



FIVE YEAR IMPLEMENTATION PLAN

CITY OF HERCULES REDEVELOPMENT AGENCY



FY 2010 THROUGH 2014



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INTRODUCTION

About This Implementation Plan

Every five years, redevelopment agencies are required to adopt implementation plans that establish five-year operational and financial work programs for carrying out the redevelopment and affordable housing responsibilities of the agencies. This Five Year Implementation Plan (“Implementation Plan”) for the City of Hercules Redevelopment Agency (“Agency”) covers the five-year planning period for fiscal years 2009-10 through 2013-14 for the Merged Dynamite and Project Area No. 2 Project Area (inclusive of the 2009 Added Area) (“Merged Project Area”). This Implementation Plan also contains an Update to the Agency’s Ten-Year Housing Compliance Plan (“Housing Compliance Plan”) for meeting the Agency’s affordable housing requirements for the current 10-year compliance period (FY 2004-05 to 2013-14), including obligations for producing, replacing, and expending funds for affordable housing.

LEGAL AUTHORITY

In 1993, the Legislature passed Assembly Bill 1290 (Chapter 942, Statutes of 1993), which enacted the California Community Redevelopment Law Reform Act and made sweeping changes to state redevelopment law (Health and Safety Code §§33000 et seq.) (“CRL”) in a major effort to increase both the effectiveness and accountability of redevelopment agencies. One notable statutory change was the addition of Article 16.5 (§§33490 et seq.) to the CRL, which required redevelopment agencies to adopt five year implementation plans for all project areas on or before December 31, 1994, and every five years thereafter. CRL Section 33490(a) requires that the Implementation Plan contain:

- The Agency’s goals and objectives, programs, and projects within the Merged Project Area for the next five years, including estimated expenditures.
- An explanation of how the goals and objectives, programs, projects, and expenditures will eliminate blight and promote affordable housing within the Merged Project Area.
- A specific section that addresses the Agency’s housing responsibilities, including the Agency’s Low and Moderate Income Housing Fund (“Housing Fund”) and the Agency’s requirements for producing and replacing affordable housing.

The Implementation Plan fulfills Article 16.5 of the CRL. It conforms to the City of Hercules General Plan and has been prepared according to guidelines established in the programs and goals outlined in the Housing Element of the General Plan which was approved by the City Council in February of 2003. While the Implementation Plan must present specific programs, including potential projects and estimated expenditures to be made during the next five-year period (ten years for housing activities), adoption of the Implementation Plan does not constitute an approval of any specific program, project, or expenditure from the Agency or community.

OBJECTIVES OF THE IMPLEMENTATION PLAN

The Agency’s objectives for this Implementation Plan are to:

- Establish focused redevelopment and housing strategies for the next five years that provide a roadmap for decision-making about resource allocation, budget, and community engagement.
- Create an administrative management tool for Agency staff that provides a measurable, track-able, and programmatic work plan for the execution of the Agency’s operations.

- Inform about the role, powers, and tools of redevelopment agencies, and a historical overview of the Agency, its accomplishments, and the Merged Project Area.
- Furnish data and information to fulfill the affordable housing compliance requirements of the CRL.

ORGANIZATION OF THE DOCUMENT

The contents of this Implementation Plan are organized into three distinct sections:

- **Section I: Overview and Background.** This section provides a narrative overview and background description of redevelopment in California, and a profile description of the Agency and the Merged Project Area.
- **Section II: Implementation Plan.** This section outlines the Agency's redevelopment strategic plan for the next five years, including a comprehensive work program of projects and programs. The projects and programs contained in the work program represent the strategic priorities of the Agency. Also included is a five-year cash flow projection (excluding Housing Fund deposits) for the Agency detailing revenues that may be available to fund the Agency's proposed projects and programs. Future implementation of each project or program is subject to funding availability and approval by the Agency.¹
- **Section III: Housing Compliance Plan Update.** This section contains the Agency's update to the housing compliance plan for the current 10-year compliance period (FY 2004-05 to 2013-14), including the production, replacement, and expenditure of funds for affordable housing. This section fulfills the requirements of CRL Sections 33413(b)(4) and 33490(a).

¹ CRL Section 33490(a)(1)(B) provides that the adoption of an implementation plan shall not constitute an approval of any specific program, project, or expenditure and shall not change the need to obtain any required approval of a specific program, project, or expenditure from the agency or community.

SECTION I: OVERVIEW & BACKGROUND

ABOUT REDEVELOPMENT

The Public Value & Benefit of Redevelopment

WHAT IS REDEVELOPMENT?

Redevelopment is a process created to assist city and county governments in eliminating blight from a designated area and to achieve the desired development, reconstruction, and rehabilitation of residential, commercial, and industrial uses. Redevelopment agencies possess unique tools to directly influence the private sector, reduce investment risk, and create or boost market confidence. Some of the tools available to redevelopment agencies include:

- Use of tax increment financing to fund public improvements and use of gap financing to provide financial assistance to qualifying developers for qualifying projects.
- Authority to acquire real property, and if necessary, use of eminent domain.
- Relocation assistance and replacement housing.
- Mitigation of environmental liabilities to property owners and developers through the Polanco Redevelopment Act (Health and Safety Code §§33459 - 33459.8).

Although these tools can jumpstart the revitalization process, by law, redevelopment is limited to areas of a city that are in a state of decline and are physically and economically blighted. To initiate redevelopment, the agency must satisfy certain requirements. These requirements are as follows:

- Establishment of a project area(s) in parts of a city that are physically and economically blighted.
- Establishment of debt as a prerequisite to the collection and expenditure of tax increment.
- Set aside 20 percent of tax increment revenue to increase, improve, and preserve the supply of housing for low- and moderate-income persons and families.
- At least 15 percent of all new and substantially rehabilitated dwelling units must be affordable to, and occupied by, persons or families of very low, low, and moderate income.

Satisfying these requirements, redevelopment agencies can use their tools to catalyze the revitalization of urban areas. Once redevelopment efforts establish momentum in the market, the private sector can then dictate its own course, thereby benefitting residents, business-owners, and visitors.

Redevelopment by the Numbers:

\$40.79 billion. Redevelopment's economic contribution to California in 2006-2007.

\$13. Every \$1 of redevelopment agency spending generates nearly \$13 in total economic activity.

303,946. Full and part time jobs created in California in just one year (2006-2007).

78,750 units of affordable housing built or rehabilitated since 1995 by redevelopment agencies.

18,522 units of low and moderate income housing expected to be built or refurbished in the State over the next two years.

\$2 billion. State and local taxes generated through redevelopment construction activities in 2006-2007.

20% of property tax revenues generated from redevelopment activities must be used to increase supply of affordable housing.

2nd largest funder of affordable housing in California after the federal government.

ROLE OF REDEVELOPMENT

In 1945, the State of California enacted the California Community Redevelopment Law (Health and Safety Code §§33000 et seq.) (“CRL”) to combat the deterioration of property and its effects on the tax base. Through the Redevelopment Act, cities were given authorization to establish redevelopment agencies which would have the legal authority to take measures that combat urban decay, or blight. In 1952, California voters adopted Article XVI, Section 16 allowing tax increment financing to be used by the agencies for the redevelopment of blighted communities.

The goal of redevelopment to create safe and economically vibrant communities has remained steadfast since 1945. The Agency is committed to meeting the community’s ever-changing needs and restoring blighted or deteriorated areas within the Merged Project Area.

BLIGHT

The CRL emphasizes redevelopment’s role in eliminating blighting conditions in communities and takes great lengths to define blight. As defined by the CRL, blight constitutes physical and economic liabilities that affect the health, safety, and general welfare of a community. CRL Section 33030 describes a blighted area as being predominantly urbanized and substantially affected by the physical and economic properties of blight to such an extent that the community cannot reasonably be revived without redevelopment.

The CRL describes the physical and economic conditions that cause blight as follows:

Physical Conditions (CRL §33031(a))

- Buildings with serious code violations, dilapidation, or deterioration such that it is unsafe or unhealthy for a person to live or work.
- Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots.
- Adjacent or nearby incompatible uses that prevent development.
- Existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes.



Economic Conditions (CRL §33031(b))

- Depreciated or stagnant property values.
- Impaired property values due to hazardous wastes.
- Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings in an area developed for urban use and served by utilities.
- A serious lack of commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores and banks.



- Serious residential overcrowding.
- An excess of bars, liquor stores, or adult-oriented businesses that have led to problems of public safety and welfare.
- A high crime rate that constitutes a threat to the public safety and welfare.

In accordance with the CRL, the existence of blight was established at the time of adoption for each of the three subareas of the Merged Project Area requiring the use of redevelopment tools through the projects and programs established in this Implementation Plan.

TAX INCREMENT FINANCING

Tax increment financing is the primary source of funding used by agencies to initiate and oversee redevelopment projects and activities in a community. This financing method is based on the assumption that as an area is revitalized, more property tax will be generated. Upon adoption of a project area, the total current assessed value of all the properties within its boundaries is designated as the base year value. As assessed values increase in the project area, tax increment revenue is generated by capturing the amount of value added since the base year value was established. This increase in tax revenue, or tax increment, is used by the agency for reinvestment back into the project area. Figure 1 above graphically depicts the generation of tax increment in a project area.

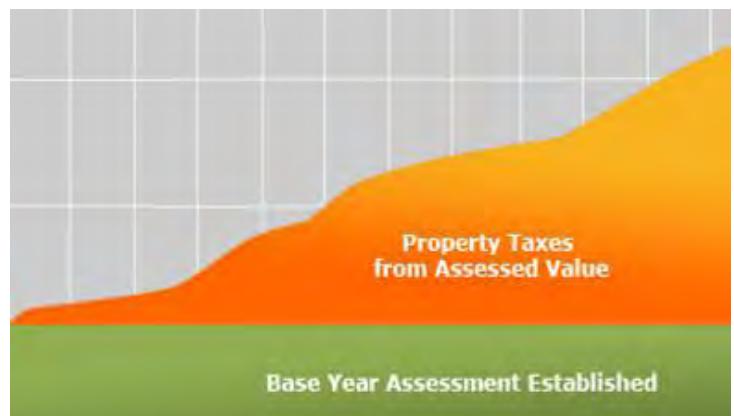


Figure 1

Figure 1 above graphically depicts the generation of tax increment in a project area.

20 Percent Housing Set-Aside

As required by the CRL, 20 percent of tax increment revenue must be set aside into a separate fund for the creation and preservation of affordable housing within the Merged Project Area (§§33334.2). These funds may then be used for activities such as acquiring property, constructing on- and off-site improvements related to affordable housing development, constructing or rehabilitating affordable housing units, providing subsidies to ensure affordability, and issuing bonds. As a result of these requirements, redevelopment agencies are one of the primary entities producing affordable housing throughout the State of California. The Agency is required to set aside 30 percent of tax increment revenue in the Dynamite Project Area due to an amendment in 2009 to extend the effectiveness of the redevelopment plan by ten years pursuant to CRL Section 33333.10. This is discussed in more detail in Section III.

Pass-Through Payments

Redevelopment agencies are also required to use tax increment revenue to remit payments to affected taxing agencies (e.g., school districts, community college districts, the County) in the Merged Project Area. These payments, known as “pass-throughs”, are used to alleviate any fiscal burden imparted on taxing entities caused by the redevelopment plan. The taxing entities benefitted by the pass-through payments include counties, cities, schools, and special districts. The CRL prescribes an allocation

formula to calculate payments unless the Agency has negotiated pass-through agreements with the taxing entities.

State Takeaways – SERAF Payments

Due to the State's effort to take redevelopment funds to help close the gap in the State Budget, the Agency may be required to make Educational Revenue Augmentation Fund ("ERAF") payments during the planning period. In Fiscal Year 2008-09, the State of California approved a budget contingent upon a shift of tax increment monies from redevelopment agencies to be applied to ERAF. The California Redevelopment Association ("CRA") filed a lawsuit on behalf of all redevelopment agencies asserting that the take from redevelopment was unconstitutional based on the CRL. On April 30, 2009 a judgment in favor of redevelopment agencies was rendered, affirming that the take was unconstitutional and therefore illegal. The State has confirmed it will not appeal this decision.

Nonetheless, following this judgment, the State of California approved the Fiscal Year 2009-10 budget relying on another ERAF shift from redevelopment agencies over the next two years, now called the Supplemental Educational Revenue Augmentation Fund ("SERAF"). While the CRA believes this shift of tax increment from redevelopment falls under the same circumstances as the previous attempt, \$2.05 billion in redevelopment funds will be shifted from redevelopment agencies to SERAF (\$1.7 billion in fiscal year 2009-10 and \$350 million in fiscal year 2010-11), which is intended to be distributed to schools to meet the State's Proposition 98 obligations to education. The Agency's share is estimated to be \$4,992,984 in fiscal year 2009-10 and \$1,026,977 in fiscal year 2010-11. CRA anticipates filing another lawsuit in an effort to thwart this and future takes from redevelopment; should the lawsuit be unsuccessful, this shift of dollars from redevelopment could severely impact the Agency's ability to complete many of the projects both committed and anticipated in this Implementation Plan.

WHAT IS A REDEVELOPMENT PLAN?

The redevelopment plan is a legal framework used by agencies for the long-term planning and implementation of revitalization activities in Merged Project Area. The plan establishes financing methods to implement projects and policies and it also sets the basic goals, powers, and time and financial limitations within which the Agency must conduct its activities. Below is the framework in which redevelopment plans are legally bound:

- The time limit to establish loans, advances, and indebtedness to be paid with the revenue from property taxes may not exceed 20 years from the adoption date of the redevelopment plan (§33333.2).
- Loans, advances, or indebtedness may be repaid over a 45-year period from the adoption of the redevelopment plan. For redevelopment plans adopted prior to 1994, loans, advances, or indebtedness may be repaid over a 50-year period from adoption of the redevelopment plan.
- The effectiveness of a redevelopment plan may not exceed 30 years from the adoption date. For plans adopted prior to 1994, the effectiveness of the redevelopment plan may not exceed 40 years from the adoption date.
- After the effectiveness of a redevelopment plan has expired, an agency shall have no authority to act pursuant to the redevelopment plan except to pay previously incurred indebtedness and to enforce existing covenants and contracts.
- An agency may commence eminent domain proceedings to acquire property within the Merged Project Area for a period not to exceed 12 years from the adoption date.
- If a redevelopment plan authorizes the issuance of bonds, the redevelopment plan should include a limit on the amount of bonded indebtedness that can be outstanding at one time.
- These time and financial limitations may be extended or increased only through an amendment to the redevelopment plan.

This Implementation Plan proposes a work program of redevelopment and housing activities that seek to accomplish the goals of the Agency within the legal framework established by the CRL and the Agency's Redevelopment Plan for the Merged Project Area.

ABOUT THE AGENCY & MERGED PROJECT AREA

History and Profile

HISTORY

The City Council of the City of Hercules created the Agency to reverse the adverse economic and physical conditions plaguing the City resulting from closure of the dynamite and fertilizer production plant, formerly the City's primary employer, in 1977. In order to stimulate redevelopment and economic development projects in and around the territory of the former California Powder Works Company operational site, the Agency adopted its first redevelopment project area. The Redevelopment Plan for the Dynamite Redevelopment Project Area ("Dynamite Project Area") was adopted on November 30, 1983, by Ordinance No. 181, and subsequently amended on April 26, 1994, by Ordinance No. 325 and again on February 27, 1996 by Ordinance No. 333.

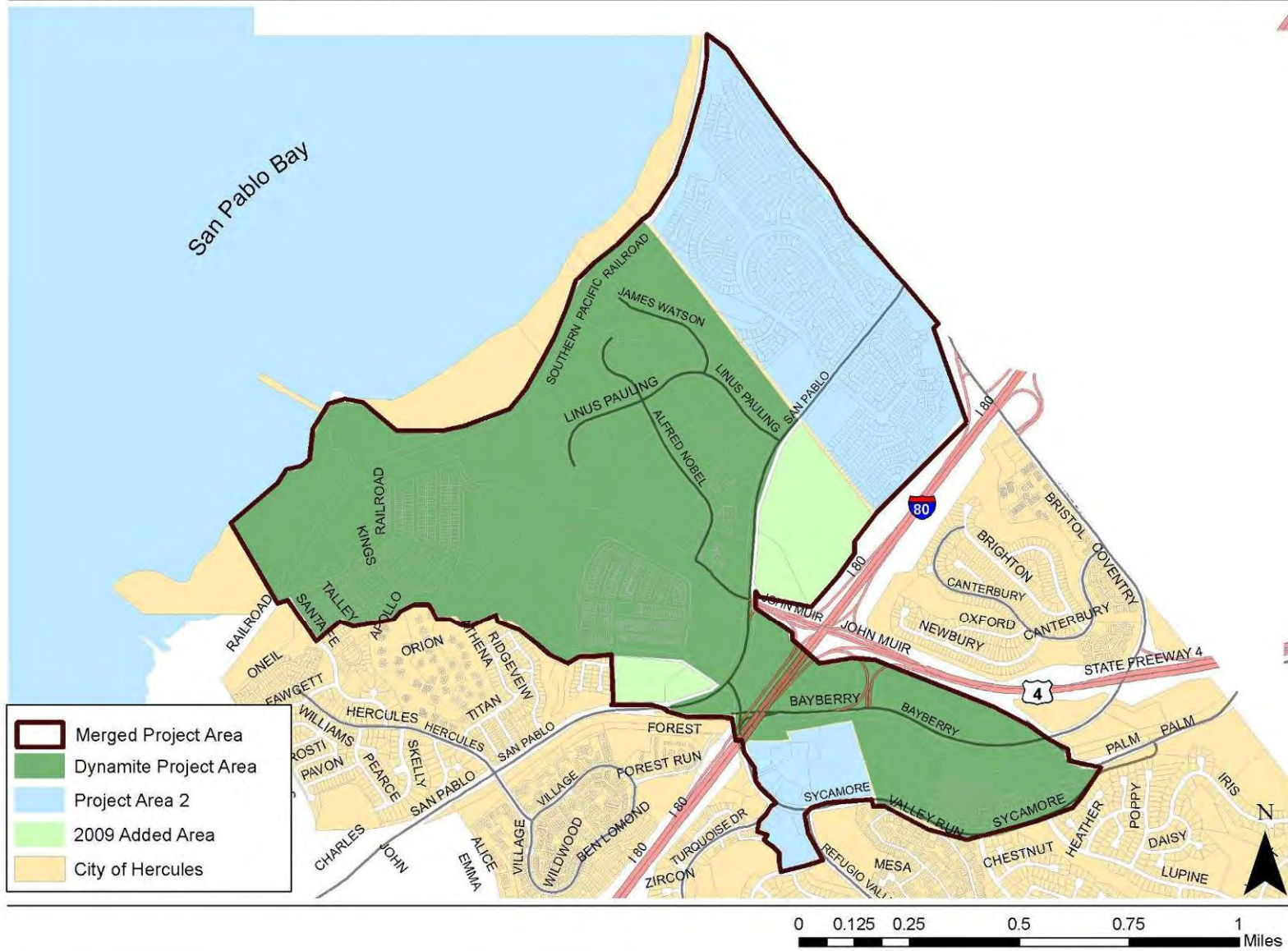
It was not until April 13, 1999, that the Agency adopted (Ordinance No. 351) its second redevelopment project area, Project Area No. 2 ("Project Area 2"). Project Area 2 consists of two noncontiguous areas within the City and was adopted as a redevelopment project area primarily to facilitate redevelopment of the 216 acre abandoned Pacific Refinery and the 33 acre former Creekside and Park Lake Plaza shopping centers.

On February 31, 2001, the City Council adopted Ordinance No. 363 approving an amendment and merger of the original redevelopment plans for the Dynamite Project Area and Project Area 2, creating the "Merged Project Area". Most recently, the Merged Project Area was amended on June 9, 2009, by Ordinance No. 450 to, among other things, add approximately 59 acres of territory ("2009 Added Area") to the Merged Project Area and to extend the life of the Redevelopment Plan, the time limit on the payment of indebtedness, and the receipt of tax increment revenues by an additional ten years for the Dynamite Project Area. The 2009 Added Area consists of two noncontiguous areas that were added to the Merged Project Area primarily for the purpose of redeveloping a vacant and blighted former fuel pumping station and for facilitating the development of commercial activity and affordable housing on a previously developed site at a vital intersection to the City's gateway.

Exhibit 1 on the following page depicts the boundaries of the Merged Project Area as well as each of its subareas.

MERGED PROJECT AREA BOUNDARIES

EXHIBIT 1



The Redevelopment Plan for the Merged Project Area sets forth limitations with regard to collecting tax increment revenue, incurring bonded indebtedness, redevelopment plan effectiveness, and the use of eminent domain. Although the Dynamite Project Area, Project Area 2 and 2009 Added Area are the Merged Project Area and placed under the framework of a single redevelopment plan, each of the three subareas within the Merged Project Area contain separate limitations based on the time each area was adopted. Table 1 below outlines all of the time and financial limitations of each subarea as prescribed in the Redevelopment Plan.

Merged Project Area Time & Financial Limitations							Table 1
Hercules Redevelopment Agency							
Project Area	Plan Adoption Date	Eminent Domain Authority	Last Date to Incur Debt	Effectiveness of Plan	Last Date to Receive Tax Increment	Bonded Debt Limit	Limit on Receiving Tax Increment
Dynamite Project Area	November 30, 1983	July 9, 2021	Eliminated ¹	November 30, 2036	November 30, 2046	\$194 Million ²	\$750 Million ³
Project Area No. 2	April 13, 1999	April 13, 2011	April 13, 2019	April 13, 2030	April 13, 2045		Not Applicable
2009 Added Area	June 9, 2009	July 9, 2021	July 9, 2029	July 9, 2039	July 9, 2054		Not Applicable

¹ Time limits to incur debt were eliminated pursuant to 33333.6(e)(2)(B) following the enactment of SB 211 (Chapter 741, Statutes of 2001) in 2002. Eliminated for the Dynamite Project Area by Ordinance No. 403 on 1/11/2005.

² Adjusted annually following adoption of the 2005 Ordinance by any increase in the Consumer Price Index.

³ Adjusted annually following adoption of the 2005 Ordinance by any increase in the Consumer Price Index, net of payment to taxing entities.

Source: Updated 2009 Redevelopment Plan for the Merged Project Area

RECENT REDEVELOPMENT ACCOMPLISHMENTS

Achievements in Community Revitalization

Since the adoption of the 2005 through 2009 Five Year Implementation Plan, the Agency has championed several successful projects and programs including the following:

REDEVELOPMENT PROJECTS & PROGRAMS

Waterfront Intermodal Terminal

The Agency has obtained clearances from the Union Pacific Railroad and is undertaking the engineering work for track relocation and construction of a passenger platform. The Agency has also commenced design development work for the multimodal passenger terminal and related roadways, bridges, parking and utilities. The Agency is concluding negotiations with the adjacent property owner for coordinated transit-oriented development. The Agency has obtained commitments for matching grants of funds from Local, State, and Federal sources.

Hercules New Town Center

Under a Disposition and Development Agreement and Exchange Option Agreement, the Agency commenced construction of a transit-oriented, mixed-use district. A Replacement Parking Facility valued at \$4,950,000 was constructed by the Agency and delivered to the San Francisco Bay Area Rapid Transit District ("BART"), along with real estate valued at \$950,000. The Agency assisted in the entitlement by rezoning of approximately 35 acres and final development plan for the first phase of approximately six acres. The first phase, dubbed "Market Town", will commence construction in 2011. The Market Town project will comprise of approximately 300 residential units, 50,000 square feet of ground floor retail area, and 40,000 square feet of office space, plus a structured parking facility. BART is cooperating in the development of the "Cinema Town" and "Transit Town" phases. The Agency is operating the Hercules Transit Center on behalf of BART and in cooperation with the local bus provider, WestCAT.

Sycamore Downtown

Sycamore North

The Agency designed, entitled and commenced construction of a mixed-use building, with underground parking, programmed with 40,000 square feet of shop-front retail space and 96 mixed affordable and market rate residential units on the North side of Sycamore Avenue.

Sycamore Crossing

The Agency acquired two parcels of land totaling approximately 11.5 acres at the corner of Sycamore and San Pablo Avenues from the Penterra Hercules LLC. Combined with the Sycamore North project, the Agency plans to create a downtown shopping experience along Sycamore Avenue that will attract local retailers and restaurants. Design and engineering, including major utility relocations, are underway and should be completed within the five-year planning period.

Freeway Ramp Relocation

The Agency has completed and submitted a project study report to the California Department of Transportation ("Caltrans") that proposes to reconfigure and relocate the freeway on and off ramps at the Willow Avenue overpass of State Highway 4. This project will create a parcel of useable land which the Agency is negotiating to acquire from Caltrans.

John Muir Parkway and Tsushima Bridge

Using an assessment district funding mechanism, the Agency constructed the first phase of John Muir Parkway from Alfred Nobel Drive to the eastern boundary of the Waterfront District, including a bridge spanning Refugio Creek at Tsushima Street.

Renovation of Historic Structures

During the last reporting period, the historic Civic Arts Building in the Waterfront District was renovated and readied for lease by a local restaurateur. The business should be open in the next year. Additionally, plans are underway to restore the historic Queen Anne building, which will be located in Duck Pond Park and will provide a resource/meeting room for local residents.

Property Transactions

- The Agency acquired a 96,000 square foot office/industrial building in the North Shore Business Park and leased it to the Bio-Rad Corporation.
- The Agency acquired a 17-acre undeveloped parcel from the Wal-Mart Corporation for future development.
- The Agency acquired a 6.3 acre parcel on San Pablo Avenue at Victoria Crescent from a private partnership for future development.
- The Agency acquired a 3.84 acre parcel on Franklin Canyon Road in the County of Contra Costa from YRC, Inc. (Yellow Freight) for relocation of a Caltrans Maintenance Yard.

New Parks and Facilities

In 2006, a new 20,000 square foot Library opened within the Merged Project Area with a collection of 75,000 books and 12,000 media items. In 2007, the City christened the new Teen Center which provides activities and programs for youth both in and outside the Merged Project Area. Additionally, the Agency completed and made operational Frog Pad Park, a \$750,000 one acre neighborhood park at the corner of Sycamore Avenue and Willet Street. As part of the Bayside subdivision, a small ½ acre neighborhood park was installed with a play structure and grassy area. Planning is underway for Duck Pond Park, a 4 acre park which will include the rehabilitation and restoration of the historic Queen Anne building.

Business Development and Retention Loan Program

During the past five years the Agency has provided 20 Business Development Loans worth over \$1.5 million to local businesses for façade improvements, equipment purchases, debt restructuring, and leasehold improvements. Additionally, the Agency has been working closely with the tenants of the North Shore Business Park to facilitate expansion of existing businesses and attract others from outside the immediate area.

Secure Mailbox Program

The Agency launched this program for Hercules residents who have clustered mail boxes to install locking mail boxes to deter and prevent mail theft. This program alleviates blight by preventing criminal activity such as identity theft. Over the last five years, 701 locking mail boxes along with new structures have been installed.

AFFORDABLE HOUSING PROJECTS & PROGRAMS

Revitalization & Beautification Program

Over the last five years, 26 very low to moderate income Hercules households have been recipients of low interest deferred loans from the Agency to make needed improvements to their single family owner-occupied homes. The homes are inspected by the Hercules Building Department before and after the improvements are completed. All safety hazards are resolved before the inspector signs the final approval. This program improves both the interior and exterior of homes, keeping property values higher. It improves the appearance of neighborhoods and preserves existing housing stock.

Home Emergency Repair Program

This program assisted three property owners to make emergency repairs to eliminate safety and health hazards by providing low interest loans. The property owners were of very low to moderate income.

Gas Valve Program

This program was developed to meet safety and code compliance regulations under the California Public Utilities Commission. The installation of Gas Breaker Automatic Gas Shut-Off Valves reduces the chance of fire or explosions by automatically shutting off gas service in the event of pipe breakage caused by an earthquake or other natural disaster. The program protects homes and buildings 24 hours a day, 365 days a year, whether the property owner is present or not. The Agency utilizes its non-housing and housing monies to fund this program. Only program recipients meeting affordable housing income restrictions are assisted with monies from the Housing Fund. Fifty households were assisted in Fiscal Years 2007-08 and 2008-09, and approximately 230 Automatic Gas Shut-Off Valves have been installed over the last five years.

Inclusionary Program

The City's Affordable Housing Program requires developers to provide inclusionary housing in both ownership and rental housing units. At least 15 percent of new units are required to be affordable to very low to moderate income households. Developments outside a project area are required to provide 10 percent of new units at affordable prices. The City negotiates with developers to determine the unit recipient income criteria in each development based on the property size, location, scope, and needs in the community. The Agency provided \$100,000 of assistance to secure five very low and low income units in Fiscal Year 2004-05.

Sycamore Crossing

A formerly developed property will be redeveloped as a mixed-use project with 100 residential units, 15 of which will be affordable to moderate income households. The Agency has provided approximately \$72,000 in assistance over the past five years. The project will be partially completed during the current Implementation Plan period.

Samara Terrace Senior Apartments (Eden Housing/KB Homes)

The Agency provided financial assistance to the developers of this affordable senior housing project in Fiscal Year 2004-05, securing 52 affordable units for low income seniors.

Victoria Green Apartments (Castellas)

The Agency provided financial assistance to the developer of this affordable housing project in Fiscal Years 2004-05 through 2006-07, securing 112 affordable units for very low and low income households.

The Arbor (Bridge Housing)

The Agency provided financial assistance to the developer of this affordable housing project in Fiscal Years 2007-08 and 2008-09, securing 60 very low income units.

Building Equity and Growth in Neighborhoods (BEGIN) Program

Together with a grant from the State Department of Housing and Community Development, the Agency provided mortgage assistance loans to ten very low to moderate income first-time homebuyers. A total of \$120,000 in Agency assistance was provided in Fiscal Years 2004-05 and 2005-06. The funds were provided to persons purchasing homes in the Baywood neighborhood developed by Taylor Woodrow Homes, Inc.

First Time Homebuyer Program

This program provides low interest deferred loans to very low to moderate-income households to purchase housing within the City. This program helps those who otherwise might not be able to afford home ownership. Homeowners have a greater sense of pride and responsibility for their home and therefore are more likely to maintain its value through ongoing maintenance. Over the last five years, 70 applicants were approved and received funding to purchase a home using this program.

Citywide Employee Incentive Program

This program provides low interest deferred loans to qualified very low to moderate-income employees to facilitate homeownership within the City. Eligible job categories include Police, Firefighter, full-time Teacher and full-time City staff. Loans may become eligible to transition into grants. The Agency provided approximately \$332,000 in assistance for ten low and moderate income persons and households over the past five years.

Affordable Housing Preservation Program

The Agency undertook several activities over the past five years to preserve affordable housing in the Merged Project Areas. The Agency offered Homebuyer/Owner Education classes and Credit Counseling to assist qualified very low to moderate income households to make sound decisions when purchasing a home. It also provided assistance to persons that currently hold a loan from the Agency that are in danger of losing their homes due to foreclosure and financial hardship. The Agency also contributed to a Community Pride & Neighborhood Cleanup Program to improve homes and assisted a local non-profit organization that places very low income homeless persons in permanent housing.

SECTION II: IMPLEMENTATION PLAN

REDEVELOPMENT PLAN GOALS

Community Reinvestment and Revitalization

This Implementation Plan establishes a programmatic work plan for implementing and achieving the goals of the Agency over the next five years. The Agency's goals are set forth in the Redevelopment Plan for the Merged Project Area, and are listed as follows:



The elimination of blight and environmental deficiencies in the Merged Project Area. Implementation of projects and programs that ensure excellent site design, that meet or exceed environmental quality standards and other design elements that provide unity and integrity to the entire Project.



The assembly of land into parcels suitable for integrated development with improved pedestrian, bicycle, bus and vehicular circulation in the Merged Project Area. The provision of adequate land for required infrastructure including public facilities, thoroughfares, parking structures and open spaces.



The replanning, redesign, and development of undeveloped areas that are stagnant or improperly utilized.



The strengthening of the economic base of the Merged Project Area and the community by creating programs that support and enhance new and existing commercial and industrial activity as well as providing site improvements and other redevelopment tools necessary to stimulate commercial and industrial expansion, employment and economic growth.



The strengthening of retail and other commercial functions in the Merged Project Area by providing well planned streets, parking, and other public amenities necessary to ensure quality retail and other commercial activities.



The strengthening and diversification of housing opportunities at all economic levels through the development of housing of high aesthetic and environmental quality. The expansion and/or improvement of the community's supply of low- and moderate-income housing.



The restoration and preservation of historic structures and use of historic features in building design and rehabilitation that are relevant to the history of Hercules.



REDEVELOPMENT WORK PROGRAM

Five Year Work Program for Reinvestment & Revitalization in the Project Area

Table 2 below describes the proposed redevelopment projects and programs to be implemented by the Agency in the Merged Project Area over the next five years. Specifically, Table 2 lists the goals and strategies that will be achieved, projected timeframe, estimated costs², and the blighting conditions that will be alleviated in the Merged Project Area by each project and program.

Proposed Non-Housing Projects and Programs 2009-10 through 2013-14

Table 2





Project Name & (Location)	Description	Blighting Condition Addressed	Anticipated Completion	Anticipated Agency Investment ¹	Redevelopment Goal Achieved
Waterfront Project (north and east of Railroad Avenue extending to the San Pablo Bay including Hercules Point)	The Agency is working with the property owner to create the 45-acre transit-oriented, mixed-use, traditional neighborhood development project which represents the final phase of the Waterfront District Master Plan. At build out the Waterfront Project is anticipated to include 339,000 square feet of commercial and flex space, 1,392 residential units, 23 acres of open space, and an inter-modal transit center including ferry and Capital Corridor Train Station, and bus terminal.	Underutilized properties, hazardous waste contamination, soil condition & declining/stagnant property values	2013-14	\$59,685,000	 ACCESS CLEAN INVEST LIVE GROW SHOP
Hercules New Town Center ("HNTC") (Interstate 80 and State Route 4 along San Pablo and Willow Avenues)	HNTC is a transit oriented development that will include a regional bus station and potential BART extension surrounded by pedestrian-oriented mixed-use development. It will encompass a variety of regional retail, office, residential, parking, and public spaces to be built out over three phases. Phase 1 which is expected to be complete by the end of the five-year planning period is expected to include: 56,000 square feet of retail; 80,000 square feet of office, 320 multi-family residential units, two parking structures, and three open space features.	Underutilized properties, lack of public infrastructure, impacted wetlands, location of roadways & declining/stagnant property values	Phase 1: 2012-13; Phases 2 & 3: TBD	\$6,550,000	 SHOP GROW CLEAN LIVE ACCESS INVEST

¹ Total anticipated Agency investment plus grant monies for the Waterfront Project is \$78.4 million.

² Costs are subject to change, and completion of these projects may require future action by the Agency.

**Proposed Non-Housing Projects and Programs
2009-10 through 2013-14**

Table 2













Project Name & (Location)	Description	Blighting Condition Addressed	Anticipated Completion	Anticipated Agency Investment ^{2,3}	Redevelopment Goal Achieved
<u>Sycamore Downtown</u> (Includes Sycamore North & Sycamore Crossing)	Includes plan, entitlements, and development of three parcels of approximately 15 acres to create a traditional downtown for unique shopping, vibrant street life, affordable housing and offices along Sycamore Avenue. Development north of Sycamore Ave is under construction in 2009 and includes the development of 96 market rate and affordable residential units on top of 40,000 square feet of retail space and subterranean parking. The formerly developed south west corner of Sycamore and San Pablo Avenues will be redeveloped into a mixed-use project anticipated to consist of a variety of retail, supermarket, office and hotel uses, plus the development of approximately 100 attached residential units and parking.	Vacant and underutilized properties, declining/stagnant property values & increases the community's supply of affordable housing	2013-14	\$17,059,000	
<u>Restoration of Historic Structures</u> (north of Railroad Avenue)	Historic structures remnant of the former California Powder Works Company town remain in the waterfront area and are heavily dilapidated. The Agency intends to participate in the rehabilitation and adaptive re-use of the Clubhouse, Masonic Lodge, and Administration Building.	Unsafe or unhealthy buildings, underutilized properties & declining/stagnant property values	2013-14	\$3,600,000	
<u>Sycamore Civic Mixed-Use Development</u>	This project is in its early conceptual phase and could include the development of 70,000 square feet of administration and police uses, 10,000 square feet of public assembly area, 160,000 square feet of commercial office and retail use, and 50 for-sale residential units.	Underutilized properties	TBD	\$1,000,000	
<u>Hill Town</u> (North east corner of San Pablo Ave and John Muir Pkwy)	In 2007, a conceptual Initial Planned Development Plan was approved for the redevelopment of the Hill Town site. The proposed project is anticipated to include 640 multi-family units, and 13 acres of passive and recreational open spaces.	Conditions hindering the viable use of lots, incompatible land uses, hazardous waste contamination, topography & declining/stagnant property values	2013-14	\$650,000	

² Sycamore Downtown includes Agency's non-housing investment total only. The Agency's total anticipated investment including housing set-aside funds is \$46.4 million.

³ Prior to expending redevelopment funds for Sycamore Civic Mixed-Use Development, or any civic building, the Agency will comply with CRL Sections 33445 and 33679.

**Proposed Non-Housing Projects and Programs
2009-10 through 2013-14**

Table 2

Project Name & (Location)	Description	Blighting Condition Addressed	Anticipated Completion	Anticipated Agency Investment	Redevelopment Goal Achieved
<u>Palm Center</u> (Sycamore and Palm Avenues)	Agency owned property to be conveyed to private developer for the construction of 45,000 square feet of commercial, office and retail space related to automotive uses.	Underutilized Properties and lack of infrastructure	2011-12	\$7,650,000	   SHOP GROW INVEST
<u>Secure Mailbox Replacement Program</u>	Provides for the installation of locking mail boxes in order to deter and prevent mail theft from mail boxes clustered together or in highly trafficked areas. This program alleviates blight by preventing criminal activity.	crime	Ongoing	\$200,000/ year	 CLEAN
<u>Economic Development Program</u> (Citywide)	The Agency will continue to fund programs designed to improve and enhance the community's economic base through business retention, expansion, and attraction. The Agency will accomplish these goals through, but not limited to, marketing, tracking, technical business assistance and attraction, public/private partnerships and development agreement negotiations.	Business vacancies & stagnant property values	Ongoing	\$2,900,000	   SHOP CLEAN INVEST
<u>Infrastructure and Capital Improvement Program</u> (Project Area wide)	The Agency will continue to fund capital improvement projects in the Project Area as deemed necessary. Such improvements may include, but are not limited to, improvements to enhance traffic flow and safety for pedestrians, bicyclists and vehicles, utility and drainage system upgrades, and other public safety upgrades. Example projects include but are not limited to: San Pablo Avenue/State Route 4 intersection improvements; sewer lift station and force main; I-80 off ramp improvements; Sycamore Avenue, San Pablo Avenue, Willow Avenue, Franklin Canyon Road, John Muir Parkway and Tsushima improvements- including traffic signals, realignments, intersection improvements, sidewalks, curbs and gutters, medians, street trees and hardscape; EBMUD and other utility line relocations, water and sewer line improvements; and Willow Avenue underpass; HMU system infrastructure improvements; and sewer facility improvements.	Conditions hindering the viable use of lots, public infrastructure deficiencies & stagnant property values	Ongoing	\$54,350,000	   CLEAN ACCESS INVEST
<u>New and Expanded Parks</u> (Project Area wide)	Plan and construct new parks, and expand facilities at existing parks. Coordinate sequence of construction with increases in population and demand for amenities. Includes acquisition and improvements to both land and buildings.	Depreciated and stagnant property values	Ongoing	\$4,940,000	  INVEST ACCESS

FINANCIAL RESOURCES

The level of funding for specific projects will vary due to the recent decline in property values and potential instability in the future. The Agency's ability to fund projects will also be impacted by the State's taking of redevelopment funds to help balance the State's budget in fiscal years 2009-10 and 2010-11. If CRA's challenge of the SERAF is unsuccessful and the Agency is required to make the SERAF deposits as previously described in Section I, some of the redevelopment projects outlined above may be delayed or eliminated.

The following cash flow presents the revenues (excluding low to moderate income housing fund revenues) the Agency may have available after administrative and debt service expenses for the next five years to fund the implementation plan activities previously described. Note that the cash flow does not include revenues from potential bond issues which could provide additional funding sources should the Agency elect to issue future bonds.

The projections are based on varying annual growth rates (see footnotes Table 3 for more details) in secured assessed values over the five year period. No growth rates were assumed for unsecured or utility values. Outlined in the cash flow are projected tax increment receipts, taxing entity's fiscal mitigation payments, loan and debt service payments, and projected Agency administration costs. Funds available to implement future programs are identified as the remaining funds net of these operation and debt service obligations.

Table 3

Merged Project Area Non-Housing Redevelopment Tax Increment Cash Flow Projection						
	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Beginning Fund Balance ¹	\$ 22,063,150	\$ (35,883,742)	\$ (96,755,865)	\$ (163,217,230)	\$ (170,932,930)	
Revenue						
Tax Increment Revenue ²	10,353,936	11,674,998	17,519,063	24,013,104	30,027,320	93,588,422
Interest Income ³	1,900,000	1,957,000	2,015,710	2,076,181	2,138,467	10,087,358
Rental/Lease Income ³	-	-	-	-	-	-
Misc Revenue ^{3,4}	681,000	701,430	722,473	11,144,147	20,766,471	34,015,521
Total Revenue	12,934,936	14,333,428	20,257,246	37,233,433	52,932,258	137,691,301
Expenses / Encumbrances						
LMIHF Transfers	2,696,222	3,096,952	4,649,104	6,468,412	8,097,901	25,008,591
Taxing Agency Payments ⁵	1,282,234	1,461,902	2,414,129	3,433,529	7,746,553	16,338,347
County Admin Fee	76,577	85,780	128,700	175,447	219,294	685,798
Debt Service	8,598,518	8,617,190	8,634,566	8,655,756	5,832,313	40,338,343
Admin, Operations, Planning ⁶	5,109,618	5,262,907	5,420,794	5,583,418	5,750,920	27,127,656
Total Expenses	17,763,169	18,524,731	21,247,292	24,316,561	27,646,982	109,498,735
Net Cash Flow	17,234,917	(40,075,045)	(97,745,911)	(150,300,359)	(145,647,653)	
Ongoing/Planned Projects & Programs	53,118,659	56,680,820	65,471,319	20,632,571	6,467,319	202,370,688
Ending Balance Available for New Projects/Programs	\$ (35,883,742)	\$ (96,755,865)	\$ (163,217,230)	\$ (170,932,930)	\$ (152,114,972)	

¹ FY 2009-10 beginning fund balance includes \$14.9 reserved for potential contingent liability.

² Tax Increment based upon preliminary 2009-10 assessed values. Projections assumed -1%, 0%, and 2% growth rates for 2010-11, 2011-12, and 2012-13 through 2013-14, respectively.

³ Provided by the Hercules Finance Department. Revenues assumed to grow at annual rate of 3%.

⁴ Includes revenues of \$10.4 million in 2012-13 pending resale of former Cal Trans property and \$20 million in 2013-14 for New Town Center parking structure loan repayment.

⁵ Calculations based upon the assumptions used to project Tax Increment Revenues.

⁶ Admin and Planning expenses assumed to grow at annual rate of 3%.

Notes:

- a. Total revenues do not reflect potential for future bond issues.
- b. Developer participation may supplement revenues needed to fund redevelopment project
- c. All ongoing/planned projects and programs will be prioritized based upon available revenues.

SECTION III: HOUSING COMPLIANCE PLAN UPDATE

INTRODUCTION

Overview of the Housing Compliance Plan

The CRL requires agencies to adopt an affordable housing compliance plan that identifies how the redevelopment agency will achieve the affordable housing production requirements for each of its project areas. The housing compliance plan must be consistent with the jurisdiction's housing element and must be reviewed and, if necessary, amended at least once every five years in conjunction with the cyclical preparation of the housing element or the agency's five year implementation plan. This section of the Implementation Plan presents an update to the Agency's current Ten-Year Housing Compliance Plan ("Housing Compliance Plan"). It addresses specific requirements in the CRL with respect to past and future affordable housing activities during the current ten-year housing compliance plan period (2005-2014) ("Compliance Period"). The Housing Compliance Plan details the Agency's proposed work program during the remaining term of the Compliance Period and evaluates the Agency's affordable housing requirements for the next ten years (2010 to 2019) and the life of the Redevelopment Plan.





The Housing Compliance Plan establishes ten-year objectives to achieve compliance with the CRL in its affordable housing programs. These objectives generally fall into three categories:

- Housing Production – Based on the number of housing units constructed or substantially rehabilitated over a ten-year period, a redevelopment agency is to ensure that a percentage of these units are affordable to low and moderate income households.
- Replacement Housing – Redevelopment agencies must ensure that any housing units destroyed or removed as a result of an agency redevelopment project are replaced within four years.
- Expenditures by Household Types – Specific requirements on the amount of housing set-aside funds an agency must spend over a ten-year period on housing affordable to very low income households, low income households, and housing for residents under the age of 65.








As required by the CRL, the Housing Fund has been established to fund affordable housing activities. The Agency is required to allocate 20 percent of the tax increment revenue it receives from Project Area No. 2 and the 2009 Added Area, and 30 percent of the tax increment revenue it receives from the Dynamite Project Area to increase and improve housing affordable to very low, low, and moderate income households. The Agency has the authority to expend the Housing Fund either inside or outside the Merged Project Area.






AFFORDABLE HOUSING WORK PROGRAM







Table 4 describes the proposed projects and programs for affordable housing in the Merged Project Area over the next ten years, including goals that will be achieved and the projected timeframe and estimated costs to implement each project or program³. Additional projects may be implemented over the next five years as market and funding opportunities arise.



Proposed Affordable Housing Programs			TABLE 4
Project/Description	Goals Achieved	Projected Timeframe	Anticipated Expenditure
<p>❑ Sycamore Downtown: This project consists of two components: Sycamore North and Sycamore Crossing.</p> <p>Sycamore North: Two contiguous mixed-use buildings will be developed with 96 residential units situated above ground-floor retail. The project will have 75 affordable units (49 for very low, and 26 for low and moderate income residents). It is located on the north side of Sycamore Ave near Bayside.</p> <p>Sycamore Crossing: A formerly developed property will be redeveloped to contain retail, supermarket, office, and hotel uses plus approximately 100 attached residential units. A portion of the units will be affordable (15 moderate). It is located on the south side of Sycamore Ave to complement and expand on the Sycamore North development.</p>	 <p>GROW</p>  <p>LIVE</p>	2009 to 2015	\$28,940,630
<p>❑ Waterfront Project (Hercules Bayfront): The Agency is working with a property owner to create a 45-acre transit-oriented mixed use project. It is anticipated to include 1,392 residential units, of which 208 will be affordable to very low to moderate income residents (83 to low and 125 to moderate). The affordable units are being provided as a condition of approval for the development of market-rate housing on the site.</p>	 <p>GROW</p>  <p>LIVE</p>	2009 to 2014	\$0

³ Costs are subject to change, and completion of these projects may require future action by the Agency.

Proposed Affordable Housing Programs			TABLE 4
Project/Description	Goals Achieved	Projected Timeframe	Anticipated Expenditure
<p>❑ Hill Town: A conceptual Initial Planned Development Plan was approved in 2007 for the redevelopment of the Hill Town site. The proposed project is anticipated to produce 640 multi-family units, of which 96 will be affordable (38 to very low and 58 to moderate income residents). Any redevelopment assistance will be given with non-housing funds.</p>	 GROW  LIVE	2013 to 2016	\$0
<p>❑ Hercules New Town Center (HNTC): HNTC will establish a mixed-use, transit-oriented “downtown” for the community. Phase 1 will include 280 multi-family units. The project will have 42 affordable units, 17 of which are restricted to very low income residents and 25 to moderate.</p>	 GROW  LIVE	2012 to 2019	\$0
<p>❑ Sycamore Civic Mixed-Use Development: An ERN was executed in September 2009 between the Agency and a developer to build a government center with 70,000 square feet of administration and police facilities, 10,000 square feet of a public assembly area, 160,000 square feet of commercial office and retail, and 50 condominium units. The project will have eight affordable units, three of which are very low.</p>	 GROW  LIVE	2009 to 2019	\$0
<p>❑ Inclusionary Program (BMR): The City’s Affordable Housing Program requires developers to provide inclusionary housing in both ownership and rental housing units. At least 15 percent of new units are required to be affordable to very low to moderate income households. Developments outside a project area are required to provide ten percent of new units at affordable prices. The City negotiates with developers to determine the unit recipient income criteria in each development based on the property size, location, scope, and needs in the community.</p>	 LIVE	2009 to 2019	\$0

Proposed Affordable Housing Programs			TABLE 4
Project/Description	Goals Achieved	Projected Timeframe	Anticipated Expenditure
<p>❑ Financial Assistance for Below Market Unit Pricing: The City's Affordable Housing Program guarantees that new developments provide "below market rate" units that are affordable to very low, low, and moderate income households according to the area median income for Contra Costa County. The Agency occasionally provides financial assistance to fill the affordability gap for lower income households who cannot afford market rate housing. Financial assistance is given via silent second mortgage loans. Other funding sources are sought to further reduce the affordability gap.</p>		2009 to 2019	Project-by-project basis
<p>❑ First Time Homebuyer Program: This program provides low interest deferred loans to very low to moderate income first time homebuyers to purchase housing within the City. It is estimated that this program will assist ten very low to moderate income households per year.</p>		2009 to 2019	\$500,000/year
<p>❑ Citywide Employee Incentive Program: This program provides low interest deferred loans to qualified very low to moderate income employees to help them purchase housing within the City. Eligible job categories include Police, Firefighter, full-time Teacher and full-time City staff. The loans are subject to becoming grants. It is estimated that this program will assist three very low to moderate income households per year.</p>		2009 to 2019	\$100,000/year
<p>❑ Revitalization & Beautification Program: The Agency assists in the revitalization of existing housing stock in the City to improve the appearance of neighborhoods and preserve existing housing stock. The Agency provides low interest deferred loans to very low to moderate income homeowners residing in single family homes within the Merged Project Area. It is estimated that this program will assist six extremely low to moderate income households per year.</p>	 	2009 to 2019	\$150,000/year

Proposed Affordable Housing Programs			TABLE 4
Project/Description	Goals Achieved	Projected Timeframe	Anticipated Expenditure
<p>❑ Emergency Home Repair Program: This program provides low interest loans to very low to moderate income households to address emergency repairs in owner-occupied single family homes, eliminating health and safety hazards. It is estimated that this program will assist one extremely low to moderate income household per year.</p>	 LIVE  CLEAN	2009 to 2019	\$10,000/year
<p>❑ Quick Fix Loan: The Agency provides low interest deferred loans to low and moderate income residents of owner-occupied single family homes to finance home and landscape improvements. The purpose of the program is to improve the appearance of homes within focused neighborhoods and preserve existing housing stock and values. This program is a companion support program to the City's Landscaping, Maintenance and Beautification program. It is estimated that this program will assist one extremely low to moderate income household per year.</p>	 LIVE  CLEAN	2009 to 2019	\$15,000/year
<p>❑ Senior Citizen and Disabled Homeowners Loan Program: The Agency provides low interest deferred loans to very low and low income senior and disabled homeowners to assist with weatherization and home security improvement needs. The program is for owner-occupied single family homes. It is estimated that this program will assist one extremely low to moderate income household per year.</p>	 CLEAN  LIVE	2009 to 2019	\$5,500/year

Proposed Affordable Housing Programs			TABLE 4
Project/Description	Goals Achieved	Projected Timeframe	Anticipated Expenditure
<p>❑ Gas Valve Shut-Off Program: Gas Breaker Automatic Gas Shut-Off Valves will be installed to automatically shut off gas service to reduce the chance of a fire or explosion in the event of pipe breakage due to an earthquake or other potential disasters. This program will protect buildings 24 hours a day, 365 days a year whether the property owner is present or not. The installation will meet safety and code compliance regulations of the California Public Utilities Commission. It is estimated that this program will assist 50 extremely low to moderate income households per year.</p>		2009 to 2019	\$15,000/year
<p>❑ Affordable Housing Preservation Program: The Agency will be undertaking several activities to preserve affordable housing. The Agency will offer Homebuyer/Owner Education classes and Credit Counseling to assist qualified very low to moderate income households to make sound decisions when purchasing a home. It will also fund the administrative costs related to creating a new utility rate that would be affordable to low income persons, resulting in more affordable rents due to the utility allowance that is part of the calculation of “affordable housing costs”. It will also provide assistance to persons that currently hold a loan from the Agency that are in danger of losing their homes due to foreclosure and financial hardship. The Agency plans to contribute to a Community Pride & Neighborhood Cleanup Program to improve homes and will continue to assist a local non-profit organization that places very low income homeless persons in permanent housing. It is estimated that this program will assist 100 extremely low to moderate income households per year.</p>		2009 to 2019	\$712,000/year

AFFORDABLE HOUSING COMPLIANCE

BLUEPRINT FOR AGENCY HOUSING ACTIVITIES

The Housing Compliance Plan serves as a blueprint for current and future Agency activities within the Merged Project Area and outlines how it will meet its low and moderate income housing responsibilities and eliminate blight. This Housing Compliance Plan presents a summary of the Agency's inclusionary and replacement housing programs as mandated by Sections 33413(b)(4) and 33490(a)(2) and (3) of the CRL. Specifically, it presents a forecast of the number of affordable housing units that may be required over the ten-year Compliance Period, and assesses the Agency's plans to facilitate the creation of the required number of affordable housing units within this timeframe.

Adoption of a Housing Compliance Plan does not constitute approval of any specific project, program, or expenditure; and it does not change the need to obtain any required approval of a specific program, project, or expenditure from the Agency or community. The Housing Compliance Plan is a general statement of direction rather than an unalterable course of action. As such, in order to effectuate its purposes due to unknown circumstances or new opportunities that arise from time to time, the Agency may amend the Housing Compliance Plan during the five-year term of the Implementation Plan at any point, including but not limited to the mid-term opportunity as required by CRL.

HOUSING PRODUCTION

Since 1976, redevelopment agencies have been required to assure that at least 30% of all new or substantially rehabilitated units developed by an agency are available at affordable costs to households of very low, low, or moderate income. Of this 30%, not less than 50% are required to be available at affordable costs to very low income households. Further, for all units developed in the project area by entities other than an agency, the CRL requires that at least 15% of all new or substantially rehabilitated dwelling units within the project area be made available at affordable costs to low or moderate income households. Of these, not less than 40% of the dwelling units are required to be available at affordable costs to very low-income households. These requirements are applicable to housing units on an aggregated basis, and not on a project-by-project basis to each dwelling unit created or substantially rehabilitated unless so required by an agency. Appendix 1 provides a glossary of terms related to affordable housing covenants, affordability limits, and inclusionary unit satisfaction.

The Inclusionary Housing Obligations Table on the following page summarizes the production goals over various time periods as required by the CRL. The number of affordable units required is based on statutory thresholds prescribed by the CRL, and the Agency is responsible for ensuring that the appropriate number of affordable units is created during the Compliance Period.

To estimate the number of housing units that need to be affordable to low and moderate income households, the Agency estimated the total number units to be constructed or substantially rehabilitated in the Merged Project Area and applied formulas established in the CRL. The following inclusionary housing analysis takes into account all residential construction or substantial rehabilitation that occurred within the Merged Project Area since its adoption to determine affordable housing production needs, and includes projections for the number of additional dwelling units to be constructed or substantially rehabilitated during the Compliance Period, the next ten years, and over the life of the Redevelopment Plan. The surplus and/or deficit from each period carries over into the calculation for the next period.

Inclusionary Housing Obligations

TABLE 5

Time Period	Units Privately Developed¹	Total Affordable Units Required	Very Low Income Units
Adoption through 2004 (Actual)²			
Total Units	1,473	221	88
Affordable Units Built or Covenanted		218	142
Affordable Units Surplus (Deficit)		(3)	54
2005 through 2009 (Actual)³			
Total Units	445	67	27
Affordable Units Built or Covenanted		217	169
Affordable Units Surplus (Deficit)		147	196
2010 through 2014 (Projected)			
Total Units ³	1,608	241	96
Affordable Units Built or Covenanted ^{3, 4}		405	186
Affordable Units Surplus (Deficit)		311	285
2014 through 2019 (Projected)			
Total Units ³	2,003	300	120
Affordable Units Built or Covenanted ^{3, 4}		302	91
Affordable Units Surplus (Deficit)		313	255
2020 through 2039 (Projected)			
Total Units ⁵	100	15	6
Affordable Units Built or Covenanted ⁶		15	5
Affordable Units Surplus (Deficit)		313	254
Redevelopment Plan Duration			
Total Units	5,629	844	338
Affordable Units Built or Covenanted		1,157	592
Affordable Units Surplus (Deficit)		313	254

¹ Assumes that all newly constructed units are privately developed and not developed by the Agency. Also assumes that the Agency will not substantially rehabilitate any units. Therefore, the number of total affordable units required is calculated based on 15 percent of all units developed in the Merged Project Area.

² As reported in 2005-2009 Implementation Plan

³ As reported by the City of Hercules.

⁴ Estimates that 30 percent of total projected affordable units will be affordable to very low income levels.

⁵ Estimated number of units to be built based on historic rates and available residential land.

⁶ Estimated number of total affordable units to be built based on City inclusionary housing policy. Estimates that 30 percent of total projected affordable units will be affordable to very low income levels.

Note: Numbers may not appear to add correctly due to rounded decimals. The surplus/deficit from each period carries over into the calculation for the next period.

As the above table shows, development since the adoption of the first portion of the Merged Project Area in 1983 through 2009 has generated a need for 288 affordable income restricted units, including 115 very low income units. The Agency has secured covenants on 435 affordable units, 311 of which are very low, creating a surplus of 147 affordable units. Development that is projected to occur in the next five years in the Merged Project Area will generate the need for 241 affordable units, 96 of which must be restricted to very low income households. The Agency anticipates that during the same time period, there will 405 affordable units produced, of which 186 units will be restricted to very low income households. Therefore, as of December 31, 2014, the production of affordable units throughout the Compliance Plan Period combined with those produced through 2009 will give the Agency a total surplus of 311 affordable units, 285 of which are restricted to very low income households.

Through the remaining effective term of the Redevelopment Plan, the Agency has projected that the number of housing units that are to be produced will be based on historical development trends and amounts of available land in the Merged Project Area. During the first five years of the next Compliance Plan period, 2014 through 2019, the Agency anticipates that development will generate the need for 300 affordable and 120 very low income units. Similarly, development that will occur from 2020 through the end of the Redevelopment Plan will generate the need for 15 affordable and 6 very low income units. Taking into account the surplus of affordable units at the end of the current Compliance Plan Period, there will still remain a surplus of 313 affordable and 254 very low income units at the expiration of the Redevelopment Plan.

As described earlier in this Implementation Plan, the Agency anticipates development of affordable housing projects in the Merged Project Area over the Compliance Period that will result in sufficient units to meet the housing production goal, thereby achieving these housing production goals. The fulfillment of the projected housing needs is anticipated to be accomplished through the completion of the programs listed in the Affordable Housing Work Program.

REPLACEMENT HOUSING

The CRL requires that whenever housing occupied by low and moderate income persons or households are destroyed as part of an Agency project, the Agency is responsible for ensuring that an equivalent number of replacement units are constructed or substantially rehabilitated. The Agency has not destroyed any affordable housing units as a result of Agency activity, thus has no replacement housing requirement. It is not anticipated that the Agency will destroy any affordable housing units throughout this Compliance Period.

HOUSING PROGRAM CASH FLOW ANALYSIS

The Agency's primary source of funding for housing projects and programs is the annual deposit of 20 percent of its tax increment revenue from Project Area No. 2 and 30 percent from the Dynamite Project Area into a special housing set-aside fund. The CRL requires that these funds be used to increase, improve, and preserve the community's supply of housing available, at affordable housing cost, to persons and families of very low, low, and moderate incomes. Other sources of Housing Fund revenues include interest earnings, bond proceeds, loan repayments, and other miscellaneous revenue. The following table presents the Agency's Housing Fund projected cash flow over the next ten years. The first five years represent the remainder of the Compliance Period (2010 through 2014) and the subsequent five years represent the beginning of the next compliance period (2015 through

2019) and is included to assist the Agency with planning for future affordable housing projects and programs.

Table 6

Housing Fund Cash Flow Projections 2009/10 - 2013/14						
	2009-10	2010-11	2011-12	2012-13	2013-14	Cum. 5-Year
Beginning Fund Balance	\$ 19,384,189	\$ (4,351,731)	\$ (16,720,797)	\$ (18,747,312)	\$ (19,062,971)	
Revenue						
LMIHF Deposit ¹	2,696,222	3,096,952	4,649,104	6,468,412	8,097,901	25,008,591
Interest Income ²	10,000	10,300	10,609	10,927	11,255	53,091
Rental/Lease Income ²	-	-	-	-	-	-
Misc Revenue ²	189,600	195,288	201,147	207,181	213,396	1,006,612
Total Revenue	2,895,822	3,302,540	4,860,860	6,686,521	8,322,552	26,068,294
Expenses / Encumbrances						
Admin, Operations, Planning ³	3,134,625	3,228,664	3,325,524	3,425,289	3,528,048	16,642,150
County Admin Fee	26,962	30,970	46,491	64,684	80,979	250,086
Debt Service	1,962,655	1,963,842	2,007,860	2,004,707	1,999,907	9,938,971
Total Expenditures	5,124,242	5,223,475	5,379,875	5,494,680	5,608,934	26,831,207
Net Cash Flow	17,155,769	(6,272,667)	(17,239,812)	(17,555,471)	(16,349,353)	
Ongoing/Planned Projects & Programs	21,507,500	10,448,130	1,507,500	1,507,500	1,507,500	36,478,130
Ending Balance Available for New Projects/Programs	\$ (4,351,731)	\$ (16,720,797)	\$ (18,747,312)	\$ (19,062,971)	\$ (17,856,853)	

Table 6 continued

Housing Fund Cash Flow Projections 2014/15 - 2018/19						
	2014-15	2015-16	2016-17	2017-18	2018-19	Cum. 10-Year
Beginning Fund Balance	\$ (17,856,853)	\$ (15,850,013)	\$ (13,227,760)	\$ (10,049,849)	\$ (6,673,303)	
Revenue						
LMIHF Deposit ¹	9,006,814	9,731,548	10,399,020	10,709,045	11,028,371	75,883,389
Interest Income ²	11,593	11,941	12,299	12,668	13,048	114,639
Rental/Lease Income ²	-	-	-	-	-	-
Misc Revenue ²	219,798	226,392	233,184	240,180	247,385	2,173,552
Total Revenue	9,238,205	9,969,881	10,644,502	10,961,892	11,288,804	78,171,579
Expenses / Encumbrances						
Admin, Operations & Planning ³	3,633,889	3,742,906	3,855,193	3,970,849	4,089,975	35,934,963
County Admin Fee	90,068	97,315	103,990	107,090	110,284	758,834
Debt Service	1,999,907	1,999,907	1,999,907	1,999,907	1,994,950	19,933,549
Total Expenditure	5,723,865	5,840,129	5,959,091	6,077,847	6,195,208	56,627,346
Net Cash Flow	(14,342,513)	(11,720,260)	(8,542,349)	(5,165,803)	(1,579,707)	
Ongoing/Planned Projects & Programs	1,507,500	1,507,500	1,507,500	1,507,500	1,507,500	44,015,630
Ending Balance Available for New Projects/Programs	\$ (15,850,013)	\$ (13,227,760)	\$ (10,049,849)	\$ (6,673,303)	\$ (3,087,207)	

¹ LMIHF are 30% of projected tax increment from the Dynamite Project Area and 20% of projected tax increment from Project Area 2 and the 2009 Added Area.

² Provided by the Hercules Finance Department. Revenues assumed to grow at annual rate of 3%.

³ Admin and Planning expenses assumed to grow at annual rate of 3%.

Notes:

- a. Total revenues do not reflect potential for future bond issues.
- b. Developer participation may supplement revenues needed to fund redevelopment project
- c. All ongoing/planned projects and programs will be prioritized based upon available revenues.

Due to the State's effort to take redevelopment funds to balance the State Budget, the Agency may be required to make Supplemental Educational Revenue Augmentation Fund ("SERAF") payments during the Compliance Period. In Fiscal Year 2008-09, the State of California approved the budget contingent upon a \$350 million shift of tax increment monies from redevelopment agencies to be applied to ERAF. The California Redevelopment Association filed a lawsuit on behalf of all redevelopment agencies asserting that the take from redevelopment was unconstitutional based on the Law. On April 30, 2009 a judgment in favor of redevelopment agencies was rendered, affirming that the take was unconstitutional and therefore illegal. The State has announced that it will not appeal this decision.

Nonetheless, following this judgment, the State of California approved the Fiscal Year 2009-10 budget relying on a \$2.05 billion ERAF shift from redevelopment agencies over the next two years. The additional shift to ERAF (referred to as the Supplemental Educational Revenue Augmentation Fund or "SERAF") is estimated to result in a payment of \$4,992,984 in 2009-10, and \$1,026,977 in 2010-11

from the Agency. The California Redevelopment Association filed a lawsuit in October 2009 challenging this taking under the assertion that it is unconstitutional. The Agency will be monitoring this case to determine whether the SERAF payment will need to be made and will plan to make the SERAF payment if necessary. Within the budget, there is a provision by which the Agency has the option to suspend the 2009-10 housing set-aside contribution in order to assist the SERAF shift in that year; however, the loan would need to be repaid by June 30, 2015. If the Agency elects this option, the loan could potentially delay many of the housing programs and projects anticipated over the next five year period.

EXPENDITURES BY HOUSEHOLD TYPES

Effective January 2002, expenditure of housing set-aside revenues is subject to certain legal requirements. At a minimum, the Agency's Housing Fund revenue is to be expended in proportion to the community's need for very low and low income housing, as well as the proportion of the low income population under the age of 65. New legal requirements took effect in 2006 that modified the previous limitation of spending Housing Fund monies on households under the age of 65. Section 33334.4(b) of CRL used to require that an agency spend its Housing Fund monies "in at least the same proportion as the population under age 65 bears to the total population based on the most recent census." The new language provides a higher level of specificity to spend "in at least the same proportion as the number of low-income households with a member under age 65 bears to the total number of low-income households of the community as reported in the most recent census."

The community's proportionate need is based on statistics from the Association of Bay Area Governments' Regional Housing Needs Assessment, used by local government to meet state requirements for affordable housing by category, and the U.S. Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy ("CHAS") allocation numbers. Data relating to low income persons under the age of 65 is not readily available from the U.S. Census; the metric that closest approximates it is from the CHAS database which represents data of low income persons below the age of 62.

The following represents the minimum Housing Fund expenditure thresholds for very low and low income as well as the maximum housing expenditure thresholds for households 62 years of age required over the term of the Compliance Period. The chart specifically details the Agency's Housing Fund expenditure during the first five years of the Compliance Period and the projected expenditures during the remainder of the Compliance Period. The Agency anticipates meeting its Housing Fund targeting requirements by the end of the Compliance Period.

Housing Fund Proportional Expenditure Allocation: Merged Project Area

TABLE 7

Income Level	RHNA Allocation (Units) ¹	Targeting Requirement (% of Total)	2005 to 2009		2010 to 2014		2005 to 2014	
			Expenditure	%	Expenditure	%	Expenditure	%
Very Low (min.)	143	49%	1,872,827	19%	21,330,545	58%	23,203,372	50%
Low (min.)	74	26%	3,502,136	35%	9,209,793	25%	12,711,929	27%
Moderate/Unrestricted (max.)	73	25%	4,607,375	46%	5,937,792	16%	10,545,167	23%
	290	100%	\$ 9,982,338	100%	\$ 36,478,130	100%	46,460,468	100%

Age Category	CHAS Allocation (Households) ²	Targeting Requirement (% of Total)	2005 to 2009		2010 to 2014		2005 to 2014	
			Expenditure	%	Expenditure	%	Expenditure	%
Age-Restricted (Senior)	289	22%	270,764	3%	\$7,295,626	20%	7,566,390	16%
Non-Age Restricted (Family)	1,015	78%	9,711,574	97%	\$29,182,504	80%	38,894,078	84%
	1,304	100%	\$ 9,982,338	100%	\$ 36,478,130	100%	46,460,468	100%

¹ Association of Bay Area Governments Regional Housing Needs Assessment, Final 5/15/08

² Data of low income households under the age of 65 is not readily available from the Census. The nearest metric for such Census data represents households under the age of 62 (available via the Comprehensive Housing Affordability Strategy at <http://socds.huduser.org/chas/index.htm>).

The Agency expended the majority of the Housing Fund on moderate income non-age restricted households during the beginning of the Compliance Period (2005 through 2009). The Agency has projected \$36.5 million of Housing Fund expenditures for projects and programs implemented over the remainder of the Compliance Period (2010 through 2014). Future Housing Fund expenditures will be expended in the proportions detailed in the above table to ensure that Housing Fund Proportional Allocation targets are met by the end of the Compliance Period. Although the Agency has a surplus of affordable housing units, the Housing Fund must be expended in a timely manner to avoid penalties due to the Agency incurring an excess surplus in the Housing Fund pursuant to CRL Section 33334.10.

The Dynamite Project Area is subject to special affordable housing expenditure and production requirements mandated under Section 33333.10 of the CRL. An ordinance adopted on June 9, 2009 amended the Dynamite Redevelopment Plan pursuant to Section 33333.10, which triggered a special requirement to set-aside 30% of tax increment revenue from the Dynamite Project Area for the production and improvement of affordable housing (instead of the standard 20% required under the CRL). Other specific affordable housing expenditure requirements triggered by the amendment include:

1. Beginning in the first fiscal year after the plan amendment is adopted and ending on the original (un-amended) time limit to collect tax increment (July 1, 2009 to November 30, 2036):
 - a. Over a five year period, a maximum of 15 percent of the funds deposited into the Housing Fund may be spent on the production of moderate income housing units, as long as all of these funds are used in projects in which at least 49 percent of the units satisfy the affordability requirements of low income or below.
 - b. Over a five year period, an additional five percent (to a maximum of 20 percent) of the funds deposited in the Housing Fund may be spent on moderate income housing units (in any housing development project), as long as the additional funds do not exceed the amount spent on the production of extremely low income housing units.

2. Beginning on the original (un-amended) time limit to collect tax increment (November 30, 2036):
 - a. Over a five year period, a maximum of 15 percent of the funds deposited in the Housing Fund may be spent on the production of moderate income housing units, as long as this amount does not exceed the amount spent on the production of extremely low income housing units, and the number of moderate income housing units that are funded does not exceed the number of funded extremely low income housing units.

The following table lists how the Agency plans to meet special expenditure proportionality requirements in the Dynamite Project Area over the next five years pursuant to CRL Section 33333.10.

Proportional Expenditure Allocation: Table 8
Dynamite Project Area (2009-10 to 2013-14)

Income Level	Units	%	Expenditure	%
Very Low	49	51%	8,885,333	65%
Low	15	16%	2,720,000	20%
Moderate	11	11%	1,994,667	15%
Market	21	22%	-	-
Total	96	100%	\$ 13,600,000	100%

Note: All Housing Fund revenues from the Dynamite Project Area, after administrative and operating costs, are expected to be spent on the Sycamore North affordable housing project.

It is estimated that approximately \$13.6 million of Housing Fund deposits from the Dynamite Project Area will be available to spend on projects over the next five years after administrative and operational expenses. This amount will be spent on the Sycamore North affordable housing project in the proportions shown in Table 8. No more than 15 percent of the money deposited into the Housing Fund from the Dynamite Project Area will be spent on moderate income housing and approximately 67 percent of the housing units in the project will be affordable to very low to low income households.

PRIOR FIVE-YEAR HOUSING FUND EXPENDITURES

Units Assisted by Housing Set Aside Fund

The CRL requires a recap of the number of the projects assisted by the Housing Fund to create extremely low, very low, and low units over the past implementation plan period (2005 through 2009). The CRL also requires a recap of the number, location, level of affordability and the amount of Housing Funds expended on multi-family units. The table on the following page summarizes these statistics:

Housing Fund Expenditures 2002 through 2009

TABLE 9

Project	Very Low Inc. Units	Housing \$ Spent on Very Low Inc. Units	Low Inc. Units	Housing \$ Spent on Low Inc. Units	Moderate Inc. Units	Housing \$ Spent on Moderate Inc. Units	Total Affordable Units	Total Housing Expenditures
Revitalization & Beautification	7	153,946	4	82,110	17	339,006	28	575,062
Emergency Home Repair	1	(1,593)	1	25,000	2	10,000	4	33,407
Gas Valve Shut-off	35	11,929	35	12,539	36	22,516	106	46,984
Inclusionary Program	3	270,000	2	435,000	1	35,000	6	740,000
Sycamore Crossings	0	-	0	-	15	212,329	15	212,329
Samara Terrace Sr. Apartments	51	10,557	0	-	1	207	52	10,764
Victoria Green Apartments	53	905,778	59	1,008,319	0	-	112	1,914,097
The Arbors	60	260,000	0	-	0	-	60	260,000
BEGIN Program	3	30,000	5	150,000	2	60,000	10	240,000
First Time Homebuyer	5	232,210	22	897,210	43	2,437,170	70	3,566,590
Citywide Employee Incentive	0	-	2	67,000	8	429,590	10	496,590
Housing Loan Assistance	0	-	0	-	1	18,064	1	18,064
Affordable Housing Preservation	0	-	4	824,958	4	1,043,493	8	1,868,450
Total	218	\$ 1,872,827	134	\$ 3,502,136	130	\$ 4,607,375	482	\$ 9,982,338

Age Category	Very Low Inc. Units	Housing \$ Spent on Very Low Inc. Units	Low Inc. Units	Housing \$ Spent on Low Inc. Units	Moderate Inc. Units	Housing \$ Spent on Moderate Inc. Units	Total Affordable Units	Total Housing Expenditures
Units for Seniors	171	270,557	0	-	1	207	172	270,764
Units for Families	47	1,602,270	134	3,502,136	129	4,607,168	310	9,711,574
Total	218	\$ 1,872,827	134	\$ 3,502,136	130	\$ 4,607,375	482	\$ 9,982,338

The table above breaks down the Housing Fund expenditures from the past five years by income category and age group. As is also shown in the Housing Fund Proportional Expenditure Allocation table, \$1.9 million (or 19 percent) of the Housing Fund was expended on very low income housing and \$3.5 million (or 35 percent) was expended on low income housing. To comply with proportional expenditure allocation requirements per CRL Section 33334.4, the Agency will need to expend approximately \$21.3 million and \$9.2 million on very low and low income housing, respectively, over the next five years.

Similarly, \$270,764 (or three percent) of the Housing Fund was expended on people over the age of 62 over the past five years. Therefore, not more than \$9.9 million can be expended on this population over the next five years.

Housing Units Constructed During Prior Implementation Plan Without Housing Set Aside Funds

Since 2005, no affordable units featuring long term covenant restricted units (affordable units with covenants of at least 45 years for ownership housing or 55 years for rental housing) have been created with funds other than the Housing Fund.

ADMINISTRATION OF THE IMPLEMENTATION PLAN

As detailed in the introduction of this Implementation Plan, the Agency is required to produce an Implementation Plan every five years. After adoption of the first implementation plan, a new plan is to be adopted every five years either in conjunction with the housing element cycle or the implementation plan cycle.

Implementation Plan Adoption Process

Each Implementation Plan must be presented and adopted at a duly notice public hearing of the Agency. Notice of the public hearing must be conducted pursuant to Section 33490 of the CRL. Furthermore, the Notice must be published pursuant to Government Code Section 6063, mailed at least three weeks in advance to all persons and agencies that have requested notice, and posted in at least four permanent places within the Project Area for a period of three weeks. Publication, mailing, and posting shall be completed not less than 10 days prior to the date set for hearing.

The Agency may amend the Implementation Plan at any time after conducting a public hearing on the proposed amendment.

Mid-Term Implementation Plan Review Process

At least once within the five-year term of this Implementation Plan, the Agency must conduct a public hearing and hear testimony of all interested parties for the purpose of reviewing the redevelopment plan and the corresponding implementation for each redevelopment project. This hearing must take place no earlier than two years and no later than three years after the adoption of the Implementation Plan and Housing Compliance Plan.

APPENDIX 1: GLOSSARY OF HOUSING TERMS

APPENDIX 1

Glossary of Housing Terms

There are many ways in which the Agency may create inclusionary units that satisfy the requirements outlined in Law Section 33413 including new construction of for-sale and rental housing, substantial rehabilitation, and the purchase of covenants on multifamily rental housing.

New Construction & Substantial Rehabilitation: For-sale (affordable) inclusionary units or inclusionary multifamily rental housing may be created by assisting new construction or providing financing for purchasers of new housing, and by substantially rehabilitating such units per the Law definition. To be counted toward the Agency inclusionary unit need, for sale units must be covered by a 45-year affordability covenant and rental units by a 55-year affordability covenant.

Purchase of Covenants: The Agency may use the Housing Fund to subsidize multifamily units that are not substantially rehabilitated or newly constructed, by the purchase of an affordability covenant. The affordability covenants on multifamily units would restrict such units for a period of 55 years. Such units must be occupied by and affordable to very low and low income households. The Agency may only meet up to 50% of their required inclusionary unit need in this manner. Furthermore, 50% of the covenants purchased must be affordable to very low and low income households. Inclusionary units secured by the Agency through the purchase of covenants, substantial rehabilitation, and new construction that are located within the Merged Project Area boundaries can be counted on a one-for-one basis. If the units are located outside of the Merged Project Area they only receive one-half (½) credit (counted on a two-for-one basis). Mutual self-help housing units receive a 1/3 credit towards satisfying inclusionary unit production requirements.

Mutual Self-help Housing: Mutual self-help housing refers to very low or low income, owner-occupied housing units where residents have contributed at least 500 hours of work on the unit to ensure safe and sanitary housing. Mutual self-help housing units must be deed restricted for at least 15 years. Each housing production unit must have a covenant recorded with the county pursuant to Law Section 33334.3 in order to be counted.

DURATION OF AFFORDABILITY COVENANTS

Prior to January 1, 2002: for no less than the period of land use controls established in the redevelopment plan.

After January 1, 2002: for the longest feasible time, but not less than 55 years for rental housing and 45 years for owner occupied housing.

Under Section 33413, rental housing units may be replaced prior to the expiration of the 55-year period with equally affordable and comparable rental units in another location within the City if (i) the replacement units are available for occupancy prior to the displacement of any persons residing in the subject units and (ii) the comparable replacement units are not developed using moneys in the Housing Fund.

Under Section 33413, owner-occupied units may be sold prior to the expiration of the 45-year period for a price in excess of what would otherwise be allowed if the units are subject to an equity sharing agreement or some other program that protects the Agency's investment of Housing Fund moneys. The Agency must deposit the excess proceeds in the Housing Fund and within three years from the date of the sale of the units, spend funds to make affordable an equal number of units at the same

income level as the units sold. Only the units originally assisted by the Agency can be counted towards the Agency's obligations under Section 33413.

AFFORDABILITY INCOME AND COST LEVELS

Section 50052.5 of Health and Safety Code defines affordable housing cost as:

- Extremely Low – Not more than 30% of 30% of the County median household income.
- Very Low - Not more than 30% of 50% of the County median household income.
- Low - Not more than 30% of 70% (or 30% of 60% for rental projects) of the County median household income.
- Moderate - Not more than 35% of 110% (or 30% of 120% for rental projects) of the County median household income.

The following tables detail affordable housing costs for rental and ownership units in Hercules based on Contra Costa County income limits.

**CONTRA COSTA COUNTY
 2009 Affordable Rent Limits**

(Income figures based on Department of Housing and Community Development Income Limits dated April 2, 2009)

Studio		1 Bedroom		2 Bedroom		3 Bedroom	
Median Income: \$62,500		Median Income: \$71,450		Median Income: \$80,350		Median Income: \$89,300	
Income Category	Monthly Affordable Rent ⁽¹⁾	Income Category	Monthly Affordable Rent	Income Category	Monthly Affordable Rent	Income Category	Monthly Affordable Rent
Very Low	\$781	Very Low	\$893	Very Low	\$1,004	Very Low	\$1,116
Low	\$938	Low	\$1,072	Low	\$1,205	Low	\$1,340
Moderate	\$1,719	Moderate	\$1,965	Moderate	\$2,210	Moderate	\$2,456

4 Bedroom		5 Bedroom		6 Bedroom		7 Bedroom	
Median Income: \$96,450		Median Income: \$103,600		Median Income: \$110,750		Median Income: \$117,900	
Income Category	Monthly Affordable Rent	Income Category	Monthly Affordable Rent	Income Category	Monthly Affordable Rent	Income Category	Monthly Affordable Rent
Very Low	\$1,206	Very Low	\$1,295	Very Low	\$1,384	Very Low	\$1,474
Low	\$1,447	Low	\$1,554	Low	\$1,661	Low	\$1,769
Moderate	\$2,652	Moderate	\$2,849	Moderate	\$3,046	Moderate	\$3,242

DEFINITIONS

1. Affordable Rent: Monthly rent amount would be adjusted for a reasonable utility allowance.

**CONTRA COSTA COUNTY
 2009 Affordable Ownership Housing Cost Limits**

(Income figures based on Department of Housing and Community Development Income Limits dated April 2, 2009)

Studio		1 Bedroom		2 Bedroom		3 Bedroom	
Median Income:	\$62,500	Median Income:	\$71,450	Median Income:	\$80,350	Median Income:	\$89,300
Income Category	Monthly Affordable Housing Cost ⁽¹⁾	Income Category	Monthly Affordable Housing Cost	Income Category	Monthly Affordable Housing Cost	Income Category	Monthly Affordable Housing Cost
Very Low	\$781	Very Low	\$893	Very Low	\$1,004	Very Low	\$1,116
Low ⁽²⁾	\$1,094	Low	\$1,250	Low	\$1,406	Low	\$1,563
Moderate ⁽³⁾	\$2,005	Moderate	\$2,292	Moderate	\$2,578	Moderate	\$2,865

4 Bedroom		5 Bedroom		6 Bedroom		7 Bedroom	
Median Income:	\$96,450	Median Income:	\$103,600	Median Income:	\$110,750	Median Income:	\$117,900
Income Category	Monthly Affordable Housing Cost	Income Category	Monthly Affordable Housing Cost	Income Category	Monthly Affordable Housing Cost	Income Category	Monthly Affordable Housing Cost
Very Low	\$1,206	Very Low	\$1,295	Very Low	\$1,384	Very Low	\$1,474
Low	\$1,688	Low	\$1,813	Low	\$1,938	Low	\$2,063
Moderate	\$3,094	Moderate	\$3,324	Moderate	\$3,553	Moderate	\$3,783

DEFINITIONS

1. Monthly Housing Costs: Amount of mortgage payment principal and interest, mortgage insurance, property taxes, and property insurance. and reasonable utility allowance
2. Low Income Affordable Housing Costs: Assumes affordable housing costs computed at 30% of 70% of median income.
3. Moderate Income Affordable Housing Costs: Assumes affordable housing costs computed at 35% of 110% of median income; may not be less than 28% of household's gross income.



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