CITY OF MILPITAS

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

03/15/2011

II. BUDGET STUDY SESSION MATERIALS

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

M E M O R A N D U M

Office of the City Manager

To: Honorable Mayor and City Council

From: Tom Williams, City Manager

Subject: **FY 2011-12 Budget Study Session**

Date: March 9, 2010

Attached please find the draft budget summaries for FY 2011-12 for the General Fund. The focus of this budget study session will be on strategies to reduce the General Fund budget deficit, both short term and long term. A separate draft CIP budget is scheduled to be reviewed by the City Council on April 19.

General Fund - Budget Overview and Recommended Strategies

The total budget request for the General Fund is approximately $71.1 million. The total General Fund revenue for FY 11-12 was projected to increase by less than 1% compared with the current fiscal year's revised revenues. The projected growth for sales tax and Transient Occupancy Tax are 4% and 3% respectively while property tax revenue was projected to increase only 1%. Other revenues such as charges for services and intergovernmental revenues were expected to decrease due to one-time revenues received in FY 10-11 that are non-recurring in FY 11-12. Overall, General Fund revenue was projected to increase very modestly.

The draft General Fund budget already reflected a reduction of $1.1 million in supplies and contractual services. The non-personnel budget requests are the absolute minimum required to provide current services without program changes or service impacts to the community. However, based on the Council's direction, if certain programs or services are to be eliminated, there will be further savings on the non-personnel budget line items. With these reductions already in place, the General Fund budget deficit is approximately $10.72 million.

To manage through this unprecedented and prolonged economic recession and budget deficit, staff is currently negotiating with the various labor groups, including those labor groups whose contracts have not expired, to reduce employees' compensation and benefits. To put the budget deficit in perspective, if the General Fund budget deficit is to be resolved solely by employees' compensation and benefits reduction, each employee will have to reduce his/her compensation package by approximately 19%. If the General Fund budget deficit is to be resolved by layoffs across the board, the number of employees that will be reduced is approximately 74, consists of 32 public safety personnel and 42 non-safety personnel. The City currently has 381 funded positions. Salary and benefits reduction or layoffs can be either short-term or long-term budget reduction strategies.

As part of previous budget discussions, the City Council opined that core services versus non-core services should be prioritized in addition to staff cost cutting or staff reduction across the board including department and service delivery reorganization. In terms of core services, state law requires any General Law City to have a City Council, City Manager/Administrator, City Clerk, Police Chief, Fire Chief, and provide Finance, Planning and Building functions. Any of these services except a City Council may be provided internally or contracted out. In addition to these core services, other internal services are required to support those providing core functions. These include, for example, the functions of

Information Systems/Communications, Personnel and support staff to accomplish the City's mission of delivering quality core services. A more detailed discussion will be presented at the budget study session.

Potential Budget Strategies	Amount (millions)
Employee Concessions / layoffs / Re-organization / out sourcing or combination	$4.00
Eliminate or suspend non-core services or full cost recovery for certain services	0.50
Collect RDA loan repayment	5.00
Use PERS Rate Stabilization Reserve	1.22
Total	$10.72

The City last utilized the General Fund reserve to close a budget gap of $6 million in FY 04-05. Since then, the City maintains an undesignated reserve of $14.7 million, in addition to a $5.4 million reserve for PERS rate stabilization and a $2.8 million reserve for uninsured claims. The $14.7 million undesignated reserve represents approximately 21% of the General Fund expenditures. In FY 10-11, with the City Council's approval, the General Fund budget projected use of the undesignated reserve not to exceed $2 million. However, based on revenues received to date and cost savings, staff does not anticipate use of this reserve in FY 10-11. If the City Council approves the use of the PERS Rate Stabilization Reserve in FY 11-12, the remaining balance in that reserve will be approximately $4.2 million.

The use of Redevelopment loan payment to close the General Fund budget gap was originated in FY 04-05. The Agency purchased eight properties for Redevelopment purposes and simultaneously entered into a loan agreement with the City to fund the purchase costs. The loan was structured in such a way that the City can demand payment when needed. Since FY 04-05, the General Fund included certain amount of RDA loan payment every year to balance the budget, but the actual usage was always below budget. The table below identifies the amount budgeted and the actual usage. The outstanding loan balance will be approximately $19.8 million if the City actually demands $5.4 million in FY 10-11. This balance will be reduced to $16.8 million if the City Council approves the use of $5 million RDA loan payment in FY 11-12. The loan accrues simple interest at 10% annually.

Fiscal Year	Budgeted payment	Actual payment
04-05	$6,100,000	$0
05-06	6,100,000	0
06-07	5,100,000	0
07-08	6,000,000	2,100,000
08-09	6,000,000	2,700,000
09-10	6,200,000	4,400,000
10-11	5,400,000	TBD
11-12 (recommended)	5,000,000	

Draft Budget Summary
Fiscal Year 2011-12

	GENERAL FUND
ESTIMATED REVENUES	
Property Taxes	16,605,000
Taxes Other Than Property	25,055,000
Licenses and Permits	3,443,000
Fines and Forfeits	712,000
Use of Money and Property	289,000
Intergovernmental	476,000
Charges For Current Services	3,691,000
Other Revenue	95,114
sub-total	50,366,114
Other Financing Sources	
(Increase) Decrease in Fund Balance	10,719,501
Operating Transfers In	10,035,481
sub-total	20,754,982
TOTAL	71,121,096
BUDGETED APPROPRIATIONS	
Personnel Services	61,008,846
Compensation Reduction	0
Supplies & Contractual Services	10,112,250
sub-total	71,121,096
FUND BALANCE	
Fund Balance 7/1/11	22,536,279
Net Changes in Fund Balance	(10,719,501)
Fund Balance 6/30/12	11,816,778
Reserved	1,300,000
Unreserved, Designated	3,100,000
Unreserved, Designated for PERS	5,432,703
Unreserved, Undesignated	1,984,075
TOTAL	11,816,778

Draft General Fund By Department
Fiscal Year 2011-12

Budget Unit	Personnel Services	Services & Supplies	Total
City Council	214,332	141,595	355,927
City Manager	447,342	15,219	462,561
Information Services	2,212,214	640,141	2,852,355
Human Resources	495,032	453,589	948,621
City Clerk	763,822	46,000	809,822
City Attorney	655,992	22,040	678,032
Finance	2,473,418	152,636	2,626,054
Building and Safety	2,307,736	111,137	2,418,873
Public Works	4,439,998	1,267,130	5,707,128
Engineering	814,461	192,806	1,007,267
Planning & Neighborhood Svcs	1,012,081	417,900	1,429,981
Parks and Recreation	5,164,346	1,269,056	6,433,402
Police	22,974,755	1,343,025	24,317,780
Fire	14,590,473	1,326,576	15,917,049
Non-Departmental	2,442,844	2,713,400	5,156,244
TOTAL	61,008,846	10,112,250	71,121,096

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03/15/2011
Agenda Item No. RA4

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

RA4

20011 – 2015 IMPLEMENTATION PLAN

The Redevelopment Agency
of the
City of Milpitas

February 1, 2011

REDEVELOPMENT AGENCY BOARD

Jose Esteves
Mayor & Chair Redevelopment Agency Board

Pete McHugh
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City Council and Redevelopment Agency Board Members

Debbie Giordano
Althea Polanski
Armando Gomez

Tom Williams
Executive Director

Five-Year Implementation Plan 2011-2015

February 2011

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City of Milpitas Redevelopment Agency
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. A Public Hearing will be held on March 15, 2011 to consider approval of the Implementation Plan. 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 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. 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").

Great Mall Project Area:

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	Last Date to Incur New Debt	Plan Expiration	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	6/17/23	6/17/34	6/17/49		
Amendment No.13 Added Area	5/4/30	5/4/40	5/4/55		
Great Mall	Not Applicable	11/2/33	Not Applicable	Not Applicable	Not Applicable

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

1. Redevelopment Discretionary Fund 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 loss of jobs and retain existing jobs in the redevelopment areas and community.. Utility and public infrastructure projects commensurate with the anticipated needs of the Project Area to attract re-investment in the Project Area thereby eliminating and preventing the spread of blighting influences including vacant and under-utilized land resulting from inadequate parcel size, obsolete and deteriorating buildings, improving public safety through flood control improvements and eliminating infrastructure deficiencies including inadequate transportation (including streetscape and lighting improvements), sewer, water and drainage and other contributing factors to 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 business and patronage 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.

Commercial Rehabilitation
Commercial rehabilitation supported the expansion of a solar panel manufacturing line for Flextronics, a Milpitas company to accommodate the only U.S. location for SunPower solar panel manufacturing. This resulted in the retention and creation of new jobs and an opportunity for a local company to expand its manufacturing capability in a growing technology in which cities are very competitive.

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 and Public Infrastructure Improvement Program	Community infrastructure and Opens Space Program	Economic Stimulation Program	Housing Programs
Serious Code Violations	X		X	X
Geological Hazards (flooding)	X		X	
Obsolescence			X	
Irregular Shaped Lots	X		X	
Depreciated or Stagnant Property Values	X	X	X	
Hazardous Materials Contamination			X	
Serious Residential Overcrowding				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.

1. Project Area No. 1 Goals and Objectives

- 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.

2. 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 $132 million in revenues, including gross tax increment revenues, interest income and less the AB1290 pass through payments and the housing set aside funds, over the five-year period.

Table B
Projected Revenues and Expenditures for FY 2010/11 – FY 2014/15

RDA Program Discretionary Fund	**FY 2010/11**	**FY 2011/12**	**FY 2012/13**	**FY 2013/14**	**FY 2014/15**	**5 YR Total**
Operating Revenues	$25,330,477	$25,302,537	$26,101,055	$27,209,045	$28,415,479	$132,358,593
Projected Expenditures						
Debt Service	$22,615,032	$22,205,487	$22,181,831	$23,152,394	$23,148,872	$113,303,616
Administration and overhead	7,180,005	7,691,889	7,930,275	8,212,948	8,384,131	39,399,248
ERAF payment	2,424,140					2,424,140
Redevelopment loans	3,750,000	325,000	325,000	325,000	325,000	5,050,000
5 YR Cap Improvement Projects	709,000	1,412,000	1,230,000	730,000	900,000	4,981,000
Total Expenditures	$36,678,177	$31,634,376	$31,667,106	$32,420,342	$32,758,003	$165,158,004
Use of Fund Balance	**$(11,347,700)**	**$(6,331,839)**	**$(5,566,051)**	**$(5,211,297)**	**$(4,342,524)**	**(32,799,411)**
Remaining Fund Bal	**$28,635,969**	**$22,304,130**	**$16,738,079**	**$11,526,782**	**$7,184,258**	

C. Five-Year Redevelopment Programs and Expenditures

The ability of the Agency to fund new projects was significantly impacted by the $11.8 million SERAF take-away by the State in FY 2009-10 and the $2.4 million take-away in 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 loans to SunPower and Flextronics 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. Critical elements of each goal are specifically highlighted in Table C which illustrates the connection between the goals and the elimination of blight described further in Section D 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. Projected Expenditures: $3,381,000.

1. Objective: – Acquire land: rehabilitate and reconstruct obsolete buildings.
2. Objective – Fund capital projects to eliminate blighting influences and sustain economic development in redevelopment project areas.
3. Objective: Provide assistance to eliminate flooding in the 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 an other environmental issues that hamper redevelopment opportunities.
2. Objective: 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. Projected Expenditures: $500,000.

1. Objective: Implement the Midtown Specific Plan.
2. Objective: Develop the Midtown Precise Plan.
3. Objective: Support marketing and business recruitment and retention efforts in the Project Areas.

4. GOAL: Provide for a land use mix that supports major transit facilities and develop mass transportation facilities. Projected Expenditures: $2,500,000.

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. Projected Expenditures: $500,000

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

3. Objective: Rehabilitate older systems and facilities that sustain and enhance the Project Areas.

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. Projected Expenditures: $50,000.

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.
3. Objective: Provide low interest loans for minor and major structural repair and improvements.

10. GOAL: Stimulate commercial and industrial development and the creation of employment opportunities. Projected expenditures: $3,000,000.

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.
4. Objective: Facilitate digital message board signs and way-finding signs to enhance the visibility of businesses within the City, including the Great Mall and surrounding commercial businesses within the Project Areas.

11. GOAL: Encourage economic pursuits to strengthen and promote development through stability and balance. Projected Expenditures: $100,000

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.
3. Objective: Implement Climate Action Plan to meet development objectives for the Project 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 C** below summarizes the

direct relationship each of these programs has on eliminating blighting conditions as defined by CRL.

Table C
Blighting Conditions Addressed by Proposed Projects

Project	Unsafe Buildings to Live or Work.	Building viability o or use hindrances.	Adjacent or nearby incompatible land uses	Undevelopable or Under developed 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
Public Infrastructure		x	x	x	x			
Flood Control		x		x	x			
Community Facilities					x		x	x
Transportation Improvements		x	x	x	x			x
Business Development	x			x				
Hazardous Waste Mitigation					x	x		

III. Affordable Housing Plan

• *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.

Table D
Agency Housing 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.

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

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

The amount of Housing Funds used to assist families with children was $15,896,665.

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

Table E

Family Projects	Number of Units by Income Category						RDA Funding
	Extremely-Low	Very-Low	Low	Moderate	Market	Totals	
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	$15,896,665

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: The City assisted 25 units in this category over the last implementation period using Community Development Block Grant Funds with the Single Family Rehab Program.

• *Five Year 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.

• *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.

• *Proposed Projects and Programs*

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

Projects

South Main Lifestyle Seniors

The project is located at 1504-1620 South Main Street and will consist of 387 residential units developed into two phases. Phase I will include 180 senior housing units providing continuum of services from independent to assisted living, 63 units would be affordable to lower income seniors. Phase 2 would consist of 207 multi-family units with no age or income restrictions. A total of 27 units would be allocated to very low-income and 36 units to low-income households

The Agency has assumed the existing purchase and sale agreement between the developer and previous property owner and purchases the 5.94 acres for $12.4 million. This amount would be recouped by the Agency upon the sale of the property to South Main Street Senior Lifestyles in two phases. The Disposition and Development Agreement dated August 2009 provides Agency financial assistance towards the

development and operation of the affordable units in the form of either a $7.7 million grant.

Integral

This project is located in McCandless Drive area of the Transit Area Specific Plan and consists of 23+ acres designated for mixed-use residential development. The project will include approximately 1,328 dwelling units with a variety of housing types from condominiums, townhomes and multi-family rental units. The City of Milpitas approved a density bonus to allow 167 additional dwelling units within the project. The developer will provide 199 affordable housing units with long-term restriction agreements

The Redevelopment Agency has provided financial assistance in the amount of $5.8 million as part of the 2009 Owner Participation Agreement.. A Regulatory Agreement has been executed and recorded to guarantee the long-term affordability in the project.

Programs

Housing Trust Fund

The Redevelopment Agency has provided funding to the Housing Trust of Santa Clara County to financially assistance housing developers (non-profit agencies) on affordable housing projects in the City of Milpitas. The Housing Trust administers the funding, however, City of Milpitas requires (through resolution), that any funds that are granted to the Trust Fund must be used in Milpitas to benefit affordable housing.

In the past, funding has been provided to Mid-Peninsula Housing in the amount of $500,000 towards the DeVries Place Senior Housing, Senior Housing Solutions, $150,000 for each acquisition and rehabilitation of single family homes for 10 extremely low-income seniors and over 50 individual first-time homebuyer loans for Milpitas residents. The Housing Trust is a combination of public and private investment to address affordable housing in Silicon Valley. To date, the Redevelopment Agency has provided over $1,100,000 to the Housing Trust of Santa Clara County.

Rehabilitation Program

The Single Family Housing Rehabilitation Loan Program is administered by City Staff with the use of Department of Housing and Urban Development (HUD), Community Development Block Grant (CDBG) funds. This program provides zero to very low interest rate loans (3% or less) to low and very low-income households. The loans are for eligible improvements identified through inspections with an estimated average of $90,000 per loan. The rehabilitation includes variety types of home improvements to enhance the upkeep and maintenance of the property. The City of Milpitas typically provided 4-6 loans per year, depending the on the HUD funding allocated.

First Time Home Buyer Program

The First-time Homebuyers Program provides financial assistance to first-time homebuyers with low interest rate loans. First-time homebuyers are required to execute a Resale Restriction Agreement which guarantees long-term affordability for 45 years, Promissory Note and Subordinate Deed of Trust for the loan. Documents are recorded at the County of Santa Clara Office of the Recorder.

To date, the Redevelopment Agency has administered over 150 loans and grants for Milpitas first-time homebuyers and has provided approximately $ 16 million in financial assistance for first-time homebuyers.

Affordable Housing Assistance

The Agency will assist Developers, non-profit organizations in acquisition of property for the affordable housing program. The Agency will also use lease agreements, property management services for affordable housing and require regulatory agreement for guarantee long-term affordability. Loan and/or Grants will also be considered for affordable housing development.

Property Rehabilitation

The Agency will assist Property Owners with rehabilitation of existing rental units; assist in general property maintenance, provide relocation assistance if necessary and require regulatory agreement for guarantee long-term affordability. The Agency will assist in these upgrades, including, but not limited to energy efficiency, weatherization, interior and exterior painting, playground equipment, rehabilitation of carports and garages, enhancing common areas and landscaping and required code compliance improvements.

Affordable Rent-Buy Down/Funding Gap

The Agency will consider opportunities to buy down affordable rents with existing property owners with low interest loans or grants to expand or retain affordable housing units. This will require Restriction Agreements on individual units and include income eligibility requirements. The program will include property rehabilitation as additional incentive and require property owners to provide some funding for rehabilitation

Public Improvements

Housing set aside funds may be used proportionally for infrastructure implements that serve the low and moderate income housing units. Such improvements as utility connections, streets/sidewalks, curbs and gutters; open space and landscaping are eligible activities of low and moderate income housing funds. It is estimated that over the five year period, the Agency Planned for the next five year period is the acquisition of parkland and assistance for the Transit Area Sewer Pump Station.

- ***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 Thirteen 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. SB 211 requirements only impact three specific areas in Project Area No. 1: the Original Project Area and Amendment Areas No. 1 and 2. Therefore, the Agency is setting aside an average of 26% of the gross tax increment (see below) for affordable housing. The Set-Aside funds are required 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.

The Great Mall Project Area does not generate tax increment.

Housing Fund Deposits

The Housing Fund revenues include the following:

- Twenty percent (20%) of the estimated gross property tax increment generated within Amendment Area No. 9 (Midtown and the Transit Area Specific Plan)
- Twenty percent (20%) of the estimated gross property tax increment generated within Amendment Area No. 13 (Added Area)
- Thirty percent (30%) of the estimated gross property tax increment generated within the Original Project Area (Town Center);
- Thirty percent (30%) of the estimated gross property tax increment generated within Amendment Area No. 1; and,
- Thirty percent (30%) of the estimated gross property tax increment generated within Amendment Area No. 2.
- 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:

Table F
Projected Housing Fund Revenues and Expenditures
FY 2010/11 – FY 2014/15

RDA Housing Projected Revenues and Expenditures	2010/11 estimated	2011/12 estimated	2012/13 estimated	2013/14 estimated	2014/15 estimated	5 YR Total
Operating Revenues	$11,601,464	$11,846,493	$12,201,888	$12,751,040	$13,388,592	$61,789,477
Interest on HSA Funds	283,000	280,000	440,000	540,000	700,000	2,243,000
Reimb. From Developers	425,000				5,022,129	5,447,129
Misc. Revenue		100,000	100,000	100,000	100,000	400,000
Total Agency Revenue	**$12,309,464**	**$12,226,493**	**$12,741,888**	**$13,391,040**	**$19,210,721**	**$69,879,606**
Operating Expenses	**$1,832,598**	**$1,875,666**	**$1,994,033**	**$2,041,390**	**$2,090,953**	**$9,834,639**
Affordable Housing Projects/Programs						
Integral					5,800,000	$5,800,000
First Time Homebuyer	250,000		500,000	500,000	938,300	2,188,300
Affordable Housing Assistance	8,600,000	5,000,000	6,000,000	5,000,000	3,200,000	27,800,000
Aspen Apartments Loan	2,300,000					2,300,000
SC Housing Trust Grant	150,000	150,000	150,000	150,000	150,000	750,000
Senior Housing Solutions	750,000					750,000
Misc. Grants/loans	56,667					56,667
South Main Senior Lifestyle Grant			3,300,000	4,400,000		7,700,000
Transit Area Water Reservoir & Pump					1,700,000	1,700,000
Property Rehabilitation		1,000,000	1,000,000	500,000	500,000	3,000,000
Affordable Rent/Buy Down		2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
	$12,106,667	$8,150,000	$12,950,000	$12,550,000	$14,288,300	$60,044,967
Total Agency Expenditures	**$13,939,265**	**$10,025,666**	**$14,944,033**	**$14,591,390**	**$16,379,253**	**$69,879,606**

Proportional Expenditures of Housing Fund

Project Area No. 1 is subject to additional restrictions on the use of Housing Fund monies on moderate income units, as of July 1, 2010. The Agency may spend up to 15% of the amount deposited in the Housing Fund over a 5-year period on housing units affordable to moderate income households, but these funds shall only be used to assist housing projects in which no less than 49% of the units are affordable to and occupied by love, very low or extremely low income households. The Agency may spend additional funds on housing units affordable to moderate income households, but this amount may not exceed the lesser of (1) the amount spent on housing for extremely low income households or (2) five percent (5%) of the amount deposited in the Housing Fund over the 5-year period.

1. Income Targeting Proportionality Test

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:

Table G
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:

Table H
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	$3,800,000	2,250,000	8,556,667
FY 2011/12	$ 8,150,000.00	0	0	$ 8,150,000.00
FY 2012/13	$ 6,950,000.00	$ 5,750,000.00	$ 250,000.00	$ 12,950,000.00
FY 2013/14	4,050,000	8,000,000	$ 500,000.00	12,550,000
July 1 – Dec. 31, 2014	$3,275,000	$ 969,150.00	2,900,000	7,144,150
Total Expenditures	$40,519,879	$22,153,503	$12,574,109	$75,247,491
% of Total Expenditures	54%	29%	17%	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.

2. 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 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:

Table I
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%	

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

[2] Based on the 2000 Comprehensive Housing Affordability Strategy

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

	Age Restricted	Non-Age Restricted	Total Expenditures
January 1, 2002 – FY 2009/10	$ 11,600,009.00	$ 14,296,665.00	$ 25,896,674.00
FY 2010/11	$ 750,000.00	$11,356,667	$ 12,106,667.00
FY 2011/12	$ 150,000.00	$8,000,000	$ 8,150,000.00
FY 2012/13	$ 450,000.00	$12,500,000	$ 12,950,000.00
FY 2013/14	$ 3,580,500.00	$ 8,969,500.00	$ 12,550,000.00
July 1 – Dec 31, 2014	$ 500,000.00	$ 6,644,150.00	$ 7,144,150.00
Total Expenditures	$ 17,030,509.00	$ 61,766,982.00	$ 78,797,491.00
% of Total Expenditures	22%	78%	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.

3. 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:

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

	Very-Low Income	Low Income	Moderate Income	Total Expenditures
FY 2010/11	$6,056,667	$3,800,000	$2,250,000	$12,106,667
FY 2011/12	$ 8,150,000.00			$8,150,000
FY 2012/13	$ 6,950,000.00	$ 5,750,000.00	$ 250,000.00	$12,950,000
FY 2013/14	$ 4,050,000.00	$ 8,000,000.00	$ 500,000.00	$12,550,000
FY 2014/15	$6,550,000	$ 1,938,300.00	$ 5,800,000.00	$ 14,288,300.00
Total Expenditures	$31,756,667	$19,488,300	$8,800,000	$60,044,967
% of Total Expenditures	53%	32%	15%	100%
Target %	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.

3. 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:

Table L
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	**$12,918,643**	**$23,515,335**	**$ 26,231,557**	$24,678,564	$29,297,895
(Less) Encumbered Funds	($13,939,265)	($10,025,666)	($14,944,033)	($14,591,390)	$ (16,379,253.00)
Adjusted Ending Balance	$11,288,842	$13,489,669	$11,287,524	$10,087,174	$12,918,642
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	$0

- ***Inclusionary Housing Production Status***

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.

1. 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.

2. 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 C 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.

3. 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:

Table M
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.

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

Inclusionary Obligations
Plan Adoption – Project Area Termination

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

4. 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:

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

	FY Completed	Covenant Terms	Total Units Produced	Affordable Units		
				Very-Low Income	Low/Mod Income	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

5. 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.

Table O
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)	(312)	(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.

- ***Replacement Housing Status***

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.

6. **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.

7. **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.

- ***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.

CITY OF MILPITAS

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03/15/2011
Agenda Item No. RA10

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

MEMORANDUM

Office of the City Attorney

Date: March 14, 2011

To: Mayor Esteves and Members of the City Council/Redevelopment Agency Board

From: Michael J. Ogaz, City Attorney

Copy: Tom Williams, City Manager

Subject: **Redevelopment Agency Resolution Reiterating Authorization for the Assignment, Transfer and Management of Funds to Milpitas Economic Development Corporation**

The attached Resolution is a follow-up item from the actions taken by the Agency Board by Special Meeting on March 7, 2011. The Resolution reiterates authorization and direction to make payments to the Milpitas Economic Development Corporation under the Operating Agreement and confirms the Corporation's authority to expend such funds from Redevelopment Agency CIP accounts.

Recommendation:

Adopt the Resolution Reiterating the Authorization for the Assignment, Transfer and Management of Agency Funds to the Milpitas Economic Development Corporation.

RESOLUTION NO. _____

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF MILPITAS REITERATING THE AUTHORIZATION FOR THE ASSIGNMENT, TRANSFER AND MANAGEMENT OF FUNDS TO THE MILPITAS ECONOMIC DEVELOPMENT CORPORATION

WHEREAS, the Milpitas Redevelopment Agency ("Agency"), authorized the Agency Executive Director to execute an Operating Agreement with the Milpitas Economic Development Corporation ("Corporation") and providing up to Fifty Million Dollars ($50,000,000.00) in initial start-up capital thereunder, by Agency Resolution No. 409; and

NOW, THEREFORE, the Board of the Redevelopment Agency of Milpitas hereby finds, determines, and resolves as follows:

1. The Board has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

2. The Agency hereby clarifies and reiterates that under the terms of the Operating Agreement, its contribution and payment of Agency funds to the Corporation includes monies forthcoming to the Agency through accounts receivable, non-current assets, advance repayments, and other sources and therefore assigns such receivable funds to the Corporation.

3. The Agency further determines that the Corporation is authorized to manage and expend Agency funds and former Agency funds in City of Milpitas Capital Improvement Program accounts and funds.

PASSED AND ADOPTED this _____ day of _____, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

_____
Mary Lavelle, Agency Secretary

APPROVED:

_____
Jose S. Esteves, Chair

APPROVED AS TO FORM:

_____
Michael J. Ogaz, Agency Counsel