

HERCULES

RE: DEVELOPMENT



CITY OF HERCULES REDEVELOPMENT AGENCY NEWSLETTER AFFORDABLE HOUSING EDITION

Message From The Executive Director

Information within this newsletter is provided to inform members of the community on the many city issues related to housing. Hercules has done a great job in addressing the identified local, regional, and state housing needs. Accomplishments can be attributed primarily to the work of the private sector (profit and non-profit) and the redevelopment agency of Hercules.

Housing goals and requirements established by the State of California Housing and Community Development Department and the Association of Bay Area Government (ABAG) revolve around a five-year cycle. The end of 2009 is upon us and so is the current evaluation and performance measurement cycle. Hercules is preparing a comprehensive strategy on how to continue to meet the housing needs of the community and become an active contributor to the needs of the region.

Affordable Housing has always been identified as a needed component of most cities and counties. The needed supply is not there to address the outcry by housing advocates and by the recipients of the affordable housing units. In today's times, affordable housing is becoming re-classified under a new term: work-force housing. The average income of a two-income household falls short of the required income to afford a typical home in the Bay Area. A household of four in Contra Costa County can earn up to \$107,150 annually and be considered as a moderate-income household under state income guidelines, making the household eligible for financial assistance in renting or purchasing a home.

Hercules is sensitive to this reality. California Redevelopment Law (CRL) requires that affordable housing or assistance be provided to households that meet very clear qualifying income criteria. As the city continues to grow and prepares to deliver commercial and retail opportunities, the need for housing for said employees will increase. Most school district, city, county, state and federal employees fall within the low to moderate income criteria and are eligible for assistance. In the private sector, most of the non-executive level labor force also falls into this scenario.

ABAG has projected that by the year 2035 the Hercules population will grow to 34,900 living in a projected 11,700 households. In addition, employment for the same period (within the city) will be at 5,610 jobs. Most alarming is the projection that in 2035, Contra Costa County households will spend 61% of their income on housing and transportation. Although 2035 may appear to be out in the distant future, the time for planning and preparing is now. Please read the enclosed information and more importantly become involved in the process by participating in the upcoming community meetings related to these subjects. As always, feel free to call me if you have any questions.

Sincerely,
Nelson E. Oliva
City Manager/Executive Director
Hercules Redevelopment Agency

"I can honestly say that the "Dynamic City" gave me a chance to live the dream of ownership" -Kathy Owens

Background On The Hercules Redevelopment Agency

Redevelopment and Affordable Housing are often intertwined, but not always understood. The State of California requires the creation and use of the housing set-aside fund to provide housing opportunities to households of very-low to moderate income. Cities that have redevelopment agencies also have additional regulations and restrictions when it comes to Affordable Housing.

How Was Redevelopment Started In Hercules?

The City of Hercules was originally established as a company town for the California Powder Works Company, in 1881 and was eventually incorporated in 1900. To reverse the adverse economic and physical conditions of the City due to the closure of the dynamite and fertilizer production plant in 1977, the City established the

City of Hercules Redevelopment Agency to stimulate redevelopment and economic development projects. The City adopted its first redevelopment project area, the Dynamite Redevelopment project Area in 1983. The City's second redevelopment project area, Project Area No. 2, was initially adopted in 1999. In 2005, the project areas were merged and the Merged Project Area was created. In 2009 the Redevelopment Agency amended the Merged Project Area which added 58 acres to the area, extended the life of the existing plan and the time limit to collect tax-increment from the Dynamite Project area. In addition, the amendment re-instated the eminent domain authority for a period of twelve years over certain portions of the Dynamite Project Area.

What's the Basic Definition of Redevelopment?

Section 33020 of the California Government Code defines redevelopment to mean the planning, development, re-planning, redesign, clearance, re-construction, or rehabilitation or any combination of these, of all or part of a survey area, and the provision of those residential, commercial, industrial, public, or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them and payments to school and community college districts in the fiscal years specified in the relevant sections. A redevelopment agency can have several project areas. The City of Hercules currently has two.

How Do Redevelopment Agencies Get Their Funding?

Funding for redevelopment activities comes from the assessed valuation that occurs as redevelopment materializes in the project area. When a redevelopment plan is adopted, the total value of all taxable property in the project area is determined as a specific date, called the base year. From this date forward, all of the taxing entities that levy property taxes in the project area continue to receive accruable from this "frozen" value of taxable property. The increase property taxes generated from higher property values constitute the "tax increment" which is allocated to the redevelopment agency to pay for the costs of implementing the project.

Where Does Affordable Housing Funding Come From?

Redevelopment helps stimulate new construction and higher property values in the project area by eliminating physical and economic conditions that inhibit development.

Section 33334.2 directs the agency's obligation to use 20% of the tax increment to increase, improve, and preserve the community's supply of low to moderate income housing. Sections 50052.5, 50093, 50105 and 50106 define the requirements for determining households of extremely low, very low, low, and moderate-income.

Are The Low and Moderate Income Housing Funds Restricted?

The funds that are required by Section 33334.2 are to be used for the purposes of increasing, improving, and preserving the community's supply of low and moderate income housing. These funds shall be held in a separate Low to Moderate Income Housing Fund until used.

Any interest earned by the Low and Moderate Income Housing Fund and any repayments or other income to the agency for loans, advances, or grants, of any kind from the Low and Moderate Income Housing Fund, shall accrue to and be deposited in, the fund and may only be used in the manner prescribed for the Fund. Simply stated, Redevelopment Housing Monies cannot be used to fund any other type of government programs or activities.

The authority to provide low and moderate income housing is found in Section 33449. An agency may, inside and outside of any project area, acquire land, improve sites, or construct or rehabilitate structures in order to provide housing for persons and families of low or moderate income. The

□ *Continued on page 3*

❑ *Background continued from page 2*

agency may provide subsidies to, or for the benefit of, such persons and families or households to assist them in obtaining housing within the community.

Are These Loans Made in Accordance With Adopted Regulations?

Section 33763.5 states that all loans made by a redevelopment agency shall be made according to a regulation that contains standards, qualifications, and criteria for the making and approval of loans and that have been adopted by the redevelopment agency at a public meeting. The Hercules Affordable Housing Program guidelines and regulations have all been approved by the Board

of Directors of the Redevelopment Agency at a public regularly held meeting.

As in many communities, redevelopment provides one of the main economic tools to help the City of Hercules address blight and deliver economic opportunities to the community. Among the many goals of redevelopment is to deliver a sustainable community, which can provide constant income to the City of Hercules to fund general government services to its residents. Just as important are the creation of local jobs and the delivery of proper public infrastructure to the City.



Without Affordable Housing, many families could not purchase a home

For more information on redevelopment can be found in the Health and Safety section of the California Government Code.

State Agencies Partner with Hercules Affordable Housing

\$7,049,378 Awarded in Grant Funds

Several State housing agencies have partnered with the City of Hercules and the Hercules Redevelopment Agency on housing programs joining the local effort to further enhance the housing delivery in the city. The city and the redevelopment agency give credit to NEO Consulting/Affordable Housing Solutions Group for their preparation and submittal of competitive applications to these State agencies and for being awarded millions of dollars. Here is the list of funds designated for the city:

- *California Housing Finance Agency* (Cal HFA) has awarded \$2.2 million dollars under the HELP (Housing Enabled by Local Partnerships) program to assist with the Sycamore Downtown development. In addition the same agency provided an additional \$3.750 million under their RDLP (Residential Development Loan Program). All these funds have assisted the agency undertake the construction of the Sycamore Downtown development.

- *California Housing and Community Development Department* has awarded the City of Hercules two grants under the BEGIN (Building Equity and Growth in Neighborhoods) totaling \$1,080,000 million to assist first time homebuyers with down-payment assistance to purchase homes in specific developments. The two developments include the already delivered Baywood project and the upcoming Sycamore Downtown project.



Artist Rendering of Sycamore Downtown

- *The State Department of Housing* also awarded the City of Hercules with a smaller grant in 2005 under the Work Force Housing Grant Program (WFHP). The city designated these funds to be utilized to assist in the construction of the

Hercules library.

If you would like more information on these funds or how to received assistance with these monies, please contact the Affordable Housing program.

Two Local Businesses Celebrate One Year of Success!

Redevelopment Agency Primes Local Economic Pump

Businesses have welcomed the Hercules Business Development Loan Program as a tool to assist them to succeed in today's economic climate. The Board of Directors of the Hercules Redevelopment Agency (City Council Members) adopted the program in June of 2006. Since its establishment, a total of 20 businesses have applied and received assistance in excess of \$1,505,585 from the Redevelopment Agency tax increment funds.

Section 33444.5 of the California Health and Safety Code authorizes redevelopment agencies to provide financial assistance to commercial business within the redevelopment project area, which will be of benefit to the economic development of the community and/or provide jobs and services to the general population. The development of a sustainable community is considered to be a main goal for the redevelopment agency. Under AB1290, (legislation adopted in 1994), agencies are required to adopt a Five-Year Implementation Plan to serve as a road map for the use of redevelopment funds. Among the seven key goals of the agency's plan is the strengthening of retail and other commercial functions within the Project Area.

Hercules Fitness, a recent recipient of funds from the Agency, just celebrated its one year anniversary last month. The business sub-leases a building leased by the Hercules Redevelopment Agency. The Board of Directors was presented with the details of the sub-lease and the financial package needed to address tenant improvements at a regular meeting of the Redevelopment Agency. The establishment of said business within the North Shore Business Park has been a welcome addition to the Hercules community and the project area.

Upon completion of the Waterfront's Railroad Avenue Live-Work units, the space on the intersection of Railroad and Sycamore remained vacant for over 15 months. The Redevelopment Agency authorized the leasing of the



Powder Keg employees and the community celebrated when the restaurant opened in August 2008

vacant space in order to control the potential tenant; more specifically, the agency was searching for an operator of a restaurant to serve the local area. The objective was to encourage an existing local restaurant to occupy the space. Local operators were offered the space and the owners of a local sushi restaurant demonstrated interest.

The costs of tenant improvements became a major hurdle in the negotiations. The Board of Directors was presented with the details of the transaction at a regular meeting of the redevelopment agency. The operators of the establishment received a \$125,000 contribution toward improvements of the space leased by the agency. The balance of the improvement costs were provided via a loan under the program, secured by real property owned by the sub-tenants; Hence, the opening of the very popular Powder Keg Pub on the waterfront. This past August, they celebrated their one-year anniversary. The restaurant has created local jobs, sales tax dollars and provided exposure to the waterfront by attracting patrons to the area and other local businesses. It has become a stepping stone for the social environment that is soon to come to the Hercules Waterfront.

The Business Development Loan Program can provide loans of up to \$75,000 to assist businesses within the project area of the redevelopment agency. The loans are provided at a 3% interest rate, secured by property as collateral. Loans for a higher amount are subject to approval by the Board of Directors of the redevelopment agency. Based on the current loans provided, the program is anticipated to provide \$437,131 in new income, from interest, and said funds will revolve back to the agency for future redevelopment use.

"I began looking for a new site for a health and fitness club and identified Hercules as a possibility...I found that Hercules Fitness might be eligible for a loan through the Affordable Housing Program...we employ approximately 50 employees and serve in excess of 1800 members...we have integrated ourselves into the community" -Steve Buchanan, CEO Hercules Fitness

Hercules Redevelopment Five-Year Implementation Plan & Ten-Year Housing Compliance Plan Due for Renewal



Planned housing developments, such as the Waterfront, are detailed in the Redevelopment Five Year Implementation Plan and Ten-Year Housing Compliance Plan

The current Redevelopment Five-Year Implementation Plan and Ten-Year Housing Compliance Plan are up for renewal in 2009. The Plan was last updated upon the addition of new territory to the Merged (Dynamite Project Area and Project Area 2) Redevelopment Project Area earlier this year, however, the last full revision of the Plan was done in fiscal year 2004-05.

The Redevelopment and Affordable Housing staff has been working on the new Plan and expect to be presenting the Plan to the Board of Directors of the Redevelopment Agency in late 2009. The Agency's goals and objectives, anticipated projects and programs, and estimated expenditures for the five-year planning period are detailed in the document. Health and Safety Code Sections 33490 and 33000 of the California Community Redevelopment Law require this Plan to include the following:

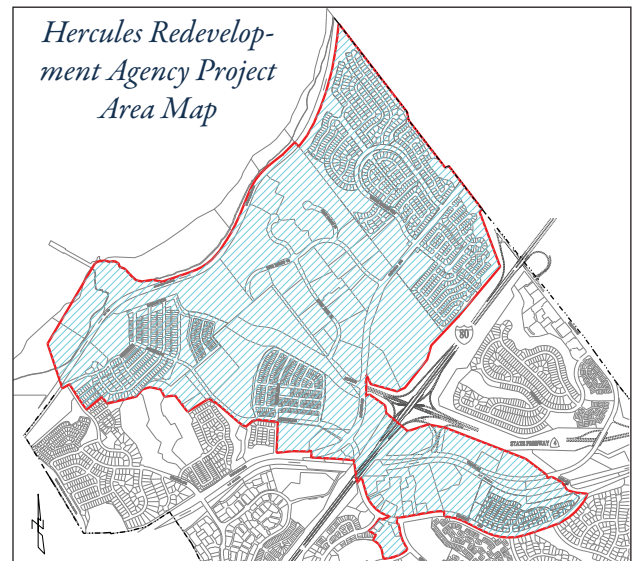
1. Specific Agency goals and objectives for the Merged Dynamite and Project Area 2 ("Merged Project Area");
2. Specific programs, potential projects, and estimated expenditures proposed by the Agency;
3. An explanation of how the Agency goals, objectives, programs, and expenditures will eliminate blight within the Merged Project Area and improve and increase the supply of affordable housing to very-low, low, and moderate-income households.

The Law also requires that the Plan address the Agency's affordable housing production and replacement housing needs and achievements. The Housing Compliance Plan incorporates a summary of the Agency's housing production activities and presents an affordable housing plan

for a ten-year period (2010-2020). The Housing Element of the City of Hercules outlines the City's strategy to preserve and enhance the community's residential character, expand housing opportunities for all economic segments and provide guidance and direction for local government decision making in all matters related to housing. The Housing Element must comply with all requirements of the California Community Redevelopment Law. The Agency's Housing Fund is identified by the City's Housing Element as one of the primary funding vehicles for addressing the City's affordable housing goals.

The Agency and City have a unique opportunity since the Housing Element, the Five-year Plan and Ten-Year Housing Compliance Plan are all due in the same timeline. A cohesive relationship between these planning documents would provide both entities with better planning tools to benefit the community.

The preparation of the next Plan is considered crucial due to the potential number of residential units that may be developed in the Merged Project Area. There are already several projects identified which may produce housing numbers in excess of 2000 units. All of these homes will require an inclusionary housing delivery which must be made available to very-low to moderate income households. Furthermore, the projected public infrastructure to facilitate proper development in the project areas is also important and will be clearly detailed within the Five-Year Plan. It is the opinion of staff working on the documents that this may be the most critical Plan for the Hercules Redevelopment Agency and the City of Hercules since the initial requirement of such documents by redevelopment law in 1994.



The Financial Position of the Hercules Affordable Housing Program

In 2003 the Board of Directors of the Redevelopment Agency re-implemented the Affordable Housing Program for the City of Hercules. The new program stopped using housing set-aside funds to provide grants and a new policy was implemented to make all financial assistance as loans. The goal is simple: "Loans Provided Today will Result in Funding for Future Housing Programs". The Hercules Redevelopment Agency has a loan portfolio of over \$9 million dollars in capital. The projected interest of these loans will further enhance the value of the portfolio. Based on the current outstanding loans, the Agency estimates the return of interest to the program as follows:

LOAN PROGRAM	OUTSTANDING LOANS	PROJECTED INTEREST
FIRST TIME HOMEBUYER	\$3,895,440	\$1,289,623
CITYWIDE EMPLOYEE INCENTIVE	\$401,500	\$132,938
HOME RETENTION & LOSS MITIGATION	\$2,409,538	\$2,213,353
INCLUSIONARY	\$705,000	\$233,379
BEGIN PROGRAM	\$270,000	No interest by program guidelines
REVITALIZATION & BEAUTIFICATION	\$494,319	\$171,876
HOME EMERGENCY REPAIR	\$14,432	\$4,015
CODE COMPLIANCE LOAN	\$25,514	\$8,652
BUSINESS DEVELOPMENT LOAN PROGRAM	\$1,505,585	\$437,131
Sub-Total	\$9,721,328	\$4,490,967
Total of principal and interest for outstanding loans due to return to the agency for future use \$14,122,295		

Future 20% Set-Aside Tax Increment

A major task was accomplished this past spring, redevelopment staff and consultants were successful in amending the redevelopment plan for the Merged Project area. This action added new territory to the Dynamite Project Area and extended the collection of Tax-Increment funds by ten additional years. The agency will receive tax-increment until 2054. This action is projected to potentially provide a total of \$626,000,000 in housing set-aside tax-increment. The financial feasibility analysis on this matter is part of the fiscal agent report for the 2009 amendment report of the Merged Project Area. A total of \$217,000,000 of this amount is needed to address present debt for outstanding housing bond; this leaves a potential \$409,000,000 of housing set-aside to address the future housing needs of the redevelopment project area.



Before



After

A Hercules Beautification Loan made this kitchen remodel possible and the interest earned on the loan will contribute to future affordable housing projects

Inclusionary Housing And A Strong Affordable Housing Program are among two of Hercules' Best Practices to Address delivery of Affordable Housing and the Regional Housing Needs Allocation (RHNA) Mandate



Ten Homes in Baywood were a part of the City's Inclusionary Housing Program, which is mandated by the State

Every city and county in the State of California has a legal obligation to respond to its "fair share" of the projected future housing need in the region in which it is located. The regional housing need mandate for Hercules and other Bay Area jurisdictions, is determined by the Association of Bay Area Government's (ABAG), based on an overall regional housing need number established by the State.

ABAG determines the "fair share" of the region's housing need that each jurisdiction must deliver during a specific performance period. The last performance period was from 1999 to 2006. The chart below indicates the region's mandate for Hercules and the City's performance/achievement. It is important to note that the delivery of housing units is defined by the income category of the intended/targeted households. During the last performance period, *Hercules delivered and exceeded the RHNA mandates.*

BAY AREA RHNA PERFORMANCE 1999-2006				
RHNA Allocation/Mandate	Housing Permits Issued	Percent of Allocation Permitted	Housing Production	Percent of Allocation Produced
792	2,075	262%	1,673	211%

The Next Performance Period

ABAG has determined the regional housing need allocations for the next performance period from 2007-2014. The Hercules mandate is to deliver 453 housing units into the income categories indicated below. These allocations are based on factors such as: 1) the vacancy rate in each city and the existing need for housing it implies; 2) the projected growth in the number of households; 3) the local and regional distribution of income; and 4) the need for housing generated by local jobs.

BAY AREA RHNA PERFORMANCE 2007-2014				
RHNA Allocation/Mandate	Very-low	Low	Moderate	Above Moderate
453	143	74	73	163

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□ *Inclusionary Housing continued from page 7*

How do we get there?

In looking for ways to encourage additional affordable housing, communities must set realistic expectations and devise reasonable approaches and policies to reach them. Jurisdictions have continually looked for ways to make the delivery of said housing a reality. In today's housing environment, this task has become more challenging than ever. Aside from the basic difficulties found in housing development— including land costs, un-friendly entitlement processes, and un-reasonable impact fees— developers and builders must also focus on complying with local “Inclusionary Housing Policies”.

However, while inclusionary housing policies are an important way of providing affordable housing in the Bay Area, policies and requirements vary by individual jurisdictions. Even though the Home Builders Association of Northern California opposes inclusionary housing policies and ordinances, they have participated in developing a number of key principles that improve inclusionary housing policies. These include:

- Affordable housing policies that require the development of “like for like” units distributed uniformly throughout the market-rate development are often not the most efficient way to provide affordable housing.
- To increase effectiveness and efficiency, inclusionary housing programs should provide flexibility and allow a range of alternative methods of providing affordable units.
- Affordable housing policies that maximize resources by providing more housing opportunities or deeper levels of affordability at the same or less cost should be encouraged.
- Local communities with inclusionary housing programs have a responsibility to contribute tangible and substantial resources so that the cost of providing affordable housing is spread fairly across the community.

Redevelopment Law

State Redevelopment Law mandates that with any development of market-priced housing in a redevelopment project area, inclusionary housing must be delivered to provide opportunities to low to moderate-income households. The California Redevelopment Law (CRL) requires that 15% of the total market-rate units be set-aside as affordable housing units and of that 15%, a sub-total of 40% must be delivered to very-low income households. Said units can be ownership units or rental units as decided by the local jurisdiction.

The Hercules approach

The City of Hercules adopted an Inclusionary Housing Ordinance in 2006 (Chapter 19 of the City Code). The ordinance gives direction on how to achieve the delivery of affordable housing units to comply with redevelopment law in project areas. In addition, the ordinance provides direction on the delivery of affordable housing outside of redevelopment project areas. The issue of affordable housing was previously addressed as a policy within the City's General Plan under the Housing Element. The delivery of affordable units outside the project area is 10%, with an objective to aide the City in meeting the Regional Housing Needs Allocation (RHNA) established by the State and Association of Bay Area Governments.



□ *Continued on page 9*

Victoria Green is another completed inclusionary housing project

□ *Inclusionary Housing continued from page 8*

With the proper policies, affordable housing programs and funding sources (redevelopment housing set-aside funds, state grants, private developer funds), and all the projected housing developments within the City (Bayfront/Waterfront, Hill Town, New Town Center, Sycamore Downtown, Sycamore Crossing and others [see exhibit on Built, Approved or In-Process Housing units]), Hercules is very optimistic that it will continue to meet and exceed the mandate to deliver housing in its community and further deliver affordable housing that will be of benefit to local residents and the region. The City and the Redevelopment Agency are dependent on its Planning Department and the Affordable Housing Division to make this objective possible.

2009 BUILT, APPROVED AND IN-PROCESS HOUSING UNITS																		
PROJECTS	PROJECT STATUS					PROJECT AREA	# UNITS IN PROJECT	REQUIRED AFFORDABLE UNITS	DELIVERED AFFORDABLE UNITS	AFFORDABILITY LEVEL							SURPLUS UNITS DELIVERED	
	IN PROCESS	ENTITLED	UNDER CONSTRUCTION	COMPLETED	AFFORDABLE UNITS DELIVERED					VERY LOW REQUIRED (40%)	VERY LOW DELIVERED	LOW	MEDIAN	MODERATE	OWN	RENT		
Oungoulian - Housing				x	n/a	outside	78	0	78					78		x	78	
KB Home - Cottage Lane				x	yes	outside	60	6	6			2	2	2		x		
KB Home - Sycamore Villas				x	yes	1	125	19	52	8	51			1		x	33	
Citation Homes				x	pending	outside	40	4	0							x		
Western Pacific - Promenade				x	pending	1	217	33	0	13	0	0	0	0		x		
New Pacific Properties - Victoria Green Project				x	yes	2	880	132	132	53	105	26		1		x		
Taylor Woodrow - Baywood				x	yes	1	78	12	12	5	5	2	2	3		x		
Bridge Housing - The Arbors				x	yes	1	60	9	60	0	30	30				x	51	
Lewis LLC Bayside - Lyon and Laing Sycamore North Project					in-process	1	335	50	96	20	50	0	0	26		x	x	76
Rail Road Live-Work - Cury				x	pending	1	17	3	0									
Sub Total I							1890	268	436	99	241	60	4	111			238	
FUTURE PROJECTS																		
KB - Refugio	x	x			pending	outside	40	4	0							x		
Anderson Pacific - Bayfront/Waterfront	x					1	1342	202		81								
Bayfront LLC/Cury	hold	lapse				1	50	8		3								
Santa Clara Housing Hill Town	x					1	640	96		39						x		
Red Barn																		
Market Town	x	x				1	256	38		15								
Red Barn																		
Cinema Town	x					1	600	90		36								
Red Barn																		
Transit Town	x					1	450	68		27								
RDA Project developer not determined																		
Sycamore Crossing	x					1	120	120		48								
Sub Total II-projected							3498	626		249								
TOTALS (PROJECTED)							5388	894		348								

An A+ Report Card on Performance

Hercules Redevelopment Agency Affordable Housing Program Makes the Grade

On May 22, 2001, the Hercules City Council authorized the City Manager's Office to implement an affordable housing program to assist the City and the Hercules Redevelopment Agency in meeting the requirements of the California Community Redevelopment Law and the goals and objective of the City's Housing Element.

In late 2003, the Council referred the program and the existing guidelines to the Planning Commission for review and recommendation. On November 11, 2003 the Council adopted Resolution Number 03-125 (the enabling resolution) re-affirming the Affordable Housing Program. Within the next few months amendments to the program guidelines were approved by the Commission. Upon approval, the Council and Board retained the services of a private consulting firm, Affordable Housing Solutions Group, to administer the day-to-day functions of the program. The directive was to create and establish a comprehensive affordable housing program that would exceed the mandate of the State in the affordable housing arena.

The program has grown and undergone several changes as required to maintain a pro-active approach to affordable housing delivery. Other programs have been added since the enabling resolution and all program guidelines have been presented to the Housing and Transportation Sub-Committee (comprised of two Board Members of the Redevelopment Agency). The Sub-Committee then refers all program guidelines and changes to the City Council and Agency Board for consideration and approval.

Why Have Affordable Housing?

Cities are required to have a Housing Element which spells out the goals and objectives by each community to provide or facilitate affordable housing opportunities to households of very low to moderate-income. In addition, redevelopment agencies must utilize 20% of their funds for affordable housing purposes. Section 33071 of Redevelopment Law states: "The Legislature further finds and declares that a fundamental purpose of redevelopment is to expand the

supply of low- and moderate income housing, to expand employment opportunities for jobless, underemployed, and low-income persons, and provide an environment for the social, economic, and psychological growth and well-being of all citizens".

"Thank you for allowing me to take advantage of the 1st time homebuyer program; it has made my dream come true to finally own a home." -Chris Mendoza

Loans Made In Accordance With Adopted Regulations

Section 33763.5 states that all loans made by a redevelopment agency shall be made according to a regulation that contains standards, qualifications, and criteria for the making and approving of loans and that have been adopted by the redevelopment agency at a public meeting. The Hercules Affordable Housing Program guidelines and regulations have all been approved by the Board of Directors of the redevelopment Agency at a public regularly held meeting.

Hercules Has A Very Active Affordable Housing Program

The following programs are part of and are administered by the Affordable Housing Division:

1. First Time Homebuyer (approved by the City Council April 13, 2004)

Assist First Time Homebuyers purchase a home within the City of Hercules. The program provides low interest deferred loans to very low to moderate income households to purchase existing homes.

Loans to Date: 77

Total amount of loans: \$3,895,440

Private sector dollars: \$20,442,840

2. Citywide Employee Incentive (approved by City Council April 13, 2004.

Accepted as conforming with Fannie Mae Guidelines on June 24, 2008)

Assist selected job categories working in the City of Hercules, which include Police, Firefighter, Teacher and City Employees to purchase a home in the City of Hercules. These positions are mandated by State policy to respond to their place of employment in case of an emergency. The program provides low interest-deferred loans subject to becoming a grant to very low to moderate-income employees.

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Hercules Home Before Receiving a Beautification Loan

Loans to Date: 14 (8 to teachers, 6 to city employees)
 Total amount of loans: \$401,500
 Private Sector Dollars: \$3,898,270

3. Home Retention & Loss Mitigation (approved by City Council May 22, 2007)

Provides a financial support system to borrowers of Agency funds to avoid foreclosure and loss of their home as a result of financial hardship; the program provides options for cooperative re-structuring. The focus of the program is to provide lending relief and support for borrowers aimed at helping them stay in their homes; avoid foreclosure; assist in mitigating negative credit ramifications and to protect the financial interest of the Agency loans.

Loans to Date: 13 (9 to 6/30/09)
 Total amount of loans: \$2,409,538

4. Revitalization and Beautification Rehabilitation (approved by City Council April 13, 2004)

Assist in the rehabilitation of older housing stock in the City of Hercules. Assistance is provided via low interest-deferred loans. Rehabilitation eligible items are defined in the guidelines.

Loans to Date: 28 (includes two Code Compliance Program Loans)
 Total amount of loans: \$519,833

5. Home Emergency Repair (approved by City council April 13, 2004)

Assistance is provided to aide in the repairs of emergency repairs to eliminate health and safety hazards. Assistance is provided via low interest loans with no deferral period.



The Home After Receiving The Affordable Housing Loan

Loans to Date: 3
 Total amount of loans: \$14,432

6. Quick-Fix Loan (approved by City Council May 22, 2007)

Provides mini loans to address repairs visible from the public-right-of-way; assistance is provided via low interest loans with no deferral period.

Loans to Date: 0
 Total amount of loans: \$0

7. Secure Mailbox (approved by City Council July 24, 2007)

Provides funding to partially pay for the installation of locking mail boxes to deter and prevent mail theft. Installations are done in clusters and the target is the older neighborhoods in the city.

Mailboxes installed to date: 698

8. Senior Citizen and Disabled Homeowner (approved by City Council April 13, 2004)

Assist seniors and disabled residents to address weatherization and home security improvements. Assistance is provided via low-interest deferred loans.

Loans to Date: \$0
 Total amount of loans: \$0

9. Gas Valve Emergency Shut-Off (approved by City Council June 14, 2005)

Provides for the installation of emergency gas breaker automatic shut-off valve in case of a natural disaster; the program also helps to bring older



The City Has Installed Close to 700 Secure Mailboxes To Help Keep Our Mail Safe

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□ *Report Card continued from page 11*

homes into compliance with current building code.

Valves installed to date: 244

10. Community Pride and Neighborhood Clean-up (approved by City Council on October 14, 2008)

The clean-up campaign delivers pre-planned clean-up efforts to defined areas, within focus neighborhoods; six neighborhoods have been addressed since the start of the program.

Total Clean-ups: 6

Homes served: 527

Tons of debris: 79

Total volunteer hours: 600

11. Electric Rate Reduction Assistance (approved by City Council June 26, 2007)

Provides electrical rate reduction for residents that reside in development projects assisted by the Redevelopment Agency; the majority of the program recipients are very low income senior citizens.

Total number of participants: 21

12. Sycamore Downtown Development (approved by the City Council March 1, 2005)

Provide the administrative oversight for the development of a mixed-use commercial and affordable housing residential structure. Retail space accounts for 40,000 square feet of the development and residential encompasses 110,000 square feet which houses 96 residential units. A total of 50 units will be provided as lease to own units to very low income households, 24 units will be sold at the completion of construction to moderate income households. Financial assistance will be provided to these 24 first time homebuyers by a grant awarded to the City by the California Department of Housing and Community Development under the BEGIN program, each household can receive up to



Twenty businesses have received Business Development Loans, including Choko's Cuisine, shown above



Six Cottage Lane Homes were made available at below market rates for low income families



The Affordable Housing Program has assisted 77 First Time Homebuyers

\$30,000 of down-payment assistance as a deferred loan for 30 years at 1% interest rate. A total of 22 units will be available at market rate as well.

Construction estimate: \$52million

Grants obtained: \$6,670,000

13. The Arbors Apartments (approved by the City Council 1999)

The agency assisted Bridge Housing Corporation a non-profit developer in delivering 60 rental units for seniors. The agency entered into a Development Agreement that provided for a pre-development and development assistance; an annual funding allocation of \$130,000 for 25 years. In addition the agency sold the developer the land for \$3.

Number of units: 60

Financial assistance: \$1,400,000 pre-development and development assistance

Annual pass thru payment: \$130,000/year for 25 years (\$3,250,000)

Sale of land: \$3

14. Victoria Gardens Apartments (approved by the City Council 2001)

The agency assisted the Catellus Corporation (master developer) by providing an annual allocation equal to 90% of the 20% set-aside housing funds generated by the project area (project area 2). The total assistance to the master developer is estimated to total \$4.5 million dollars. The affordable housing project developer was Eden Housing Corporation, a non-profit developer. The developer purchased the property for \$1 dollar from the master developer and financed the construction costs with a 9% tax credit allocation and financial assistance from other state and county sources.

Number of units: 132

Financial assistance: \$4,589,043

□ *Continued on page 13*

□ *Report Card continued from page 12*

15. Samara Terrace Apartments (approved by the City Council 2002)

The agency assisted the Eden Development Corporation, a non-profit developer, by providing a \$700,000 deferred loan. The developer obtained a 9% tax credit allocation for the development construction and some other layered funding.

Number of units: 52

Financial assistance: \$700,000 deferred loan

16. Business Development Loan Program (approved by the City Council June 27, 2006)

Reduced interest rate loans are offered to small businesses operating in the project area. The redevelopment agency is poised to encourage businesses to establish in the City of Hercules and create sales taxes, jobs and economic stimulation to the new developing business sector in Hercules.

The normal limit for loans is up to \$75,000, unless further approval is provided by the Business Development Sub-Committee (two members of the Redevelopment Agency Board) and the Redevelopment Agency.

Loans to Date: 20

Total amount of loans: \$1,505,585

The following chart displays the amount of activity generated by the Hercules Redevelopment Agency Affordable Housing Program and the Affordable Housing Division under an administrative contract with NEO Consulting dba Affordable Housing Solutions Group. There are several types of activities and support programs that are required to have a successful program (education, counseling, outreach, orientations and more). Based on the number developments pending in the near future it is estimated that the next five-years will demand as much commitment to the programs and projects.

COMPREHENSIVE AFFORDABLE HOUSING ACTIVITY REPORT							
ACTIVITY	03-04	04-05	05-06	06-07	07-08	08-09	Totals
TELEPHONE CALLS	6486	8517	16280	10020	13663	10841	65807
E-MAIL COMMUNICATIONS					3486	7968	11454
OFFICE VISITS	709	1114	644	1228	1060	746	5501
APPLICATIONS MAILED	1198	876	304	604	67	394	3443
APPLICATIONS PROCESSED	1032	557	193	353	219	456	2810
MAILBOX APPLICATIONS RECEIVED/PROCESSED					301	52	353
HMU DISCOUNT PROGRAM APPLICATIONS					31	5	36
PROGRAM ORIENTATION ATTENDEES		475	253	93	189	101	1111
CREDIT WORKSHOPS	36	114	164				314
CREDIT REPORTS	190	380	158	94	131	90	1043
CREDIT COUNSELING ATTENDEES	29	159	87		39	20	334
HOMEBUYER EDUCATION ATTENDEES	47	81	126	94	125	44	517
LOANS FUNDED FIRST TIME HOMEBUYER	7	10	17	9	13	21	77
LOANS FUNDED CITYWIDE INCENTIVE	3	3	3		1	4	14
LOANS FUNDED BUSINESS DEVELOPMENT LOAN PROGRAM				10	7	3	20
LOANS FUNDED LOSS MITIGATION PROGRAM					5	4	9
REVITALIZATION & BEAUTIFICATION LOAN PROGRAM		4	6	8	7	3	28
SUBORDINATION AGREEMENTS PROCESSED						3	3
GAS VALVES INSTALLED				25	10	209	244
HMU DISCOUNT APPROVED					16	5	21
MAILBOXES INSTALLED					299	399	698
ANNUAL COMPLIANCE RE-CERTIFICATION						134	134
INCLUSIONARY HOMES DELIVERED	6	16	2				24
EMERGENCY HOME REPAIR		2	1				3
B.E.G.I.N. LOANS		8	2				10
LOANS FUNDED COUNTY ADDI PROGRAM			2				2
CODE COMPLIANCE LOANS				2	1		3

Hercules Housing Element Expires in 2009



adopted in 2003 by the City Council and forwarded to the California Department of Housing and Community Development (HCD) for review. State law establishes requirements for all portions of the General Plan. However, for the Housing Element, the State requirements tend to be more specific and extensive than the other elements. The State must “Certify” the Housing Element in order for it to be in conformance with State law. The State certified Hercules’ Housing Element in December of 2004; hence it will expire in 2009. The current Housing Element can be found on the city Web-Site. Staff is currently working on the new Housing Element to be in compliance with State law.

Why do we need a Housing Element?

Every jurisdiction in California, including Hercules, must have a General Plan. The General Plan serves as the “constitution” for development in the entire city. It is a long range planning document that describes goals, policies and programs to guide development decision making. Once the General Plan is adopted, all development-related decisions must be consistent with the plan.

Every community’s General Plan must, by law, contain seven “elements” or parts that address defined sets of issues. The State-mandated elements of the plan include: Land-Use, Circulation, Housing, Conservation, Open-Space, Noise and Safety. There are other elements that are optional. In addition to the aforementioned elements, the current Hercules General Plan also includes the following: Hazardous Waste, Economic Development, and Growth Management.

What is the purpose of a Housing Element?

The Housing Element focuses on the community’s housing needs and the strategies for meeting those needs. The Housing Element does the following:

- 1) documents housing-related conditions and trends;
- 2) provides an assessment of housing needs;
- 3) identifies resources, opportunities and constraints;
- 4) establishes policies, programs and qualified objectives to address housing needs.

How long is the Housing Element good for?

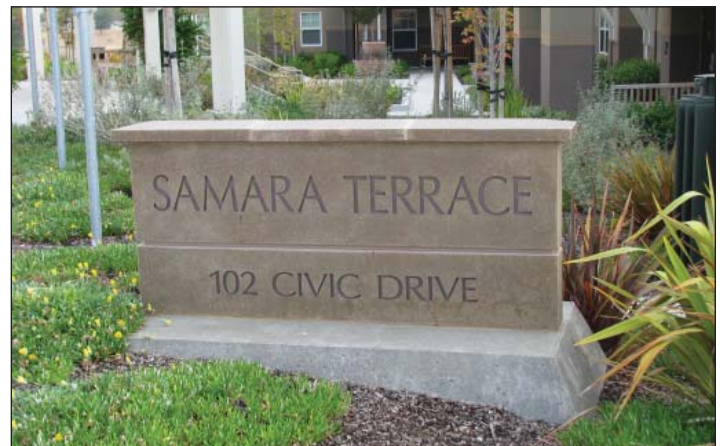
While jurisdictions must review and revise all elements of their General Plan on a regular basis to ensure that they remain current (approximately every ten years), State law requires that Housing Elements be reviewed and updated at least every five years. The current Housing Element was

Are all Jurisdictions in conformance with State law?

Unfortunately, most jurisdictions do not have certified Housing Elements (for information on compliance, visit the HCD Web-Site). To the City of Hercules, it is very important to have a certified/approved Housing Element for several reasons, including: it is the law, it is a key and vital tool for future planning of the community, and a certified Housing Element is a critical pre-requirement condition in applying and receiving state funding for affordable housing programs/projects and related public infrastructure to support said housing projects and programs.

How can the community get involved?

By participating in the process! As the city moves forth in the process, it will hold a series of meetings for the community to provide their input. This citizen participation is considered a major and welcomed part of the process by the City. If you have questions, please contact the Planning Department or the Affordable Housing Division at Hercules City Hall.



The Housing Element outlines the City’s objectives to provide affordable housing, with special consideration for seniors and people with disabilities

A Place Called Home

Community Involvement a Must for Revised Housing Element

By law, every city and county in California must adopt a Housing Element as part of its General Plan. The purpose of the Housing Element is to ensure that local governments adequately plan to meet the housing needs of all people within the community—regardless of their income. The underlying purpose of Housing Element law is that, for the private market to adequately address housing needs and demand, local governments must adopt land use goals and regulatory systems which provide opportunities for, and do not unduly constrain, housing development. Below are ten tips the City of Hercules will be using to develop a successful Housing Element:

1. Ensure Meaningful Participation. Use the Housing Element process to identify and understand community housing needs, challenge people's stereotypes about affordable housing, engage residents and stakeholders in identifying housing opportunities, and build a community consensus in support of local housing programs.

2. Agree on the Goals. Local land use controls, development regulations and procedural requirements often result in unintended obstacles to achieving community goals. Begin by understanding and documenting Hercules' housing needs. Then agree on what it is we want to accomplish, and make sure that local controls, regulations, and requirements will help achieve our goals, providing as much flexibility as possible to support creative solutions.

3. Identify Sites. One of the most important roles of local government is to ensure that adequate and appropriate sites are designated for residential use, including infill sites, reuse/redevelopment sites, mixed use sites, and vacant land.

4. Increase Densities. The number of units that can be built on a unit of land has a significant impact on housing affordability. Increasing residential densities to promote housing affordability for all income levels, especially in and around commercial centers and in areas served by transit are important, timely suggestions Hercules will incorporate into our most recent Housing Element.

5. Focus on Design. Design is a critical component in successful affordable housing developments. The many success stories in Hercules all have one thing in common, regardless of their density: They are well-designed and "fit-in" with

their surroundings.

6. Learn From the Past. Build on past successes, and learn from past mistakes. Draw upon the experiences and "best practices" of other communities, and make sure that each Housing Element update is an improvement on the previous.

7. Develop Partnerships. Successful housing solutions require working partnerships with community residents, non-profit and for-profit housing developers, housing advocates, financial institutions, and other interest groups. Solutions increasingly require multi-jurisdictional cooperation to address sub-regional issues and provide real, workable strategies. Hercules intends to involve partners in collecting data, identifying needs, and developing strategies for action.

8. Provide Financial Support. A number of financial tools are available to local governments and private developers to support affordable housing development. Hercules will explore the options, seek assistance from regional housing experts, and identify the funds to support local affordable housing efforts.

9. Call on the Experts. The Bay Area is home to some of the country's most successful and innovative nonprofit housing developers and affordable housing groups.

10. Be Persistent. No single housing strategy will be successful in and of itself, and almost every strategy will have some opposition. The City of Hercules will adopt a comprehensive approach and be committed to long-term implementation.

To be successful in the redrafting of the City's Housing Element, Hercules will incorporate and Initiate Community Information Activities, in all phases of the Housing Element update program. The Housing Element Revision process includes project start up, strategic directions, policies, programs and objectives and element review and adoption.

The City of Hercules is beginning the community information activity with a public communication effort to make the community aware of the Housing Element update' provide an overview of its goals, activities and schedule; and highlight opportunities for citizen input and review.

Affordable Housing Program To Showcase At The National League of Cities Annual Conference



Student volunteers help clean-up one neighborhood at a time during the Neighborhood Clean Up Program

The Hercules Affordable Housing Department has been selected to showcase The Community Pride and Neighborhood Clean Up Program at the National League of Cities' annual Congress of Cities & Exposition, this week in San Antonio, Texas. Even though the program is only a year old, we've already collected 79.5 tons of trash, recycled 103 tires and received more than 600 hours of volunteer time and we're excited to tell others about our efforts.

Over 2,500 people participate in the annual conference and as one of 25 cities represented, Hercules will have the opportunity to provide in-depth information on how our program was planned and implemented. Community and economic development, sustainability, public safety, recreation,

"I thank the community for having this day (Neighborhood Clean-up Program) and for helping us out, they saved me a lot of money" Resident on Community Pride and Neighborhood Clean-up Program

and youth programs are among the variety of municipal programs featured in the 2009 City Showcase.

"Last year, Hercules was recognized for our Annual Community Update as a 'Best Practice' and we're thrilled

to have another opportunity to let people across the county know about our great community," says Hercules Community Relations Officer Michelle Harrington.

For more information on the Community Pride and Neighborhood Clean Up Program, visit our website at www.ci.hercules.ca.us or call the Affordable Housing Department at 510-245-6517.



Residents can get assistance with landscaping and removing unwanted items during the clean-up

"The affordable housing program did a great job in orienting me through all the ins and outs of buying a home" -Bernabe Munoz

"I will always be thankful and grateful for all the help that the program (affordable housing) and the staff have given us and the continued support always received" -Maria San Antonio

"As a single parent I found a safe place to raise my children" -Edward Estorga

"I am a recipient of assistance under the Incentive Program, without this program it would have been virtually impossible to buy a home in Hercules." -Raj Pankhania

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