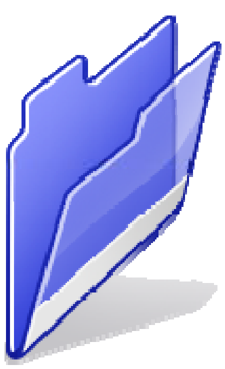
CITY OF MILPITAS

455 EAST CALAVERAS BOULEVARD, MILPITAS, CALIFORNIA 95035-5479
GENERAL INFORMATION: 408-586-3000, www.ci.milpitas.ca.gov

02/01/2011
Agenda Item No. RA4

ATTACHMENTS AND/OR ADDITIONAL MATERIALS RELATED TO AGENDA ITEM AFTER AGENDA PACKET DISTRIBUTION



CITY OF MILPITAS

455 EAST CALAVERAS BOULEVARD, MILPITAS, CALIFORNIA 95035-5479
GENERAL INFORMATION: 408-586-3000, TDD: 586-3013, www.ci.milpitas.ca.go

February 1, 2011

Honorable Jerry Brown
Governor
State Capitol
Sacramento, CA

RE: Proposed Recommendation to Eliminate Redevelopment

Dear Governor Brown:

As the Mayor and City Council of Milpitas, we understand the difficulty of passing a budget in these times of limited resources and worldwide economic meltdown. The City of Milpitas has been addressing a $12 million structural deficit and has taken drastic measures to reduce local government costs. The City has reduced its workforce by nearly 200 positions over a 6 year period, has reduced salaries by 7% and increased program and development fees to recover costs.

The Governor's proposal to eliminate or curtail redevelopment is short-sighted public policy that will damage our economy and bring little budget relief to the State. The proposal to eliminate redevelopment:

- <u>Will not</u> provide expected budget relief to the State or local governments after bond issues and contractual obligations are repaid;
- <u>Will destroy</u> billions of dollars in local economic activity and hundreds of thousands of jobs;
- <u>Will kill</u> the state's leading program to provide affordable housing; and
- <u>Will harm</u> our efforts to grow responsibly by focusing on urban and infill development.

<u>The proposal will not provide budget savings to the State or local governments.</u>

Redevelopment agencies issue bonds to finance redevelopment activities, which must be repaid with interest. Under the federal and state constitutions, these and other contractual obligations must be met before revenues are made available to any other entities or purposes. Agencies currently hold over $20 billion in bonded indebtedness.

<u>The proposal will kill jobs and economic expansion at the worst possible time.</u>

Eliminating redevelopment will have a direct and lasting negative impact on the California economy and job creation. Your office has been advised of the statewide impact that redevelopment has created over 170,000 construction jobs and supported over 300,000 full and part-time private sector jobs a year.

We would like to share the redevelopment impact on the Milpitas local economy.

- **Over the life of the Milpitas Redevelopment Agency it is estimated that 10,000 to 15,000 construction and private sector jobs would not have been feasible without redevelopment agency assistance. In the 1980's Milpitas redevelopment funds were used for flood control, highway**

interchange construction and other infrastructure improvements to open the Milpitas portion of the Golden Triangle along Highway 237 and I-880. This is now the headquarters to KLA Tencor, SanDisk, Linear Technologies, LSI Logic and several smaller solar energy companies, as well as housing a substantial portion of Cisco Systems. During the construction of the Milpitas Public Library, parking garage and street improvements, over 500 construction jobs were created. The project doubled the size of the Library and is one of the busiest in the Santa Clara County Library System.

- **The Milpitas Redevelopment Agency has contributed over $48 million in the development of Low and Moderate Income Housing. The Agency is responsible for the construction of nearly 3,000 residential units of which over 50% are set aside as low and moderate income for individuals and families. Nearly all of these projects are in-fill development projects adjacent to or near public transportation services. Projects range from multi-family apartments to single family dwelling units, condos and apartments to senior assisted housing.**
- **The Milpitas Redevelopment Agency is responsible for the elimination of traffic congestion as the Agency funded the reconstruction of the I-880/Montague Expressway interchange which is a major transportation route into and out of the Agency's project areas. Traffic counts at this interchange are the highest on I-880 in Santa Clara County.**
- **The Milpitas Redevelopment Agency has provided close to $20 million in property tax pass throughs to local taxing agencies over the last ten years and is projected to pass through another $177 million to the Milpitas Unified School District alone over the life of the redevelopment agency. Without redevelopment, the Agency estimates that the property tax revenues to the School District will drop to $81 million.**

This proposal runs completely contrary to the Governor's and Legislature's stated goals of realigning state services to provide more responsibility and funding locally. Redevelopment funds are already locally-generated property tax dollars (agencies do not receive State funding) directed toward community projects and programs directed by locally-elected officials with input from citizens. The proposal wipes out the only tool local governments have to drive economic growth, build up tax revenues, and grow sustainability.

We urge you to reject this misguided proposal.

Sincerely,

Jose Esteves
Mayor

Pete McHugh
Vice Mayor

Debbie Giordano
Councilmember

Althea Polanski

Althea Polanski
Councilmember

Armando Gomez
Councilmember

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February 1, 2011

Honorable Senate Majority Leader Ellen M. Corbett
California State Senate
State Capitol, Room 5108
Sacramento, CA 95814

RE: Proposed Recommendation to Eliminate Redevelopment

Dear Majority Leader Corbett:

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February 1, 2011

Honorable Robert Wieckowski
California State Assembly
P.O. Box 942849
Sacramento, CA 94249-0020

RE: Proposed Recommendation to Eliminate Redevelopment

Dear Assemblymember Wieckowski:

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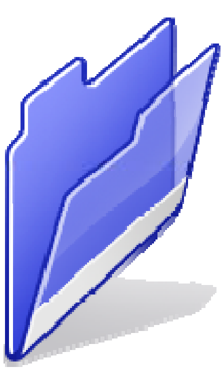
02/01/2011
Agenda Item No. RA9

ATTACHMENTS AND/OR ADDITIONAL MATERIALS RELATED TO AGENDA ITEM AFTER AGENDA PACKET DISTRIBUTION



DRAFT

Milpitas
Silicon Valley
...life @ your pace

20011 – 2015 IMPLEMENTATION PLAN

The Redevelopment Agency
of the
City of Milpitas

DRAFT

February 1, 2011

REDEVELOPMENT AGENCY BOARD

Jose Esteves
Mayor & Chair Redevelopment Agency Board

Pete McHugh
Vice-Mayor & Vice-Chair Redevelopment Agency Board

City Council and Redevelopment Agency Board Members

Debbie Giordano
Althea Polanski
Armando Gomez

Tom Williams
Executive Director

Draft Five-Year Implementation Plan 2011-2015

DRAFT

February 2011

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City of Milpitas Redevelopment Agency
Proposed Five-Year Implementation Plan

July 2010 – June 2015

I. Introduction

A. Purpose and Requirements

California Community Redevelopment Law requires redevelopment agencies to adopt an Implementation Plan every five years. The purpose of the Implementation Plan is to set goals and objectives that will guide efforts to eliminate blight over the next five years. The Implementation Plan also contains an affordable housing section to help the Redevelopment Agency monitor progress in meeting the community's affordable housing needs. The Implementation Plan identifies various projects and activities targeted for implementation over the five-year period. At the same time, the Plan allows the Agency flexibility in choosing which projects it will implement from those outlined in the Plan. To facilitate planning, the Implementation Plan also estimates the revenues and expenditures the Agency will incur over the five-year Implementation Plan period.

The City of Milpitas's Implementation Plan is for the years 2010-11 through 2014-15. This is the fourth Implementation Plan of the City of Milpitas Redevelopment Agency and will be considered by the Agency Board after a public hearing is held. To meet Community Redevelopment Law, the Implementation Plan contains the following required information:

- The Agency's goals and objectives for the next five years;
- Program of activities, including potential projects, and estimated expenditures planned for the next five years;
- Relationship of the Programs to Blight Elimination; and
- A description of the Agency's plans to implement its requirement to increase, improve and preserve affordable housing.

The Implementation Plan provides general guidance to the Agency, giving it flexibility to address specific issues of scope, timing, and expenditures. Given unpredictable market conditions, the implementation of the Agency's programs and activities to eliminate blight may vary over the five-year period.

B. Description of Project Areas

The Redevelopment Agency administers activities for the Milpitas Project Area No. 1 and the Great Mall Redevelopment Project Area.

Project Area No. 1: Project Area No. 1 Area (see attached Exhibit A) is approximately 2,830 acres, or approximately 4.6 square miles of the 13.6 square miles covered by the City. The original Redevelopment Plan for the Project was adopted by Ordinance No. 192 on September 21, 1976 and consisted of approximately 577 acres (the "Original Project Area"). The Redevelopment Plan has been amended thirteen (13) times since the Project's adoption.

The first amendment adopted September 4, 1979 by Ordinance No. 192.1 added approximately 483 acres to the Original Project Area (the "Amendment Area No. 1"). The second amendment adopted May 4, 1982 by Ordinance No. 192.2 added approximately 479 acres to the Original Project Area ("Amendment Area No. 2"; collectively, the Original Project Area, Amendment Area No. 1 and Amendment Area No. 2 are referred to as the "Existing Project Area"). The third amendment, adopted on November 27, 1984 by Ordinance No. 192.3, made technical text changes and increased the tax increment limit. The fourth amendment, adopted on December 9, 1986 by Ordinance No. 192.4, amended the Agency's tax increment limit.

The fifth amendment, adopted on April 16, 1991 by Ordinance No. 192.6A, amended the low income housing set-aside to include bond proceeds and restated and reorganized the provisions of the low income housing set-aside. The sixth amendment, adopted on December 9, 1994 by Ordinance No. 192.9, amended the time limits in accordance with Assembly Bill 1290. The seventh amendment, adopted on October 15, 1996 by Ordinance No. 192.11, increased the tax increment limit, increased the bond debt limit, and extended the debt establishment time limit. The eighth amendment, adopted October 16, 2001, by Ordinance No. 192.12 deleted certain property from the Project Area (sign property). The ninth amendment, adopted June 17, 2003, by Ordinance No. 192.14 included the following: 1) added area (691 acres) to the Original Project Area (known as the "Midtown Added Area"); 2) increased the tax increment limit; 3) increased the bonded indebtedness limit; 4) established eminent domain in the 691-acre added area for properties not occupied as a residence; and 5) revised and updated various text provisions to conform to the requirements of the CRL.

The tenth amendment[1] adopted on October 7, 2003, by Ordinance No. 192.15 extended the time limits on plan effectiveness/receipt of tax increment by one year for the Original Project Area, Amendment Area No. 1, Amendment Area No. 2 and the Midtown Added Area as allowed by SB 1045 in exchange for the Agency's payment to the Educational Revenue Augmentation Fund (ERAF) in fiscal year 2003-04. The Agency was allowed to further extend the time limits on plan effectiveness/receipt of tax increment by two years for the Original Project Area, Amendment Area No. 1 and Amendment Area No. 2 as allowed by SB 1096 in exchange for the Agency's ERAF payments made in fiscal years 2004-05 and 2005-06. The SB 1096 eleventh amendment was adopted on October 3, 2006, by Ordinance No. 192.16. On November 29, 2006, by Ordinance No. 192.18 the twelfth amendment was adopted which merged Project Area No. 1 with the Great Mall.

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[1] Previous Implementation Plans did not identify the October 16, 2001 action to delete certain property from Project Area No. 1 as an Amendment. As part of the thirteenth amendment, the amendment numbering was corrected to reflect all Redevelopment Plan amendments.

The thirteenth amendment was adopted on May 4, 2010 by Ordinance No. 192 to: 1) extend by 10 years the effectiveness time limit and time period to repay debt/collect tax increment of the original Project Area and Amendment Areas No. 1 and 2; 2) repeal the debt establishment limit for the Amendment Areas; 3) increase the tax increment limit and bonded indebtedness limit and exclude the Midtown Added Area from the tax increment limit; 4) add projects and facilities to the list of eligible projects and facilities the Agency may fund; 5) reinstate eminent domain over non-residential uses in the Amendment Areas; 6) add territory totaling approximately 600 acres; and 7) make certain technical corrections, revise and update the various text provisions within the Redevelopment Plan to conform to the requirements of the California Community Redevelopment Law ("CRL").

<u>Great Mall Project Area:</u>
The Redevelopment Plan for the Great Mall Redevelopment Project was adopted by the City Council on November 2, 1993, by Ordinance No. 192.8 and consists of 150 acres. The Great Mall Project has been amended six times. The first amendment, adopted on December 6, 1994, by Ordinance No. 192.10 brought the Project Area into conformity with the CRL as amended by Assembly Bill 1290. The second amendment, adopted on October 16, 2001, by Ordinance No. 192.13 added 0.76 acres in two separate properties (located along Interstate 880 & Montague Expressway containing 0.75 acres and along Interstate 680 south of Calaveras Boulevard containing 613 square feet) for the placement and maintenance of freeway signs for the Great Mall of the Bay Area. The third amendment adopted on October 3, 2006, by Ordinance No. 192.17 extended the time limits on plan effectiveness/receipt of tax increment by two years as allowed by SB 1096. The fourth amendment adopted on November 29, 2006, by Ordinance No. 192.19 merged the Great Mall Project with Project Area No. 1. The fifth amendment adopted on May 5, 2009, by Ordinance No. 192.22 extended plan effectiveness from 17 to 40 years. The sixth amendment, approved on May 4, 2010 by Ordinance No. 192.23 to delete a non-contiguous area developed with a freeway sign. The area identified for deletion was added to Project Area No. 1.

Project Area	Plan Expiration	Last Date To Incur New Debt	Last Date to Repay Debt With Tax Increment	Tax Increment Limit	Limit on Total Tax Increment Bonded Indebtedness
Project Area No. 1 (Original)	repealed	9/21/29	9/21/39	$6.7 billion excluding Mid-town Added Area and 13th Amendment Added Area	$1.3 billion
Amendment Area No. 1	repealed	9/4/32	9/4/42		
Amendment Area No. 2	repealed	5/4/35	5/4/45		
Midtown	6/17/34	6/17/23	6/17/49		
Amendment No.13 Added Area	5/4/40	5/4/30	5/4/55		
Great Mall	11/2/33			Not Applicable	Not Applicable

C. 2005/6 to 2009/2010 Milpitas Redevelopment Agency Accomplishments

Project Area No. 1 Accomplishments

The Agency successfully completed a wide array of projects and activities in Project Area No. 1 which includes the Midtown Area, over the last five years. This section describes the Agency's accomplishments in transportation, utilities and public infrastructure, open space and commercial rehabilitation.

Transportation and Public Infrastructure Improvement Program Transportation efforts are focused on developing a transportation system integrated with the pattern of living, working and shopping areas to provide safe, convenient and efficient movement within the Project Area and to prevent the dispersal of employment and activities in the community. Utility and public infrastructure projects commensurate with the anticipated needs of the Project Area and eliminate and prevent the spread of blighting influences including vacant and under-utilized land and deteriorating buildings, inadequate transportation, sewer, water and drainage and other physical and economic and environmental deficiencies. Projects included the completion of the North Main Street streetscape projects associated with the completion of the Milpitas Public Library, street reconstruction and planning for the BART extension.

Community Infrastructure and Open Space Improvements Programs

Open space programs support redevelopment in the Project Area by developing adequate civic, recreational and cultural centers in locations for the best service to Project Area residents and employees in ways that will promote community beauty and growth and focus development in the Project Area. The Agency has completed the new Milpitas Public Library and parking garage, rehabilitation of the former library site into the new Senior Center, expansion of the Calaveras Boulevard overpass pedestrian space and flood management projects.

2. Link Between Programs and Blight Elimination

This section outlines how the Agency's programs and projects have helped to alleviate blight in the Project Area. Goals met included: eliminating environmental deficiencies; improving vehicular and pedestrian circulation; planning, designing and redeveloping underutilized areas; strengthening commercial functions; strengthening the economic base; providing adequate parking and open space; and establishing and implementing design performance criteria. **Table A** summarizes the direct relationship each of these programs has on alleviating blighting conditions.

Table A

Blighting Conditions Addressed by Completed Project

Blighting Condition	Transportation & Public Infrastructure Imprmt Program	Community Infrastructure & Open Space Program	Housing Program
Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious seismic or geologic hazards, and faulty or inadequate water or sewer utilities.	x	x	
Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard design, defective or obsolete design or construction, given the present general plan, zoning or other development standards		x	x
Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the Project Area.	x	x	
The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions.		x	x
Depreciated or stagnant property values	x	x	x
Impaired property values, due in significant part, to hazardous wastes on property where the agency authority may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).	x		
Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.		x	x
A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.		x	x
Serious residential overcrowding that has resulted in significant public health and safety problems.			x
An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety or welfare problems.		x	x
A high crime rate that constitutes a serious threat to the public safety and welfare.	x	x	x

II. Five-Year Redevelopment Plan

This section outlines the Redevelopment Agency's goals and objectives and its proposed projects and activities and expenditures for the next five years, from July 2010 to June 2015. The projects and activities, as well as the expenditures are estimates of future activity and costs and are subject to change pending market opportunities and constraints. This section is divided into four major parts:

A. Five-Year Goals and Objectives –
   Outlines the Agency's goals & objectives over the next five years for Project Area No. 1 and the Great Mall Project Area.
B. Five-Year Implementation Plan Revenues –
   Describes the amount of funding expected to be available to implement the Agency programs and activities.
C. Five-Year Redevelopment Programs and Expenditures –
   Describes the proposed programs and activities the Agency plans to undertake and the estimated cost of those activities.
D. Link Between Programs and Blight Elimination –
   Explains how the Agency's goals, programs and objectives over the next five years will help to eliminate blight in the Project Area.

A. Five-Year Goals and Objectives

The Five-Year Goals and Objectives establish a framework for the Redevelopment Agency's activities and programs from fiscal year 2010-11 thru 2014-15. The goals and objectives listed here reflect those included in the Amended and Restated Redevelopment Plan for Project Area No. 1 dated May 2010. These goals and objectives will continue to serve as a guide to the Agency in its efforts to eliminate the physical and economic blighted conditions identified in the Project Area.

The redevelopment program needs to be flexible and provide the capability to respond to changes and private sector interest. The strategy to attain the Agency's goals and objectives is to use public investment to attract and stimulate private investment. The Agency uses legal agreements to form public-private partnerships leading to development of industrial sites, commercial centers, office buildings, and housing. The redevelopment program for the Project Area No. 1 is designed to address the most significant blighting conditions in the Project Area. It is believed that as the most significant blighting conditions are reduced that further private sector investment will occur in the Project Area leading to further removal of blight. Therefore, the Agency's program of redevelopment will serve as a catalyst to remove blighting conditions and spur the preservation, improvement and retention of job creating commercial, industrial and retail businesses.

Project Area No. 1 Goals and Objectives

Project Area No. 1 Goals and Objectives are:

- Eliminate and prevent the spread of blighting influences including vacant and underutilized land and deteriorating buildings, inadequate transportation, sewer, water and drainage, and other physical and economic and environmental deficiencies.
- Provide for the mitigation of hazardous materials and the productive reuse of brownfields.
- Replan, redesign, rehabilitate and redevelop areas that are stagnant or improperly utilized.
- Encourage a compatible mix of residential, retail, office, service-oriented commercial, public facilities and industrial uses.
- Provide for a land use mix that supports major transit facilities.
- Develop a transportation system integrated with the pattern of living, working and shopping areas to provide safe, convenient and efficient movement within the Project Area and connections to the City.
- Develop adequate civic, recreational, cultural centers in locations for the best service to the residents and employees of the Project Area and in ways that will promote community beauty and growth.
- Acquire and maintain open space sufficient to provide for parks and recreational facilities.
- Provide urban open spaces (i.e., plazas, squares) that serve multiple purposes and can be used for special events.
- Improve the viability of the pedestrian, bicycle and transit systems.
- Develop mass transportation facilities.
- Provide opportunities for participation by owners in the revitalization of their properties.
- Provide for a variety of residential types consistent with the CRL to serve the varying needs of individuals and families while retaining existing structural standards.
- Stimulate commercial and industrial development and the creation of employment opportunities.
- Encourage economic pursuits to strengthen and promote development through stability and balance.

Great Mall Project Area Goals and Objectives

The goals and objectives of the Great Mall Redevelopment Plan are:

- The elimination of blighting influences and the correction of environmental deficiencies in the Project Area, including among others, faulty exterior spacing, obsolete and aged building types, building vacancies, uneconomic land uses and inadequate or deteriorated public improvements, facilities and utilities.
- The replanning, redesign, rehabilitation and development of areas which are stagnant or improperly utilized.
- The provision of opportunities for participation by owners in the revitalization of their properties.
- The strengthening of retail and other commercial functions in the Project Area.
- The strengthening of the economic base of the Project Area and the community by the installation of needed off-site improvements to stimulate new commercial expansion, employment and economic growth.
- The provision of adequate land for parking and open spaces.

- The establishment and implementation of performance criteria to assure high site design standards and environmental quality and other redesign elements that provide unity and integrity to the entire Project Area.

B. Five-Year Implementation Plan Revenues and Expenses

The City of Milpitas Redevelopment Agency will undertake a variety of programs and projects to alleviate blighted conditions and advance the Implementation Plan's goals and objectives over the next five years. It is anticipated that the Agency will receive just over $202 million in revenues, including gross tax increment revenues, interest income and less the AB1290 pass through payments, over the five-year period.

C. Five-Year Redevelopment Programs and Expenditures

The ability of the Agency to fund new projects was significantly impacted by the over $14 million SERAF take away by the State in FY 2009-10 and FY 2010-11. Over the next five years, the Agency will expend much of the approximately $132 million in non-discretionary funds to repay existing debt including the nearly $66 million towards the repayment of the 2003 Tax Allocation Bonds, $22 million the land development payment to the County and an estimated $25 million to the City. After covering administrative costs and previously approved project costs, such as the loan to SunPower and the public art contribution, there will be only $12 million available for new redevelopment projects.

Typical projects to implement redevelopment goals are stated below.

1. GOAL: Eliminate and prevent the spread of blighting influences including vacant and underutilized land and deteriorating buildings, inadequate transportation, sewer, water and drainage, and other physical and economic and environmental deficiencies.
    1. Objective – Acquire land: rehabilitate and reconstruct underutilized buildings.
    2. Objective – Fund capital projects to eliminate blighting influences and sustain economic development in redevelopment project areas.

2. GOAL: Provide for the mitigation of hazardous materials and the productive reuse of brownfields.
1. Objective: Work with property owners to eliminate soil contamination dn other environmental issues that hamper redevelopment opportunities.
2. Eliminate hazardous materials on public property.

3. GOAL: Replan, redesign, rehabilitate and redevelop areas that are stagnant or improperly utilized and encourage a compatible mix of residential, retail, office, service-oriented commercial, public facilities and industrial uses.
    1. Objective: Implement the Midtown Specific Plan.

4. GOAL: Provide for a land use mix that supports major transit facilities and develop mass transportation facilities.

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    1. Objective: Implement the Transit Area Specific Plan.
    2. Objection: Continue to support BART Extension into Milpitas.

5. GOAL: Develop a transportation system integrated with the pattern of living, working and shopping areas to provide safe, convenient and efficient movement within the Project Area and connections to the City.

1. Objective: Support the extension of BART into Milpitas.
2. Objective: Support the reconstruction of Montague Expressway.
3. Objective: Support traffic improvements to roadway connections within the Project Areas connecting to the City.

6. GOAL: Develop adequate civic, recreational, cultural centers in locations for the best service to the residents and employees of the Project Area and in ways that will promote community beauty and growth.

1. Objective: Update and implement the Milpitas Sports Center Master Plan.
2. Objective: Increase access to public facilities and programs with improved technology.

7. GOAL: Acquire and maintain open space sufficient to provide for parks and recreational facilities and provide urban open spaces (i.e., plazas, squares) that serve multiple purposes and can be used for special events.

1. Objective: Implement the Transit Area Specific and Midtown Specific Plans.
2. Objective: Implement the Parks Master Plan.
3. Objective: Acquire land for open space to support housing development.
4. Objective: Support projects that are used by residents of the Project Areas.

8. GOAL: Improve the viability of the pedestrian, bicycle and transit systems.
1. Objective: Implement the City's Bicycle Master Plan.
2. Objective: Support pedestrian walking area improvements throughout the Project Areas.

9. GOAL: Provide opportunities for participation by owners in the revitalization of their properties.

1. Objective: Identify opportunities to invest with property owners and/or support them in the redevelopment of property to meet the business demands of industry, commercial and retail development.
2. Objective: Provide façade and signage assistance to smaller businesses to attract new customers.

10. GOAL: Provide for a variety of residential types consistent with the CRL to serve the varying needs of individuals and families while retaining existing structural standards.

1. Objective: Work with developers to construct the nearly 6,000 residential units in the Transit Area Specific and Midtown Specific Plans that are approved.
2. Objective: Identify opportunities to create unique low and moderate hosuing units to serve the diverse Milpitas community.

11. GOAL: Stimulate commercial and industrial development and the creation of employment opportunities.

1. Objective: Invest in business residential and attraction to retain jobs and create new jobs in the newer technologies.
2. Objective: Market the redevelopment program to attract investment for business retention and attraction
3. Objective: Invest in the smaller commercial districts in the project areas to address code deficiencies and business marketing challenges.

12. GOAL: Encourage economic pursuits to strengthen and promote development through stability and balance.

1. Objective: Increase employment opportunities for Milpitas residents through training and job creation.
2. Objective: Facilitate the development process for businesses within the redevelopment areas.

D. Link Between Programs and Blight Elimination

This section of the Implementation Plan outlines how the proposed programs and projects will help to alleviate blight in the Project Areas. The goals of the Redevelopment Plans include: eliminating environmental deficiencies; improving vehicular and pedestrian circulation; planning, designing and redeveloping underutilized areas; strengthening commercial functions; strengthening the economic base; providing adequate parking and open space; and establishing and implementing design performance criteria.

Despite the successful efforts of the Redevelopment Agency, blighted conditions remain in the Area. Following is a list of blighted conditions in the Project Area that need further redevelopment assistance:

- Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious seismic or geologic hazards, and faulty or inadequate water or sewer utilities**. Unsafe Buildings to Live or Work.**
- Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard design, defective or obsolete design or construction, given the present general plan, zoning or other development standards. **Building viability hindrances.**
- **Adjacent or nearby incompatible land uses** that prevent the development of those parcels or other portions of the Project Area.
- The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions. **Undevelopable Lots.**

Economic Blighting Conditions

- **Depreciated or stagnant property values**.
- **Impaired property values**, due in significant part, to hazardous wastes on property where the agency authority may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).1
- **Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings**.
- **A serious lack of necessary commercial facilities** that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.
- **Serious residential overcrowding** that has resulted in significant public health and safety problems.
- An **excess of bars, liquor stores, or adult-oriented businesses** that has resulted in significant public health, safety or welfare problems.
- **A high crime rate** that constitutes a serious threat to the public safety and welfare.

The proposed programs and projects in Section C above will advance the Agency's goals to eliminate blighting conditions in the Project Area as defined by CRL. Public infrastructure projects will improve the condition of deteriorating public infrastructure. Traffic and transportation improvements will help ameliorate circulation problems and increase economic activity. Investment in public facilities will make the facilities more attractive and safer and improve services to residents and businesses in the Project Area. **Table B** below summarizes the direct relationship each of these programs has on eliminating blighting conditions as defined by CRL.

Table B
Blighting Conditions Addressed by Proposed Projects

Project	Unsafe Buildings to Live or Work.	Building viability o ruse hindrances.	Adjacent or nearby incompatible land uses	Undevelopable Lots	Depreciated or stagnant property values	Impaired property values due to hazardous wastes on property	Abnormally high business vacancies, low lease rates, or a high number of abandoned buildings s	A serious lack of necessary commercial facilities;
Land Acquisition	x	x	x	x	x	x		
Building & Facility Improvements	x	x						x
Street Reconstruction			x				x	
Sewer Infrastructure		x		x	x			
Water Infrastructure		x		x	x			
Community Facilities					x		x	x
Transportation Improvements		x	x	x	x			x
Marketing & Business Recruitment	x			x				
Hazardous Waste Mitigation					x	x		
Parking Improvements		x			x			x

III. Affordable Housing Plan

I. Affordable Housing Plan

A. Past Activities and Accomplishments

The Agency successfully assisted several affordable housing projects and activities in the Project Areas as well as outside the Project Areas as allowed by CRL. The housing accomplishments listed in this section describe the completion of several housing developments that provide affordable housing in accordance with CRL.

Agency Activities
FY 2005/06 – FY 2009/10

Projects	Description	Project Status	RDA Funding	Leveraging
Edsel & Shirley Drive	4 low income rental units	Rehabilitation completed	$198,308	None
Parc Place	258 condos; 18 very-low, 6 low and 34 moderate income units	Completed	$3,563,137	None
Senior Housing Solutions	5 unit group home	Completed	$250,000	None
Centria East	137 condos; 9 very-low, 7 low and 10 moderate income units	Completed	$878,875	None
Aspen Family Apartments	101 rental units; 100 very-low and 1 moderate income units	Completed	$2,300,000	Tax Credits
DeVries Place Senior Housing	103 senior rental units; 102 very-low and 1 moderate income units	Completed	$10,600,009	Tax Credits
Paragon	147 condos; 9 very-low and 20 moderate income units	Completed	$1,197,000	None
Terra Serena	681 single-family units; 21 low and 67 moderate income units	Completed	$6,959,345	None
Town Center Villas	65 townhomes; 16 moderate income units	Completed	$800,000	None

The Agency also adopted an SB 211 Amendment during the previous Implementation Plan period, which will increase the annual deposits into the Housing Fund as well as limit the amount of moderate income units that can be assisted by the Agency. ANYTHING ELSE ACHIEVED BY HOUSING DURING PREVIOUS PLAN PERIOD?

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 Housing Funds used to assist extremely-low, very-low and low income units:

Income Category	Housing Fund Expenditures
Extremely-Low Income	$1,000,000
Very-Low Income	14,208,374
Low Income	3,157,740
Totals	$18,366,114

2. The amount of Housing Funds used to assist families with children was $13,440,215.

3. Identify the family units assisted (location, number of units, affordability level and assistance amount):

	Number of Units by Income Category						
Family Projects	**Extremely-Low**	**Very-Low**	**Low**	**Moderate**	**Market**	**Totals**	**RDA Funding**
Edsel & Shirley Drive	0	0	4	0	0	4	$198,308
Parc Place	0	18	6	34	200	258	3,563,137
Centria East	0	9	7	10	111	137	878,875
Aspen Family Apartments	0	100	0	1	0	101	2,300,000
Paragon	0	9	0	20	118	147	1,197,000
Terra Serena	0	0	21	67	593	681	6,959,345
Town Center Villas	0	0	0	16	49	65	800,000
Totals	0	136	38	148	1,071	1,393	$15,896,801

4. 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 Housing Funds:

B. Goals and Objectives

The Agency continues to actively promote and subsidize affordable housing both within and outside the Project Areas. Two main goals have been identified to address housing needs in Milpitas:

- Expand Affordable Housing Opportunities
- Preserve Existing Affordable Housing Stock

In order to support the housing goals, the Agency uses its own funds that are often leveraged with other local funds as well as state and federal programs and private resources.

C. 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) into a separate fund (Housing Fund).
- 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 Housing Fund
  - 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 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 fro 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 how the goals, objectives, projects and expenditures will implement the low and moderate income housing set-aside and housing production requirements.

2. Definitions

The following provides the legal definitions of regularly used affordable housing terminology:

Extremely-Low Income Household (Section 50106)
Households whose gross income is 30% or less of the area median income (Median).

Very-Low Income Household (Section 50105)
Households whose gross income is 50% or less of the Median.

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

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

Affordable Owner-Occupied Housing Cost (Section 50052.5(b))
For any owner-occupied housing, affordable housing costs shall not exceed the following:

- For very-low income households the product of 30% times 50% 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% of the Median adjusted for family size, the product of 30% times 70% of the Median adjusted for family size. In addition, for any lower income households that have a gross income that equals or exceeds 70% 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% of the actual gross income of the household.
- For moderate income households whose gross incomes exceed the maximum income for very-low income households and do not exceed 110% of the Median adjusted for family

size, the product of 35% times 110% of the Median adjusted for family size. In addition, for any lower income households that have a gross income that equals or exceeds 110% 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% of the actual gross income of the household.

Affordable Renter-Occupied Housing Cost (Section 50053(b))
For any rental housing development, affordable rent, including a reasonable utility allowance, shall not exceed:

- For very-low income households, the product of 30% times 50% 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% times 60% of the Median adjusted for family size. In addition, for those lower income households with gross incomes that exceed 60% 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% of the actual gross income of the household.

- For lower income households whose gross incomes exceed the maximum income for very-low income households, the product of 30% times 110% of the Median adjusted for family size. In addition, for those lower income households with gross incomes that exceed 110% 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% of the actual gross income of the household.

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

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

Substantial Rehabilitation
Rehabilitation of which the value constitutes at least 25% of the after rehabilitation value of the dwelling unit inclusive of the land value.

Substantial Rehabilitation Dwelling Units
Prior to January 1, 2002, "substantial rehabilitation 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 on or more units with agency

assistance. Since January 1, 2002, the meaning has change to all units substantially rehabilitated with agency assistance.

D. Proposed Projects and Programs

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

1. Projects

South Main Lifestyle Seniors
Need description of project and Agency's role.

Aspen Family Apartments
Need description of project and Agency's role.

2. Programs

Housing Trust Fund
Need description of project and Agency's role.

Rehabilitation Program
Need description of project and Agency's role.

First Time Home Buyer Program
Need description of project and Agency's role.

Town Center Villas
Integral

E. Housing Fund Status

The Project Area No. 1 is subject to the Section 33334.2 requirement to allocate 20% of the gross property tax increment (Set-Aside) to affordable housing activities. However, since Amendment 6 was adopted on May 4, 2010, as of July 1, 2010, this requirement has increased to 30% of the gross tax increment in accordance with the SB 211 Amendment for the Project Area No. 1. The Set-Aside funds are requirement to be deposited into a Housing Fund created to hold the monies until expended. The projections of the required deposits into the Housing Fund are discussed in the following sections of the Implementation Plan.

1. Housing Fund Deposits

The Housing Fund revenues include the following:

- Thirty percent (30%) of the estimated gross property tax increment generated within the Project Area No. 1;
- Interest income from balances in the Housing Fund;
- Reimbursement from developers, which includes the following:
    - Repayments on existing residual receipts and individual loans;
    - Rental income received by the Agency for projects assisted with Housing Fund revenues;
    - Land sale proceeds from the sale of properties purchased with Housing Fund revenues; and
- Miscellaneous income.

The Agency does not anticipate issuing Housing Bonds over the next five years. The projected revenue stream for the Housing Fund can be summarized as follows:

Projected Housing Fund Revenues
FY 2010/11 – FY 2014/15

	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	Totals
Set-Aside Funds	$11,601,464	$11,846,493	$12,201,888	$12,751,040	$13,388,592	$61,789,477
Interest Income	283,000	280,000	440,000	540,000	700,000	2,243,000
Reimbursement from Developers	425,000	0	0	0	5,022,129	5,447,129
Miscellaneous	0	100,000	100,000	100,000	100,000	400,000
Total Revenues	$12,309,464	$12,226,493	$12,741,888	$13,391,040	$19,210,721	$69,879,606

2. Use of Housing Fund Deposits

The Agency is projected to incur the following costs during the Implementation Plan period. ARE ALL OF THESE PROJECTS UNDER CONTRACT OR JUST ESTIMATED/PROJECTED?

Projects

- Aspen Family Apartments - $2,300,000 residual receipts loan; and
- South Main Senior Lifestyle - $7,700,000 loan.

Programs

- Housing Trust Fund - $150,000 grant;
- First Time Home Buyer Program
  - Town Center Villas - $250,000
  - Integral - $5,846,327

Administrative Expenses

Administration includes costs for professional services and other administrative costs incurred in the course of operating the Housing division of the Agency. This category is used for general administration costs not associated with any specific project or program in particular, such as annual audits and legal services. Project-specific administrative costs are included with the budget of each project or program. Amounts allocated to this category in the expenditure plan are based on average spending over the past plan period, with a slight increase to allow for inflation in the next five years.

Annual Debt Service

The Agency will continue to make principal and interest payments on the _________ Bonds. The annual debt service is secured by the Housing Fund revenues generated from tax increment. The Agency does not plan to issue tax increment bonds secured by the Housing Fund during the Implementation Plan period.

The projected Housing Fund expenditures can be summarized as follows:

Projected Housing Fund Expenditures
FY 2010/11 – FY 2014/15

	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	Totals
Administration	$1,444,921	$1,488,268	$1,607,330	$1,655,550	$1,705,217	$7,901,287
Projects	2,356,667	0	0	7,700,000	0	10,056,667
Programs	400,000	0	0	0	5,846,327	6,246,327
Debt Service	387,677	387,397	386,703	385,840	385,736	1,933,353
Total Revenues	$4,589,265	$1,875,666	$1,994,033	$9,741,390	$7,937,280	$26,137,633

3. Housing Fund Cash Flow Analysis

This Implementation Plan provides an illustrative example of how the Affordable Housing Program could be financed on an annual basis during the Implementation Plan period. 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. The cash flow projected to be generated by the Housing Fund is summarized as follows:

Projected Housing Fund Cash Flow
FY 2010/11 – FY 2014/15

	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Beginning Balance	$12,918,643	$20,638,842	$30,989,669	$41,737,524	$45,387,174
Total Revenues	12,309,464	12,226,493	12,741,888	13,391,040	19,210,721
(Less) Total Expenditures	(4,589,265)	(1,875,666)	(1,994,033)	(9,741,390)	(7,937,280)
Ending Balance	$20,638,842	$30,989,669	$41,737,524	$45,387,174	$56,660,616

4. Proportional Expenditures of Housing Fund

The Project Area No. 1 is subject to the Section 33334.4 requirement that a redevelopment agency expend Housing Funds in accordance with an income proportionality test and an age restriction proportionality test. These tests must be met between January 1, 2002 and December 31, 2014, and then again through the life of the Project Area No. 1. These tests do not have to be met on an annual basis.

The Project Area No. 1 is also subject to the further restriction of the use of Housing Fund monies on moderate income units, as of July 1, 2010.[1] As such, no more than 15^ of the Housing Fund expenditures is allowed to be spent on moderate income projects or programs.

[1] The Amendment No. 6 was adopted in May 4, 2010 (FY 2009/10); therefore, the SB 211 requirements take effect at the beginning of FY 2010/11.

In addition, any expenditure made on moderate income projects or programs must be matched with expenditures on extremely-low income projects and programs. The results of the proportionality test are described in the following sections.

<u>Income Targeting Proportionality Test</u>

The income targeting proportionality test requires a redevelopment agency to expend Housing 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 Association of Bay Area Governments (ABAG), which covers the time period of this Implementation Plan. The RHNA established the following unmet need for affordable housing the City of Milpitas.

RHNA Unit Obligations
2006 - 2014

Income Category	Total Units	% of Total	Expenditure Proportionality
Very-Low Income	689	45%	At Least 45%
Low Income	421	27%	At Least 27%
Moderate Income	441	28%	At Most 28%
Totals	1,551	100%	

To comply with Section 33334.4 requirements, the Agency must spend at least 45% of the Housing Funds on projects and programs dedicated to very-low income households, and no more than 28% of the Housing Funds on projects and programs dedicated to moderate income households. Section 33334.4 provides the Agency with the flexibility to allocate Housing 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 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 Fiscal Year 2009/10:

Actual Expenditures by Income Category
January 1, 2002 – June 30, 2010

	Very-Low Income	Low Income	Moderate Income	Total Expenditures
January 1, 2002 – FY 200405	$379,838	$476,613	$0	$856,450
FY 2005/06	2,206,714	520,308	0	2,727,022
FY 2006/07	9,192,077	650,530	664,763	10,507,371
FY 2007/08	1,320,414	734,719	2,148,686	4,203,819
FY 2008/09	1,217,686	1,044,367	2,141,157	4,403,210
FY 2009/10	1,271,483	207,816	1,719,503	3,198,802
Total Expenditures	$15,588,212	$3,634,353	$6,674,109	$25,896,674
% of Total Expenditures	60%	14%	26%	100%
Target %	At Least 45%	At Least 27%	At Most 28%	

The projected expenditures through December 31, 2014 are as follows:

Projected Expenditures by Income Category
January 1, 2002 – December 31, 2014

	Very-Low Income	Low Income	Moderate Income	Total Expenditures
January 1, 2002 – FY 2009/10	$15,588,212	$3,634,353	$6,674,109	$25,896,674
FY 2010/11	2,506,667	0	250,000	2,756,667
FY 2011/12	0	0	0	0
FY 2012/13	0	0	0	0
FY 2013/14	3,300,000	4,400,000	0	7,700,000
July 1 – Dec. 31, 2014	0	0	2,923,164	2,923,164
Total Expenditures	$21,394,879	$8,034,353	$9,847,273	$39,276,505
% of Total Expenditures	54%	20%	25%	100%
Target %	At Least 45	At Least 27%	At Most 28%	

By the end of the obligation period, it is anticipated that the Agency will have allocated the Housing Fund expenditures on projects and programs in accordance with the proportionality requirements. Thus, the Agency is anticipated to meet the income targeting standards imposed by Section 33334.4.

<u>Age Restricted Proportionality Test</u>

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 Milpitas, very-low and low income senior citizens account for 22% of the City's total very-low income and low income population.[2] Therefore, the following summarizes the maximum amount of Housing Fund expenditures that can be spent on age restricted projects:

Expenditure Age Restricted Targeting Obligations
January 1, 2002 – December 31, 2014

Project Type	Expenditure Proportionality
Age Restricted	At Most 22%
Non-Age Restricted	At Least 78%

The following summarizes the actual expenditures incurred by the Agency between January 1, 2002 and Fiscal Year 2009/10:

Actual Expenditures by Project Type
January 1, 2002 – June 30, 2010

	Age Restricted	Non-Age Restricted	Total Expenditures
January 1, 2002 – FY 2004/05	$0	$856,450	$856,450
FY 2005/06	1,090,714	1,636,308	2,727,022
FY 2006/07	7,865,562	2,641,809	10,507,371
FY 2007/08	1,091,664	3,112,155	4,203,819
FY 2008/09	802,069	3,601,141	4,403,210
FY 2009/10	750,000	2,448,802	3,198,802
Total Expenditures	$11,600,009	$14,296,665	$25,896,674
% of Total Expenditures	45%	55%	100%
Target %	At Most 22%	At Least 78%	

[2] Based on the 2000 CHAS report.

The following summarizes the projected expenditures incurred by the Agency through December 31, 2014:

Projected Expenditures by Project Type
January 1, 2010 – December 31, 2014

	Age Restricted	Non-Age Restricted	Total Expenditures
January 1, 2002 – FY 2009/10	$11,600,009	$14,296,665	$25,896,674
FY 2010/11	0	2,756,667	2,756,667
FY 2011/12	0	0	0
FY 2012/13	0	0	0
FY 2013/14	7,700,000	0	7,700,000
July 1 – Dec 31, 2014	0	2,923,164	2,923,164
Total Expenditures	$19,300,009	$19,976,496	$39,276,505
% of Total Expenditures	49%	51%	100%
Target %	At Most 22%	At Least 78%	

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.

SB 211 Expenditure Proportionality Test

Due to the SB 211 limitation on expenditures in moderate income projects or programs, the proportionalities changed to the following as of July 1, 2010.

Expenditure Income Targeting Obligations[3]
July 1, 2010 – December 31, 2014

Income Category	Expenditure Proportionality
Extremely-Low Income	At Least Match Moderate Income
Very-Low Income	At Least 43%
Low Income	At Least 27%
Moderate Income	At Most 15%
Totals	

[3] Assuming that 30% of the expenditures are on extremely-low and moderate income households, the remaining 70% of the expenditures are allocated on a proportional basis.

The projected expenditures through FY 2014/15 are as follows:

Projected Expenditures by Income Category
FY 2010/11 – FY 2014/15

	Extremely-Low Income	Very-Low Income	Low Income	Moderate Income	Total Expenditures
FY 2010/11	$0	$2,506,667	$0	$250,000	$2,756,667
FY 2011/12	0	0			0
FY 2012/13	0	0			0
FY 2013/14	0	3,300,000	4,400,000	0	7,00,000
FY 2014/15	0	0	0	5,846,327	5,846,327
Total Expenditures	$0	$5,806,667	$4,400,000	$6,096,327	$16,302,994
% of Total Expenditures	0%	36%	27%	37%	100%
Target %	At Least 15%	At Least 43%	At Least 27%	At Most 15%	

By the end of the obligation period, it is anticipated that the Agency will have allocated the Housing Fund expenditures on projects and programs in accordance with the proportionality requirements. Thus, the Agency is anticipated to meet the income targeting standards imposed by the SB 211 Amendment.

5. Excess Surplus Calculation

The Housing Fund is subject to the “excess surplus” requirements imposed by Section 33334.12. Excess surplus is defined as any unexpended and unencumbered funds in the Housing Fund that exceeds the greater of $1 million or the aggregate amount deposited into the 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:

Excess Surplus Calculation
FY 2010/11 – FY 2014/15

	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Ending Balance	$20,638,842	$30,989,669	$41,737,524	$45,387,174	$56,660,616
(Less) Encumbered Funds	0	0	0	0	0
Adjusted Ending Balance	$20,638,842	$30,989,669	$41,737,524	$45,387,174	$56,660,616
Max. Allowable Fund Balance	$28,327,405	$39,499,648	$43,825,495	$48,400,885	$50,188,013
Excess Surplus	$0	$0	$0	$0	$6,472,603

F. Inclusionary Housing Production Status

1. Legal Requirements

The Agency is required to comply with the affordable housing unit production requirements imposed by Section 33413(b):

- Subparagraph (1) of the Section requires that 30% of all housing units developed by the Agency to be low-mod housing subject to long-term income and affordability covenants. Of these low-mod units, 50% must be affordable to very-low income persons and families.

- Subparagraph (2) of the Section requires that 15% of all housing developed in the Project Areas be low low-mod housing subject to long-term income and affordability covenants. Of these low-mod units, 40% must be affordable to very-low income persons and families. It does not matter whether the housing that is developed 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 project areas adopted prior to January 1, 1976, are not subject to this legal requirement. All of the Project Areas were adopted after December 31, 1975, therefore, all of the Project Areas are subject to the 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 D above. (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% 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% 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.

4. Inclusionary Housing Production Requirements

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

Residential Development in Project Areas
Plan Adoption – FY 2009/10

	Units
Plan Adoption – FY 2004/05	1,976
FY 2005/06	258
FY 2006/07	0
FY 2007/08	137
FY 2008/09	204
FY 2009/10	893
Total Units Developed	3,468

A total of 3,707 new residential units are expected to be developed in the Project Areas during the next five years. The projects that are in planning are summarized as follows:

Projected Residential Development in Project Areas
FY 2010/11 – FY 2014/15

Project Name	Project Area	Project Type	Number of Units	Anticipated Year of Completion
Fairfield Murphy Ranch	No. 1	Ownership	190	2011/12
Fairfield Murphy Rancho	No. 1	Rental	95	2011/12
Centria West	No. 1/Midtown	Rental	327	2015/16
Integral	No. 1	Ownership	1,328	2015/16
Milpitas Square	No. 1	Ownership	900	2015/16
Piper Towers	No. 1	Ownership	480	2015/16
South Main Street Senior Lifestyle	No. 1/Midtown	Ownership	387	2015/16
Total Units to be Developed			3,707	

Between FY 2015/16 and FY 2019/20, it is projected that 907 units will be developed in the Project Areas at which time the Project Area will be considered to be built out.

The following summarizes the current and potential inclusionary housing obligation for the Agency:

Inclusionary Obligations
Plan Adoption – Project Area Termination

	Very-Low Income Units	Low/Mod Income Units	Total Units
Through FY 2009/10	210	312	522
FY 2010/11 – FY 2019/20	278	415	693
FY 2020/21 – Termination	0	0	0
Total Units	488	727	1,215

5. Inclusionary Housing Production Fulfillment

The following inclusionary housing units have been produced:

Historical Inclusionary Housing Production Fulfillment Units
Plan Adoption – FY 2009/10

	Total Units Produced	Countable Units		
		Very-Low Income	Low/Mod Income	Totals
Inside Project Areas	2,982	594.0	499.0	1,093.0
Outside Project Areas [4]	5	2.5	0.0	2.5
Total Units to be Developed	2,987	596.5	499.0	1,095.5

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

The Agency anticipates that the following inclusionary housing production units will be completed between July 1, 2010 and the termination of the last project area:

Projected Residential Development in Project Areas
FY 2010/11 – Project Area Termination

	FY Completed	Covenant Terms	Total Units Produced	Countable Units Very-Low Income	Countable Units Low/Mod Income	Countable Units Totals
Inside Project Areas						
Fairfield Murphy Rancho	2011/12	45 Years	190	0	44	44
Fairfield Murphy Ranch	2011/12	55 Years	95	20	75	95
Integral	2014/15	45 Years	1,328	0	199	199
South Main Senior Lifestyle	2014/15	45 Years	387	27	36	63
Matteson Condominiums	2019/20	45 Years	126	0	19	19
Outside Project Areas [5]						
Senior Housing Solutions	2011/12	55 Years	5	2.5	0	2.5
Total Units to be Developed			2,131	49.5	373.0	422.5

6. Inclusionary Housing Production Obligation Surplus / (Deficit) Calculation

The Agency is required to measure inclusionary housing production as of June 30, 2010, 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 generated at each point in time.

Inclusionary Housing Surplus / (Deficit) Calculation
Plan Adoption – Project Area Termination

As of June 30, 2010	Very-Low Income	Low/Mod Income	Totals
Fulfillment Units	596.5	499.0	1,095.5
(Less) Obligation Units	(210.0)	(33120)	(522.0)
Surplus / (Deficit)	386.5	187.0	573.5

As of June 30, 2019	Very-Low Income	Low/Mod Income	Totals
Cumulative Fulfillment Units	646.0	872.0	1,518.0
(Less) Cumulative Obligation Units	(488.0)	(727.0)	(1,215.0)
Cumulative Surplus / (Deficit)	158.0	145.0	303.0

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

End of Project Area Life	Very-Low Income	Low/Mod Income	Totals
Cumulative Fulfillment Units	646.0	872.0	1,518.0
(Less) Cumulative Obligation Units	(488.0)	(727.0)	(1,215.0)
Cumulative Surplus / (Deficit)	158.0	145.0	303.0

Thus, the Agency is expected to surpass the CRL inclusionary housing obligations.

G. Replacement Housing Status

1. Legal Requirements

The Agency is required to meet replacement housing obligations pursuant to Section 33413(a). This Section requires the Agency to replace, on a one-for-one basis, all units removed from the inventory as a result of Agency actions that are occupied by low and moderate income households. In addition to matching the income levels of the removed units, the Agency must also replace an equal or greater number of bedrooms.

The homes that are removed from the inventory may be replaced with fewer units as long as an equal or greater number of bedrooms are provided in the replacement units. Replacement housing units do not have to match tenure (i.e., rental vs. ownership, family vs. senior housing) as the units removed from inventory. Also, replacement units can be developed anywhere within the City limits. Article 16.5 requires that if an implementation plan contains projects that could result in the removal of low and moderate income units, the plan must identify locations suitable for the replacement of such housing.

2. Past Removal of Low and Moderate Income Units

The Agency has not removed any residential units that are occupied with low or moderate income households since the Project Areas were adopted.

3. Future Removal of Low and Moderate Income Units

The Agency does not anticipate removing any residential units that are occupied with low and moderate income households during the Implementation Plan period.

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 years of the time limit of effectiveness of the Redevelopment Plan to explain how the Agency will meet the housing obligations. However, due to Amendment 6, this section does not apply to either Project Area at this time.