

CAPITOLA REDEVELOPMENT PROJECT

2004 - 2009 IMPLEMENTATION PLAN

AND

2004 - 2014 HOUSING STRATEGY

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**CAPITOLA REDEVELOPMENT PROJECT
2004 IMPLEMENTATION PLAN AND HOUSING STRATEGY**

TABLE OF CONTENTS

	Page
INTRODUCTION	1
A. Project Area History	1
B. Project Area Description	2
<i>Physical Characteristics</i>	2
<i>Social Characteristics</i>	2
PART ONE: HOUSING STRATEGY	9
A. Housing-Related Requirements of Redevelopment Law	9
<i>Agency Housing Responsibilities</i>	9
<i>Implementation Plan Housing Requirements</i>	9
B. Housing Activity and Production Requirements	10
<i>Replacement Housing Obligation</i>	11
<i>Inclusionary Housing Obligation</i>	11
C. Housing Fund Expenditure Requirements	13
<i>Minimum Allocation of Tax Increment Revenue</i>	13
<i>Proportional Spending Requirements</i>	14
<i>Excess Surplus</i>	15
D. 2004-2014 Housing Program and Expenditure Plan	15
<i>Expenditures</i>	16
<i>Compliance with Proportional Spending Requirements</i>	18
<i>Expenditures during Previous Plan Period</i>	19
PART TWO: REDEVELOPMENT IMPLEMENTATION	21
A. Goals and Objectives of the Redevelopment Project	21
<i>Original Project Area</i>	21
<i>Added Area</i>	22
B. Specific Programs for 2004-2009 and Relationship to Blight Elimination	22
C. Five-Year Expenditure Plan	25
CONCLUSION	27

LIST OF TABLES AND FIGURES

INTRODUCTION

Figure 1: Project Area Boundaries	4
Figure 2: Project Area, Census Tract and Block Group Boundaries	5
Figure 3: Project Area Residential Neighborhoods, Block Group and Block Boundaries	6
Table I-1: Summary of Project Area Demographics and Housing Characteristics	7

PART ONE: HOUSING STRATEGY

Table H-1: Income Ranges	10
Table H-2: Projected Housing Activity and Inclusionary Obligation	12
Table H-3: Five-Year Housing Program 2004-2009	13
Table H-4: Housing Tax Increment Revenue	14
Table H-5: Proportional Spending Requirements by Income Level	14
Table H-6: Expenditure of Housing Funds by Income Level, 2004-2014	17
Table H-7: Compliance with Proportional Spending Requirements	18
Table H-8: Projects Funded during 1994-2004 Plan Period	20
Table H-9: Agency Assistance Provided to Households 1999-2004	20

PART TWO: REDEVELOPMENT IMPLEMENTATION

Table R-1: Relationship Between Goals, Programs, and Blight Elimination	24
Table R-2: Anticipated Tax Increment Dollars from Project Area (Original and Added Area)	25
Table R-3: List of Specific Projects and Programs 2004-2009	25
Table R-4: Agency Cash Flow, 2004-2009	26

CAPITOLA REDEVELOPMENT PROJECT

2004 IMPLEMENTATION PLAN AND HOUSING STRATEGY

INTRODUCTION

This is the 2004 Implementation Plan for the Capitola Redevelopment Project (the “Project Area”), prepared by the staff of the Redevelopment Agency of the City of Capitola (the “Agency”) in compliance with Article 16.5 of the California Community Redevelopment Law (the “CRL” or “Law”). The Implementation Plan contains the two parts required by law:

- Part One: Housing Strategy (2004-2014)
- Part Two: Redevelopment Implementation (2004-2009)

Part One, the Housing Strategy, explains how the Agency will implement various requirements of redevelopment law related to low- and moderate-income housing over the next ten years. The Housing Strategy sets forth the Agency’s plan for spending 20% of the Project Area’s tax increment revenue on activities that improve and increase the supply of housing affordable to low and moderate income people.

Part Two, Redevelopment Implementation, sets forth the Agency’s strategy for implementing the goals and objectives of the Redevelopment Plan for the five-year period between 2004-2009. It also presents the list of projects, programs, revenues and expenditures (other than those relating to low and moderate income housing) that are planned for the project area as a means to achieve those goals and objectives. The Implementation Plan describes how the goals and objectives, projects, programs and expenditures will eliminate blight within the Project Area. Hereafter, the “Project Area” or “Project” is defined as the original project area (the “Original Project Area”) adopted in 1982 and the proposed addition of the Rispin Mansion and adjacent library (“Added Area”).

The Agency’s Implementation Plan for the Original Project Area entitled “Capitola Redevelopment Agency Implementation Plan and Housing Strategy” was adopted on March 26, 1996, for the five-year period from January 1, 1995 through December 31, 1999. The prior Implementation Plan was adopted on December 9, 1999 for the five-year period between January 1, 2000, and December 31, 2004. Although the existing Implementation Plan has one year left before its expiration, the addition of the Added Area requires the Agency to identify goals, projects, program and expenditures for the Added Area for the first five-year period. Because the Agency’s proposed non-housing activities over the next five years will be almost exclusively limited to improvements to the Added Area, the Agency has chosen to prepare a new Implementation Plan for the entire Project Area.

The Implementation Plan is a policy statement rather than an unalterable course of action. It has been prepared to set priorities for redevelopment activities within the Project Area for the five-year period covered by this Plan. The program of activities in this Implementation Plan was developed based on the most current information on the financial status of the Project Area and the Agency. In the event that new issues and opportunities arise during the course of implementing the Redevelopment Plan for the Project Area, this Implementation Plan may be amended, if necessary, to effectuate its purposes.

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

A. Project Area History

The Capitola Redevelopment Plan (the “Redevelopment Plan”) was adopted on June 24, 1982 to address blighting conditions which, as then defined by Law, included infrastructure deficiencies and other conditions resulting in the underutilization of parts of the City’s commercial center. In 1985 the Agency

changed the designated land use for a portion of the Original Project Area from residential to commercial, in order to create the row of auto dealerships along Highway 1. In 1999 a preliminary survey area was designated to add property to the Original Project Area, including the City-owned Rispin property and the historic Village area. In 2003 a Preliminary Plan was accepted, adding only the Rispin property (Added Area) to the project area. The addition of territory to the Redevelopment Plan is the proposed third amendment (the "Third Amendment") to the Redevelopment Plan. In addition to adding territory the Third Amendment will extend certain time limits as permitted by Law. Redevelopment Law states that redevelopment plans that are adopted prior to December 31, 1993, shall have a plan effectiveness limit that does not exceed 40 years from adoption or January 1, 2009, whichever is later. Furthermore, that the debt repayment limit and time to receive tax increment shall not exceed 10 years from the termination of the effectiveness of Plan. The Redevelopment Plan has a current effectiveness limit of June 24, 2017 or 35 years from adoption. The Agency is proposing to amend the Redevelopment Plan to coincide with redevelopment law plan effectiveness limit and extend the Plan duration by five years, to 2022. Similarly, the Agency is proposing to extend the Redevelopment Plan time period for repaying debt and collecting tax increment to June 24, 2032 (or by 15 years). By extending the limits as permitted by Law, the Agency will have additional time and financial resources to complete its redevelopment program. The limit on the total amount of tax increment revenue the Agency can receive will not be amended and will remain at \$61 million.

B. Project Area Description

Physical Characteristics

The Original Project Area encompasses approximately 95 acres, generally encompassing the City's commercial core: Capitola Mall, Brown Ranch Marketplace, Auto Plaza, and the remainder of the corridor along 41st Avenue from the Highway 1 off-ramp to Capitola Road (see **Figure 1**). In addition to the commercial area described above, the Original Project Area includes a small residential neighborhood between 42nd and 44th Avenues north of Capitola Road, and several additional residential parcels along Capitola Road near the perimeter of the Original Project Area boundary. The Original Project Area included 158 parcels at the time it was adopted. This number has increased to approximately 230 through subdivision of parcels. According to the 1982 Report to Council, approximately 85 housing units were located within the Original Project Area in 1982, and an additional 120 to 160 units were planned for development on a site known at the time as the "Wharf Road Village." That project was never developed, and the site was subsequently rezoned from residential to commercial use, and has since been developed and is in current use as several car dealerships.

The Added Area is composed of three parcels: one owned by the City and two by the Agency. The 1.1-acre City-owned parcel developed with the library consists of a 4,320 square foot modular building and approximately 0.5 acres of surface parking. The 5.4-acre RDA-owned Rispin Mansion site consists of approximately one acre of land improved with the 7,106 square foot Mansion, related structures and remnants of ornamental gardens. Included within the 5.4-acre is the Rispin-Peery bicycle/pedestrian trail and bridge over Soquel Creek. Finally, the portions of Clares Street and Soquel Wharf Road that are included within the Added Area total 1.43 acres. In total the Added Area encompasses 7.9 acres.

Social Characteristics

The Project Area is located within Census Tract 1217, which includes the commercial core of the City and some residential areas of both the City and the unincorporated county. However, the majority of the population and housing units in this tract are located outside of the Project Area. The Census block group boundaries do not correspond closely to the Project Area boundaries either, nor to the boundaries of the

residential areas within the Project Area. Therefore, the demographic information provided reflects estimates based on a combined area of several census blocks most closely corresponding to the boundaries of the residential portions of the Project Area (Blocks 1014, 1015, 1016, 1017 of Block Group 1, and Block 3003 of Block Group 3, of Census Tract 1217). See **Figures 2 and 3**. Where block level data is not available, data from Block Group 1 or Tract 1217 is used to represent Project Area residents. All information is from the 2000 Census Summary Files 1 and 3.

According to the Census, there were approximately 180 households residing within the residential neighborhoods of the Project Area in 1999, with an average household size of 2.74 persons. This is slightly higher than the City's average household size of 2.11. This larger household size is likely related to the fact that a greater proportion of the households in the Project Area are families (61%) compared to the ratio of families in the City overall (49%). The residents of the Project Area are younger generally than the citywide population: 24% of the residents are children under 18 years, and only 5% are 65 years and older, while only 18% of the City's total population are children and 14% are elderly. Within the Project Area, a greater percentage of the residents are of Hispanic or Latino origin (32%) compared to the proportion of all city residents (13%) that are Hispanic or Latino.

Ninety-one percent of the residents of the Project Area age 25 years and older have completed high school or the equivalent, which is equal to the rate citywide. A slightly smaller proportion of the Project Area adults have a bachelors or higher degree (26%) compared to 35% citywide. In 1999 approximately 5% of the civilian labor force residing within the project area was unemployed, more than twice the unemployment rate of the civilian labor force of the entire city (2%). Income data for the Project Area was not available, so data for Block Group 1 of Tract 1217 was used as the closest indicator for Project area residents. In this block group, per capita income was \$23,700 in 1999 compared to \$27,600 citywide; and median household income was \$41,900 compared to \$46,000 citywide.

The 1999 rental vacancy rate was also lower in the project area, with 0% of rental units vacant, compared to 3% citywide (vacant seasonal housing units such as vacation rentals are not included in these vacancy rates). Access to transportation in the Project Area was as good or better than for residents in the entire City, with bus stops nearby and the regional transit center just 2-3 blocks away. Fewer renting households in Block Group 1 had no vehicle available (7%) compared to 9% of all renting households in the City. Six percent of homeowner households in Block Group 1 and citywide had no vehicle available. Please see **Table I-1** for more detail on demographics and comparison of the Project Area to City and County demographics.

Figure 1: Project Area Boundaries

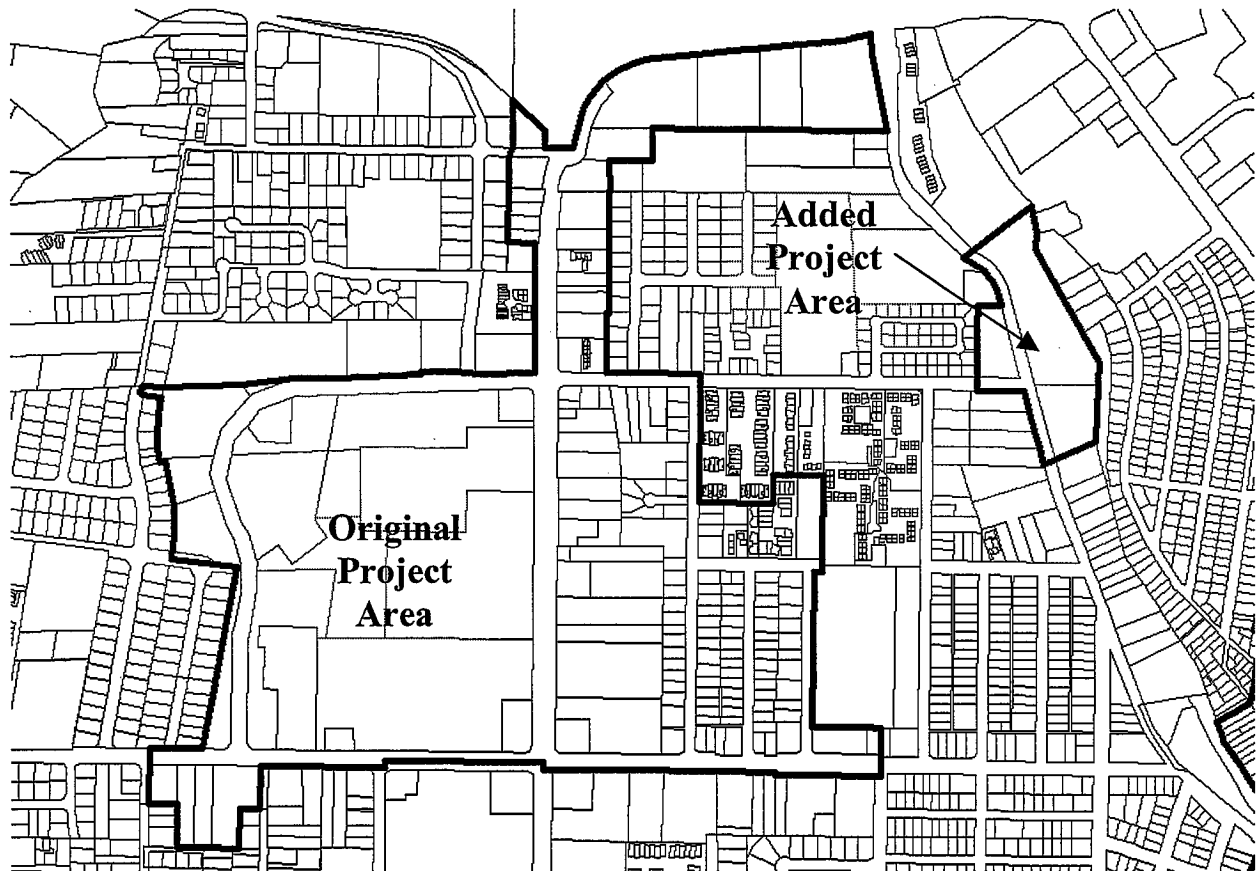
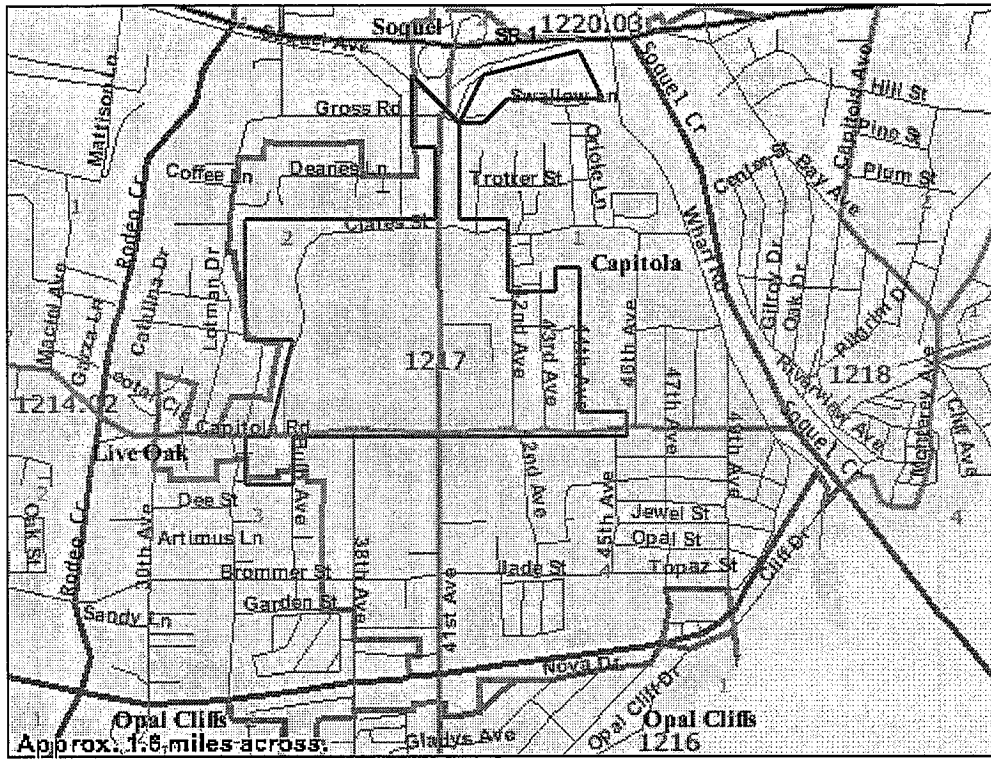


Figure 2: Project Area, Census Tract and Block Group Boundaries



Boundaries

- '00 Census Tract
- '00 Block Group
- '00 Place

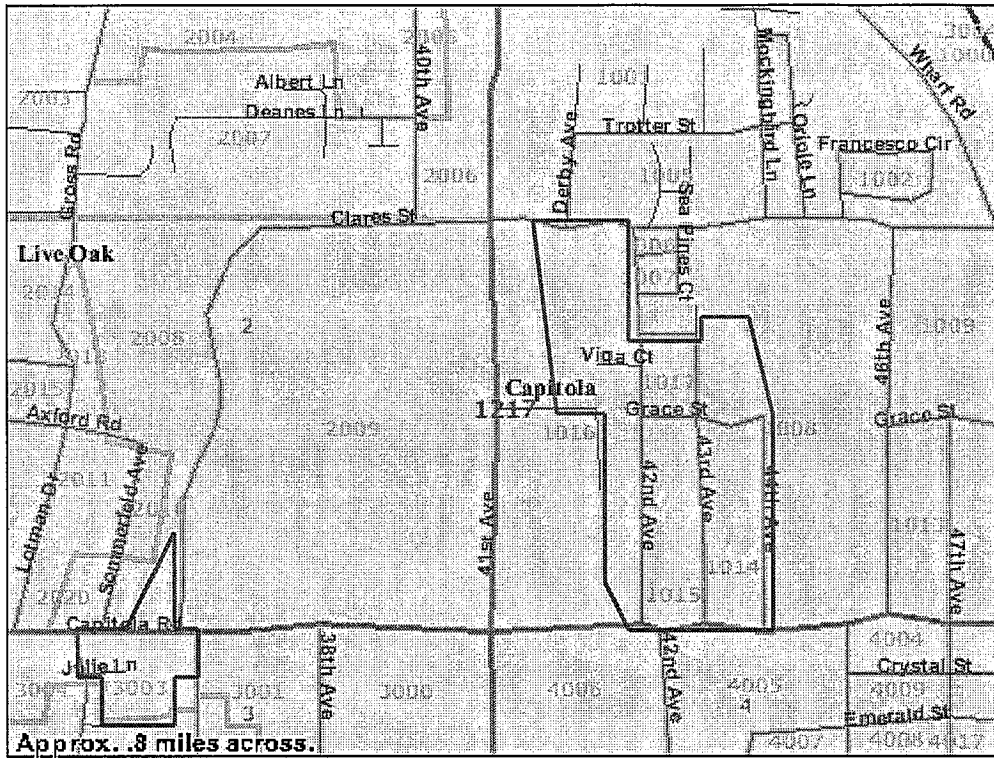
Features

- Major Road
- Street
- Stream/Waterbody
- Stream/Waterbody

Approximate Boundary of Existing Project Area

Base Map and Legend are from American Factfinder, US Census Bureau

Figure 3: Project Area Residential Neighborhoods, Block Group and Block Boundaries



Boundaries

- '00 Census Tract
- '00 Block Group
- '00 Block
- '00 Place

Features

- Major Road
- Street
- Stream/Waterbody
- Stream/Waterbody

Approximate Boundaries of the Residential Portions of the Project Area

Base Map and Legend are from American Factfinder, US Census Bureau

Table I-1: Summary of Project Area Demographics and Housing Characteristics
2000 Census (SF1 and SF3)

Attribute	Project Area ¹	Block Group 1	Tract 1217	City of Capitola	Santa Cruz County
Population (All persons in geographic area)					
Percent of Pop Under 18 Years	24.3%	19.2%	21.6%	18.4%	23.8%
Percent of Pop 65 Yrs and Older	4.8%	15.1%	11.5%	14.2%	10%
Perc of Pop Hispanic or Latino Origin	31.8%	15.6%	18.3%	12.6%	26.8%
Per Capita Income	n/a	\$23,737	\$22,896	\$27,609	\$26,396
Percent of Pop 25+ Yrs High School Grad or Higher	n/a	91%	88%	91.3%	83.2%
Percent of Pop 25+ Yrs Bachelor's or Higher Degree	n/a	26.1%	28.3%	34.6%	34.2%
Civilian Unemployment Rate	n/a	5.3%	2.5%	2.1%	4.1%
Households (Persons, related or not, living together in one dwelling unit – occupied dwelling units)					
No. Households	180	1,067	3,072	4,692	91,139
Average Household Size	2.74	2.21	2.37	2.11	2.71
Median Household Income 1999	n/a	\$41,893	\$45,025	\$46,048	\$53,998
Percent of Households that are Families	61.1%	49.2%	55.1%	48.6%	62.7%
Percent of Households that Rent their Home	52.8%	52.3%	45.7%	53.2%	40%
Percent of Households that Own their Home	47.2%	47.7%	54.3%	46.8%	60%

¹ The residential portions of the project area include Blocks 1014, 1015, 1016, 1017 of Block Group 1; and Block 3003 of Block Group 3; of Census Tract 1217. Where block-level data are not available, Block Group 1 data are provided. Approximately 17% of the households in Block Group 1 of Tract 1217 are within the Project Area.

Table I-1 continued

Attribute	Project Area	Block Group 1	Tract 1217	City of Capitola	Santa Cruz County
Renting Households (Households that rent and occupy a dwelling unit in the geographic area)					
Median Income: Renting Households	n/a	n/a	\$39,276	\$41,371	\$36,276
% of Specified Renter Households with No Vehicle Available	n/a	6.7%	8.7%	8.6%	10.8%
% of Specified Renter Households Paying 30% or More of 1999 Household Income in Gross Rent	n/a	52%	47.9%	43.5%	45.6%
% of Specified Renter Households Paying 50% or More of 1999 Household Income in Gross Rent	n/a	22%	22%	21.7%	22.7%
Homeowner Households (Households that are own and occupy a dwelling unit in the geographic area)					
Median Income: Homeowner Households	n/a	n/a	\$53,295	\$51,408	\$69,349
Percent of Owner-Occupied Units No Vehicle Avail	n/a	6.1%	7.3%	6%	3.3%
Families (Persons related by blood, marriage or adoption living together in a dwelling unit)					
Percent of Families with related children under 18 at home	64.5%	53.1%	54.9%	48.7%	54.3%
Percent of Families below poverty level	n/a	1.8%	4.9%	2%	6.7%
Housing Stock (Dwelling units in the geographic area – occupied and vacant)					
Total Housing Units ²	182	1,119	3,294	5,309	98,873
Overall Vacancy Rate	1.1%	4.6%	6.7%	11.6%	7.8%
Rental Vacancy Rate	0%	1.6%	1.9%	3.0%	2.5%

2000 Census (SF1 and SF3)

² There may be additional housing units elsewhere in the project area other than within the census blocks included in this analysis, including at least one apartment building of 25 units located within the project area but not within the identified census blocks. Additionally there may be housing units included in the census data that are located outside the project area. The original 1982 Redevelopment Plan reports that the “Grace Street Neighborhood,” which corresponds closely to the boundaries of the census blocks used above, contained 80 dwelling units in 71 structures, and mentions several other units located elsewhere within the project area, a few of which were located on sites which are now in commercial use, such as the Brown Ranch Marketplace and the Auto Plaza.

PART ONE: HOUSING STRATEGY**A. Housing-Related Requirements of Redevelopment Law**

One of the fundamental purposes of redevelopment as set forth by state law is to expand the supply of housing that is affordable to moderate and lower income households. The law contains numerous provisions to guide redevelopment agency housing activities toward this goal. These provisions divide a redevelopment agency's housing responsibilities into three major categories:

Agency Housing Responsibilities

1. The production and/or replacement of housing affordable to moderate and lower income households, depending upon activities undertaken by an agency within its Project Areas;
2. The expenditure of 20% of a Project Area's tax increment revenue for the exclusive purpose of increasing and improving a community's supply of low and moderate income housing; and
3. Preparing reports and plans describing how the Agency has met or will meet its housing responsibilities in each of the two categories above.

The Housing Strategy of the Implementation Plan is one of the Agency's responsibilities under the third item above. This plan will describe how the Agency will achieve the first two housing requirements listed above. It presents the Agency's intended program of housing expenditures and activities for the next ten years. Article 16.5 requires that the Housing Strategy of the Implementation Plan address the items listed below.

Implementation Plan Housing Requirements

1. Production of Housing Based on Housing Development in the Project Area
 - a) At least 30 percent (30%) of all new and substantially rehabilitated dwelling units developed by a redevelopment agency shall be available at affordable housing cost to persons and families of low and moderate income and shall be occupied by these persons and families (Section 33413(b)(1));
 - b) At least 15 percent (15%) of all new residential units dwelling units developed within a Project Area under the jurisdiction of an agency by public or private entities or persons other than the Agency shall be available at affordable housing cost to persons and families of low or moderate income and shall be occupied by these persons or families (Section 33413(b)(2));
 - c) At least 15 percent (15%) of all substantially rehabilitated units that have received agency assistance shall be available at affordable housing cost to persons and families of low or moderate income and shall be occupied by these persons or families (Section 33413(b)(2)(iii));
 - d) If the destruction or removal of low and moderate income units will result from a project contained in the Implementation Plan, suitable locations must be identified for replacement housing units rehabilitated, developed or constructed pursuant to Section 33413(a). (Section 33490(a)(3)).
2. Expenditure of 20% of Tax Increment Revenue for Housing Purposes
 - a) Agencies are required to set aside 20 percent of tax increment revenue received from projects adopted on or after January 1, 1977 (Section 33334.2)
 - b) Agencies must spend housing funds on moderate, low, and very-low income housing in the proportions set forth in Section 33334.4.
 - c) Agencies must spend housing funds on eligible housing activities in a timely manner, or risk state-imposed fines if they allow an "excess surplus" to accrue and remain unspent in the Housing

Fund. An excess surplus is defined as any amount in the year-end unencumbered fund balance in excess of either 1) one million dollars or 2) the sum of tax increment revenue deposited into the Housing Fund in the most recent four years, whichever is greater (as described in Section 33334.12 et seq.).

3. Additional Requirements

- a) Estimates of the balances and deposits into the Housing Fund;
- b) A housing program identifying expenditures from the Housing Fund;
- c) An indication of housing activity that has occurred in the Project Area; and
- d) Estimates of the number of housing units that will be produced in the Project Area for each income level.

A definition of the income levels most often used in redevelopment housing programs is provided in Section 50093 of the Health and Safety Code, as follows:

- Moderate income households have incomes between 80 percent and 120 percent of median household income for the applicable household size;
- Low income households have an income of 50 percent to 80 percent of median household income for the applicable household size (Section 50079.5); and
- Very low income households have an income that is less than 50 percent of median household income for the applicable household size (Section 50105).

The 2003 “area median income” (AMI) for Santa Cruz County was estimated to be \$74,600 for a household of four by the state and federal housing agencies, as published by the California Department of Housing and Community Development (HCD). Based on that estimate, the current income ranges applicable to Capitola are shown in **Table H-1** below.

Table H-1: Income Ranges*

Income Level	Single-Person Household	Two-Person Household	Family/Household of Four
Moderate (80% to 120% AMI)	\$42,401 to \$62,650	\$48,451 to \$71,600	\$60,551 to \$89,500
Low (50% to 80% AMI)	\$26,501 to \$42,400	\$30,301 to \$48,450	\$37,851 to \$60,550
Very Low (Up to 50% AMI)	Up to \$26,500	Up to \$30,300	Up to \$37,850

* For households of other sizes, adjusted income limits apply.

The area median income estimates for Santa Cruz County, as published annually by HCD, will be used to determine eligible income ranges, affordable rent levels and so on for all housing activities included in the Agency’s housing program. For more specific estimates of income levels of residents of the City and Project Area, see **Table I-1** in the Introduction.

B. Housing Activity and Production Requirements

The housing production and/or replacement requirements are based on the number of housing units built within the Project Area since its adoption, and its residential development potential during the life of the project.

Replacement Housing Obligation

The Agency must comply with the replacement housing obligations of Section 33413(a). This section requires the Agency to replace every housing unit removed from the low and moderate income housing stock as a result of Agency redevelopment activities in the Project Area with a comparable affordable unit. Article 16.5 requires that if an implementation plan contains projects that could result in the removal of low and moderate income housing units, the plan must identify locations suitable for the replacement of such housing.

The Agency does not plan to remove any housing units from the low and moderate income housing stock during this Plan period, and has not removed any such units since adoption of the project. However, if any such units were to be removed with Agency assistance in the future, for example on an underutilized site where an older home might be removed in order to build a larger number of units, an equal number of replacement units could be provided on the same site as part of the new development.

Inclusionary Housing Obligation

The Agency must also comply with the housing unit production requirement of Section 33413(b). Subparagraph (1) of that section requires that thirty percent (30%) of all housing units developed in the Project Area by the Agency be affordable to low and moderate income persons. The Agency may assist the private sector in developing affordable housing, and there is some remaining potential for residential infill in the Project Area that could be developed without Agency assistance. As a result, the Agency may need to create low and moderate income housing (“inclusionary units”) in order to comply with the provisions of subsection 33413(b)(2), which requires that fifteen percent (15%) of all housing developed in the Project Area (including inclusionary units) be affordable to low and moderate income households. Of these low and moderate income units, at least forty percent (40%) must be affordable to persons and families of very low income. To determine the number of units that must be developed in order to comply with this requirement, and to identify how much of this requirement will be satisfied by the activities included in this Implementation Plan, a brief review of past and anticipated housing development activity in the Project Area is presented below.

Housing Development Activity Since Project Area Adoption

An estimated 56 housing units have been added to the Project Area since its adoption in June of 1982, of which 66% or 37 units were affordable to very low income households, including 12 units of public housing and 25 units of inclusionary housing for very low income disabled persons assisted by the Agency. An additional 6 units of inclusionary housing for very low income families was built with Agency assistance just outside the Project Area. Because this project was located outside the Project Area, two units must be provided for every 1 unit of inclusionary obligation, therefore it added 3 units to the Agency’s Project Area inclusionary stock, for a total of 28 units that count toward the Project’s inclusionary obligation. The Project has already met and exceeded its inclusionary obligation, which is approximately 9 units based on housing activity to date, and was estimated in the prior planning period to be 16 units for the entire life of the Project.

Future Housing Construction Activity in the Project Area

The following residential projects within the Project Area are being processed, have been proposed, or are expected to be proposed in the near future. Any such units built in the Project Area will trigger an inclusionary housing requirement that must be met within ten years of construction. In addition to the proposed projects, an additional 30 units could be developed on underutilized or vacant sites within the Grace Street neighborhood, based on the survey of vacant and underutilized land conducted during the

recent Housing Element Update process. It is assumed that the projects included in Table H-2 will be developed privately without Agency assistance.

Table H-2: Projected Housing Activity and Inclusionary Obligation

Proposed Projects	Status	Type	No. Units
Grau Mixed Use (1715 42 nd Ave.)	under construction	Rental	4
4233 Grace St.	under construction	Townhouse	3
3606-10 Capitola Rd	Preliminary Proposal	Condo	20
Remaining infill development potential, Project Area residential zones (RM, R-1)			30
Total Estimated Housing Activity			57
Estimated Inclusionary Requirement			9

If 57 new units are added to the Project Area housing stock within the next 5 to 10 years, 9 of them should be affordable to low and moderate income households in order to fulfill the Project's inclusionary obligation for that period. These units must be affordable as follows:

- At least 40% of the units (4 units) must be restricted to be affordable to very low income households; and
- At most 60% of the units (5 units) can be restricted to be affordable to low or moderate-income households.

Given the Project Area currently has credit for 28 inclusionary units created by the Agency in the previous plan period, the Project Area currently has approximately 20 units available to fulfill the 9-unit requirement anticipated for the next plan period. All of these units are restricted to very low income households. Therefore the Agency has fulfilled its estimated inclusionary obligation for the previous period and upcoming plan period. Nevertheless, given the Agency's need to expend its housing fund revenue on eligible housing activities such as production and rehabilitation of affordable housing, and the need for additional affordable housing as determined by the recently conducted housing needs assessment and Regional Housing Needs Allocation from AMBAG, the Agency plans to assist in the development of additional affordable housing units within the next period.

Several "housing opportunity sites" were identified in the recent Housing Element Update inventory process, one of which (3606-3610 Capitola Road) is located within the Project Area. The other opportunity sites are: 835 Bay Avenue (4.5 vacant acres), 4250-4310 Capitola Road (1.7 underutilized acres), 1404 38th Avenue (0.4 vacant acres), 1066 41st Avenue (1.9 vacant acres), 600 Park Avenue (6.8 underutilized acres), and the city lot on McGregor Drive (4.5 vacant acres).

The expenditures in **Table H-3** below anticipate the Agency providing financial assistance to a non-profit developer to develop new housing on any two of these opportunity sites during this five-year period. Ideally, one of these projects would be family/all-age rental housing and the other would be first-time homebuyer family/all-age housing, in order to meet the need for affordable units of this kind. Either of these planned expenditures could take the form of a substantial rehabilitation or acquisition/price restriction project³ rather than new construction, if a viable opportunity for such projects should arise that would provide an equivalent type of inclusionary unit. This table does not include the Silvercrest project, which should be funded during the remainder of 2003-04. This expenditure is included on Table H-8, which shows expenditures during the previous planning period.

³ Acquisition/price restriction is a "production" method available exclusively for rental housing projects.

Table H-3: Five-Year Housing Program 2004-2009

Fiscal Year	LMIHF Expenditures	Estimated Units Developed	Type of Unit (New, Substantial Rehab, or Price-Restricted)
04-05	\$50,000 Admin/Prof Services \$75,000 Programs \$300,000 Predevelopment Loan	0	
05-06	\$50,000 Admin/Prof Services \$75,000 Programs \$1,000,000 Construction Financing	15-30	New
06-07	\$50,000 Admin/Prof Services \$75,000 Programs	0	
07-08	\$50,000 Admin/Prof Services \$75,000 Programs \$250,000 Predevelopment Loan	0	
08-09	\$50,000 Admin/Prof Services \$75,000 Programs \$750,000 Construction Financing	20-40	New
Total 2004-2009	\$2,925,000	35-70	New
Maximum Potential Inclusionary Credit (2:1 Ratio)		18-35	

In the first five years of this Implementation Plan period, up to approximately 70 units could be developed in two housing projects. All of these units would be intended to be affordable to lower and moderate income households. However, because only one of the potential sites for these projects is located within the Project Area, it is likely that only half of the units (18-35) could be counted as Project Area inclusionary units. Nevertheless, the Project Area would meet or exceed its anticipated inclusionary obligation under current development projections for the five-year period if it provided these affordable units.

C. Housing Fund Expenditure Requirements

Minimum Allocation of Tax Increment Revenue to Housing Activities

The Agency must comply with Section 33334.2, which requires Agencies to reserve 20 percent of their gross tax increment revenue for affordable housing activities. This amount must be deposited into a Housing Fund created to hold this revenue until expended. The revenue projections below assume that 20 percent of the Project Area's tax increment revenue will be deposited into the Housing Fund in each of the years covered by the Plan. **Table H-4** below shows the amount of tax increment revenue estimated to be available for the next ten years. These figures do not include potential interest earnings on the revenue, but any such earnings would be added to the available fund balance each year.

Table H-4: Housing Tax Increment Revenue⁴

Fiscal Year	20% Tax Increment Deposit to Housing Fund
Estimated Beginning Fund Balance July 1, 04	\$900,000
04-05	\$386,500
05-06	\$396,500
06-07	\$421,900
07-08	\$432,800
08-09	\$443,900
09-10	\$455,400
10-11	\$467,300
11-12	\$479,200
12-13	\$491,600
13-14	\$504,300
Total 10-Yr Deposits	\$4,479,400
Total 10-Year Funds Avail	\$5,379,400

Estimates provided by the City Finance Department, December 2003

Proportional Spending Requirements

The Project Area is subject to the Section 33334.4 requirement that the Agency expend these housing funds in accordance with an income proportionality test and an age proportionality test. These proportionality tests must be met every ten years through the end of the redevelopment project, corresponding to the ten-year Implementation Plan periods. These tests do not have to be met on an annual basis.

Proportional Spending by Income Level

The income proportionality test requires the Agency to expend tax increment funds in proportion to the housing needs that have been determined for the community pursuant to Section 65584 of the Government Code. The proportionality test used in this Implementation Plan is based on the regional housing need allocation contained in the most recent update of the City's Housing Element. The Agency's proportional spending goals for the ten-year period are shown below in **Table H-5**.

Table H-5: Proportional Spending Requirements by Income Level

Income Level	Housing Need Allocation (Units)	Required Spending Proportions
Very Low	82	44%
Low	41	22%
Moderate	63	34%

Section 33334.4 requires that at least 44 percent of the Housing Fund be spent on very low income housing. In addition, at least 22 percent of these funds must be spent on low income housing, and no more than 34 percent of the funds can be spent on moderate income housing. The Agency may choose to spend more of the funds for very low income housing, and subtract a commensurate amount from the low and/or moderate income thresholds. Similarly, the Agency may spend more on low income housing by reducing the spending on moderate income housing. In no event shall the expenditures on moderate income housing exceed the established threshold amount of 34% of total spending over the ten-year

⁴ These revenues do not include potential interest earnings on the fund balance.

period. Based on these spending goals and an assumed funding availability of \$5 million for the ten-year period, a minimum of \$2.2 million should be spent on very low income housing, at least \$1.1 million on low income housing, and no more than \$1.7 million on moderate income housing.

Proportional Spending by Age Group

Section 33334.4 also requires that the Agency housing funds be spent to provide, improve or preserve housing that is not age-restricted (family and other all-age housing), in at least the same proportion as the population under age 65 bears to the City's total population as reported in the most recent census of the United States Census Bureau. The 2000 Census indicates that 86 percent of the City's population, or 8,613 residents, are younger than 65 years of age. Fourteen percent of the residents, approximately 1,420 people, are seniors aged 65 and older. In accordance with these proportions and an assumed \$5 million in available funds, at least 86 percent of the Housing fund revenue, or approximately \$4.3 million, must be spent on housing that is available to people of all ages (non-elderly housing). The remaining 14%, or up to \$700,000 can be spent on elderly housing over the ten year period. If the Agency desires to spend more than this amount on elderly housing, it could commit operating (non-housing) funds to the project(s).

Excess Surplus

Excess surplus is any unencumbered amount in a Project Area's Housing Fund that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the Housing Fund during the Project's preceding four fiscal years. The Agency has a projected excess surplus of approximately \$145,000 for fiscal year 2002-03, however the Agency intends to spend this money on a planned rehabilitation project (Silvercrest Apartments) prior to the beginning of the new implementation plan period (July 1, 2004). The expenditure plan shown below in **Table H-6** is designed to avoid the risk of excess surplus during the 2004-2014 period.

D. 2004-2014 Housing Program and Expenditure Plan

This Housing Program is based on a strategy that differs slightly from that in the previous Implementation Plan. The prior strategy was based in large part on spending each year's tax increment revenue annually on *ad hoc* loan programs for housing rehabilitation and first-time homebuyer purchases, and two financial assistance programs, assuming that the initial accrued fund balance would be spent on a planned mobile home park resident purchase project in the first year of the period. That project was not implemented, although a different park purchase project was implemented later in the plan period. The Agency has had difficulty in achieving its planned annual spending levels on the *ad hoc* loan programs, as the level of demand for these loans has been well below that anticipated by the planned annual budget allocations, except for the pent-up demand for mobile home rehabilitation loans that was largely met during the first two years of the Rehabilitation Program. Despite repeated outreach efforts, program modifications, and funding availability, the First Time Homebuyer Program was able to facilitate two home purchases during the five-year period, only one of which was funded with Agency housing funds.

For this reason, this Housing Program and Expenditure Plan is based on a strategy of using incoming tax increment revenue for those expenditures that can be made in a timely manner and are triggered by Agency action, rather than by sporadic public requests for loans. Under this strategy, the risk of excess surplus is reduced, and spending can be focused on improving and increasing the city's stock of permanently affordable housing. Expenditures in this category include specific projects (new construction, substantial rehabilitation, or rental acquisition/price-restriction) and ongoing expenditures that have historically maintained a steady rate of spending close to that of the annual funding allocation

(administration and the homelessness prevention programs). Both of these types of expenditures are generally grants rather than loans.

Less predictable programs, such as the loan programs for housing rehabilitation and first time homebuyers, can be funded primarily by sources other than new tax increment revenue, and which are not required to be spent within a strict timeframe. These sources include the City's HOME Program Reuse Fund and CDBG Program Income Fund, and the RDA Housing Fund's portfolio of prior housing loans (also known as deferred revenue). Approximately \$290,000 is currently available from these sources, and nearly one million dollars in deferred revenue (loans payable), will become available as loans are paid off over the next ten years or so. Given the rate of utilization of these programs in recent years, these alternative funding sources should be sufficient to meet the projected level of demand for rehabilitation and first-time homebuyer programs. The City of Capitola will also have future opportunities to apply for HOME, CDBG and other funding to provide resources for these activities. Although the Agency will continue to provide the loan programs using these alternative funding sources, they are not included in the schedule below, which includes only activities funded by the RDA tax increment revenue to be received during the coming 10-year plan period.

Table H-6 on the following page shows the expenditures planned for the next ten years. The expenditures can be broken into three general categories as described above: special projects, administration, and ongoing assistance programs. Amounts for the administration and the assistance programs are based on the annual average amounts expended on these costs during the past five-year period and an estimated rate of usage in the future.

Expenditures

Special Projects

Special projects are those focused on producing deed-restricted affordable housing units⁵ on a particular piece of property in order to increase the permanent stock of affordable housing in the project area or city. Such units can be produced through new construction, substantial rehabilitation, or, in the case of qualified multi-family rental housing, acquisition and deed-restriction. The Agency can make loans and grants from the Low and Moderate Income Housing Fund to non-profit or for-profit developers for the new construction or rehabilitation of affordable housing. Loans can be made on a deferred payment and/or below market interest rate basis. The Agency can also participate by assisting in the acquisition of land, land cost write-down, developer recruitment, credit enhancement, or in other ways to make development of affordable housing feasible. This is usually done after identification of a housing site, development of a housing concept, and issuance of a Request for Proposals for development of the project. Such affordable housing can be rental or ownership housing. In order for such units to count as inclusionary units in fulfillment of a project area's inclusionary obligation, they must be deed-restricted to be affordable to the applicable income level for a term no shorter than 45 years for ownership housing, and 55 years for rental housing.

The expenditure plan for the next ten years includes three special projects, as follows: a family/all-age rental housing project, a family/all-age first-time homebuyer project, and an all-age transit-oriented development. The specific sites for these projects have not been selected at this time, however there are a number of sites identified in the housing sites inventory of the most recent Housing Element Update that have potential for development of these projects. Expenditures in this category are estimates of the potential funding the Agency could contribute to the projects based on projected Agency revenue. It is

⁵ Units that could serve as Project Area inclusionary units if needed.

anticipated that other funding sources would also be needed, such as the developer's financing, other state and federal housing funding, and other loans or grants.

Table H-6: Ten-Year Housing Expenditure Plan

Year	Proposed LMIHF Expenditures	Funding Distribution by Income Level			
		Very Low	Low	Moderate	TOTAL
04-05	Predevelopment Grant	\$200,000	\$100,000		\$300,000
	Family/All-age Rental Housing Administration				\$50,000
	Assistance Programs	\$60,000	\$15,000		\$75,000
05-06	Project Financing	\$666,667	\$333,333		\$1,000,000
	Family/All-age Rental Housing Administration				\$50,000
	Assistance Programs	\$60,000	\$15,000		\$75,000
06-07	Administration				\$50,000
	Assistance Programs	\$60,000	\$15,000		\$75,000
07-08	Predevelopment Grant			\$250,000	\$250,000
	FTHB Family/All-age Housing Administration				\$50,000
	Assistance Programs	\$60,000	\$15,000		\$75,000
08-09	Project Financing			\$750,000	\$750,000
	FTHB Family/All-age Housing Administration				\$50,000
	Assistance Programs	\$60,000	\$15,000		\$75,000
09-10	Administration				\$60,000
	Assistance Programs	\$60,000	\$15,000		\$75,000
10-11	Administration				\$60,000
	Assistance Programs	\$60,000	\$15,000		\$75,000
11-12	Predevelopment Grant	\$233,333	\$116,667		\$350,000
	Transit-oriented Development Administration				\$60,000
	Assistance Programs	\$60,000	\$15,000		\$75,000
12-13	Project Financing	\$666,667	\$333,333		\$1,000,000
	Transit-oriented Development Administration				\$60,000
	Assistance Programs	\$60,000	\$15,000		\$75,000
13-14	Administration				\$60,000
	Assistance Programs	\$60,000	\$15,000		\$75,000
Total Spending 2004-2014					
	<i>Projects Subtotal</i>	<i>\$1,766,667</i>	<i>\$883,333</i>	<i>\$1,000,000</i>	<i>\$3,650,000</i>
	<i>Programs Subtotal</i>	<i>\$600,000</i>	<i>\$150,000</i>	<i>\$0</i>	<i>\$750,000</i>
	<i>Administration Subtotal</i>	<i>\$266,210</i>	<i>\$133,105</i>	<i>\$150,685</i>	<i>\$550,000</i>
	TOTAL	\$2,632,877	\$1,166,438	\$1,150,685	\$4,950,000

Administration

Administration includes costs for professional services and other administrative costs incurred in the course of operating the Housing division of the Agency. This category is used for general administration costs not associated with any specific project or program in particular, such as annual audits and legal

services. Project-specific administrative costs are included within the budget of each project or program. Amounts allocated to this category in the expenditure plan are based on average spending over the past plan period, with a slight increase to allow for inflation in the second five-year period.

Assistance Programs

The agency currently offers two assistance programs designed to prevent and terminate homelessness: the Security Deposit Program and the Emergency Housing Assistance Program. As explained above, both of these programs have had a steady rate of utilization since their inception, and provide an important safety net for low and very low income households who are very vulnerable to homelessness in the event of a job loss, illness, or other such event in this high cost housing market. The amounts allocated toward this category are based on the current budgets for these two programs, which have remained relatively stable or increased slightly over the past plan period. If utilization rates change, these allocations can be adjusted up or down or shifted between programs.

Compliance with Proportional Spending Requirements

Income Proportionality

The expenditure plan was designed to meet the proportional spending requirements based on income level as described in the previous section. A comparison of the spending goals to the expenditure plan is shown below in **Table H-7**. As shown, the expenditure plan meets or exceeds the minimum spending requirements for both the low and very low categories, in accordance with the income proportionality requirement.

Table H-7: Compliance with Proportional Spending Requirements

Income Level	Required Spending Goal	Planned Expenditures
Very Low	44%	53%
Low	22%	24%
Moderate	34%	23%

Based on the expenditure plan shown in **Table H-6**, and a presumed availability of approximately \$5 million in funding over the ten years, the housing program will exceed the required proportional spending goal for very low income, with 53% of total expenditures going to this income category. However, as it is difficult to predict exact subsidy amounts required for projects not yet clearly defined, the actual expenditures will likely differ slightly from those in the plan, but will be in the range of \$2.2 to \$2.7 million (44% to 53% of total). Likewise, for the low income category, spending will range from \$1.1 to \$1.2 million. Spending for moderate income housing will range from \$1.15 to \$1.7 million, depending on available funding after the low and very low income minimum required spending goals have been met.

Age Proportionality

In order to comply with the age proportionality test, which requires at least 86% of the ten-year tax increment revenue to be spent on all-age housing, the first two projects on the expenditure plan are designated as family/all-age housing. The third project is also assumed to be all-age, although it may include a mix of units from studios to multiple-bedroom units so that seniors could be accommodated as well as larger households of any age. Under this ten-year plan, 100% of the expenditures are planned for housing that would not be subject to age restrictions, therefore the 86% requirement is met. However, as the special projects planned would not have any age restriction, senior households would have equal access to all of the housing in the special projects, subject to the same potential eligibility requirements

relating to household size, income level, and/or first-time buyer status, as would households of any age. Some of the units in any of the projects, most likely the transit-oriented development, could be designed more specifically with seniors and/or small households in mind. The emphasis on family/all-age housing in this plan period is warranted given both the age proportionality requirement, the scarcity of affordable multiple-bedroom all-age units on the market, and the disproportionate amount of funding spent on senior housing in the previous plan period (described in more detail below).

Expenditures during Previous Plan Period

According to Section 33490 (a)(2)(C)(iv), implementation plans should include the information described below on expenditures made during the previous implementation plan period (FY 1994-95 through 2003-04). This information is provided below each bulleted item.

- *The amounts of Low and Moderate Income Housing Fund moneys utilized to assist units affordable to and occupied by extremely low income households, very low income households, and low-income households;*

During this period, \$2,036,499 in Agency funds was spent or is planned to be spent to assist 89 units affordable to and occupied by very low income households, and \$500,000 will be spent to assist 46 units affordable to and occupied by low income households (see Table H-8 below).

- *The number, the location, and level of affordability of units newly constructed with other locally controlled government assistance and without agency assistance and that are required to be affordable to, and occupied by, persons of low, very low, or extremely low income for at least 55 years for rental housing or 45 years for homeownership housing;*

No such units were constructed without Agency assistance.

- *And the amount of Low and Moderate Income Housing Fund moneys utilized to assist housing units available to families with children, and the number, location, and level of affordability of those units.*

A total of \$477,000 in Agency funds was provided to assist affordable family housing during this period. Twelve units of very low income public housing located on Grace Street within the Project Area were rehabilitated with \$200,000 in Agency assistance, and six new units of very low income family housing were built on the corner of 38th Avenue and Brommer Street in Capitola with \$277,000 in Agency acquisition assistance, in addition to CDBG funds provided by the City.

In addition to the expenditures described above, in 1999 the Agency also spent over a million dollars to assist the resident acquisition of a 90-space mobile home park for seniors (Loma Vista). Although many of the senior occupants assisted were of low, very low, or extremely low income, the units were restricted to allow purchase by households with up to moderate incomes. In total, assuming the Silvercrest project is completed as planned, the Agency will have assisted 182 senior housing units (90 of which are park spaces), 25 units for single disabled persons, and 18 family units over the last ten year period, with over \$3 million in funding for senior housing, \$1.2 million for housing for disabled persons, and \$477,000 for family housing. Expenditure amounts shown on **Table H-8** below include the value of land purchased by the Agency and provided as sites for the Dakota and Habitat projects.

Table H-8: Housing Units Funded during 1994-2004 Plan Period

Agency Housing Expenditure			Affordability Level of Housing Units Assisted			
Project Name	Amount	FY	Extremely Low	Very Low	Low	Moderate
Rehabilitation of Grace Street Family Apartments	\$200,000	96-97		12		
38 th Ave Habitat for Humanity Family Housing	\$277,000	98-99		6		
Dakota Accessible Apts 3245 Clares St.	\$1,207,000	98-99		25		
Silvercrest Senior Apts Rental Rehab ⁶ 750 Bay Ave.	\$1,020,000	03-04		46	46	
Loma Vista MHP Resident Acquisition	1,100,000	99-00				90
TOTAL	\$3,804,000		0	89	46	90

In addition to the above expenditures, in the previous five-year period, the Agency provided approximately \$720,000 in the form of loans or grants to help eligible households rehabilitate their mobile homes, purchase homes, move into new rental units, and to avoid eviction or foreclosure. Generally this assistance did not restrict the actual housing unit where the assisted household resided, although the loans carried terms to provide the Agency with a reasonable return on investment that will be used to fund future assistance programs.

Table H-9: Agency Assistance Provided to Households 1999-2004

Project/Program	Actual Agency Expenditure
Rehabilitation Loans	\$ 470,000
First Time Homebuyer Loans	\$ 60,815
Security Deposit Program	\$ 45,610
Emergency Housing Assistance Program	\$ 123,900
TOTAL	\$720,325

⁶ Agency funding for this senior housing project is scheduled to be committed at the January 22, 2004 board meeting. The City will apply for an additional \$1,000,000 in CDBG funding for this project in February 2004.

PART TWO: REDEVELOPMENT IMPLEMENTATION**A. Goals and Objectives of the Redevelopment Project*****Original Project Area***

The goals and objectives identified in the 1999 Implementation Plan related to redevelopment (non-housing) activities were:

- Adequate Public Infrastructure and Improvements: Assist with elimination of deficiencies in the (Original) Project Area, including continued focus on addressing or preventing deteriorated and inadequate public improvements.
- Adequate Public Facilities: Assist with provision of adequate public facilities such as parks and libraries within or proximate to the (Original) Project Area, if the facilities are of benefit to the project area and no other reasonable means of financing the project exists.
- Strengthen Commercial Functions [Economic Development]: Assist with strengthening the economy of the (Original) Project Area and of the City.

Adequate Public Infrastructure and Improvements

The public infrastructure and improvements component of the Original Project Area will have been largely completed, or at least fully funded, by 2004-05. In 2000 the Agency issued a bond for one million dollars to finance a number of roadway improvement projects in the Original Project Area. Several of those projects have been completed and others are budgeted for completion in 2003-04 (however construction may extend into 2004-05). These projects will be paid for with proceeds from this bond, therefore they are not shown on **Table R-1**, which lists the projects to be funded with the tax increment revenue to be received from FY 2004-05 through FY 2008-09. Earlier improvements included the widened bridge over Highway 1, the completion of the Clares Street around the Mall, and other access improvements around the commercial center of the Original Project Area.

Adequate Public Facilities

Public facilities include parks, community centers, libraries, open space and cultural facilities. Such facilities can be provided in conjunction with public schools to enrich the educational experience. Projects in this category can be funded using Redevelopment Agency and/or other funds from the City, State and Federal governments. These projects make the Original Project Area a more desirable place to live and do business. During the prior Implementation Plan period a modular public library building was developed on the City-owned Clares/Wharf property that is located in the Added Area. A portion of the project funding was provided by the Agency based on anticipated patronage by residents and employees of the Project Area. This plan provides for the accumulation of funds for the design and construction of a 7,000 square foot permanent library within either the Original or Added Project Area, or at another location within the City limits that would provide benefit to the residents and employees of the Project Area. The goal is to set aside approximately \$25,000 per year, or larger amounts when feasible, toward the new library facility, so that it will be constructed by the year 2018-19.

Strengthen Commercial Functions (Economic Development)

Economic development includes activities such as small business loan programs and other programs designed to attract and/or retain businesses and employers so that local residents have access to jobs, goods and services, and the city maintains a sound tax base to finance public services. Other methods

of economic development are used to improve the Original Project Area's attractiveness to local residents and visitors, through activities such as facade improvement loans, marketing efforts, and support of cultural activities and entertainment to bring patrons into the commercial districts. To date, no specific programs have been funded by the Agency under this category, however the infrastructure improvements provided to date have been critically important to the economic viability of the commercial portion of the Original Project Area, and have enabled it to remain a regional center for jobs and commerce.

Added Area

As most of the programs and projects identified in the Redevelopment Plan for the Original Project Area have already been implemented, and there is a limited amount of funds available for allocation during the next five years, the current Implementation Plan focuses on the Added Area, which is blighted and abandoned at this time. The following are the goals and objectives for the Added Area:

- To provide public access to the restored historical Rispin Mansion, gardens, and grounds, guaranteed by appropriate legal instrument;
- To protect and enhance the ecosystem of the Rispin Mansion site, especially the riparian habitat and the Monarch Butterfly habitat, guaranteed by appropriate legal instrument;
- To achieve historical certification of the project (as a rehabilitation/development project of a property on the National Register of Historic Places) from the State Historic Preservation Office/National Park Service, and obtain Historic Investment Tax Credits;
- To retain as much undeveloped open space on the Rispin Mansion site as possible, guaranteed by appropriate legal instrument;
- To provide a special event facility for public use in the gardens;
- To provide a meeting/wedding/multi-use facility for the public;
- To create a stable/profitable economic investment;
- To provide employment opportunities;
- To provide the City of Capitola with the best economic return possible, while eliminating a current revenue drain; and
- To increase high-level visitor-serving days for the City and the Capitola Village by providing high quality lodging accommodations.
- To address the blighting conditions of the Rispin Mansion property, to eliminate the attractive nuisance, vandalism, fire danger, and other public health and safety hazards of the property in its present condition.

B. Specific Programs for 2004-2009 and Relationship to Blight Elimination

The Agency anticipates funding the projects and programs described below during the next five-year period (2004-2009). The proposed program will improve the site infrastructure, such as parking,

drainage, sewer, and other utility improvements. It will also create a new facility open to the public in the restored Rispin Gardens and monarch butterfly habitat. The planned inn/meeting facility will serve as an economic engine for the Added Area by attracting visitors, creating jobs for residents, and sales and hotel occupancy tax revenue to support public services and facilities. The following list of specific projects and programs represent the types of Agency assistance that could be provided to assist in the rehabilitation of the Mansion. The relationship between the goals and objectives, project and program and blight elimination is provided in **Table R-1**.

1. Rehabilitation

The Agency may offer financial assistance in the form of low interest or zero-interest participatory loan. By providing this loan, the Agency will make rehabilitation feasible without which improvement would not be considered possible because of the unlikelihood of an adequate return on the investment. The financial assistance could be used for the reconstruction of the building, improving utilities and restoration of the gardens.

2. Ground Lease of Site

The Agency may lease the Rispin property to a developer rather than sell the property outright. This reduces initial development costs associated with land acquisition.

3. Site Preparation

The Agency could assist in preparing the sites for the new rooms and facilities. This could include demolishing existing improvements, removing debris, leveling sites for the building pads.

4. Infrastructure Improvements

Improving the infrastructure will help to make rehabilitation of the Mansion financially feasible by eliminating costs that might otherwise be borne by the private sector. The Agency could assist in bringing upgraded water, sewer and electric facilities to the site. The Agency could also assist in upgrading the parking lot.

5. Hazardous Waste Remediation

The Agency may assist in costs of removing asbestos and abating mildew. This could also be accomplished through a low interest or zero-interest participatory loan.

6. Other Redevelopment Activities

The Agency will incur various administrative costs associated with implementing the Added Area. These will include staff time; special legal and technical assistance; and Police and Public Work's assistance in securing the site during rehabilitation.

Table R-1: Relationship Between Goals & Objectives, Projects & Programs, and Blight Elimination

PROJECTS & PROGRAMS	GOALS AND OBJECTIVES										BLIGHTING CONDITIONS	
	Restore Mansion & Grounds	Project Eco-system	Obtain Historic Tax Credit	Retain Open Space	Provide Garden Events Facility	Provide Multi-Use Facility	Create Stable & Profitable Investment	Provide Jobs	Eliminate Economic Drain	Increase Visitor Serving Days	Unsafe Conditions	Impaired Investments
Site Preparation	x	x	x	x			x	x	x	x	x	x
Utilities & Infrastructure	x				x	x	x	x	x	x		x
Development Costs ⁷	x	x	x	x	x	x	x	x	x	x	x	x

⁷ Includes ground lease of site and assistance in Mansion rehabilitation and hazardous waste remediation

C. Five-Year Expenditure Plan 2004-2009

The Redevelopment Plan provides the Agency with the necessary legal authority and flexibility to implement the revitalization of the Project Area. The Plan authorizes the Agency to finance the Project with financial assistance from any or all of the following sources: City of Capitola; State of California; federal government; tax increment funds in accordance with provisions of redevelopment law; any Agency bonds; interest income; loans from private financial institutions; lease or sale of Agency-owned property; donations; and any other legally available public or private sources. For purposes of this Implementation Plan, only tax increment revenues are known to be available at this time and are included in the expenditure program below.

The Agency may create indebtedness, issue bonds, borrow funds or obtain advances in implementing and carrying out the specific intents of a redevelopment plan. The Agency is authorized to fund the principal and interest on the indebtedness, bond issues, borrowed funds or advances from tax increment revenue and any other funds available to the Agency. To the extent that it is able to do so, the City may also supply additional assistance through City loans or grants for various public facilities or other project costs. **Table R-2** below shows only the tax increment revenue received each year. It does not include the projected beginning fund balance of \$1,964,430 as of June 30, 2004, interest income, or other types of anticipated revenue, if any, however those funds are shown on **Table R-4** on the following page.

Table R-2: Anticipated Tax Increment Dollars from Project Area (Original and Added Areas)

Fiscal Year	Gross Tax Increment ⁸	20% to Housing Fund	Pass-Through Obligations	Contractual Obligations	Net Increment
2004-05	\$1,961,000	\$386,500	768,000	424,000	\$382,500
2005-06	\$1,995,000	\$396,500	803,000	427,000	\$368,500
2006-07	\$2,110,000	\$421,900	839,000	444,000	\$405,100
2007-08	\$2,164,000	\$432,800	861,000	1,414,000	\$(543,800)
2008-09	\$2,220,000	\$443,900	884,000	417,000	\$475,100
Total	\$10,450,000	\$2,081,600	\$4,155,000	3,126,000	\$1,087,400

As shown above, the bulk of the tax increment revenue received over the next five years will be spent on pass-through commitments, debts and other contractual obligations incurred in prior years, such as the cooperative agreement with the City, payments to the library district and other special districts, and the mandatory 20% housing set-aside. In Year 4 a loan of \$1,000,000 used to fund Agency infrastructure improvements in the Original Project Area in the prior plan period will become due, leaving the Agency with an operating shortfall in that year. The total tax increment revenue available for allocation to projects and programs for the next five years is estimated to be approximately \$1,087,400 after all the mandatory expenses are paid. The Agency plans to use this amount toward projects in the Added Area by providing a loan of \$2.4 million to the developer of the Rispin project. Given the anticipated shortfall in funding during the five-year period, the Agency will likely take out loans in order to provide sufficient funds. See **Table R-3** for more detail.

Table R-3: List of Specific Projects and Programs 2004-2009

Added Project Area Capital Improvement Program	Cost	Allocation
<i>Site Preparation</i>	784,000	784,000
<i>Utilities & Infrastructure</i>	291,000	291,000
<i>Development Costs</i>	1,343,000	1,343,000
Program Total	2,418,000	2,418,000

⁸ Includes estimated annual interest earnings at 1.5%.

Table R-4 below illustrates the projected cash flow for the Agency for the five-year period, using the financial figures provided by the City Finance Department and by Keyser Marston Associates.

Table R-4: Agency Cash Flow, 2004-2009

Third Amendment Plan Year:	1	2	3	4	5
Fiscal Year	2004-05	2005-06	2006-07	2007-08	2008-09
	(\$000's omitted)				
Beginning Balance	1,921	845	0	0	0
Resources:					
Tax Increment net of Housing.- Original	1,546	1,586	1,627	1,670	1,713
Tax Increment net of Housing - Added Area (1)	0	0	60	62	63
Housing Set Aside - Original	386	397	407	417	428
Housing Set Aside - Added Area	0	0	15	15	16
Interest	29	13	0	0	0
Total Projected Resources	1,961	1,995	2,110	2,164	2,220
Expenditures:					
Affordable Housing Program	386	397	422	433	444
Cooperative Agreement	175	177	191	195	201
Pass-Throughs – Original	768	803	824	845	867
Pass-Throughs - Added Area	0	0	15	15	16
ERAF	84	0	0	0	0
Professional Services Budgeted	52	52	54	55	56
Other Obligations Budgeted	243	243	245	1,208	206
CIP Budgeted	475	0	0	0	0
CIP Added Area (from Table R-3)	800	1,618	0	0	0
Other Costs - Added Area	55	27	0	0	0
Total Projected Expenditures (3)	3,037	3,318	1,750	2,752	1,789
Loan Advance (2)	0	477	0	588	0
Loan Repayment (100% of Net)	0	0	(359)	0	(431)
Ending Balance	845	0	0	0	0
<i>Notes:</i>					
(1) Tax increment for the Added Area may continue to be allocated for a maximum of 45 years from the adoption date.					
(2) Added Area loan may be funded from any allowable financing source, including tax allocation bonds, bank loans, developer loans, land sale proceeds or legally available public or private source.					
(3) Up to 10% of the allocated funding for each expenditure item may be shifted to one or more other expenditure items.					

As seen on the line labeled "Loan Advance," the Agency will take out a loan to be repaid by future tax increment revenue in order to provide sufficient funding for the planned expenditures in Years 2 and 3 of this period. The Capital Improvement Program for the Added Area (last expenditure shown on table) includes the projects listed in **Table R-3**.

CONCLUSION

This implementation plan and progress in its implementation shall be reviewed in 2006. A public hearing shall be held at that time to solicit comments from the public on the plan and on any proposed mid-term changes to the plan.