A. PAST ACTIVITIES AND ACCOMPLISHMENTS

Since the Central Project Area was adopted in 1983, the following affordable housing units have been produced:

Project	Fiscal Year Completed	Covenant Terms	Total Units Produced	Countable Units: Very-Low Income	Countable Units: Low/Mod Income	Countable Units: Total
Capistrano Point	1984	10	274	NA	NA	52
Seasons I	1997	55	112	18	74	92
Villa Paloma Apartments	2000	55	84	9	17	84
Casa de Amma	2003	55	31	4	7	11
Little Hollywood I	2005	55	3	3	0	3
Little Hollywood I	2005	55	11	7	4	11
Season II	2009	55	38	28	10	38
Little Hollywood II	2009	55	10	10	0	10
Totals			**563**	**79**	**112**	**301**

In addition, the Agency has been active with the following programs:

- Rental Subsidy Program;
- Emergency Rent Relief Program; and
- Rental Securement Program.

For the previous Implementation Plan period, Section 33490(a)(2)(C)(iv) of the CRL requires the following to be disclosed:

1. The amount of Affordable Housing Funds used to assist extremely-low, very-low and low income units: $5,610,000.

2. Identify the extremely-low, very-low and low income units assisted (location, number of units, assistance amounts):

Location	Unit Mix	Agency Assistance
Season II	28 VLI, 10 LI	$2,510,000
Little Hollywood II	10 VLI	$3,100,000
Totals	**38 VLI, 10 LI**	**$5,610,000**

3. The amount of Affordable Housing Funds used to assist families with children: The Agency spent $132,850 in Affordable Housing Funds on families with children.

4. Identify the family units assisted (location, number of units, assistance amount):

Location (Street Name/Zip Code)	**Household Size**	**Agency Assistance**
Via de Gavilan, 92675	1 adult, 2 children	$14,600
Via de Aguila, 92675	1 adult, 3 children	12,500
Windsong, 92675	1 adult, 6 children	18,000
Woodcrest, 92675	1 adult, 2 children	11,800
Alipaz, 92675	2 adults, 2 children	7,700
Via de Gavilan, 92675	1 adult, 2 children	12,000
Via Viente, 92675	1 adult, 1 child	16,500
Windsong, 92675	1 adult, 2 children	16,100
Evergreen, 92675	1 adult, 1 child	10,300
Woodlake, 92675	2 adults, 1 child	10,700
Via Sonora, 92675	2 adults, 2 children	2,650
Totals	**11 Units**	**$132,850**

5. Identify the extremely-low, very-low and low income units, restricted with 55-year (rental) or 45-year (ownership) affordability restrictions, produced with local subsidy other than Affordable Housing Funds: No extremely-low, very-low or low income units were produced with local subsidy other than Affordable Housing Funds.

B. GOALS AND OBJECTIVES

The CRL requires that certain housing requirements be fulfilled during five- and 10-year increments; and over the remaining project area life. Specifically, the inclusionary housing production requirement must be met every ten years, and over the life of the Project Area. Comparatively, the proportionality tests must be achieved between January 1, 2002 and December 31, 2014, and then again in 10-year increments throughout the Project Area life.

The Agency's primary goal is to comply with the affordable housing requirements imposed by the CRL in a responsible manner. The affordable housing activities identified in the Implementation Plan will be undertaken over the duration of the Redevelopment Plan for the Project Areas, and will explicitly assist in accomplishing the intent of the CRL in regards to the provision of low and moderate income housing.

C. PROPOSED PROJECTS AND PROGRAMS

The following summarizes the proposed housing activities for the Implementation Plan period:

Projects:
The following summarizes identified projects that are expected to be initiated and/or completed during the Implementation Plan period:

- Calle Rolando Villas – The Agency will assist in the completion of 18 low and very-low income ownership units in partnership with Habitat for Humanity.
- The Groves at Williams Ranch – The Agency will initiate the construction of at least 25± very-low and low income units.
- The Agency plans to assist at least one additional project during the Implementation Plan period.

Programs:
The following summarizes the programs included in the Implementation Plan.

- Rental Subsidy Program – This program subsidizes the rents for 10 lower income households per year.
- Emergency Rent Relief – The program provides up to $3,000 grants to low income households in emergencies or extenuating circumstances.
- Rental Securement Program – Up to $3,500 per household is available for security deposits and first and last months rent.

D. APPLICABLE AFFORDABLE HOUSING REQUIREMENTS

1. California Redevelopment Law Requirements

A California redevelopment agency has three primary responsibilities relative to affordable housing:

- To deposit and expend a percentage of tax increment revenue for the provision of affordable housing (Housing Set-Aside Requirement).

- To cause specified percentages of new or rehabilitated housing units in a project area to be available at affordable housing cost (Inclusionary Housing Production Requirement)

- To replace affordable housing units removed from the housing stock as a result of redevelopment activities (Replacement Housing Requirement).

A five-year implementation plan must address the redevelopment agency's performance relative to each of these responsibilities in enough detail to evaluate the agency's performance for each of the five years. This includes the following:

- Plans for using annual deposits into the Affordable Housing Fund.
  - Affordable Housing Funds must be spent on very-low, low and moderate income housing projects in proportion to the unmet need for housing as defined in Government Code Section 65584 (Income Targeting Requirement)
  - A cap is applied to the amount of Affordable Housing Funds that can be spent on housing that is subject to age restrictions (Age Restriction Requirement)

- Identification of planned projects that will result in the destruction of existing affordable housing and identification of proposed locations for housing to replace units removed for project activities (Replacement Housing Requirement).

- Estimates of new housing units to be constructed within the project area if adopted after 1975 and both a five-year and a 10-year plan to produce affordable housing in response to new housing production (Inclusionary Housing Production Requirement).

- An explanation of housing of how the goals, objectives, projects and expenditures will implement the low and moderate income housing set-aside and housing production requirements.

2. Definitions

Very-Low Income Household
Households whose gross income is 50 percent or less of the area median income (Median) (Section 50105)[4].

[4] All referenced sections are found in the California Health and Safety Code.

Low Income Household
Households whose gross income is greater than 50 percent but not greater than 80 percent of the Median (Section 50079.5).

Moderate Income Household
Households whose gross income is greater than 80 percent but not greater than 120 percent of the Median (Section 50093).

Affordable Owner-Occupied Housing Cost
For any owner-occupied housing, affordable housing costs shall not exceed the following:

- For very-low income households the product of 30 percent times 50 percent of the Median adjusted for family size appropriate for the unit.

- For lower income households whose gross incomes exceed the maximum income for very-low income households and do not exceed 70 percent of the Median adjusted for family size, the product of 30 percent times 70 percent of the Median adjusted for family size. In addition, for any lower income household that has a gross income that equals or exceeds 70 percent of the Median adjusted for family size, it shall be optional for any state or local funding agency to require that affordable housing cost not exceed 30 percent of the gross income of the household.

- For moderate income households whose gross incomes exceed the maximum income for lower income households and do not exceed 110 percent of the Median adjusted for family size, the product of 35 percent times 110 percent of the Median adjusted for family size. In addition, for any moderate income household that has a gross income that equals or exceeds 110 percent of the Median adjusted for family size, it shall be optional for any state or local funding agency to require that affordable housing cost not exceed 35 percent of the gross income of the household.

Affordable Renter-Occupied Housing Cost
For any rental housing development, affordable rent, including a reasonable utility allowance, shall not exceed:

- For very-low income households, the product of 30 percent times 50 percent of the Median adjusted for family size appropriate for the unit.

- For lower income households whose gross incomes exceed the maximum income for very-low income households, the product of 30 percent times 60 percent of the Median adjusted for family size. In addition, for those lower income households with gross incomes that exceed 60 percent of the Median adjusted for family size, it shall be optional for any state or local funding agency to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.

- For moderate income households, the product of 30 percent times 110 percent of the Median adjusted for family size. In addition, for those moderate income households with gross incomes that exceed 110 percent of the Median adjusted for family size, it shall be optional for any state or local funding agency to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.

Developed by the Agency
"Developed by the Agency" means the Agency has contracted directly with a building contractor for the construction or rehabilitation of dwelling units.

New Dwelling Units
"New dwelling units" means dwelling units for which the final certificate of occupancy was issued during the year indicated.

Substantial Rehabilitation
"Substantial rehabilitation" means rehabilitation, the value of which constitutes at least 25 percent of the after rehabilitation value of the dwelling inclusive of the land value.

Substantial Rehabilitation Dwelling Units
Prior to January 1, 2002, "substantially rehabilitated dwelling units" means all substantially rehabilitated multi-family dwelling units with three or more units regardless of agency assistance or substantially rehabilitated single-family dwelling units with one or two units with agency assistance.

Since January 1, 2002, "substantially rehabilitated dwelling units" means all units substantially rehabilitated with agency assistance.

E. HOUSING FUND STATUS

The Project Area is subject to the Section 33334.2 requirement to allocate 20 percent of the gross property tax increment to affordable housing activities. The projections of the required deposits into the Affordable Housing Fund are discussed in the following sections of the Implementation Plan.

1. Housing Fund Deposits

The Affordable Housing Fund revenues shown below include the following:

- Twenty percent (20%) of the estimated gross property tax increment generated within the Project Areas.
- Interest income from balances in the Affordable Housing Fund.
- Rental income from the Little Hollywood units.
- Repayments on existing residual receipts and individual loans.
- Land sale proceeds from the sale of properties purchased with Affordable Housing Fund revenues.
- The Agency does not anticipate issuing Housing Bonds over the next five years.

The projected revenue streams for the Affordable Housing Fund for the FY 2010 through FY 2014 period can be summarized as follows:

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Totals
Set-Aside Funds	$1,530,000	$1,561,000	$1,592,000	$1,624,000	$1,657,000	$7,964,000
Interest Income	326,000	159,000	172,000	187,000	203,000	1,047,000
Rental Income	137,000	142,000	147,000	152,000	157,000	735,000
Loan Repayments	45,000	50,000	54,000	59,000	63,000	271,000
Land Sale Proceeds	0	0	0	0	0	0
Bond Proceeds	0	0	0	0	0	0
Total Revenues	**$2,038,000**	**$1,912,000**	**$1,965,000**	**$2,021,000**	**$2,080,000**	**$10,017,000**

2. Use of Housing Fund Deposits

The Agency is projected to incur the following costs during the Implementation Plan period:

Projects:

- Calle Rolando Villas – The Agency will provide a $2.40 million loan to Habitat for Humanity in FY 2010 for the completion of 27 income restricted ownership units.

- The Groves at Williams Ranch – The Agency will use up to $8.50 million for the entitlement, environmental clearance and construction plans for 25± very-low and low income rental units between FY 2010 and FY 2011.

- The Agency has also budgeted up to $2.50 million in financial assistance to at least one unidentified project during the Implementation Plan period.

Programs:

- Rental Subsidy Program – The Agency has budgeted $2.22 million during the Implementation Plan period for this program. This includes the Little Hollywood Rental Program.

- Rental Securement Program – The Agency has budgeted $5,000 per year for this program.

- Emergency Rent Relief – The Agency has budgeted $5,000 per year for this program.

Administrative Expenses:

Costs such as salaries; overhead; consultant and legal fees; and supplies will be incurred to implement the Affordable Housing Program. The actual expenditures must be determined each year, and found to be necessary to implement the Housing Program. However, the cash flow projection includes estimates for each year of the remaining Project Area life.

Annual Debt Service:

The Agency does not plan to issue tax increment bonds secured by the Affordable Housing Fund during the Implementation Plan period. However, $4.70 million in debt service payments will be made from the Affordable Housing Fund for previously issued bonds.

The projected Affordable Housing Fund expenditures for the FY 2010 through FY 2014 period can be summarized as follows:

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Totals
Administration	$156,000	$161,000	$166,000	$171,000	$176,000	$829,000
Projects	3,472,000	8,000,000	0	1,500,000	500,000	13,472,000
Programs:	481,000	426,000	439,000	453,000	467,000	2,266,000
Debt Service	940,000	941,000	941,000	939,000	937,000	4,698,000
Total Expenditures	**$5,049,000**	**$9,528,000**	**$1,546,000**	**$3,063,000**	**$2,080,000**	**$21,266,000**

3. Affordable Housing Fund Cash Flow Analysis

The cash flow projected to be generated by the Affordable Housing Fund is summarized in the following table:

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Beginning Balance	$11,550,000	$8,539,000	$923,000	$1,342,000	$301,000
Total Revenues	2,038,000	1,912,000	1,965,000	2,022,000	2,080,000
(Less) Expenditures	(5,049,000)	(9,528,000)	(1,546,000)	(3,063,000)	(2,080,000)
Ending Balance	**$8,539,000**	**$923,000**	**$1,342,000**	**$301,000**	**$301,000**

This Implementation Plan provides an illustrative example of how the Affordable Housing Program could be financed on an annual basis over the remaining term of the Project Area. However, the timing and specific amounts of the expenditures may be adjusted over time. Specific decisions on each of these items will be made as part of the Agency's annual budget process.

4. Proportional Expenditures of Housing Fund

The Project Area is subject to the Section 33334.4 requirement that a redevelopment agency expend Housing Set-Aside Funds in accordance with an income proportionality test and an age restriction proportionality test. These proportionality tests must be met between January 1, 2002 and December 31, 2014, and then again through the termination of the project area. The results of the proportionality test are described in the following sections.

Income Targeting Proportionality Test

The income targeting proportionality test requires a redevelopment agency to expend Housing Set-Aside Funds in proportion to the unmet housing needs that have been identified for the community pursuant to Government Code Section 65584. The proportionality test used in this report is based on the 2006 - 2014 Regional Housing Needs Assessment ("RHNA") figure prepared by the Southern California Association of Governments ("SCAG"), which covers the time period of this Implementation Plan.

The 2006 to 2014 RHNA established the following unmet need for affordable housing in the City of San Juan Capistrano.

Income Category	**Total Units**	**% of Total**	**Expenditure Proportionality**
Very-Low Income	228	36%	At Least 36%
Low Income	188	30%	At Least 30%
Moderate Income	210	34%	At Most 34%
Total	**626**	**100%**	

To comply with the Section 33334.4 requirements, the Agency must spend at least 36 percent of the Housing Set-Aside Funds on projects and programs dedicated to very-low income households, and no more than 34 percent of the Housing Set-Aside Funds on projects and programs dedicated to moderate income households. Section 33334.4 provides the Agency with the flexibility to allocate Housing Set-Aside Funds in any way that complies with the defined minimum for very-low income expenditures and the defined cap for moderate income expenditures.

Section 33334.4 allows the Agency to expend a disproportionate amount of the Affordable Housing Funds for very-low income households, and to subtract a commensurate amount from the low and/or moderate income thresholds. Similarly, the Agency can provide a disproportionate amount of funding for low income housing by reducing the amount of funds allocated to moderate income households. In no case can the expenditures for moderate income households exceed the established threshold.

The following summarizes the actual expenditures incurred by the Agency between January 1, 2002 and FY 2009:

Income Category	Projected Expenditures	% of Total Expenditures
Very-Low Income	$5,036,000	72%
Low Income	1,994,000	28%
Moderate Income	0	0%
Total	**$7,030,000**	**100%**

The following summarizes the income category allocations of the proposed expenditures for FY 2010 through December 31, 2014:

	Very-Low Income	Low Income	Moderate Income	Total Expenditures
FY 2010	$1,087,000	$1,866,000	$0	$2,953,000
FY 2011	8,238,000	188,000	0	8,426,000
FY 2012	246,000	193,000	0	439,000
FY 2013	1,005,000	948,000	0	1,953,000
FY 2014	515,000	452,000	0	967,000
Total Expenditures	**$11,091,000**	**$3,647,000**	**$0**	**$14,738,000**
% of Total Expenditures	**75%**	**25%**	**0%**	**100%**

By the end of the obligation period it is anticipated that the Agency expenditures will have allocated 60 percent of the Affordable Housing Fund's project and program expenditures to very-low income households, 28 percent of the funds to low income households and 12 percent of the funds to moderate income households, summarized below:

Income Category	Projected Expenditures	% of Total Expenditures
Very-Low Income	$16,127,000	74%
Low Income	5,642,000	26%
Moderate Income	0	0%
Total	**$21,769,000**	**100%**

These expenditures match the current proportionality requirements, and thus, the Agency is anticipated to meet the income targeting standards imposed by Section 33334.4.

Age-Restricted Proportionality Test

Section 33334.4 also requires redevelopment agencies to cap assistance for age-restricted housing based on the percentage of very-low and low income senior citizens within the very-low and low income households in the community. In the City of San Juan Capistrano, very-low and low income senior citizens account for 36 percent of the City's total very-low and low income population. Therefore, the following summarizes the maximum amount of Affordable Housing Fund expenditures that can be spent on age restricted projects between January 1, 2002 and December 31, 2014.

Project Type	**% of Total Expenditures**
Age Restricted	At Most 36%
Non-Age Restricted	At Least 64%

The following summarizes the actual expenditures incurred by the Agency between January 1, 2002 and FY 2009:

Project Type	**Projected Expenditures**	**% of Total Expenditures**
Age Restricted	$2,548,000	36%
Non-Age Restricted	4,482,000	64%
Total	**$7,030,000**	**100%**

The following summarizes the income category allocations of the proposed expenditures for FY 2010 through December 31, 2014:

	Age Restricted	**Non-Age Restricted**	**Total Expenditures**
FY 2010	$0	$2,953,000	$2,953,000
FY 2011	0	8,426,000	8,426,000
FY 2012	0	439,000	439,000
FY 2013	0	1,953,000	1,953,000
FY 2014	0	967,000	967,000
Total Expenditures	**$0**	**$14,738,000**	**$14,738,000**
% of Total Expenditures	**0%**	**100%**	**100%**

By the end of the obligation period, it is anticipated that the Agency expenditures will have allocated 12 percent of the Affordable Housing Fund's project and program expenditures to age restrict projects and 88 percent of the funds to non-age restricted projects between January 1, 2002 and December 31, 2014, summarized below:

Project Type	Projected Expenditures	% of Total Expenditures
Age Restricted	$2,548,000	12%
Non-Age Restricted	19,221,000	88%
Total	**$21,769,000**	**100%**

These expenditures match the current proportionality requirements, and thus, the Agency is anticipated to meet the age restricted targeting standards imposed by Section 33334.4.

5. Excess Surplus Calculation

The Project Area is subject to the “excess surplus” requirements imposed by Section 33334.12. Excess surplus is defined as any unexpended and unencumbered funds in the Affordable Housing Fund that exceeds the greater of $1 million or the aggregate amount deposited into the Affordable Housing Fund during the Project Area's preceding four fiscal years. Based on the Section 33334.12 requirements, the Agency has three years to encumber any excess surplus funds.

The Agency does not currently have an excess surplus balance. Moreover, it is expected that the Housing Fund will not have an excess surplus over the Implementation Plan period as illustrated below:

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Ending Balance	$10,525,000	$10,919,000	$11,349,000	$11,818,000	$12,328,000
(Less) Bond Proceeds	(9,066,000)	(9,066,000)	(9,066,000)	(9,066,000)	(9,066,000)
(Less) Encumbered Funds	(5,514,000)	(5,465,000)	(5,411,000)	(5,352,000)	(5,289,000)
Adjusted Ending Balance	$0	$0	$0	$0	$0
Max. Allowable Fund Balance	$4,351,000	$4,623,000	$4,683,000	$6,307,000	$6,434,000
Excess Surplus	**$0**	**$0**	**$0**	**$0**	**$0**

F. INCLUSIONARY HOUSING PRODUCTION STATUS

1. Legal Requirements

For the purposes of this Implementation Plan, inclusionary housing production refers to a redevelopment agency's obligation to cause a specified percentage of new or rehabilitated housing produced in a project area to be available at affordable housing cost. It does not matter whether the housing is market rate or cost restricted, nor does it matter if the housing is privately or publicly produced.

2. Applicability of Inclusionary Housing Production Requirements

Redevelopment projects adopted prior to January 1, 1976, are not subject to this legal requirement. However, given that the Project Area was adopted in 1986, the Project Area has inclusionary housing obligations.

3. Method of Calculation of Inclusionary Housing Production Requirements

The percentage of housing units that must be available at an affordable housing cost varies by whether the housing constructed or rehabilitated was developed by a redevelopment agency or by another party. The Agency has not produced housing per the definition contained in Section III - D. (A written agreement with the Agency requiring affordable housing covenants does not meet the definition of agency-produced housing.)

For housing constructed or substantially rehabilitated by persons or entities other than a redevelopment agency, at least 15 percent of the units developed within the project area must be available to households of low or moderate income. Of this number, not less than 40 percent must be available to very-low income households. For example, for every 100 units produced, 15 must be affordable. Of these 15 units, at least six units must be available to households with very-low income and the remaining nine units can be available to households of low or moderate income. Any fraction is rounded up, so for 101 units produced, 16 must be affordable and of that total, seven must be available to very-low income households.

The definition of substantial rehabilitation changed as of January 1, 2002. Prior to that time, any substantially rehabilitated units counted if they were in complexes of three or more units (triplexes or larger).

4. Inclusionary Housing Production Requirements

The following summarizes the new construction and substantial rehabilitation units created in the Project Area since adoption:

	Units
Plan Adoption – FY 1999	444
FY 2000 – FY 2004	175
FY 2005	14
FY 2006	0
FY 2007	0
FY 2008	0
FY 2009	48
Total Units Developed in Project Areas	**681**

A total of 27 new residential units are expected to be developed inside the Project Area during the next five years and an additional 100 units are anticipated to be built by the end of FY 2019. The projects that are in planning summarized as follows:

	Number of Units	Anticipated Year of Completion
Habitat for Humanity / Pitts Property	27	2010
Camino Las Ramblas	100	2015-2019
Unidentified Projects	0	2015-2019
Unidentified Projects	0	2020 – Termination
Total Units to be Developed in Project Areas	**127**	

It is assumed that the Project Area will be built out by the end of FY 2019. The following summarizes the current and potential inclusionary housing obligation for the Agency:

	Very-Low Income Units	Low/Mod Income Units	Total Units
Through FY 1999	27	40	67
FY 2000 – FY 2009	15	21	36
FY 2010 – FY 2019	8	12	20
FY 2020 – FY 2036	0	0	0
Total	**50**	**73**	**123**

5. Inclusionary Housing Production Fulfillment

The following inclusionary housing units have been produced:

Project	Fiscal Year Completed	Covenant Terms	Total Units Produced	Countable Units		
				Very-Low Income	Low/Mod Income	Total
Inside Project Area:						
Season's Apartments I	1997	55	112	18	74	92
Villa Paloma Apartments	2000	55	84	9	17	26
Casa de Amma	2003	55	31	4	7	11
Little Hollywood I	2005	55	3	3	0	3
Little Hollywood I	2005	55	11	7	4	11
Season's Apartments II	2009	55	38	28	10	38
Little Hollywood II	2009	55	10	10	0	10
Outside Project Areas [5]			0	0	0	0
Totals			**289**	**79**	**112**	**191**

The Agency anticipates that the following inclusionary housing production units will be completed between July 1, 2009 and June 30, 2014:

Project	Fiscal Year Completed	Covenant Terms	Total Units Produced	Countable Units		
				Very-Low Income	Low/Mod Income	Total
Inside Project Area						
Camino Las Ramblas	2019	55	100	50	50	100
Outside Project Area						
The Groves at Williams Ranch	2019	55	30	15.0	0	15
Habitat for Humanity	2010	60	27	4.5	9	13.5
Totals			**157**	**69.5**	**59.0**	**128.5**

6. Inclusionary Housing Production Obligation Surplus/Deficit Calculation

The Agency is required to measure inclusionary housing production as of June 30, 2009, June 30, 2019 and at the end of the Project Area's life. The following table illustrates the production obligations and fulfillment anticipated to be

[5] Units developed outside of the Project Areas are counted on a one for two basis.

generated at each point in time:

As of June 30, 2009	Cumulative Fulfillment	Cumulative Obligation	Cumulative Surplus/(Deficit)
Very-Low Income	79.0	(42)	37.0
Low/Moderate Income	112.0	(61)	51.0
Total	**191.0**	**(103)**	**0**
As of June 30, 2019	**Cumulative Fulfillment**	**Cumulative Obligation**	**Cumulative Surplus/(Deficit)**
Very-Low Income	148.5	(50)	98.5
Low/Moderate Income	171.0	(73)	98.0
Total	**319.5**	**(123)**	**196.5**
End of Project Area Life	**Cumulative Fulfillment**	**Cumulative Obligation**	**Cumulative Surplus/(Deficit)**
Very-Low Income	148.5	(50)	98.5
Low/Moderate Income	171.0	(73)	98.0
Total	**319.5**	**(123)**	**196.5**

It is anticipated that by the end of the life of the Project Areas, the Agency will have a 98.5 very-low income unit surplus and a 98.0 low/moderate income unit surplus. Thus, the Agency is expected to surpass the CRL inclusionary housing obligations.

G. REPLACEMENT HOUSING STATUS

1. Legal Requirements

Redevelopment agencies must replace affordable housing units removed from the housing stock as a result of redevelopment activities. A unit is defined as affordable if it is occupied, or if vacant would be expected to be occupied, by households with an income of 120 percent of the Median or less. Replacement dwelling units are to be available at an affordable housing cost to persons in the same or a lower income category as the person displaced from those destroyed or removed housing units. In addition, a replacement unit must have the same or a greater number of bedrooms than the unit being demolished.

According to the previous Implementation Plan, the Agency had met all replacement housing obligations as of FY 2005. In addition, the Agency did not remove any units during the previous Implementation Plan period and does not plan to remove units over the FY 2010 to FY 2014 period. Thus, the Agency is in compliance in regards to the replacement housing obligations.

H. ABILITY TO COMPLY WITH OBLIGATIONS PRIOR TO TIME LIMIT OF EFFECTIVENESS OF REDEVELOPMENT PLAN

Section 33490(a)(4) of the CRL requires a project area that is within six year of the time limit of effectiveness of the Redevelopment Plan to explain how the Agency will meet the housing obligations. Since no portion of the Project Area will expire within six years, this requirement is not applicable.

I. SUMMARY OF HOUSING COMPONENT

Given the successful implementation of the proposed housing program, the Agency will have accomplished the following:

1. The Agency has no existing inclusionary or replacement housing production obligations.

2. The Agency will fulfill the inclusionary housing production requirements for the 10-year period between fiscal years 2009/10 and 2018/19.

3. The Agency will fulfill the replacement housing production requirements for the five year period between fiscal years 2009/10 and 2013/14

4. The Agency's expenditures of Affordable Housing Fund monies will comply with the proportionality tests imposed by Section 33334.4.

5. The Affordable Housing Fund will not experience excess surplus between FY 2010 and FY 2014.