

CALIMESA REDEVELOPMENT AGENCY

FIVE-YEAR IMPLEMENTATION PLAN

2010-2014

FOR

CALIMESA REDEVELOPMENT PROJECT AREA NO. 5

AND

CALIMESA REDEVELOPMENT PROJECT AREA NO. 1

Prepared by Von Klug & Associates, Inc.

December 2010

TABLE OF CONTENTS

**CALIMESA REDEVELOPMENT AGENCY
FIVE-YEAR IMPLEMENTATION PLAN
2010-2014**

INTRODUCTION.....Page 1

REDEVELOPMENT PROJECT AREA NO. 5

Overview and History.....Page 2

Findings of Remaining Conditions of Blight.....Page 5

Future Goals and Objectives.....Page 6

Five-Year Programs and Activities.....Page 7

REDEVELOPMENT PROJECT AREA NO. 1

Overview and History.....Page 8

Findings of Remaining Conditions of Blight.....Page 11

Future Goals and Objectives.....Page 11

Five-Year Programs and Activities.....Page 13

PROJECT AREA FINANCE INFORMATION

Tax Increment Financing.....Page 14

Bond Financing/Incurring Debt.....Page 15

Project Area No. 5 (Bond Proceeds/Uses).....Page 15

Project Area No. 1 (Bond Proceeds/Uses).....Page 16

Project Area No. 5 Operating Budget.....Page 16

Project Area No. 1 Operating Budget.....Page 17

State of California Legislative Impacts on Budget.....Page 18

AFFORDABLE HOUSING RESPONSIBILITIES

Introduction.....Page 18

Replacement of Housing Removed for Redevelopment.....Page 19

Provision of Affordable Housing with Market-Rate Housing (Inclusionary Housing).....Page 20

Affordable Housing Assistance with Housing Fund Monies.....Page 22

Housing Programs and Policies.....Page 23

CONCLUSION.....Page 25

APPENDIX A (Map of Project Areas).....Page 26

LIST OF TABLES

TABLE 1 – Summary of Blight Conditions Remaining Within Project Area No. 5.....Page 5

TABLE 2 – Summary of Blight Conditions Remaining Within Project Area No. 1.....Page 11

TABLE 3 – 2009 Income Limits for Riverside County.....Page 19

TABLE 4 – Affordability Analysis for Family of Four.....Page 20

TABLE 5 – Estimated Housing Fund Activity for FY10 through FY15.....Page 24

TABLE 6 – Housing Fund Rehabilitations Loans by Income Category.....Page 24

The City of Calimesa is a small town nestled in the hills of the San Gorgonio Mountain Pass on Interstate 10 east of Redlands. Its estimated 7,133 residents value open space but also embrace responsible growth for a vibrant economy. The City was incorporated in 1990 in Riverside County, California.

As one of its first actions after incorporating, the City formed the Calimesa Redevelopment Agency for the purposes of establishing a redevelopment project area known as Redevelopment Project No. 1. This project area generally expands the boundaries of a pre-existing Riverside County redevelopment project area by adding land along Calimesa Boulevard between Myrtlewood Drive and Sandalwood Drive and land along County Land Road both east and west of the pre-existing County project area. It also includes a large area of underdeveloped land running parallel to the west side of the I-10 freeway from Sandalwood Drive to Cherry Valley Boulevard. (See Appendix A.)

In 2000 the City and the County agreed to the transfer of that portion of the Riverside County redevelopment project area that is located entirely within City boundaries from the County to the City. This land, which comprised Subarea 5 of the County's project area, is now known as Calimesa's Redevelopment Project No. 5. This project area runs along Calimesa Boulevard from County Line Road to Myrtlewood Drive on the east and Sandalwood Drive on the west. (See Appendix A.)

The City of Calimesa and Riverside County are two of the 397 local jurisdictions in the State of California with active redevelopment project areas. Redevelopment has been a tool for transforming an aging or otherwise blighted land area in California since 1945. State law allows a City or County to form a redevelopment agency to operate within its jurisdiction and to jointly establish project areas within which to operate to remove blight and revitalize the area. State law provides a number of tools to help with the accomplishment of this goal, including the following:

- The authority to acquire real property including, if necessary, the power to use eminent domain.
- The authority to develop the property.
- The authority to sell property without bidding and at a discount.
- The authority and obligation to relocate persons who have interests in property acquired by the agency.
- The authority to finance their operations by borrowing from the federal or state governments and selling bonds.
- The authority to impose land use and development controls pursuant to a comprehensive plan of redevelopment.
- The authority to fund and construct public improvements.

Since redevelopment plans have a life of 30 to 40 years, they are generic in nature so a redevelopment agency has the flexibility to respond to physical and economic conditions in the project area as they change with time. Therefore, in addition to the plan adopted for a project

area, a redevelopment agency also adopts a five-year implementation plan that contains more detail about the programs and projects that are envisioned for the applicable time period to aid with the alleviation of blight and the provision of affordable housing. These plans also look back at the accomplishments of the past five years and give data relative to the redevelopment agency's finances.

The following is the Calimesa Redevelopment Agency Five-Year Implementation Plan for Redevelopment Project Area No. 5 and Redevelopment Project Area No. 1 for January 1, 2010 through December 31, 2015. This Implementation Plan has been prepared and adopted in accordance with the requirements of Health and Safety code Section 33490. This is the fourth Implementation Plan adopted by the Calimesa Redevelopment Agency since the requirement for formal implementation plans was incorporated into California Redevelopment Law in 1994.

Redevelopment Project Area No. 5

Overview and History

Redevelopment Project Area No. 5 is the older of Calimesa's two project areas. It was originally one of several non-contiguous subareas comprising a Riverside County redevelopment project area established in 1986, while Calimesa was still part of unincorporated Riverside County. The City and County eventually reached an agreement to transfer jurisdiction over Subarea No. 5 to the City of Calimesa effective July 1, 1999.

As shown on the Project Area Map (Appendix A), Redevelopment Project Area No. 5 generally follows Calimesa Boulevard from County Line Road to Myrtlewood Drive on the east side and Sandalwood Drive on the west side. The project area crosses the I-10 freeway and includes land parallel to the west side of the freeway between Avenue L and Sandalwood Drive.

This is generally the original older commercial/industrial area of Calimesa. Buildings were typically constructed in the mid 1900's. The objectives of the original redevelopment plan were to eliminate blighting conditions by providing needed public improvements, mitigating the effects of faulty planning, and correcting problems of impaired investments and economic maladjustment. The specific goals and objectives of the plan are described below and envisioned the following actions:

- Providing a broad range of public service infrastructure improvements to induce private investment in the Project Area, including transportation, utility, and storm water management improvements, including but not limited to the following:
 - Curbs, gutters, and street widening on Avenue K, Avenue B, Park Avenue, and Erwin Street;
 - Flood control improvements on Avenue L;
 - Sewer system improvements throughout;
 - Street lights throughout; and
 - Street improvements and traffic signals throughout.

- Providing new or improved community facilities such as fire stations, community centers, recreational facilities, law enforcement facilities, and public health and social service facilities, including but not limited to the following:
 - Fire Station;
 - Parks;
 - Community Center;
 - Senior Center;
 - Library; and
 - School Facilities.

- Promoting the improvement and centralization of commercial, industrial and residential areas to make the provision of public services more efficient and to relieve development pressure on agricultural lands.

- Promoting the expansion of the industrial and commercial base and local employment opportunities to provide jobs to unemployed and underemployed workers.

- Rehabilitate deteriorated structures to eliminate safety deficiencies and to extend the useful life of these structures.

- Assist economically depressed areas and reverse declining assessed valuation trends.

- Upgrade the physical appearance of the Project Area.

- Encourage investment in the Project Area by the private sector.

- Remove economic impediments to land assembly and in-fill development in areas which are not properly subdivided for development.

- Consolidate parcels as needed to induce new or expanded, centralized commercial and industrial development in the Project Area.

- Buffer residential neighborhoods from the intrusion of incompatible land uses and noise.

- Encourage the cooperation and participation of property owners, public agencies and community organizations in the elimination of blighting conditions and the promotion of new or improved development in the Project Area.

- Protect the health and general welfare of the Project Area's many low- and moderate-income residents by utilizing 20 percent of the tax increment revenues from the Project Area to increase and improve the supply of low- and moderate-income housing both inside and outside the Project Area.

The following are the pertinent dates applicable to redevelopment activities in Project Area No. 5:

Plan Adoption	December 23, 1986
Plan Amendment for AB 1290 Time Limits (By Riverside County)	November 29, 1994
Plan Amendment to Eliminate Limit to Incur Debt	November 5, 2007
End of Plan Effectiveness	December 23, 2026
Time Limit to Incur Debt	None
Time Limit to Pay on Debt	December 23, 2036
Time Limit for the Collection of Tax Increment	December 23, 2036
Time Limit for the Use of Eminent Domain	December 23, 1998 (Expired)

For many years there was little redevelopment activity in Project Area No. 5. It takes years after the establishment of a project area for the area to generate sufficient tax increment revenues above the base property tax revenue to fund redevelopment activities. Project Area No. 5 was further hampered by the confusing jurisdiction over the project area. While the City incorporated in 1990 and formed its own redevelopment agency in 1993, jurisdiction over this project area was not transferred from Riverside County until 2000-2001, effective July 1, 1999.

However, in 2007 sufficient tax increment revenues were being received to support the feasibility of issuing tax allocation revenue bonds, which is a method of leveraging tax increment revenues to secure more money for redevelopment activities. (See the section on Tax Increment Financing for more information on financing eligible activities within a redevelopment project area.) Bonds were sold in 2008 and redevelopment staff was hired to begin focused efforts to alleviate blighting conditions in the project area.

As a result of the bond sale and designated staffing, there is now a plan for project activities consistent with the objectives of the original redevelopment plan and responsive to current physical and economic conditions.

In 2009, during the time period encompassed by the previous Five-Year Implementation Plan, the Calimesa Redevelopment Agency undertook the following activities to alleviate blight in Project Area No. 5:

- Adopted a commercial façade improvement program to improve the physical appearance of the project area and stimulate commercial activity.
- Made an offer to purchase real property for a new community library to improve the provision of public services, help stabilize property values in the area, encourage investment by the private sector, remove an abandoned building and develop an underutilized piece of land, and improve the physical appearance of the project area.

- Funded a new streetscape plan for future public infrastructure to improve circulation, promote pedestrian activity, manage storm water, and stimulate private sector investment.
- Funded a new land use plan to centralize services, create an identity for the commercial activity in the project area, aid with the removal of inappropriate land uses, and guide future modern development.

In addition to these activities, private sector involvement resulted in the construction of two new significant in-fill developments in the Project Area, including a 14,000 square foot professional office building and a 95,000 square foot neighborhood shopping center. Tenants in the retail center include a Fresh and Easy grocery store, a Walgreens drug store, and a variety of restaurants including Denny’s, Carl’s Jr., Subway, and Tangs Chinese restaurant. These infill developments on underutilized parcels are providing needed commercial facilities to residents living in and near the Project Area and office opportunities for locally-based small businesses.

There have also been significant utility and storm water management improvements in the Project Area. Both The Gas Company and South Mesa Water District have upgraded utility lines in Calimesa Boulevard to accommodate future growth and the Riverside Flood Control District, with partial funding from the City of Calimesa, has completed a significant flood control project along Avenue L in the Project Area that will alleviate recurring flooding of residential and commercial properties in the Project Area, thereby addressing a major blighting influence.

Findings of Remaining Conditions of Blight

However, despite these improvements, there are still blighting conditions within the Project Area. That portion of the Project Area along Calimesa Boulevard between County Line Road and Avenue L continues to be occupied by incompatible land uses operating from deteriorating structures that ideally should be consolidated and rebuilt with modern commercial or mixed use developments. Public facilities and commercial establishments still do not meet all of the needs of the nearby residents. Infrastructure improvements, including sidewalks and wheelchair ramps, are needed along with updated lighting and signage; and landscaping in the Project Area is generally inadequate. Improvements are needed to Calimesa Creek and a comprehensive land use plan is needed for that portion of the project area lying on the west side of the I-10 freeway.

The remaining conditions of blight are reflected in Table 1 below:

TABLE 1 SUMMARY OF BLIGHT CONDITIONS REMAINING WITHIN PROJECT AREAS NO. 5	
PHYSICAL CCRL Section 33031(a)	ECONOMIC CCRL Section 33031(b)
<ul style="list-style-type: none"> • Deterioration, dilapidation, defective design and physical construction (unsafe/unhealthy buildings) 	<ul style="list-style-type: none"> • Depreciated or stagnant property values • High vacancy rates • Lack of commercial facilities

<ul style="list-style-type: none"> • Circulation deficiencies • Incompatible land uses • Irregularly-shaped parcels and inadequately-sized parcels under multiple ownerships • Physical obsolescence (faulty exterior space, substandard design, site conditions) • Inadequate public improvements and facilities 	<ul style="list-style-type: none"> • Inadequate public improvements
--	--

Future Goals and Objectives

The Calimesa Redevelopment Agency has three broad goals for its redevelopment activities and objectives to help it achieve each goal:

GOAL NO. 1 ENCOURAGE AND AID ECONOMIC DEVELOPMENT IN THE PROJECT AREA

- Objectives
- 1.1 To the extent possible and working with the City and other funding sources, provide incentives for new businesses and retention/expansion of existing businesses based on return on investment through tax revenue increase and job generation.
 - 1.2 To the extent possible and working with the City and other funding sources, promote and facilitate in-fill development by creating greater development intensities in parts of the Project Area that are infrastructure ready.
 - 1.3 Continue working with the City to facilitate and streamline permitting processes for new and expanding businesses based on prioritization of projects with significant positive economic impact.
 - 1.4 Enhance the desirability of the Project Area by improving the physical appearance of the Project Area.
 - 1.5 Enhance the desirability of the Project Area by developing an image for the Project Area that is conducive to attracting new businesses and residents.

GOAL NO. 2 IMPLEMENT INFRASTRUCTURE, UTILITIES, CIRCULATION SYSTEM, AND PUBLIC FACILITIES IMPROVEMENTS THAT BENEFIT THE PROJECT AREA

- Objectives
- 2.1 Work with the City to prioritize infrastructure projects, focusing on those projects where Agency funds may be best used to leverage “outside” funding sources.

2.2 Continue to review and consider for funding, as funds are available, those infrastructure improvements necessary to attract commercial uses to the Project Area.

2.3 To the extent possible, implement improvements to public facilities and rights-of-way at a standard that provides a model and incentive for private capital investment on private properties.

2.4 Aid with securing grant funding for needed infrastructure improvements.

2.5 Fund studies required for needed infrastructure and public facilities improvements in and near the project area.

2.6 Enhance the desirability of the Project Area by developing community facilities.

GOAL NO. 3 INCREASE, IMPROVE AND PRESERVE THE QUALITY OF LOW/MODERATE HOUSING THROUGHOUT THE COMMUNITY

Objectives 3.1 As feasible, provide funding and/or technical assistance for residential development and rehabilitation throughout the City, including both single and multi-family units where appropriate.

3.2 Provide for in-fill housing within targeted portions of the Project Area.

3.3 Promote and participate in public/private partnerships with non-profit and for-profit developers and/or property owners to rehabilitate existing and construct new rental units for very-low and low-income households.

Five-Year Programs and Activities

The following programs and activities may be implemented during the period of 2010 through 2014 in Project Area No. 5 to alleviate blight and stimulate economic activity:

- Continuation of commercial façade improvement program.
- Progress on development of a new community library.
- Progress on development of a new community park.
- Participation in the improvement and/or development of other needed public facilities.
- Planning, engineering, site acquisition, and construction work on improvements to County Line Road between I-10 freeway and 5th Street.
- Street and streetscape improvements along Calimesa Boulevard and Myrtlewood in the Project Area.
- Work on a comprehensive circulation plan for the Project Area.

- Branding of the City and Calimesa Boulevard for the attraction of new residents and businesses.
- Development of a marketing program to promote Calimesa and Calimesa Boulevard for the attraction of new residents and businesses.
- Maintenance of an up-to-date website for economic development.
- Acquisition of blighted or non-conforming properties from willing sellers to resale for modern compatible development or retain for open space.
- Other programs and activities that aid in business retention and attraction and the removal of blight.
- Assistance to housing projects for increasing, improving and preserving the city's supply of housing for persons of low and moderate income available at affordable housing costs.

Redevelopment Project Area No. 1

Overview and History

One of the primary reasons for the residents' decision to incorporate in November of 1990 was the belief that the recently incorporated area had been the subject of long-term neglect by the County of Riverside. This neglect along with the lack of local planning controls had contributed greatly to the deteriorated condition of the project area. This concern was heightened by the initial unwillingness of Riverside County to relinquish control of Redevelopment Project Area No. 5 to the City's Redevelopment Agency. The result was the decision to form the City's own Redevelopment Project Area, known as Redevelopment Project Area No. 1 in December of 1993.

Five subareas were originally proposed to collectively be designated as Redevelopment Project Area No. 1:

Subarea A is a one-block deep area on the south side of County Line Road generally between 5th Street and 3rd Street. It is characterized by lots that are difficult to develop because of their shape and/or size. As a result, the area is underdeveloped and the residences that have been built have generally been deteriorating since the time of construction in the mid-1900's.

Subarea B is located south of County Line Road bordered by Interstate 10 on the east; Avenue L on the south; and 7th Street on the west. The area is transected by Calimesa Creek, a deep drainage gully that constitutes unbuildable land. The development in this subarea is a mix of incompatible land uses – some residential, some commercial, and some industrial – and again, the area is underdeveloped.

Subarea C is generally a one-block deep area on the east side of Calimesa Boulevard between Myrtlewood Drive and one parcel north of Redwood Lane. Much of this subarea consists of a portion of the primary commercial area along Calimesa Boulevard that was not included by

Riverside County when it adopted the Redevelopment Plan in 1986 for Project Area No. 5. The County included the west side of Calimesa Boulevard but not the east side south of Myrtlewood Drive.

Subarea D was located on the east side of Interstate 10 between Singleton Road and Cherry Valley Boulevard. However, this subarea was removed from Redevelopment Project Area No. 1 prior to adoption of this Project Area.

Subarea E is a strip of land running parallel to the west side of Interstate 10 from Sandalwood Drive to Cherry Valley Boulevard, comprised primarily of grazing land and scattered older residential ranches, that is now zoned for commercial, industrial, and higher-density residential uses. The subarea was included in Redevelopment Project Area No. 1 because of its dilapidated structures, its non-conforming land uses, its need for infrastructure improvements, particularly water and sewer that needs to be extended from the east side of Interstate 10 and then supported by additional lift stations and reservoirs, and its underdevelopment as a result of these conditions.

Maps of these individual subareas are located in Appendix A.

The goals and objectives of the original redevelopment plan were to eliminate blighting conditions and prevent the recurrence of blighting conditions with the following actions:

- Provide a broad range of improvements to induce private, commercial and industrial investment in the Project Area, possibly including the following:
 - The construction or reconstruction of roads, streets, curbs and gutters, and sidewalks;
 - The installation of street lights;
 - Construction and reconstruction of water storage distribution facilities; and
 - Construction or reconstruction of sewage collection systems.
- Promote expansion of the City's commercial economic base and local employment opportunities to provide jobs to unemployed and underemployed workers in the City.
- Protect the health and general welfare of the City's low and moderate income residents by utilizing 20 percent of the tax increment revenue from the Project Area to improve the quality of low and moderate income housing.
- Upgrade the physical appearance of the Project Area.
- Encourage investment in the Project Area by private industry.

- Encourage the cooperation and participation of Project Area property owners, public agencies and community organizations in the elimination of blighting conditions and the promotion of new or improved development in the Project Area.

To accomplish these major goals and objectives, the Redevelopment Plan noted a number of possible actions:

- Improvement of real property.
- Provision of low-interest financing or grants to property owners for rehabilitation of their property.
- Improvement of the quality of low and moderate income housing in the City.
- Payment for all or part of the value of land and the cost of installation or construction or upgrade of buildings, facilities, structures and/or improvements which will be publicly owned as permitted, for example:
 - Installation, construction, reconstruction, redesign or reuse of streets, utilities, curbs, gutters, sidewalks, plazas, handicap ramps and other public improvements;
 - Construction and/or reconstruction of various storm drainage facilities;
 - Provision and/or upgrading of traffic signals, lighting and signing of various intersections and correction of other existing deficiencies within the Project Area;
 - Completion of various water system projects including the replacement, construction and improvement of water lines, fire hydrants, water storage and treatment facilities in order to provide adequate fire flows and domestic water supplies;
 - Replacement, installation and improvement of domestic sewage collection to reduce public health and safety hazards;
 - Undergrounding of utilities as needed;
 - Improvement and development of recreational facilities, parks and community centers;
 - Construction and improvement of community facilities including police, fire and library facilities; and
 - Improvement and/or development of various utility distribution systems including electrical, gas and telephone.

The following are the pertinent dates applicable to redevelopment activities in Project Area No. 1:

Plan Adoption	December 30, 1993
Plan Amendment for AB 1290 Time Limits	December 19, 1994
End of Plan Effectiveness	December 30, 2033
Time Limit to Incur Debt	December 30, 2013

Time Limit to Pay on Debt	December 30, 2043
Time Limit for the Collection of Tax Increment	December 30, 2043
Time Limit for the Use of Eminent Domain	December 30, 2005 (Expired)

Since its inception, there has been little redevelopment activity in Project Area No. Its first years after formation, the Project Area actually lost money as property tax fell below the level established in the base year of 1993-1994. By 2004-2005, the total amount of tax increment collected only totaled about \$85,431. Most of the fund balance that year was used for administration and debt service for debt owed the City plus the mandatory 20 percent payments to the Low and Moderate Income Housing Fund (Housing Fund). Annual tax increment in subsequent years was spent in a similar manner, with basically no significant year-end carry-forward.

In 2007 a decision was made by the Redevelopment Agency to use the annual tax increment revenue, net of the deposit into the Housing Fund, to make payments on a bond sale that secured \$700,546 in bond proceeds for the removal of blight in the project area. A small portion of those proceeds was used during this past five-year planning period for the development of a City brand to use for economic development and marketing purposes.

Findings of Remaining Conditions of Blight

Given the lack of funds available for Project Area activities, the original conditions of blight remain significantly the same in the Project Area, as listed in Table 2 below:

TABLE 2 SUMMARY OF BLIGHT CONDITIONS REMAINING WITHIN PROJECT AREAS NO. 1	
PHYSICAL CCRL Section 33031(a)	ECONOMIC CCRL Section 33031(b)
<ul style="list-style-type: none"> • Deterioration, dilapidation, defective design and physical construction (unsafe/unhealthy buildings) • Circulation deficiencies • Incompatible land uses • Irregularly-shaped parcels and inadequately-sized parcels under multiple ownerships • Physical obsolescence (faulty exterior space, substandard design, site conditions) • Inadequate public improvements and facilities 	<ul style="list-style-type: none"> • Depreciated or stagnant property values • High vacancy rates • Lack of commercial facilities • Inadequate public improvements

Future Goals and Objectives

The Calimesa Redevelopment Agency has three broad goals for its redevelopment activities and objectives to help it achieve each goal:

GOAL NO. 1 ENCOURAGE AND AID ECONOMIC DEVELOPMENT IN THE PROJECT AREA

- Objectives
- 1.1 To the extent possible and working with the City and other funding sources, provide incentives for new businesses and retention/expansion of existing businesses based on return on investment through tax revenue increase and job generation.
 - 1.2 To the extent possible and working with the City and other funding sources, promote and facilitate in-fill development by creating greater development intensities in parts of the Project Area that are infrastructure ready.
 - 1.3 Continue working with the City to facilitate and streamline permitting processes for new and expanding businesses based on prioritization of projects with significant positive economic impact.
 - 1.4 Enhance the desirability of the Project Area by improving the physical appearance of the Project Area.
 - 1.5 Enhance the desirability of the Project Area by developing an image for the Project Area that is conducive to attracting new businesses and residents.

GOAL NO. 2 IMPLEMENT INFRASTRUCTURE, UTILITIES, CIRCULATION SYSTEM, AND PUBLIC FACILITIES IMPROVEMENTS THAT BENEFIT THE PROJECT AREA

- Objectives
- 2.1 Work with the City to prioritize infrastructure projects, focusing on those projects where Agency funds may be best used to leverage “outside” funding sources.
 - 2.2 Continue to review and consider for funding, as funds are available, those infrastructure improvements necessary to attract commercial uses to the Project Area.
 - 2.3 To the extent possible, implement improvements to public facilities and rights-of-way at a standard that provides a model and incentive for private capital investment on private properties.
 - 2.4 Aid with securing grant funding for needed infrastructure improvements.
 - 2.5 Fund studies required for needed infrastructure and public facilities improvements in and near the project area.

2.6 Enhance the desirability of the Project Area by developing community facilities.

GOAL NO. 3 INCREASE, IMPROVE AND PRESERVE THE QUALITY OF LOW/MODERATE HOUSING THROUGHOUT THE COMMUNITY

Objectives 3.1 As feasible, provide funding and/or technical assistance for residential development and rehabilitation throughout the City, including both single and multi-family units where appropriate.

3.2 Provide for in-fill housing within targeted portions of the Project Area.

3.3 Promote and participate in public/private partnerships with non-profit and for-profit developers and/or property owners to rehabilitate existing and construct new rental units for very-low and low-income households.

Five-Year Programs and Activities

The following programs and activities may be implemented during the period of 2010 through 2014 in Project Area No. 1 to alleviate blight and stimulate economic activity:

- Continuation of commercial façade improvement program.
- Progress on development of a new community library.
- Progress on development of a new community park.
- Participation in the improvement and/or development of other needed public facilities.
- Street and streetscape improvements along Calimesa Boulevard and Myrtlewood Drive in the Project Area.
- Work on a comprehensive circulation plan for the Project Area.
- Branding of the City and Calimesa Boulevard for the attraction of new residents and businesses.
- Development of a marketing program to promote Calimesa and Calimesa Boulevard for the attraction of new residents and businesses.
- Maintenance of an up-to-date website for economic development.
- Acquisition of blighted or non-conforming properties from willing sellers to resale for modern compatible development or retain for open space.
- Other programs and activities that aid in business retention and attraction and the removal of blight.
- Assistance to housing projects for increasing, improving and preserving the city's supply of housing for persons of low and moderate income available at affordable housing costs.

Project Area Finance Information

Tax Increment Financing

Redevelopment agencies are financed through a redistribution of real property tax paid on real estate located within the boundaries of a project area. Owners pay about 1 percent of the assessed value of their property for property taxes (plus any voter-authorized payments for bonds for capital projects). In general the 1 percent property tax in California is distributed as follows exclusive of any “revenue shifts” authorized by the State legislature:

County = 32%
School District = 50%
City = 11%
Special Districts = 7%

When a redevelopment project area is formed, the total of the assessed values of the properties within the area are “frozen” and this total is referred to as the base assessed value for the project area. This base is allowed to grow 2 percent per year and the property tax generated by the base is distributed in the traditional fashion.

The amount of assessed value and resulting property tax over the base is referred to as “tax increment.” The tax increment goes to the City’s redevelopment agency. Twenty percent of the gross tax increment goes into a special fund to help preserve and expand the supply of affordable housing in the community, which fund is administered by the city’s redevelopment agency. A portion of the remaining money is still “passed through” to the other taxing entities (county, school district, and special districts). The amount that remains is used for general redevelopment purposes.

It is important to note that properties within a redevelopment project area are assessed in the same manner as all other property in the City/County and the tax rate is also the same. Property owners do not pay more or less because their real estate is in a project area. What changes is how the tax paid is distributed among various public agencies.

The following, while not an all-inclusive listing, are typical uses for redevelopment funds:

- Completion of new plans, such as new land use schemes, design standards, circulation patterns, and so forth to redesign the area into a modern functional desirable environment.
- Development of city infrastructure and public facilities that the city could not otherwise afford to construct, such as roadway improvements and park facilities
- Improvement or acquisition/removal of blighted property and reconstruction to stimulate the project area economically

- Contribution to City staff that work on activities in the project area, for example, paying a percentage of the salary of the City’s financial officer for tracking redevelopment agency finances along with City finances

Bond Financing/Incurring Debt

Another common use of tax increment revenues by a redevelopment agency is to use the money to repay debt. The most common type of debt is the sale of bonds to investors like publicly-traded bond funds or large corporations like insurances companies. The redevelopment agency then uses a portion of the annual tax increment to repay the investors.

To illustrate, if a redevelopment agency has an extra \$500,000 in revenue each year, it might sell \$7,000,000 worth of bonds to investors and agree to repay the money plus 4.5 percent interest on the amount still owed each year. It would use the \$500,000 to make the annual payments and use the \$7,000,000 from the bond sale to pay for programs and projects much sooner than if they saved the \$500,000 each year until they had enough saved to do the same programs and projects. Selling bonds is a way to get a large sum of money at one time to do larger or more expensive activities that would take years to complete otherwise, if at all. A redevelopment agency can also borrow money from the City, the County, and the State. Once the redevelopment plan is no longer effective, a redevelopment agency can continue to collect tax increment for another ten years to repay debt.

The Calimesa Redevelopment Agency sold bonds in April of 2008 that resulted in \$2,371,144 for projects and programs. Below is a summary of the uses and earmarks for the bond proceeds for each project area and also an overview of the financial status for each project area.

Project Area No. 5

Useable Bond Proceeds	\$1,670,598
Professional Services Related to the Establishment Of a Downtown Business District on Calimesa Boulevard – New Land Use/Zoning/Roadway/Streetscape Plans (Completed)	\$ 214,700
Purchase of a Site for a New Library (In Process – Split between Two Project Areas	\$ 200,000
Improvement of Crown Village Shopping Center (In Process)	\$ 180,000
Local Match for Improvements on County Line Road from Interstate 10 Interchange to Calimesa Boulevard (Reserved)	\$ 410,108
Installation of a Reader Board Sign on Calimesa Boulevard to	\$ 75,000

Promote Local Events and Public Information (Completed)	
Appraisals Needed for Future Grant/Loan Applications (Completed)	\$ 40,000
New Slurry Seal Surface for Calimesa Boulevard (Completed - Split between Two Project Areas)	\$ 35,000
Staff Services Related to Above Work	\$ 30,000
Remaining Funds Unencumbered	\$ 485,790

Project Area No. 1

Useable Bond Proceeds	\$ 700,546
Installation of 3 rd Street Sidewalks (Pending – Matching Funds)	\$ 100,000
Purchase of a Site for a New Library (In Process – Split between Two Project Areas)	\$ 200,000
New Slurry Seal Surface for Calimesa Boulevard (Completed - Split between Two Project Areas)	\$ 40,000
Development of Economic Development/Community Brand (In Process)	\$ 73,000
Marketing/Brand Promotion (Pending)	\$ 50,000
Staff Services Related to Above Work	\$ 30,000
Remaining Funds Unencumbered	\$ 207,546

Project Area No. 1 also owes the City \$110,000 for project costs incurred early in the life of the project, which was lent to the redevelopment agency at an interest rate of 8 percent. Repayment is anticipated after the expiration of the Plan’s effectiveness.

Project Area No. 5 Operating Budget

As discussed in the history of Redevelopment Project Area No. 5, there has not been significant growth in the project area since its formation. When established, the area was predominately developed and since that time, there has been minimal growth in property values and minimal ownership transfers that would result in reassessment under Proposition 13.

In 2008 bonds were sold to raise money to fund activities to stimulate development in the project area. Future envisioned activities include the construction of a new library, the development of a significant City park, and improvements along Calimesa Boulevard. A new neighborhood shopping center has recently opened in the project area and the Redevelopment Agency has approved financing significant improvements to the Crown Village to draw more customers to this center and help form the nucleus for a new downtown shopping district.

The following summarizes the operating budget for Project Area No. 5 for FY09-10:

Gross Tax Increment	\$ 602,295
Less 20% Deposit to Housing Fund	\$ 120,459
Less Pass-Through Payments	\$ 250,376
Less Debt Service Payments on Bonds Sold in 2008	\$ 137,740
Money Available for Staff, Professional Services, City Services, Travel/Conferences, and Miscellaneous Project Area Activities	\$ 93,720

Project Area No. 1 Operating Budget

The finances for Project Area No. 1 are much more tenuous than those related to Project Area No. 5. When Project Area No. 1 was formed, more of the project area was underdeveloped because of the lack of public utilities and infrastructure. While a small portion of Project Area No. 1 ensures that all of Calimesa Boulevard between County Line Road and Sandalwood Drive is in a redevelopment project area, most of Project Area No. 1 is still underdeveloped because of the high cost of extending public utilities, especially water, sewer, and natural gas, from the east side of Interstate 10 to the west side by burrowing under the Interstate and then supplementing those lines with new reservoirs and lift stations.

The bond funds secured in 2008 are also helping to fund the development of a new community library, provide required matching funds for new sidewalk along County Line Road by the 3rd Street neighborhood commercial area, and professionally define an image for the community to enhance its desirability for potential new residents and businesses.

The following summarizes the operating budget for Project Area No. 1 for FY09-10.

Gross Tax Increment	\$ 246,431
Less Deposit 20% Deposit to Housing Fund	\$ 49,286
Less Pass-Through Payments	\$ 74,456
Less Debt Service Payments on Bonds Sold in 2008	\$ 83,492
Money Available for Staff, Professional Services, City Services, Travel/Conferences, and Miscellaneous Project Area Activities	\$ 39,197

State of California Legislative Impacts on Budget

Historically in times of State budget shortfalls, the State has shifted funds from redevelopment agencies to schools through Educational Revenue Augmentation Fund (ERAF) transfers. When this has been required, the State has given each redevelopment agency the option of extending the effectiveness of each of its project areas plans by one year to compensate for the shift.

In FY09-10 the State of California legislated a Supplemental ERAF shift in an amount far higher than prior years transfers. The Calimesa Redevelopment Agency SERAF payment was \$255,006, comprised of \$155,989 for Project Area No. 5 and \$69,017 for Project Area No. 1. The State allowed redevelopment agencies to borrow the funds if necessary from their Housing Funds, into which 20 percent of their gross tax increment is deposited to preserve and expand affordable housing in their communities. The other alternative given was to have the SERAF funded by the City/County that created the redevelopment agency. If the payment was funded by the redevelopment agency's housing fund, the housing fund must be repaid within five years or all new redevelopment activity must come to a halt until repayment is made and for the remainder of the project area's plan effectiveness, 30 percent of the gross tax increment must be deposited into the housing fund instead of the standard 20 percent.

On November 3, 2010, California voters passed Proposition 22 to prohibit future State-mandated shifts of local revenues to the State, forcing the State to find other ways to pay for State programs and activities. However, the SERAF already approved by the legislature was a two-year program and the second year's payment will still be due to the State in 2011. For Calimesa, this payment totals \$46,281.

The Calimesa Redevelopment Agency will make the FY10-11 SERAF payment from the appropriate project area capital funds. However, the payments already made or FY09-10 totaling \$255,006 was made by borrowing money from the agency's combined housing fund. Repayment is anticipated in four payments as follows: 10% in FY11-12; 20% in FY 12-13; 30% in FY 13-14; and 40% in FY 14-15. The hope is that real estate values will begin to rebound in the coming years and also new development, such as The Shoppes at Calimesa, will help grow the tax increment in the project areas.

Affordable Housing Responsibilities

As noted previously, 20 percent of the gross tax increment revenue generated annually by a project area must be deposited into a Housing Fund. This money must be used to create, preserve or improve affordable housing. The redevelopment agency can make findings that allow the targeting of these funds anywhere within the community. The Calimesa Redevelopment Agency has made these findings. In addition, the law allows the housing funds from multiple project areas to be combined into one fund when this finding is made. The Calimesa Redevelopment Agency thus has one Housing Fund with deposits combined from its two project areas.

The Housing Fund provides a source of money to fulfill affordable housing obligations established by the State legislature for local redevelopment agencies. There are three basic types of obligations: 1) the obligation to replace housing removed or redevelopment activities; 2) the obligation to ensure that affordable housing is developed in the community when new housing is constructed in the project area; and 3) the obligation to assist affordable housing including mobile home housing stock with Housing Fund revenue. The following sections discuss each of these obligations in greater detail.

Replacement of Housing Removed for Redevelopment

Redevelopment programs and activities in a project area sometimes require the removal of affordable housing units. For purposes of this discussion, a housing unit is considered “affordable” if it is occupied by a household whose income is at or less than the limits established by the State of California for moderate-income households regardless of how much the household actually paid for that housing. The table below shows the 2009 income limits for households in Riverside County for the various income classifications:

# of People in Household	Extremely Low Income	Very Low Income	Low Income	Median Income	Moderate Income
1 Person	\$14,000	\$23,300	\$37,300	\$45,150	\$54,200
2 Persons	\$16,000	\$26,650	\$42,650	\$51,600	\$61,900
3 Persons	\$18,000	\$29,950	\$47,950	\$58,050	\$69,650
4 Persons	\$20,000	\$33,300	\$53,300	\$64,500	\$77,400
5 Persons	\$21,600	\$35,950	\$57,550	\$69,650	\$83,600
6 Persons	\$23,200	\$38,650	\$61,850	\$74,800	\$89,800
7 Persons	\$24,800	\$41,300	\$66,100	\$80,000	\$96,000
8 Persons	\$26,400	\$43,950	\$70,350	\$85,150	\$102,150

If a redevelopment agency is contemplating an activity that will remove an affordable housing unit from the market, it must prepare a replacement housing plan that discusses how that unit will be replaced sometime in the next four years. The unit must be affordable to a household that has the same or lower income level as the household that occupied the unit removed from the market and the replacement unit must have the same or more number of bedrooms as the one removed. The replacement unit can be developed anywhere in the city.

Since the adoption of the last Five-Year Implementation Plan, no housing units have been removed from the market for redevelopment activities. In addition, looking forward, there are no anticipated project activities that will remove existing housing units in the project area. Therefore, at this time, the Calimesa Redevelopment Agency has no obligation to ensure the production of affordable housing the city to under this legal requirement.

Provision of Affordable Housing with Market-Rate Housing (Inclusionary Housing)

Over the past ten years, the term “inclusionary housing” in California has come to mean the inclusion of affordable housing units within market-rate housing developments. For purposes of this discussion, “affordable housing” is housing where the rental or purchase price plus associated housing costs such as utilities is a fixed total that is affordable to a household with low- or moderate-income. The length of time that the unit must remain affordable varies. The following illustrates affordable rental costs and home ownership costs for a household of four in Riverside County.

TABLE 4					
AFFORDABILITY ANALYSIS FOR FAMILY OF FOUR					
USING RIVERSIDE COUNTY 2009 MEDIAN INCOME					
		Very Low Income	Low Income	Median Income	Moderate Income
Percentage of Area Median Income (AMI)		50%	80%	100%	120%
Maximum Income		\$32,250	\$51,600	\$64,500	\$77,400
Affordability Analysis					
2009 Rentals					
Percent of Income	30%	\$9,675	\$15,480	\$19,350	\$23,220
Monthly Available		\$806	\$1,290	\$1,612	\$1,935
Utilities	8%	\$64	\$103	\$129	\$155
Affordable Monthly Rent		\$742	\$1,187	\$1,483	\$1,780
2009 Home Purchase					
Percent of Income	30%	\$9,675	\$15,480	\$19,350	
	35%				\$27,090
Monthly Available		\$806	\$1,290	\$1,612	\$2,257
Taxes/Insurance (Est.)	15%	\$121	\$193	\$242	\$339
Maintenance/Repairs	4%	\$32	\$51	\$64	\$90
Utilities	8%	\$64	\$103	\$129	\$181
Net Available		\$589	\$943	\$1,177	\$1,647
Mortgage Rate	6.25%				
Loan Amount		\$95,661	\$153,155	\$191,159	\$267,492
Down Payment	10%				
Down Payment Factor	0.1111	\$10,628	\$17,016	\$21,238	\$29,718
Affordable Purchase Price		\$106,289	\$170,171	\$212,397	\$297,210

Many California cities have adopted ordinances that require developers of multi-unit developments (four-plexes or more) to rent or sell a certain percentage of units to income-qualified households at an affordable cost. This increases the supply of affordable housing and promotes economic diversity within housing developments. However, a recent court ruling has opined that restrictions on the amount a private developer can charge for rent conflict with State law that prohibits rent control. Requiring some level of affordable “for-sale” housing in new developments still appears to be legal, and the City of Calimesa may consider such a local ordinance in the future.

In a related use of the phrase, “inclusionary housing” is also used in California Redevelopment Law to describe an obligation of the redevelopment agency to ensure that a percentage of any new housing constructed in the project area is affordable to low- or moderate-income households.

Each year the number of new housing units in the project area is determined and taken times 0.15 (15%). The result is rounded up to the nearest whole number to determine how many affordable housing units the redevelopment agency is obligated to ensure are developed in the project area. Of this total, 40 percent must be affordable to very-low-income households. For example, if 100 new housing units are built in a project area, the redevelopment agency needs to ensure that there are 9 housing units in the project area that are affordable for an extended period of time to low-income households and 6 housing units affordable to very-low-income households.

This ensures that redevelopment does not just stimulate upper-end development but also benefits lower-income households. Housing units outside the project area can be counted toward this obligation but each unit only counts as half a unit toward the requirement.

If the redevelopment agency itself develops or substantially rehabilitates housing, an additional obligation is created. However, the Commission has not and does not plan to develop or substantially rehabilitate housing itself.

The inclusionary housing obligation must be fulfilled in ten-year increments, and only housing that will remain affordable for a significant period of time – 45 years for owned units and 55 years for rental units – can count toward meeting the obligation. There is an exception for housing units acquired through a self-help program, such as those built by Habitat for Humanity.

Both of the redevelopment project areas in Calimesa are predominately commercial/industrial in nature. The Five-Year Implementation Plan notes that 12 new units were built in 2003-2004 fiscal year, creating a requirement for two affordable units – one for a very low-income household and another for a low-income household. No new housing units have been built in either project area so at this time. Redevelopment Agency staff has initiated discussions with Habitat for Humanity to work in partnership to create the two affordable housing units to fulfill this inclusionary housing requirement for the Agency.

Affordable Housing Assistance with Housing Fund Monies

As noted previously, redevelopment plays a critical role in providing housing affordable for working families, low-income seniors, and disabled individuals. According to the California Redevelopment Association, since 1995 redevelopment agencies have helped build and/or rehabilitate 78,750 affordable housing units and are the leading funder of affordable housing in California, second only to the federal government.

The source of this affordable housing funding from redevelopment agencies is the Low and Moderate Income Housing Fund (Housing Fund). Redevelopment agencies are required to deposit 20 percent of their gross tax increment revenue into this fund annually and to only use this money to increase, improve, and preserve the community’s supply of affordable housing for households with moderate incomes or less.

Redevelopment agencies have an additional obligation to assist housing targeted toward non-elderly versus elderly households in the same proportion as these households exist in the community. The same is true of housing targeted toward very low income households versus low-income households versus moderate-income households. The following shows the proportions of these groups to the total population of the City of Calimesa:

Elderly Households	29%
Very Low-Income Households	26%
Low-Income Households	30%
Moderate-Income Households	21%

Source: Southern California Association of Governments

A redevelopment agency may use money from the Housing Fund outside the project area but within city borders if both the redevelopment agency and the legislative body make certain findings that the use will be of benefit to the project area.

As noted previously in the Five-Year Implementation Plan, each of Calimesa’s redevelopment project areas has the following goal and objectives related to affordable housing:

GOAL	INCREASE, IMPROVE AND PRESERVE THE QUALITY OF LOW/MODERATE HOUSING THROUGHOUT THE COMMUNITY
Objectives	As feasible, provide funding and/or technical assistance for residential development and rehabilitation throughout the City, including both single and multi-family units were appropriate. Provide for in-fill housing within targeted portions of the Project Area.

Promote and participate in public/private partnerships with non-profit and for-profit developers and/or property owners to rehabilitate existing and construct new rental units for very-low and low-income households.

Housing Programs and Policies

The City of Calimesa and the Calimesa Redevelopment Agency have implemented several programs and policies to increase, improve, and preserve the affordable housing stock in the community.

During the past five years, the City has received funds from the Community Development Block Grant Program and HOME program to provide low-cost loans to income-qualified homeowners to rehabilitate their dwellings. Approximately 24 households have received assistance totaling approximately \$600,000.

The City also participates on an on-going basis with Riverside County's Mortgage Credit Certificate Program, which allows low- to moderate-income first-time home buyers to receive a 15 percent federal income tax credit and apply it to the annual interest paid on the mortgage used to buy their home. This credit reduces the federal income taxes of the buyer, resulting in an increase in the buyer's net earnings, as well as the ability to qualify for the mortgage loan. The homebuyer must occupy the home as a principal residence and cannot have owned a home in the last three years.

In recognition of the importance of mobile home housing as a source of affordable housing, the City has adopted a Mobile Home Rent Stabilization Ordinance and appoints a Commission to address rent control problems and grievances. This program assists about 807 households residing in eight mobile home parks in the City.

Consistent with State law, the City has its own Density Bonus Ordinance to encourage the inclusion of affordable housing within market-rate housing developments and is drafting an Inclusionary Housing Ordinance that will require larger subdivisions with for-sale housing to offer a percentage of dwellings at a cost affordable to low- and moderate-income households.

Code enforcement activities comprise a major effort on behalf of the both the City and the Redevelopment Agency to improve and preserve the existing affordable housing stock in the City. In FY09-10 alone, approximately 295 residential code enforcement actions resulted in the clean-up of approximately 240 of the properties cited, resulting in decent, safe and sanitary housing for their occupants.

Finally, the Redevelopment Agency has used a significant portion of its Housing Fund to assist income-qualified owner-occupants of manufactured housing tie in to a public water system and take measures to conserve their use of water, thus helping to ensure a consistent supply of safe drinking water for these households.

Tables 5 and 6 delineate the activity in the Housing Fund for the past five years and the housing units that have received assistance by targeted group.

TABLE 5					
ESTIMATED HOUSING FUND ACTIVITY FOR FY10 THROUGH FY15					
Fiscal Year	Starting Balance	Deposits	Administration	Housing Activities	Ending Balance
2009-2010	\$362,007	\$182,769	\$ 80,388	\$159,702	\$304,686*
2010-2011	\$304,686	\$170,045	\$117,500	\$ 58,000	\$299,231**
2012-2013	\$299,231	\$161,542	\$102,000	\$ 51,000	\$307,773
2013-2014	\$307,773	\$170,045	\$102,000	\$ 51,000	\$324,818
2014-2015	\$324,818	\$182,769	\$102,000	\$ 51,000	\$354,587

*Of this sum, a total of \$255,006 was loaned to the project area capital funds to make the SERAF payment to the State in 2010.

**Of this sum, a total of \$46,281 will be loaned to the project area capital funds to make the SERAF payment to the State in 2011.

TABLE 6			
HOUSING FUND REHABILITATION LOANS BY INCOME CATEGORY			
Elderly Households			Non-Elderly Household
Very Low-Income	Low-Income	Moderate-Income	Moderate-Income
38	65	53	1

As noted earlier in this discussion, the State is extracting approximately \$300,000 from the Housing Fund in 2010 and 2011 to divert to the local School District. Given the amount of money available from the two project areas for discretionary spending - \$207,546 for Project Area No. 5 and \$39,197 for Project Area No. 1 - it is reasonable to assume that the Housing Fund will not be repaid until 2016.

At that time, it is the Agency’s intent to purchase a site in proximity to Calimesa’s existing services – between County Line Road and Sandalwood Drive on the east side of Interstate 10 – for the development of an affordable senior housing project. The objective for the second five-year period of the 10-year period from 2010 to 2020 will be to assemble or otherwise assist an affordable rental project for families. These rental projects in combination with the continuation of State and Federal funded rehabilitation programs, the adoption of an inclusionary housing ordinance to ensure some amount of affordable new housing construction, and the continuation of rent control for the majority of mobile homes in the City, will help ensure that a variety of housing within the City of Calimesa remains accessible to all income levels.

Conclusion

Prior to the change of personnel in the City/Redevelopment Agency in Calimesa and the sale of bonds in 2008, redevelopment in Calimesa had largely been a paper exercise. With bond proceeds in hand and appropriate staffing, Calimesa has begun taking the steps necessary to stimulate economic recovery in both of its project areas. With the completion of new community facilities and a modern vision for Calimesa Boulevard, the City and Redevelopment Agency are well-positioned to continue revitalization of the project areas as the economy rebounds for the recession of the past four years.

