

HERCULES REDEVELOPMENT AGENCY

# IMPLEMENTATION PLAN

2005-2009



Merged Dynamite and Project Area No. 2

## **ABOUT THIS IMPLEMENTATION PLAN**

This document is the 2004-05 through 2008-09 Five-Year Implementation Plan (“Implementation Plan”) for the Merged Dynamite and Project Area No. 2 of the Hercules Redevelopment Agency (“Agency”). This Plan presents the Agency’s goals and objectives, anticipated projects and programs, and estimated expenditures for the five year planning period beginning in fiscal year 2004-05 and terminating at the end of fiscal year 2008-09.

### **Contents of the Implementation Plan**

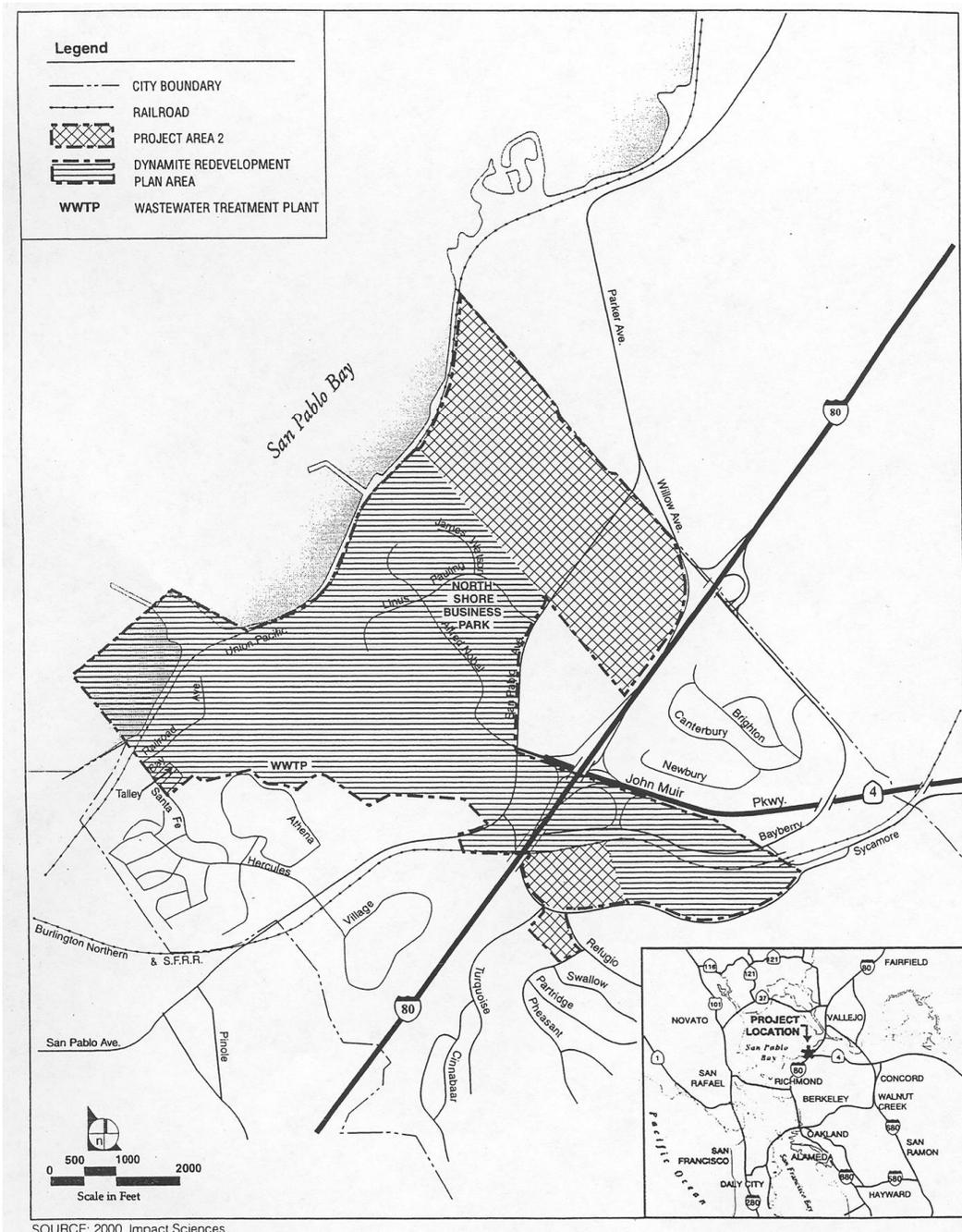
Section 33490 of the California Community Redevelopment Law, Health and Safety Code Section 33000 et seq. (“Law”), requires this Plan to include the following:

- Specific Agency goals and objectives for the Merged Dynamite and Project Area No. 2 (“Merged Project Area”);
- Specific programs, potential projects, and estimated expenditures proposed by the Agency over the next five years, and;
- An explanation of how Agency goals, objectives, programs, and expenditures will eliminate blight within the Merged Project Area and improve and increase the supply of housing affordable to very low, low, and moderate-income households.

The Law also requires that this Plan address the Agency’s affordable housing production and replacement housing needs and achievements.

Pursuant to California Community Redevelopment Law Section 33490(a)(1)(B) the adoption of this Implementation Plan does not constitute a project within the meaning of the California Environmental Quality Act (“CEQA”).

## REDEVELOPMENT PROJECT AREAS



SOURCE: 2000, Impact Sciences

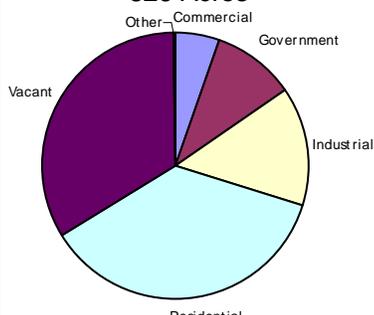
## ABOUT THE MERGED DYNAMITE AND PROJECT AREA NO. 2

The Redevelopment Plan for the Dynamite Redevelopment Project Area was originally adopted on November 30, 1983. The Dynamite Project Area covers approximately 577 acres and is primarily dedicated to industrial and residential uses. The Dynamite Project Area was subsequently amended two (2) times (on April 26, 1994 by Ordinance No. 325 and on February 27, 1996 by Ordinance No. 333).

The Redevelopment Plan for Project Area No. 2 was originally adopted on April 13, 1999 by Ordinance No. 351 and encompasses 249 acres. Project Area No. 2 was adopted to redevelop a closed refinery and two shopping centers, and now includes primarily commercial and residential uses.

The Dynamite Project Area and Project Area No. 2 were merged on February 13, 2001 by Ordinance No. 363. That same amendment extended the effectiveness and time limit to collect tax increment for the Dynamite Project Area. The 826-acre Merged Project Area includes commercial, government, industrial and residential land uses.

The Merged Project Area was amended on March 8, 2005 by Ordinance No. 403 to increase the tax increment limit for the Dynamite portion of the Merged Project Area, eliminate the time limit on incurring indebtedness for the Dynamite portion of the Merged Project Area, and to combine the bond indebtedness limit for the Dynamite and Project Area No. 2 portions of the Merged Project Area.

Notable Timeframes			What is There?	
<b>Redevelopment Plans</b>	Adopted	Expires	<b>826 Acres</b> 	
Dynamite	1983	2023		
Project Area No. 2	1999	2029		
<b>Collect Tax Increment</b>				
Dynamite		2033		
Project Area No. 2		2044		
<b>Implementation Plan</b>	<b>2005</b>	<b>2009</b>		
<b>Housing Compliance Plan</b>	<b>2005</b>	<b>2014</b>		
(For Affordable Housing Program Planning)				

## POSITIONING FOR THE FUTURE

In the last five years, the Agency has championed several successful projects and programs in the Merged Project Area:

- **BIO-RAD Headquarters Project:** The Agency entered into a Development and Owner Participation Agreement with BIO-RAD Laboratories for the proposed expansion of BIO-RAD's facilities. The owner has an immediate need for two new buildings for the Life Sciences Division, consisting of a 129,600 square foot research and development/manufacturing facility and an 80,300 square foot finished products warehouse/distribution facility. The owner projects that its long term facility needs will require the development of an additional 757,400 square feet of building space, which would result in a total build out of 1,182,200 square feet of construction on the 67.38 acre project site. Construction has begun on the first phase of this project (actually Phase II of the BIO-RAD corporate headquarters campus).
- **Promedia Project:** The Agency entered into an Owner Participation Agreement to develop a 57,600 square foot building (Phase I) and a 27,000 square foot building (Phase II) in the Dynamite Project Area. Construction of both phases of this project is complete.
- **Radstons Project:** The Agency entered into an Owner Participation Agreement to facilitate the improvement of the owner's 16,840 square feet of commercial space in the Dynamite Project Area.
- **Home Depot:** The Agency entered into a Disposition and Development Agreement with Home Depot USA, Inc. to facilitate the assembly of approximately 12.67 acres for the development of a Home Depot retail store in Project Area No. 2. Construction on this project is complete.
- **Hercules New Town Center:** The Agency entered into a Disposition and Development Agreement for the development of a mixed-use commercial and residential development with structured parking in the Dynamite Project Area. The DDA requires the project to include at least 25,000 square feet of commercial development and provides incentives for the developer to develop in excess of 300,000 square feet of building area, including a minimum of 50,000 square feet of commercial.

## AMENDED AND RESTATED REDEVELOPMENT PLAN GOALS

The Dynamite Redevelopment Plan and the Redevelopment Plan for Project Area No. 2 were adopted in 1983 and 1999 (respectively) to address blighting conditions found in the Project Area. The two project areas were merged in 2001 by the adoption of the Merger and Amendment to the Redevelopment Plans for the Dynamite Redevelopment Project and Project Area No. 2. The Merged Redevelopment Plan's goals are identified as the following:

 <b>CLEAN</b>	<p>The elimination of blight and environmental deficiencies in the Project Area. The establishment and implementation of performance criteria to assure high site design standards and environmental quality and other design elements that provide unity and integrity to the entire Project.</p>
 <b>ACCESS</b>	<p>The assembly of land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Area. The provision of adequate land for parking and open spaces.</p>
 <b>GROW</b>	<p>The replanning, redesign, and development of undeveloped areas that are stagnant or improperly utilized.</p>
 <b>INVEST</b>	<p>The strengthening of the economic base of the Project Area and the community by the installation of needed site improvements to stimulate new commercial/industrial expansion, employment, and economic growth.</p>
 <b>SHOP</b>	<p>The strengthening of retail and other commercial functions in the Project Area.</p>
 <b>LIVE</b>	<p>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.</p>
 <b>PRESERVE</b>	<p>The preservation and restoration of historic structures.</p>

## **OUR REDEVELOPMENT STRATEGY**

The redevelopment strategy for Merged Project Area is based on alleviating and preventing the spread of blight and deterioration in the Project Area.

This strategy principally focuses on the following:

- The acquisition, installation, construction, reconstruction, redesign, or reuse of streets, utilities, curbs, gutters, sidewalks, traffic control devices, flood control facilities, and other public improvements.
- The rehabilitation, remodeling, demolition, or removal of buildings, structures, and improvements by present owners, their successors and the Agency.
- The rehabilitation, development, preservation, or construction of affordable housing in compliance with State Law.
- Providing the opportunity for participation by owners and tenants presently located in the Project Area and the extension of preferences to occupants desiring to remain or relocate within the redeveloped Project Area.
- Providing relocation assistance to displaced residential and nonresidential occupants in accordance with applicable State Law.
- The development or redevelopment of land by private enterprise or public agencies for purposes and uses consistent with the objectives of this Plan.
- The acquisition of real property by purchase, gift, devise, or any other lawful means, or, where it is deemed necessary, by exercising the power of eminent domain as permitted by Section 503 of this Plan and after conduct of appropriate public hearings.
- The combining of parcels, properties, site preparation, and construction of necessary off-site improvements for development and construction of residential/commercial/industrial facilities.
- Providing for open space.
- Managing of any property acquired by the Agency.
- Assisting in providing financing for the construction of commercial and industrial buildings to increase the economic base of the Project Area and the City, and the number of temporary and permanent jobs in the Project Area.

- The disposition of property including the lease or sale of land at the value determined by the Agency for reuse in accordance with this Plan.
- Providing for the retention of controls, and the establishment of restrictions or covenants running with the land, so that property will continue to be used in accordance with this Plan.
- The closure or vacation of certain streets and the dedication of other areas for public purposes.
- Providing replacement housing, if any is required.
- Applying for, receiving and utilizing grants and loans from federal or state governments or any other source.

## PROPOSED REDEVELOPMENT PROGRAM – 2005 THROUGH 2009

Over the next five years, the Agency will implement the Merged Project Area redevelopment strategy by undertaking the following projects and programs. Note that the estimated project costs for these projects is the total cost and only a portion of the cost will be paid for using redevelopment funds.

Project/Description	Estimated Project Cost	Goals Achieved
<p><b>Wastewater Treatment Plant</b> Plant upgrades to Digester and related units.</p> <p>This project will provide public facilities and infrastructure improvements needed for continued development and general welfare of the Merged Project Area.</p> <p><i>Timeframe ..... 2006-07</i></p>	\$4,000,000	<div style="text-align: center;">   <b>CLEAN</b> </div> <div style="text-align: center;">   <b>INVEST</b> </div>
<p><b>Capital Corridor Rail Station</b> Platform, track and access. Parking structures.</p> <p>This project will address the need for improved public transportation in the Project Area.</p> <p><i>Timeframe ..... 2007-08</i></p>	\$36,000,000	<div style="text-align: center;">   <b>ACCESS</b> </div>
<p><b>John Muir Parkway Improvements</b> Thoroughfare and landscape improvement. Refugio Creek Bridge at Tsushima Street improvement. Refugio Creek Bridge at Bayfront Blvd improvement.</p> <p>This project will provide public infrastructure improvements to alleviate health hazards and improve transportation infrastructure.</p> <p><i>Timeframe ..... 2006-07</i></p>	\$10,500,000	<div style="text-align: center;">   <b>ACCESS</b> </div>

Project/Description	Estimated Project Cost	Goals Achieved
<p><b>Point Park</b> Access bridge, soil remediation, and park improvements.</p> <p>This project will alleviate public health hazards as well as provide improved public infrastructure.</p> <p><i>Timeframe</i> ..... <i>TBD</i></p>	<p>\$15,000,000</p>	 ACCESS  CLEAN
<p><b>Hercules New Town Center</b> Project to provide infrastructure and incentives enabling development on parcels at junction of Interstate 80 and State Route 4, along San Pablo and Willow Avenues. Project is required to overcome impediments to development on the parcels and intended to result in a transit-oriented Town Center for Hercules. Infrastructure includes circulation improvements on local roads and installation of utilities. Development incentives include mechanisms to encourage construction of adequate parking within complex programs on constrained sites. Incentives also provided to enable retail and commercial uses and master planning for transit-oriented development.</p> <p>This project will provide public infrastructure improvements for public transportation as well as facilitate the reuse of underutilized property to stimulate economic growth in the Project Area.</p> <p><i>Timeframe</i> ..... <i>TBD</i></p>	<p>\$123,400,000</p>	 ACCESS  GROW  INVEST  SHOP
<p><b>Freeway Ramp Relocation</b> Project to improve local road and freeway operation by replacing current Interstate 80 off/on-ramps at Willow Avenue with new ramps to the east at the State Route 4 overpass.</p> <p>This project will address the need for improved public transportation in the Project Area.</p> <p><i>Timeframe</i> ..... <i>2008-09</i></p>	<p>\$20,000,000</p>	 ACCESS

Project/Description	Estimated Project Cost	Goals Achieved
<p><b>Sycamore Main</b> Mixed use building and related improvements, low to moderate income housing, and parking improvements.</p> <p>This project will stimulate economic growth within the Project Area as well as provide infrastructure improvements and increase the City's stock of affordable housing.</p> <p><i>Timeframe</i> ..... 2006-07</p>	<p>\$15,500,000</p>	 ACCESS  LIVE  SHOP
<p><b>Restoration of Historic Clubhouse</b> Project to acquire and adaptively re-use the Historic Clubhouse as an events facility, restaurant and other civic and commercial uses.</p> <p>This project will remediate the deterioration and dilapidation of a historic building while preserving the building's character.</p> <p><i>Timeframe</i> ..... 2005-06</p>	<p>\$3,000,000</p>	 INVEST  PRESERVE  SHOP
<p><b>Total Estimated Redevelopment Investment</b></p>	<p><b>\$227,400,000</b></p>	

## **HERCULES REDEVELOPMENT AGENCY HOUSING COMPLIANCE PLAN**

This Compliance Plan incorporates a summary of the Agency's affordable housing production activities and presents an affordable housing plan for the ten year planning period of 2005-2014.

The Housing Element of the City of Hercules ("City") outlines the City's strategy to preserve and enhance the community's residential character, expand housing opportunities for all economic segments and provide guidance and direction for local government decision making in all matters relating to housing.

The Housing Element specifies that the City will comply with the legal requirements of, and be in compliance with, the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) ("CRL"). The City's Housing Element has identified the Agency's Affordable Housing Fund ("Housing Fund") as one of the primary funding vehicles for addressing the City's affordable housing goals. This Housing Compliance Plan is consistent with the Housing Element's goal of providing housing for all City residents.

## POSITIONING FOR THE FUTURE

In the last five years, the Agency has championed several successful housing projects and programs within the Merged Project Area:

- Victoria by the Bay:** The Agency entered into a development and owner participation agreement with New Pacific Properties for the development of 744 market rate single family homes and 132 multi-family affordable units in Project Area No. 2. Construction began in 2003 and was completed in 2005. The Agency facilitated this development by pledging tax increment revenues to the developer.
- Sycamore Villas:** The Agency entered into an owner participation agreement with KB Homes for the development of 124 market rate single family homes. The Agency's participation in this project was a pledge of tax increment revenue generated by the project as well as a reimbursement for road improvements. As part of this agreement, the developer conveyed 1.86 acres of land for the development of affordable housing. A project to utilize this land for the development of 60 multi-family affordable rental units is in the planning phase.
- Cottage Lane:** Construction is complete on this project facilitated by an agreement between the Agency and Western Pacific Housing. This project resulted in 46 single family homes and 10 duet homes, 6 of which are affordable to low- and moderate-income households.
- Hercules New Town Center:** The Agency entered into a disposition and development agreement with Hercules New Town Center, LLC for the development of a 6.62 acre parcel in the Dynamite Project Area. This project would consist generally of mixed-use commercial and residential improvements with structured parking. The agreement requires that the developer meet the affordable housing obligation for the residential units constructed as part of this agreement.

**Table 1: Housing Production During the Previous Plan Period**

Project Name	Type	Tenancy	Affordability	Unit Count
Bridge/Hercules Senior Housing	Multi-family	Rental	Affordable	60
Cottage Lane	Single- & Multi-family	Sale	Market	56
Sycamore Villas	Single-family	Sale	Market	124
Refugio Villas	Single-family	Sale	Market	15
Victoria By The Bay	Single-family	Sale	Market	744
Victoria Greens	Multi-family	Rental	Affordable	132
Promenade	Single-family	Sale	Market	216
Baywood	Single-family	Sale	Market	76
Railroad Block	Single-family	Sale	Market	14
<b>Total</b>				<b>1,437</b>

## PROPOSED AFFORDABLE HOUSING PROGRAM – 2005 THROUGH 2009

Over the next five years, the Agency will implement the residential component of the Merged Project Area’s redevelopment strategies by undertaking the following projects and programs:

Project/Description	Estimated Project Cost	Goals Achieved
<p><b>Sycamore Avenue Downtown</b>                      This project will result in the construction of 53 units of multi-family affordable housing for very low income families.</p> <p>This project will increase the City’s stock of affordable housing.</p> <p><i>Timeline..... 2007-08</i></p>	\$15,000,000	
<p><b>Hercules Civic Senior</b>                      This senior housing project will include 54 units that will be deed restricted for Very Low Income households.</p> <p>This project will increase the City’s stock of affordable housing.</p> <p><i>Timeline..... 2005-06</i></p>	\$700,000 (already paid)	
<p><b>Bayfront</b>                      As a condition of approval of a market-rate housing development, the Agency will require the construction of 36 units of multi-family affordable housing, including 14 units affordable for very low income families.</p> <p>This project will increase the City’s stock of affordable housing.</p> <p><i>Timeline..... 2008-09</i></p>	\$0	

Project/Description	Estimated Project Cost	Goals Achieved
<p><b>Hercules New Town Center</b>            This project will result in the construction of 41 units of multi-family affordable housing, including 16 units affordable for very low income families.</p> <p>This project will increase the City's stock of affordable housing.</p> <p><i>Timeframe ..... 2008-09</i></p>	<p>\$0</p>	
<p><b>Total Estimated Redevelopment Investment</b></p>	<p><b>\$15,700,000</b></p>	

## **HOUSING PROGRAM COMPLIANCE OBJECTIVES**

This section of the implementation plan addresses specific requirements in CRL with respect to prior affordable housing activities and the anticipated housing programs in the future.

Redevelopment agencies use implementation plans to establish ten-year objectives to achieve compliance with state law in its affordable housing programs. These housing goals generally fall into three categories:

- Housing Production – based on the number of housing units constructed or substantial 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 – legal obligation for redevelopment agencies to cause the replacement of any housing units destroyed or removed as a result of an Agency redevelopment project within four years.
- Targeting Household Types – specific requirements on the amount of housing set aside funds a redevelopment agency must spend over a 10 year period on housing affordable to very low income households, low income households, and housing for residents under the age of 65.

## Housing Production

To estimate the number of affordable housing units that need to be produced by the Agency, the Agency estimated the total number units constructed or substantially rehabilitated in the Merged Project Area and applied formulas established in CRL.

Table 2 below summarizes the production requirements based on housing produced prior to this Implementation Plan as required by Redevelopment Law. The number of affordable units required is based on statutory thresholds: 15% of all new or substantially rehabilitated housing units must be affordable to low- or moderate-income households and of those affordable units, 40% must be affordable to very low-income households. For Agency assisted units, 30% of new or substantially rehabilitated units assisted by the Agency must be affordable to low- or moderate-income households and 50% of those must be affordable to very low-income households. However, the Agency has not assisted in the construction of or substantial rehabilitation of any housing units. Therefore, Table 2 only applies to non-Agency assisted units.

	Pre-1994	1994 to 2004
Actual Housing Units Constructed or Substantially Rehabilitated in Project Area	36	1,437
Required Affordable Units <sup>1</sup>	5	216
<i>Very Low Units (40%)</i>	2	86
<b>Notes:</b>		
<sup>1</sup> Based on 15% of actual/assumed units developed by entities other than the Agency. (No units developed by Agency.) Unit counts based on tax roll information provided by First American Real Estate Solutions and construction information provided by City of Hercules staff.		

The above table shows that a total of 1,473 residential units have been constructed in the Merged Project Area since adoption. This triggers the need for a total of 221 units (15%) affordable to low- and moderate-income households of which 88 units (40%) must be affordable to very low-income households.

The following Table 3 shows the affordable housing units produced to satisfy the requirements.

<b>Table 3: Affordable Housing Units Constructed to Date</b>						
<b>Project Name</b>	<b>Total Units</b>	<b>Very Low</b>	<b>Low</b>	<b>Moderate</b>	<b>Total</b>	<b>Exp. Date</b>
<b>Inside the Merged Project Area</b>						
Bridge/Hercules Senior Housing Development	60	30	30	0	60	2041
Victoria Greens	132	105	27	0	132	2058
Baywood	12	5	4	3	12	2035
<b>Subtotal</b>	<b>204</b>	<b>140</b>	<b>61</b>	<b>3</b>	<b>204</b>	
<b>Outside the Merged Project Area</b>						
Cottage Lane	6	0	3	3	6	2024
First Time Home-buyer and Home Preservation Programs	22	4	12	6	22	2035
<b>Subtotal</b>	<b>28</b>	<b>4</b>	<b>15</b>	<b>9</b>	<b>28</b>	
<b>2-for-1 credit<sup>1</sup></b>		<b>2</b>	<b>7.5</b>	<b>4.5</b>	<b>14</b>	
<b>Total</b>		<b>142</b>	<b>68.5</b>	<b>7.5</b>	<b>218</b>	
<b>Requirement</b>		<b>88</b>	<b>--</b>	<b>--</b>	<b>221</b>	
<b>Surplus/(Deficit)</b>		<b>54</b>	<b>--</b>	<b>--</b>	<b>(3)</b>	
<sup>1</sup> Two affordable units produced outside the Merged Project Area count as one unit toward the Agency's affordable housing requirement.						

Table 4 below summarizes the production goals over various time periods as required by CRL. The number of affordable units required is based on statutory thresholds, and the Agency is responsible for ensuring that the appropriate number of affordable units is created during a ten year period.

<b>Table 4: Housing Production Needs in Project Area by Time Period</b>				
	<b>10 Year Forecast</b>			Red. Plan Duration
	2005 to 2009	2010 to 2014	<b>Total</b>	2005 to 2032
Actual/Assumed Housing Units Constructed and Substantially Rehabilitated in Project Area	1,044	50	<b>1,094</b>	1,184
Required Affordable Units <sup>1</sup> <i>Very Low Units (40%)</i>	157 63	8 3	<b>165 66</b>	179 72
<b>Notes:</b>				
<sup>1</sup> Based on 15% of actual/assumed units developed by entities other than the Agency. (No Agency assisted units have been developed.)  CRL requires that for Agency assisted housing production, 30% of all units produced must be affordable to low- and moderate-income households and 50% of those affordable units must be affordable to very low-income households. For non-Agency assisted housing production, 15% of all units must be affordable to low- and moderate-income households and 40% of those affordable units must be affordable to very low-income households.				

As shown in the above table, the Agency anticipates a need for 165 affordable units (including 66 very low income units) to fulfill its production goals for the ten year period. The Agency does not anticipate directly assisting the construction or substantial rehabilitation of housing units. Table 5 below shows the planned 2005 to 2009 development by project.

<b>Table 5: Planned Housing Production During the Plan Period</b>				
<b>Project Name</b>	<b>Type</b>	<b>Tenancy</b>	<b>Affordability</b>	<b>Unit Count</b>
Bayside	Single- & Multi-family	Sale	Market	335
Sycamore Avenue Downtown	Multi-family	Rental	Affordable	60
Hercules Civic Senior	Multi-family	Rental	Affordable	54
Transit Village	Town Homes	Rental	Market	486
Bayfront Block	Live-Work	Sale	Market	109
<b>Total</b>				<b>1,044</b>

Fulfillment of these production goals over the next 10 years, including prior years, is shown on Table 6 below.

<b>Table 6: Fulfillment of Housing Production Needs by Time Period</b>								
	Balance Required is Requirement minus Surplus minus Projected Development							
	Requirement (Table 4)		Surplus/(Deficit) (Table 3)		Projected Development		Balance Required	
Time Period	Total	VL	Total	VL	Total	VL	Total	VL
<b>10 Year Forecast (2005-2014)</b>	<b>165</b>	<b>66</b>	<b>(3)</b>	<b>54</b>	<b>184</b>	<b>137</b>	<b>0</b>	<b>0</b>
<i>In Project Area</i>					<b>184</b>	<b>137</b>		
<i>Outside Project Area<sup>1</sup></i>					<b>0</b>	<b>0</b>		
Duration of the Redevelopment Plan (2005-2032)	179	72	(3)	54	184	137	0	0
<b>Notes:</b>								
<sup>1</sup> Units produced outside project area credited on a 2-for-1 basis. Beginning in 2005, the Agency will have the authority to aggregate its production needs among project areas in its jurisdiction and credit units produced in other project areas on a 1-for-1 unit basis.								

As shown in Table 6, the Merged Project Area has a 168 unit affordable housing production need for the 10 year planning period (165 units based on projected development during the 10 year planning period and 3 units to make up for the deficit during the previous planning period), including 12 very low income units (66 units based on projected development less a 54 unit surplus). As described earlier in this Implementation Plan the Agency anticipates development of several affordable housing projects in the Merged Project Area over the 10 year planning period. Preliminarily, these projects could result in the development of 184 affordable units over this time frame (including 137 Very Low Income units). This will fulfill the Agency's requirement over the 10 year planning period.

## Replacement Housing

To date there has been no displacement of housing units in the Merged Project Area, and none is currently planned over the remaining term of the Plan. However, the Agency has no present plans, and is not aware of any private plans for redevelopment, which would cause the displacement of those homes. Thus, the Agency has no replacement housing production obligations.

## Household Types

At a minimum, the Agency's low and moderate income housing set aside 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 population under the age of 65.

The Agency's low and moderate income housing fund had a balance of \$2,111,903 available on June 30, 2005. Over the five year period ending on December 31, 2009, staff conservatively estimates that the Merged Project Area will generate another \$9,970,072 in 20% housing set aside revenue.

<b>Year</b>	<b>Projected Deposit</b>
2005-06	\$1,858,087
2006-07	\$1,965,573
2007-08	\$2,006,745
2008-09	\$2,048,741
2009-10	\$2,091,576
<b>Total</b>	<b>\$9,970,072</b>

Future Housing Fund deposits would be subject to targeting specific household types as required by CRL and in accordance with the City's Housing Element as described in Table 8 on the following page.

Upon adoption of this Housing Compliance Plan, the Agency will have the authority to expend Housing Funds either inside or outside the Merged Project Area in order to more effectively meet housing program objectives for the Agency.

Based on statistics from the Regional Housing Needs Assessment, used by local government to meet state requirement for affordable housing by category, the City's Housing Element,

and 2000 City Census statistics, the following minimum thresholds for housing program expenditures would be required over the term of the Housing Compliance Plan.

<b>Table 8a: Minimum Housing Program Expenditure Thresholds – by Income</b>	
<b>Household Type</b>	<b>Minimum Percentage of Housing Set Aside Expenditures over Implementation Plan</b>
<b>Very Low Income Households<sup>1</sup></b> (Based on community’s need for housing for households earning less than 50% of County median income)	13%
<b>Low Income Households<sup>1</sup></b> (Based on community’s need for housing for households earning less than 80% of County median income)	8%
<b>Notes:</b> <sup>1</sup> Percentage of very low and low income household expenditures based upon City of Hercules Regional Housing Needs Assessment in which 101 of the 792 units (13%) in the City’s housing needs are applicable for very low income households and 62 of the 792 units (8%) are applicable for low income households.	
<b>Table 8b: Minimum Housing Program Expenditure Thresholds – by Age</b>	
<b>Households Under Age 65<sup>2</sup></b> (Based on 2000 Census statistics)	93%
<b>Notes:</b> <sup>2</sup> Percentage of expenditures for housing to households under the age of 65 based on 2000 Census data for the City, wherein 18,055 residents (93%) of the total population of 19,488 are under the age of 65.	

**Housing Set Aside Expenditures Since January 2002.** These proportionality requirements affect expenditures over a ten-year period, although the law permits the compliance initially for a period beginning in January 2002 and ending in December 2014. The chart below documents the amount of low and moderate income housing fund revenue used since January 2002 for these income categories:

<b>Table 9: Housing Expenditures and Proportionality Since 2002</b>					
<b>Income Category</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>Period to Date</b>
Very Low Income	\$199,847	\$204,223	\$471,731	\$580,270	\$1,456,071 (53.2%)
Low Income	\$98,711	\$100,805	\$366,632	\$239,317	\$805,465 (29.4%)
Moderate Income	\$0	\$191,400	\$81,350	\$204,250	\$477,000 (17.4%)
Total Expenditures	\$298,558	\$496,428	\$919,713	\$1,023,337	\$2,738,536 (100%)
<b>Notes:</b> 2005 Estimates based on preliminary projections as of October 2005 and subject to change. Table 10 explains the breakdown of these expenditures by project.					

Table 9 shows that the Agency is currently in compliance with the proportionality requirements for housing fund expenditures.

**Units Assisted by Housing Fund.** CRL also requires a recap of the number of the projects assisted by the Housing Fund over the past implementation plan period. The table below summarizes these statistics by project from January 2002 (when proportionality requirements took effect) through September 2005.

<b>Table 10: Units Assisted by Housing Fund Since January 2002</b>					
<b>Project/Location</b>	<b>Housing Set-Aside Expenditures</b>	<b>Units Assisted by Housing Set Aside Fund (January 2002 – September 2005)</b>			
		<b>Very Low</b>	<b>Low</b>	<b>Mod.</b>	<b>Total</b>
<b>Family Housing</b>					
Victoria Greens	\$917,336	105	27	0	132
Cottage Lane	\$0	0	3	3	6
Baywood	\$400,000	5	4	3	12
First Time Homebuyer and Home Preservation Programs	\$901,200	4	12	6	18
Subtotal	\$2,218,536	110	34	6	150
<b>Senior Housing</b>					
Bridge/Hercules Senior Housing	\$520,000	30	30	0	60
Subtotal	\$520,000	30	30	0	60
<b>Totals</b>	<b>\$2,738,536</b>	<b>140</b>	<b>64</b>	<b>6</b>	<b>210</b>
<b>Notes:</b> 2005 Estimates based on preliminary projections as of September 2005 and subject to change. This list does not include any planned projects for which Housing funds have not yet been expended.					

Based on the expenditures shown in Table 10, 19% of the Agency's expenditures went toward senior housing. Because 93% of the City's population is under the age of 65, the Agency's expenditures for senior housing are disproportionately high. However, since the

vast majority of the Agency’s housing expenditures over the implantation plan period will go toward family housing, the Agency’s expenditures for senior housing should drop below the 7% threshold over the duration of this Housing Compliance Plan.

**Housing Set Aside Expenditures for the Duration of this Implementation Plan.** Table 11 breaks down the Agency’s planned expenditures over the next ten year period by income category and projects the Agency’s compliance with the proportionality requirements by December 2014.

<b>Table 11: Housing Expenditures and Proportionality 2002 to 2014</b>			
<b>Income Category</b>	<b>2002-2005 (Actual)</b>	<b>2006-2014 (Projected)</b>	<b>Duration of Compliance Period</b>
Very Low Income	\$1,456,071	\$16,609,356	\$18,065,427 (76%)
Low Income	\$805,465	\$3,960,346	\$4,765,811 (20%)
Moderate Income	\$477,000	\$532,029	\$1,009,029 (4%)
Total Expenditures	\$2,738,536	\$21,101,731	\$23,840,267 (100%)

Table 11 indicates that the Agency’s proposed projects will satisfy the proportionality requirement. Based on the City’s Regional Housing Needs Assessment (as shown on Table 8), the Agency is required to spend at least 13% of its Housing Fund expenditures on Very Low Income housing and at least 8% of its Housing Fund expenditures on Low Income Housing. Of the projected expenditures shown above, \$1.3 million (6%) will be allocated to senior housing projects.

**Housing Units Constructed During Prior Implementation Plan Without Housing Set Aside Funds.** Since January 2000, no other funding source was used by the Agency to construct 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).