Redevelopment Agency
of the City of Stockton

Implementation Plan
2009-10 through 2013-14
Low and Moderate Income Housing Fund

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Prepared by:
Redevelopment Agency
of the City of Stockton

ABOUT THIS IMPLEMENTATION PLAN

This document represents the five-year Implementation Plan ("Plan") for 2009-10 through 2013-14 for the Low and Moderate Income Housing Fund activities within and around all four redevelopment project areas in the City of Stockton. The Plan has been prepared by the Redevelopment Agency of the City of Stockton (the "Agency") in compliance with the California Community Redevelopment Law (the "California Redevelopment Law") which requires the adoption of an Implementation Plan for each redevelopment project area, or "Project Area", within a jurisdiction.

This Implementation Plan revisits the goals and objectives of the Agency's redevelopment project areas as related to low and moderate income housing activities. Descriptions of technical subjects, including summaries of a number of regulations and requirements, are required by the California Redevelopment Law to be included in the Housing Plan. As such, technical terms are utilized and definitions of a number of terms used in this Plan are included in Appendix A.

This Plan covers the Low and Moderate Income Housing Fund activities associated with the following Project Areas:

Project Area	Subareas
Merged Midtown	Eastland Midtown
North Stockton	North Stockton
Waterfront Merger	Port Industrial Rough & Ready West End
Merged South Stockton	All Nations McKinley Sharps Lane South Stockton

This Implementation Plan is intended to be a policy statement rather than a specific course of action. It has been prepared to set priorities for projects and programs within the Project Areas for the five-year period covered by this Plan, and to demonstrate how those projects and programs will assist in eliminating blight. However, new issues, opportunities and/or constraints may be encountered during the course of administering the redevelopment effort during the ensuing five years. This Implementation Plan is therefore not intended to restrict Agency actions to only the projects and programs specifically identified in this Implementation Plan.

ABOUT THE PROJECT AREAS

The Redevelopment Agency of the City of Stockton is responsible for the installation of public improvements, initiation of programs and the acquisition/disposition of property in the portions of the City earmarked for redevelopment ("redevelopment project areas" or "Project Areas"). Projects are financed from the proceeds of bonds and loans from other City funds which are eventually repaid from the additional taxes generated by the increased property value resulting from redevelopment projects. The Agency adopted its first redevelopment project area, the West End Project Area, in 1961. Since then, eight additional Project Areas were adopted. Between 2002, and as recently as 2009, the Agency has merged the nine project areas into four in order to realize larger, more financially viable Project Areas. A map outlining the boundaries of the four Project Areas is enclosed as Appendix C. A brief description of each Project Area is as follows:

- **Merged Midtown:** In 2002, the Agency adopted the 3,400+/- acre Midtown Project Area and concurrently merged it with the existing Eastland Project Area. The large Midtown Project Area contains a mix of uses including residential, industrial and commercial uses. The much smaller pre-existing Eastland Project was adopted in 1990, is 94 aces, and is primarily comprised of residential and retail uses.

- **Merged South Stockton:** In 2002, the Agency adopted the 3,700+/- acre South Stockton Project Area and concurrently merged it with three existing small Project Areas: All Nations, McKinley and Sharps Lane. All three previously existing Project Areas were adopted in the 1970's, are primarily residential in use, and are relatively small in size. At 345 acres, the McKinley Project is the largest of the three pre-existing areas.

- **North Stockton:** Adopted in 2004, the North Stockton Project Area is 3,822 acres and is located in the northern area of the City. It includes various residential neighborhoods and commercial districts within the area between the Interstate 5 Freeway and the Union Pacific Railroad right-of-way.

- **Waterfront Merger:** In 2009, the Agency merged the existing West End, Port Industrial, and Rough and Ready Island Project Areas into the 3,420 acre Waterfront Merger Project Area. It encompasses the majority of the downtown core and waterfront areas in the City and consists predominantly of industrial and commercial land uses.

HOUSING PROGRAMS AND COMPLIANCE OBJECTIVES

California Redevelopment Law requires that each implementation plan contain a section that focuses on low and moderate income housing and the Agency's compliance with related laws and regulations. Every agency is required to set aside in a separate Low and Moderate Income Housing Fund (the "Housing Fund") at least 20% of all tax increment revenue generated from its Project Areas for the purpose of increasing, improving and preserving the community's supply of low and moderate income housing. In addition, there are a number of requirements and restrictions on the use of the Housing Fund monies, as well as other obligations that redevelopment agencies have related to the production of housing. This Implementation Plan focuses exclusively on activities related to the Agency's Housing Fund, and other housing-related requirements imposed by the Community Redevelopment Law (California Redevelopment Law), and are thus referred to as the Housing Implementation Plan or Housing Plan.

The Housing Plan covers housing activities for all of the Agency's redevelopment project areas including: Merged Midtown; North Stockton; Waterfront Merger; and Merged South Stockton. The Housing Plan has been prepared by the Redevelopment Agency of the City of Stockton (the "Agency") in compliance with Part I, Chapter 4, Article 16.5 ("Article 16.5") of the California Redevelopment Law. This Housing Implementation Plan revisits the Agency's housing-related goals and objectives and outlines current strategies to achieve these goals and objectives. In addition, the Plan presents the projects, programs and expenditures that have been developed as a means to attain the goals and objectives, and describes how the projects and programs implement the requirements of the housing provisions of the California Redevelopment Law.

As allowed by the California Redevelopment Law, the Agency operates one Housing Fund for all of its redevelopment project areas. As a result, much of the Housing Plan will be presented for the entire Housing Fund unless otherwise required.

GOALS AND OBJECTIVES

California Redevelopment Law requires that the Housing Implementation Plan set forth the Agency's goals and objectives for affordable housing during the next five years. In developing its affordable housing program, the Agency has been guided by the goals and objectives of the City's Housing Element, which are incorporated into this Implementation Plan by this reference. Through its affordable housing activities, the Agency intends to support and advance the overall Housing Element program.

Housing assisted with Housing Fund monies must be "available at an affordable housing cost". In general, this means that the cost of housing for eligible low and moderate income households equals about 30% of income. The cost of housing, as defined, includes not only the rental or mortgage payment, but also includes, as appropriate, insurance, property taxes, homeowner's dues and assessments and utilities.

The California Redevelopment Law also requires the placement and recordation of affordability controls on any new or substantially rehabilitated housing assisted with Housing Fund monies. Currently, such controls must be placed on any assisted rental housing units such that they remain affordable for 55 years. For owner-occupied housing, controls must be placed on the assisted units for 45 years. These restrictions have changes substantially over time. Prior to January 1, 2002, the required affordability controls were substantially less; most recently for 30 years.

The Agency proposes to assist in the City's overall Housing Element program by focusing on achievement of the following specific affordable housing goals during the coming five years:

- Improve, Increase, and Preserve the Community's Supply of Affordable Housing.
- Strengthen the Community's Residential Areas and Promote a Safe and Quality Living Environment.

To implement the above goals, the following major objectives will be pursued by the Agency over the coming five years.

1. Assist in the development of new, high quality multifamily and single family housing on suitable sites in the Project Areas and elsewhere in the community.

2. Assist low and moderate income homebuyers in acquiring and/or rehabilitating homes at an affordable cost.

3. Assist in the identification, acquisition or disposition of suitable sites for the development of affordable housing.

4. Assist low-income renters by providing needed rehabilitation assistance to owners of low and moderate income rental units.

5. Promote quality residential design standards appropriate to residential neighborhoods.

6. Facilitate housing programs and activities that contribute to stabilizing and improving neighborhoods and that encourage property owners to invest in the maintenance and upgrade of residential properties.

HOUSING FUND

The California Redevelopment Law requires an agency to set aside at least 20% of all tax increment revenue generated from its project areas for the purpose of increasing, improving and preserving the community's supply of low and moderate income housing. Agencies are specifically required to expend the monies in the Housing Fund to assist very low, low and moderate income households, generally defined as:

- Very Low Income: incomes at or below 50% of area median income, adjusted for family size
- Low Income: incomes between 51% and 80% of area median income, adjusted for family size
- Moderate Income: incomes between 81% and 120% of area median

income, adjusted for family size

The West End I project area was extended on June 23, 2009 and as a result requires a 30% set aside. From here on out, references to the 20% set aside also include and incorporate this additional 10% set aside requirement for West End I. Several of the Agency's redevelopment project areas were adopted before the California Redevelopment Law required that a specified percentage of tax increment revenues be spent for low and moderate income housing purposes. Those areas (McKinley, Sharps Lane and portions of the West End) first became subject to the Housing Fund deposit requirement in 1986, when the California Redevelopment Law was revised to require for the first time that redevelopment agencies administering pre-1976 redevelopment project areas make such deposits.

As required, the Agency has made deposits to the Housing Fund and/or direct expenditures for Housing Fund-eligible affordable housing activities in an amount not less than 20% of the cumulative amount of tax increment revenue allocated to the Agency. As a result, the Agency has no current deficit in its Housing Fund deposits, and no deficit reduction plan is necessary to be prepared or included in this Implementation Plan pursuant to Health and Safety Code Section 33334.6(g).

Excess Surplus Calculation

As of June 30, 2009, the Agency's Housing Fund balance was approximately $4,500,000, which is the beginning balance available to commence the Implementation Plan period in 2009-10.

According to the California Redevelopment Law, an Agency's fund balance is defined as "excess surplus" if it exceeds the greater of $1,000,000, or the total of the deposits made to the Housing Fund in the previous 4 years. The deposits made by the Redevelopment Agency of the City of Stockton in the previous four fiscal years are approximately $22,000,000. As the result, the $4,500,000 fund balance would not constitute an "excess surplus" for which the Agency would be subject to the special requirements of Health and Safety Code Section 33334.12. The actual Housing Fund deposits for the previous 4 years are shown below by fiscal year.

Table 1
Actual Housing Fund Deposits
Prior 4 Fiscal Years

Fiscal Year	Actual Housing Fund Deposits
2005-06	$3,098,856.16
2006-07	$5,084,839.26
2007-08	$8,689,595.51
2008-09	$5,122,036.04
TOTAL	$21,995,326.97

Deposits During Next Five Years

In preparing this Implementation Plan, the Agency has updated its estimate of future tax increment revenue that will be generated from the Project Areas, and the 20% portion of such tax increment revenue that will be deposited in the Housing Fund. These estimates of future deposits to the Housing Fund are shown in the table below.

Table 2
All Project Areas
Estimated 20% Deposits to Housing Fund

Fiscal Year	**Estimated Housing Fund Deposits**
2009-10	$3,345,791
2010-11	$2,741,020
2011-12	$4,505,137
2012-13	$6,514,061
2013-14	$6,873,798
TOTAL	**$23,979,807**

As shown above, the total five-year deposit of tax increment revenue into the Housing Fund is estimated to be approximately $24,000,000. In addition to Housing Fund, the Agency estimates that it will receive approximately $90,000 per year, or approximately $450,000 over the five-year planning period, in other income that will be deposited into the Housing Fund. Estimated debt service on the bonds is estimated to equal $15,200,000 over the 5-year period.

As summarized in the table below, the Agency anticipates that it will have available for new affordable housing activities over the next five years slightly over $10,500,000 of total Housing Fund-related resources. This estimate includes interest earnings and miscellaneous income, but excludes federal HOME monies or other resources that the Agency uses for low and moderate income housing purposes but does not deposit into the Housing Fund.

Table 3
Available Housing
Fund Revenue for Next Five Years

Source	Amount
Estimated Available Fund Balance	$4,475,000
Estimated 20% Set-Aside Deposits	$23,979,807
Estimated Other Income	$450,000
Less: Administrative Expenses	($3,145,508)
Debt Service/2002 COP's	($15,221,302)
Total Estimated As Available	**$10,537,997**

As in the past, the Agency will seek to combine its Housing Fund revenue with other funding sources devoted to the provision of affordable housing to maximize the number of affordable units that can be developed or rehabilitated with the limited amount of available Housing Funds. These other funding sources include Community Development Block Grant ("CDBG") and Home Investment Partnerships funds from the U.S. Department of Housing and Urban Development ("HOME"), and Department of Housing and Community Development ("HCD") program funds at the State level, and low income housing tax credit equity funds (“Tax Credits”). In addition, the City will also use one time recovery and stimulus funding to further affordable housing. These funds, Neighborhood Stabilization Program (“NSP”) and Community Development Block Grant – Recovery (“CDBG-R”), will be utilized as allowed under the program guidelines.

PROPOSED HOUSING ACTIVITIES

The Agency recognizes the important role of housing programs and activities in its redevelopment program. Consequently, the proposed affordable housing programs should be viewed not simply as the means of implementing the Agency's stated goals and objectives related to affordable housing but as key elements in its overall revitalization efforts.

The Agency proposes utilizing Housing Fund monies principally for three types of affordable housing: (1) rental rehabilitation assistance (“Rental Rehabilitation Assistance”); (2) assistance for affordable homeownership (“Homebuyer Assistance”); and (3) new housing production assistance (“New Construction Assistance”). All income categories up to 120% of area median are anticipated to be served by the Rental Rehabilitation Assistance and the New Construction Assistance while the Homebuyer Assistance most likely will be targeted primarily to households with low to moderate incomes.

1. **Rental Rehabilitation Assistance.** As opportunity allows, the Agency proposes providing assistance to developers and/or landlords for rehabilitating existing rental housing and for converting other uses, as appropriate, to rental housing. The program may include sites within and outside of the Project Areas, based on cost effectiveness and the requirements of the California Redevelopment Law. In addition, this program may be combined with the New Construction Assistance described below to provide for the new construction of housing units on existing rental housing sites along with the rehabilitation of the existing units.

   Agency assistance may take a variety of forms as appropriate to the specific project, and may include deferred payment loans, selected grants, on-site improvements and other incentives, as required to entice landlords to undertake quality conversion and/or rehabilitation projects. Any such assistance, however, would only be in an amount sufficient to render the proposed rehabilitation project feasible.

   In the implementation of the Rental Rehabilitation Assistance, the Agency will generally be guided by the following criteria: (1) maximize leveraging of local funds; (2) to the extent feasible, use limited Housing Fund dollars to fill the "affordability gap" (i.e., the amount of financing not supportable by project income due to the lower affordable rents or purchase prices); (3) use local resources as the catalyst for investment of private and other public funds; (4) provide assistance to projects that are economically feasible and where the landlord can demonstrate the capacity to carry out the type and scale of rehabilitation proposed; and (5) ensure that terms of repayment are clear and that affordability requirements are included in project documents.

This program will assist low and moderate income households by providing improved rental housing opportunities and by ensuring that the improved housing will remain affordable for at least 55 years.

2. **Homebuyer Assistance*.*** The Agency proposes to assist low and moderate income homebuyers to purchase homes at an affordable cost. If rehabilitation of the unit being purchased is required, the Agency will also provide funds for the rehabilitation activities, though such rehabilitation assistance would most likely be funded from sources other than the Housing Fund.

   In general terms, this program would offer deferred second mortgage loans to qualified families and households of low and moderate income persons for the purchase of homes in the City. These loans would most likely be used in combination with a conventional first mortgage loan from a private lending institution such as a bank or savings and loan. Borrowers would make reduced or no principal or interest payments on the second mortgage loan until the housing unit is sold, transferred or when the borrower no longer occupies the unit as their principal home. On sale or transfer, and under other specified conditions, the entire amount of principal would be due and payable, with the Agency participating in any property appreciation.

   The amount of the Agency second loan would be equal to the amount needed to fill the "affordability gap"; that is, the difference between the amount of financing supportable by household income and the purchase price of the home.

   In addition to the benefit of providing access to housing for low and moderate income families thereby expanding the supply of decent housing available to these families, a homeownership program bestows other benefits such as pride of ownership, economic self-sufficiency, stability, reversal of community deterioration, enhancement of neighborhoods and contribution towards a decent living environment for low and moderate income residents.

3. **New Construction Assistance**. As opportunity allows, the Agency proposes providing assistance to nonprofit or for-profit developers for producing a variety of types of new affordable housing. The program may include sites within and outside the Project Areas, based on cost effectiveness and the requirements of the California Redevelopment Law. This program may be combined with the Agency's Rental Rehabilitation Assistance, described above, in order to maximize the use of existing rental structural resources. As an example, the Agency could provide

assistance to rehabilitate one or more existing units and construct additional units on the same parcel.

Agency assistance may take a variety of forms as appropriate to the specific project, and may include grants, predevelopment loans, bridge or gap loans, construction and/or permanent financing, site assembly, land disposition and write down, loan guarantees, development fee assistance, and the provision of on-site and off-site improvements directly related to new construction, among others.

In the implementation of the new production program, the Agency will generally be guided by the following criteria: (1) maximize leveraging of local funds; (2) to the extent feasible, use limited Housing Fund dollars to fill the "affordability gap" (i.e., the amount of financing not supportable by project income due to the lower affordable rents or purchase prices); (3) use local resources as the catalyst for investment of private and other public funds; (4) provide assistance to projects that are economically feasible and where the developer has the experience to carry out the type and scale of project proposed; and (5) ensure that terms of repayment are clear and that affordability requirements are included in project documents.

Estimated Expenditures/Program Results

Estimated future expenditures have been grouped according to the three programs described above: Rental Rehabilitation Assistance; Homebuyer Assistance and New Construction Assistance. Of the $10,500,000 in resources estimated as available, the amount projected be expended on housing projects/programs over the 5 year period equals $10,000,000, with about $500,000 assumed to remain as a reserve. These expenditures are estimated to be funded by a combination of estimated tax increment revenue and other program income. The following Table 4 sets forth the proposed annual expenditures on the three types of programs and the estimated annual and five-year total program funding amounts. Over the next five years, approximately $500,000 anticipated to be expended on Homebuyer Assistance programs and $9 million on New Construction Assistance. The Agency plans to use future available funds for Rental Rehabilitation projects.

The Agency's expenditures, as outlined above are budget allowances. Actual amounts expended on each program will, of course, be dependent upon actually realizing projected revenues, as well as the demand within the greater community for the programs offered, and the Agency's success in qualifying potential recipients for the programs being offered. The actual level of assistance for each recipient will vary depending upon specifics concerning the project and/or the recipient's income.

Amounts available to spend on housing programs were estimated based on projected available resources, i.e., estimated revenues less obligations. Absent specific information, amounts assumed spent for each program type (New Constructions Assistance, etc.) were allocated based on current proposed projects as noted in Table 15, and a percentage of available revenues. During the initial five year period approximately 95 percent of available resources are assumed to be dedicated to New Construction Assistance and five percent for Homebuyer Assistance. Over the next few years, however, program expenditure estimates are based on specific projects currently planned by the Agency. For presentation purposes, these near-term specific projections of costs were grouped by program type.

The number of units that the Agency projects it will assist over the next 5 years are also shown on Table 4. To estimate the number of units that may be derived from the estimated levels of monetary assistance, an estimated average level of assistance per unit is used: $60,000 for very low income; $40,000 for low income and $30,000 for moderate income. As shown in Table 4, the Agency's housing programs and activities are anticipated to add approximately 199 units to the City's affordable housing stock over the next five years.

The Program choices shown in Table 4 were selected to meet the Agency’s goals and programs, and also to ensure that the Agency targets its expenditures in conformance with the California Redevelopment Law, as discussed below.

Table 4
Estimated Expenditures and Program Results

	Planned Projects[2]					General Plans/Program Objectives						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Years 1-5	Years 1-10
Description	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2009-14	2009-19
DOLLARS EXPENDED BY PROGRAM												
Rental Rehabilitation												
Very Low						120,000	-	480,000		660,000	0	1,260,000
Low						160,000	-	600,000		840,000	0	1,600,000
Moderate						150,000	-	810,000		1,140,000	0	2,100,000
TOTAL RENTAL REHABILITATION						430,000	-	1,890,000	-	2,640,000	0	4,960,000
Homebuyer Assistance												
Very Low											0	0
Low	-	-	-	-	-	-	-	-	-	-	0	0
Moderate	20,000	40,000	120,000	160,000	160,000	80,000	80,000	80,000	80,000	80,000	500,000	900,000
TOTAL HOMEBUYER ASSISTANCE	20,000	40,000	120,000	160,000	160,000	80,000	80,000	80,000	80,000	80,000	500,000	900,000
New Construction												
Very Low		4,860,000	2,220,000		1,500,000	1,500,000					8,580,000	10,080,000
Low		40,000	40,000		1,160,000	1,160,000					1,240,000	2,400,000
Moderate		-	-		-	-					0	0
TOTAL NEW CONSTRUCTION	-	4,900,000	2,260,000	-	2,660,000	2,660,000	-	-	-	-	9,820,000	12,480,000
GRAND TOTAL	**20,000**	**4,940,000**	**2,380,000**	**160,000**	**2,820,000**	**3,170,000**	**80,000**	**1,970,000**	**80,000**	**2,720,000**	**10,320,000**	**18,340,000**
UNITS COMPLETED BY PROGRAM[2]												
Rental Rehabilitation												
Very Low						2		8		11	0	21
Low						4		15		21	0	40
Moderate						5		27		38	0	70
TOTAL RENTAL REHABILITATION	0	0	0	0	0	11	0	50	0	70	0	131
Homebuyer Assistance												
Very Low											0	0
Low	0	0									0	0
Moderate	1	2	6	8	8	4	4	4	4	4	25	45
TOTAL HOMEBUYER ASSISTANCE	1	2	6	8	8	4	4	4	4	4	25	45
New Construction												
Very Low		81	37		25	25					143	168
Low		1	1		29	29					31	60
Moderate											0	0
TOTAL NEW CONSTRUCTION	0	82	38	0	54	54	0	0	0	0	174	228
GRAND TOTAL	**1**	**84**	**44**	**8**	**62**	**69**	**4**	**54**	**4**	**74**	**199**	**404**

1) Refer to Table 5 for summary of available funding for program years 1 - 5.
2) Source: Housing Element, City of Stockton 2009 for program years 1 - 5.
3) Specific project costs are antivipated to be expended within the first three years, although the resulting projecst are estimated to be completed up to several years after the expenditures.
4) Represents the estimated amount of per unit assistance that will be required for each income level. May include funding from additional sources.

EXPENDITURES BY HOUSEHOLD TYPES

Legislation enacted in 2001 requires that, over time, agencies expend monies from the low and moderate income Housing Fund in proportion to the regional housing need. In other words, if 33 percent of the low and moderate income housing need in Stockton is for very low income units, the Agency must expend 33 percent of its housing program funds to assist very low income units. In the Stockton area, the regional housing need allocation is calculated and reported by the San Joaquin Council of Governments (SJCOG).

In addition, the Agency's Housing Fund expenditures to assist senior housing must be limited to the percentage of the population in the City of Stockton that is 65 years of age or older, as set forth in the latest U.S. Census. For example, if 10 percent of the population in Stockton is over 65 years of age, the Agency can expend up to 10 percent of its Housing Fund monies to assist senior housing.

These requirements are effective as of January 1, 2002 and require that the Agency be in compliance by December 31, 2014.

Targeting by Income Level: California Redevelopment Law requires redevelopment agencies to proportionally expend Housing Fund monies to assist very low and low income households. That is to say, assistance must be provided in at least the same proportion, or percentage, that the number of housing units needed for the very low and low income categories bear to the total number of units needed for three income categories: very low, low and moderate. For example, if housing needed by the very low income category comprised 33% of all low/mod housing needed in Stockton, then at least 33% of the Housing Fund monies spent by the Agency would need to be for housing that is affordable to very low income households. AB 637 became effective on January 1, 2002. Previously, compliance with targeting of expenditures from the Housing Fund was encouraged by the end of the Redevelopment Plan, but not strictly required.

Stockton's Housing Element sets out the affordable housing need for the City as identified by the San Joaquin Council of Governments (SJCOG) in its regional "fair share" allocation. The SJCOG data is based on 2000 census data and covers projected housing needs from 2007 to 2014 for San Joaquin County. The table immediately following shows the "fair share" allocation and the targeting objectives currently applicable to the Agency.

Table 5
Affordable Housing Need
(Regional Fair Share Allocation)
by Income Category

Income Category	Very Low	Low	Moderate	Total
Units Needed (Fair Share)	2,281	2,742	2,998	8,021
Proportion Required	28.4%	34.2%	37.4%	100.0%

Source: "Housing Element
City of Stockton, June 16, 2009

As the above table indicates, the greatest need identified is for very low income units with 28.4% of the total units needed. In addition, 34.2% of total units needed are needed for low income households and 37.4% are needed for moderate income households. While moderate income housing represents nearly one-third of the overall need, the California Redevelopment Law targeting requirements only apply to very low and low income housing units. The Agency is not legally required to provide housing assistance to meet the housing needs identified by SJCOG for moderate income households. As a result, to meet the California Redevelopment Law requirements, the Agency must, at minimum, insure that over the period from January 1, 2007 to December 31, 2014, at least 28.4% of its assisted units are affordable to very low income households and 34.2% of its assisted units are affordable to low income households.

Historically, the Agency has tracked the number of low and moderate income housing units developed with its assistance, but the Agency has only recently begun tracking actual Housing Fund expenditures by income category. Housing Fund expenditures refers to the actual dollars expended from the Housing Fund. The amount of dollars spent does not specifically track with the number of units produced. The number of affordable housing units developed with Agency assistance is discussed in the "Housing Production" section below. Specific information on the various affordable housing projects assisted with the Housing Fund and/or other locally controlled government assistance is included in Attachment 3, which is located in Appendix B of this Housing Plan.

In conformance with the California Redevelopment Law, this targeting section examines the actual Housing Fund expenditures since the requirement came into effect. As indicated above, the legislation became effective January 1, 2002. The Agency's financial records are on a fiscal year basis, however, from July 1 to June 30. As a result, expenditure information is shown commencing 6 months before the January 1, 2002 start date, or July 1, 2001 and end at the close of the most recent fiscal year, June 30, 2009. Shown below are expenditures from the Housing Fund from July 1, 2001 to June 30, 2009.

Table 6
Historical Housing Fund Expenditures
by Income Category

Income Category	Very Low	Low	Other	Total
Housing Funds(1)	$16,298,374	$7,683,519	$ 1,677,377	$25,659,270
Proportion	63.52%	29.94%	6.54%	100.00%

Source: Redevelopment Agency Staff
(1) Includes the expenditure of bond proceeds within the period analyzed (July 1, 2001 to June 30, 2009).

Since July 1 2001, the Agency has spent more housing set-aside funds to assist housing for very low income households than either low or moderate income households. Over the next 5 years, projects in the pipeline are also heavily weighted to very low income households. This is due in part to a settlement agreement requiring a significant number of replacement housing for very low income households. Because of this agreement, the Agency may not be able to meet its fair regional fair share of low and moderate housing requirements. In years 6 to 10, the Agency will attempt to spend more money to assist housing projects for low and moderate income households to meet its California Redevelopment Law targeting requirements. Proposed expenditures from the Housing Fund over the next ten years are shown in the preceding Table 6. A summary of those expenditures by income level results in the following totals for the 10 year period.

Table 7
Future Housing Fund
Expenditures by Income Category (1)

Income Category	Very Low	Low	Moderate	Total
Proposed Expenditures	$11,340,000	$4,000,000	$3,000,000	$18,340,000
Proposed Proportion	62.00%	22.00%	16.00%	100.00%

(1) Figures above are for 2009 through 2014, and were derived from estimated program expenditures shown in Table 6.

<u>Targeting by Age:</u> AB 637 also requires that the Agency place limits on any expenditures made from the Housing Fund for senior housing projects. Specifically, effective January 1, 2002, the Agency must spend no more for senior projects than the percentage that the senior population in the community bears to the total population. The amount is set as a maximum only; there is no current requirement that the Agency produce any affordable senior housing. The Agency has until December 31, 2014 to come into compliance with this provision.

The demographic information for the City of Stockton by age is summarized in the City's Housing Element. A summary of the senior versus non-senior population of the City of Stockton as well as the state of California is included below.

Table 8
Demographic Information by Age

Age Distribution	City of Stockton	%	State of California	%
Under 65	264,850	89.8%	30,281,253	89.4%
65 & Over	30,220	10.2%	3,590,395	10.6%
Totals	**295,070**	**100.0%**	**33,871,648**	**100.0%**

Source: "Housing Element
City of Stockton, June 16, 2009
2000 US Census

As shown above, based on the above demographic information extracted for the Housing Element from the U S. Census, the Agency could spend up to 10.2 percent of its housing monies on senior housing. In order to determine if the Agency is in compliance with this 10.2 percent maximum, Agency financial records were reviewed. As indicated above, the legislation restricting senior housing expenditures became effective January 1, 2002. The Agency's financial records are on a fiscal year basis, however, from July 1 to June 30. As a result, expenditure information is only available commencing 6 months before the January 1, 2002 start date, or July 1, 2001 and ending at the close of the most recent fiscal year, June 30, 2009. Over that period (July 1, 2004 to June 30, 2009), the Agency has spent no Housing Fund monies (- 0 -) on housing that is restricted to seniors. As a result, the Agency is currently in compliance with this provision. In future fiscal years, the Agency intends to limit its assistance to housing for seniors to remain in compliance with this section. To summarize, Agency historical Housing Fund expenditures for senior projects are as follows:

Table 9
Historical Housing Fund Expenditures
by Age Category

Income Category	Senior	Non-Senior	Total
Housing $$ Spent (1)	$ - 0 -	$25,659,270	$25,659,270
Proportion	0%	100%	100%

Source: Redevelopment Agency Staff

As shown above, the Agency has not assisted with any projects restricted for senior occupancy. In addition, projects that are either currently underway or specifically planned by the Agency do not include any senior only projects. As such, the Agency currently anticipates that future expenditures for senior only projects will be minimal or non-existent. Should the Agency consider a senior project in later years of the Implementation Plan period, it will ensure that such expenditures do not exceed 10 percent of its cumulative Housing Fund expenditures.

HOUSING PRODUCTION

For most of Stockton's Project Areas, the Agency is required to meet certain specific requirements related to housing production (the "Affordable Housing Production Requirement" or "Production Requirement") and to produce a plan showing how the Production Requirement will be met. The Production Requirement is applicable to all Project Areas except: McKinley, Sharps Lane, and the portions of the West End Project that were initially adopted prior to 1976 (West End 1 and West End 2). McKinley and Sharps Lane are now a part of the Merged South Stockton Redevelopment Project Area, but are still exempt from the Production Requirement.

The Production Requirement specifies that certain percentages of housing units must be available at affordable housing costs to households with very low and low incomes. This requirement applies to all housing developed either: (a) by a redevelopment agency as developer anywhere in the community; and/or (b) by entities other than the redevelopment agency within post-1976 redevelopment project areas. The current Housing Production Requirements are as follows:

Table 10
Summary of
Affordable Housing Production Requirements

Type of Housing Produced	Low/Mod % Required	Very Low % Required
Agency Developed Housing	30%	50% of the 30%
Housing Developed by Others	15%	40% of the 15%

Agency Developed Housing

As stated above, a portion of housing developed directly by the Agency anywhere within the City must be available to low and moderate income households. During the prior Implementation Plan period, the Agency developed the following housing units:

Table 11
Housing Production Requirements for
Agency Produced Housing
From July 1, 2004 through June 30, 2009

Description	No. of Units Produced (1)	Low/Mod Housing Requirement @ 30%	Very Low Housing Requirement @15%
North Stockton Project	111	34	17
Outside Project	20	6	3
TOTAL	**131**	**40**	**20**

(1) Represents the number of units of housing that the Agency produced or developed in any portion of the City from July 1, 2004 until June 30, 2009.

As shown above, the Agency has an affordable housing requirement from Agency developed housing of 40 units, of which 20 must be very low income. The Agency has assisted numerous housing projects, as shown in the following tables, which more than meet the production requirement for Agency developed housing.

As far as future plans, the Agency does not have any expectations to directly develop any additional housing projects. The Agency has found that it is more cost effective and administratively efficient to provide financial assistance, as necessary, to private developers (both for-profit and nonprofit) and homeowners to produce and rehabilitate affordable housing, than for the Agency itself to become a housing developer.

Affordable Housing Production by Others

In addition to Agency developed housing, housing developed by others is also subject to an affordable Housing Production Requirement if built within applicable project areas, although the percentage required to be set-aside for low and very low income housing is less than with Agency developed housing. For housing developed by entities other than the Agency, 15 percent must be affordable to persons of low and moderate income. In addition, 40 percent of the 15 percent, or 6 percent of all housing, must be affordable to very low income households.

Housing subject to this Housing Production Requirement includes all newly constructed housing within applicable Project Areas and certain rehabilitated housing units. Over time the California Redevelopment Law requirements for housing production have varied in the type of rehabilitated housing units that must be counted for production purposes. Since 2002, the only rehabilitated housing units that need to be counted to calculate the number of low and moderate income units that the Agency is obligated to affect are substantially rehabilitated units that receive Agency assistance. Previously, all substantially rehabilitated multifamily units needed to be counted, and prior to 1994 all rehabilitated units needed to be counted whether substantial or not. (From 1994 until 2002, substantially rehabilitated single family homes also needed to be counted, but only if the rehabilitation was completed with Agency assistance.)

This requirement applies to all housing developed by entities other than the Agency in applicable Project Areas whether or not the Agency assisted in the development of the housing units.

Shown below are the numbers of units that have been constructed or rehabilitated, as applicable, to date by entities other than the Agency.

Table 12
Housing Production Requirements for
Housing Produced by Others
From July 1, 2004 through June 30, 2009

Description	**No. of Units Produced (1)**	**Low/Mod Housing Requirement @ 15%**	**Very Low Housing Requirement @ 6%**
Merged Midtown	187	29	12
Merged South Stockton	369	56	23
North Stockton	136	21	9
TOTAL	**692**	**106**	**44**

(1) Represents the number of units of housing, which were developed, or rehabilitated, as applicable, by entities other than the Agency in any of the applicable Project Areas from July 1, 2004 until June 30, 2009. Project Areas not shown above either did not experience any housing development or are exempt from this requirement.

Overall Housing Production Compliance to Date

The above Tables 11 and 12 show the amount of housing produced by all entities and, in compliance with the California Redevelopment Law, the amount required to be available to the various income categories. The Agency has more than met this requirement with the number of housing units developed since the Redevelopment Plans for the Project Areas were first adopted. According to Agency records, the number of units within the Project Areas which have actively been newly constructed or rehabilitated and contain the required deed restrictions since each area was adopted totals 692 units, of which all 692 (100 percent) are affordable to very low income households.

Table 13
Housing Production Requirements
Includes All Types of Housing Developed (1)
From July 1, 2004 through June 30, 2009

Project Areas	Historical (2) Production	Actual	LOW/MOD INCOME UNITS Required	Surplus (Deficit)	Actual	VERY LOW INCOME UNITS Required	Surplus (Deficit)
Midtown - Merged							
Eastland	187	187	29	159	187	12	175
North Stockton (5)	247	136	21	115	136	9	127
Port Industrial (3)	-	-	-	-	-	-	-
South Stockton – Merged							
All Nations (1)	-	-	-	-	-	-	-
McKinley (1) (4)	-	-	-	-	-	-	-
Sharps Lane (4)	-	-	-	-	-	-	-
South Stockton	369	369	56	313	369	23	346
West End:							
West End 1 (4)	-	-	-	-	-	-	-
West End 2 (4)	-	-	-	-	-	-	-
West End 3	-	-	-	-	-	-	-
West End 4	-	-	-	-	-	-	-
Subtotal – Inside Projects	**803**	**692**	**106**	**587**	**692**	**44**	**648**
Outside Project Area (6)	20	-	-	-	-	-	-
GRAND TOTAL	**823**	**692**	**106**	**587**	**692**	**44**	**648**

(1) Includes housing developed by the Agency and housing developed by others.
(2) Includes new construction, plus applicable rehabilitation, in conformance with the California Redevelopment Law requirements which have changed over time.
(3) These Project Areas do not provide for housing within Project Areas.
(4) These Project Areas were adopted prior to 1/1/76 and are therefore exempt from housing production requirements for housing developed by entities other than the Agency.
(5) The Redevelopment Plans for these Project Areas were not effective until after the period analyzed above (June 30, 2004)
(6) The actual number of units constructed outside of the Project Area equals twice the number shown: housing constructed outside of the Project boundaries since January 1, 1994 can be counted, but only 1 for 2 basis.

Affordable Housing Production and Compliance - Future

In addition to aggregating the values for housing constructed to date, the California Redevelopment Law requires that the Agency plan for the future to ensure that it will be in full compliance with this regulation by December 31, 2014. As the Agency's financial records are on a fiscal year basis (July 1 to June 30), this Plan examines projected expenditures through the close of the fiscal year immediately preceding the deadline, or June 30, 2014.

The Agency's Plan must include estimates of: 1) the number of housing units to be developed over the next 10 years and for the remaining term of the effectiveness of each Redevelopment Plan; and the number of those units that are estimated to be restricted to be affordable to low/mod households and very low income households. Commencing in 2002, the types of units that must be counted for housing production compliance purposes include all housing units newly constructed within applicable project areas, whether assisted by the Agency or not, and all substantially rehabilitated units, but only if such units are assisted by the Agency. In years prior to 1994, all rehabilitated units counted for production purposes, whether assisted by the Agency or not. From 1994 to 2002, only substantially rehabilitated units counted for housing production purposes, with different rules for multifamily versus single family rehabilitations. For multifamily housing, all substantially rehabilitated units counted whereas for single family homes, only those units that were rehabilitated with Agency assistance needed to be counted.

In order to calculate the Agency's estimated Housing Production Requirement into the future, the total number of housing units to be produced in future fiscal years has been estimated. The following time increments have been used for projection purposes; Years 1 to 5; Years 6 to 10; and Years 11 to the End of the Plans. The methodology used to derive the estimates of future production is described as follows:

- **Eastland:** Eastland represents a mature area that is largely built out. Agency staff estimate that only an additional 35 units will be built, or substantially rehabilitated with Agency assistance, between now and 2030, when the Plan ends.

- **Midtown and South Stockton:** For the larger Project Areas (Midtown and South Stockton), future housing production has been estimated based on construction levels over the last few years. Over time, current levels are estimated to slow with generally less activity than estimated for earlier years projected for Years 11 through the end of the two Plans. This assumption is based on the premise that current construction levels are high because of the capacity in these newer Project Areas as well as the housing real estate market in general. Over time, the capacity in each Project Area is assumed to be absorbed. The estimate of the number of affordable units produced with Agency assistance is based on the Agency's projected housing program over the next 5 to 10 years. Like overall housing development activity, the number of units developed with Agency assistance is likewise anticipated to slow over time, but not as much as overall housing development.

- **All Nations:** All Nations represents a mature area that is largely built out. Agency staff estimates that approximately 30 units will be constructed or substantially rehabilitated with Agency assistance between now and 2019 when the Plan ends.

- **North Stockton:** The Report to Council adopting the North Stockton Project Area included forecasts for the production of housing in the area. That forecast, which includes 110 units developed over the life of the Redevelopment Plan, has been incorporated into this Housing Plan.

- **West End:** Housing produced to date in the applicable portions of the West End Project have historically been projects with which the Agency was involved. As a result, housing production in the future for the West End Project is assumed to continue with this trend with total housing production assumed to equal 125 percent of projected Agency assisted housing. In later years of the Project Area, construction activity is assumed to slow somewhat as assumed in the Midtown and South Stockton Project Areas.

A summary of the Agency's current and projected housing production compliance is shown in the table below, which table summarizes the information included in the preceding tables.

Table 14
Summary of the Agency's
Historical and Projected Housing Production Compliance
From Plan Adoption through June 30, 2014

	All Types	Low		Very Low	
	Dwelling Units	**Actual/Est. (1)**	**Required**	**Actual/Est. (1)**	**Required**
Developed by the Agency					
To Date	131	0	40	0	20
Future Estimates (2)	0	0	0	0	0
Developed by Others					
To Date	692	692	106	692	44
Future Estimates (3)					
TOTAL					

(1) Includes actual and estimated affordable Housing Production, including, Agency assisted affordable housing developed outside of the boundaries of the Project Areas, provided it has been constructed since January 1, 1994.
(2) Total estimated through the end of the Plan. Also see Table 12 and Attachment 4 in Appendix B.
(3) Total estimated through the end of the Plan. For details see Attachment 5 in Appendix B.

As summarized above, significantly more housing units are projected to be restricted for low and moderate income housing purposes than the California Redevelopment Law requires. Whether or not Agency efforts are adequate depends, in part, on the number of units developed by other entities within the Project Areas. To a certain extent, the Agency has little control over the number of market rate housing units constructed in the Project Areas by other entities. Based on current projections, substantially more market-rate housing units could be developed in the Project Areas and the Agency would still be in compliance with the California Redevelopment Law by the deadline. Nevertheless, the Agency will continue to monitor housing production in the Project Areas and endeavor to cause the required number of affordable units to be developed.

REPLACEMENT HOUSING

When residential units housing low and moderate income persons are destroyed or taken out of the low and moderate income market as part of a redevelopment project, the Agency must replace those units within a specified period of time in accordance with a plan adopted by the Agency.

Over the years, the Agency has acted to remove a number of low and moderate income housing units. Over the same time period, however, the Agency has added over 692 units to the low and moderate income housing stock. As a result, the Agency has added many more housing units than it has demolished. California Redevelopment Law requires that any units demolished by redevelopment activities be replaced within 4 years. The replacement units are required to have an equal or greater number of bedrooms as the units destroyed and, effective January 1, 2002, must be available to the same level of household income. (Prior to January 1. 2002, only 75 percent of the units had to be available to the same income levels.) The Agency has, or will comply with these requirements and has adopted replacement housing plans for demolitions, as required by the CRL.

In future fiscal years, some of the Agency's proposed program activities are anticipated to cause the removal of some low and moderate income housing units from the community's housing stock, particularly in the West End Project Area. Estimates of the number of units to be demolished as well as suitable replacement housing opportunities are shown on Table 15. As actual housing demolition situations arise in the future, however, the Agency will ensure, on a case by case basis, that suitable replacements for the dwelling units exist, or will exist within the required four year period.

Table 15
Future Demolition
and Replacement Housing Locations

Project Name	Date	Project Area	Income Type	Units
Future Demolitions				
Community of All Nation	2013	South Stockton	Low	75
Total Future Demolitions				**75**
Future Replacement Housing				
Windstone Cottages	2007	Outside	Est. Very Low and Low	70
Winslow Village	2007	Outside	Very Low	40
Gleason Park Apartments	2009	S Stockton	Very Low	94
Vintage Plaza	2006	S Stockton	Low (61 to 80%)	16
Montecito Townhomes	2007	Midtown	Low and Very Low	67
Total Future Replacement Housing Units				**287**

Source: Redevelopment Agency Staff

Replacement housing obligations can be satisfied anywhere in the City. In addition to the housing sites identified in Table 15, there are numerous suitable sites for locating replacement housing units, as amply demonstrated and identified in Table A-2 in the Housing Element of the General Plan, dated June 16, 2009. The referenced sections of the Housing Element include a housing inventory that indicates that there are housing sites available within the City of Stockton that would accommodate up to 7,568 residential units. Those portions of the Housing Element are incorporated by this reference in this Implementation Plan.

Appendix A: Glossary of Terms

"Housing Production Plan or AB 315 Plan" means the plan required to be completed by a redevelopment agency with redevelopment projects adopted (or territory added by amendment) on or after January 1, 1976 to show how the agency intends to meet its Housing Production Requirement.

"Housing Production Requirement" means the requirement to produce specified percentages of low and moderate income housing which applies to redevelopment agencies with redevelopment projects adopted (or territory added by amendment) on or after January 1, 1976. Community Redevelopment Law requires that 30 percent of all housing developed or substantially rehabilitated by an agency must be available at affordable housing cost to low and moderate income households. Of those units, 50 percent must be affordable to very low income households. When housing is developed or substantially rehabilitated in a project area by public or private entities other than the agency, including entities receiving agency assistance, 15 percent of the total number of units must be affordable to low and moderate income households. Of those units, 40 percent must be affordable to very low income households.

"Base Year" means the year of the last equalized assessment roll used in connection with the taxation of property within a project area prior to the effective date of the ordinance adopting the Redevelopment Plan for that project area.

"California Redevelopment Law" means the California Community Redevelopment Law as embodied in Health and Safety Code Section 33000 et. seq. and which governs the practice of redevelopment in the state.

"ERAF" means Education Revenue Augmentation Fund. As part of the solution to a number of the state budget crises since 1993, each redevelopment agency has been required to make contributions equal to certain percentages of its tax increment revenues in order to reduce the amount that the state budget must contribute to maintain local school and community college district funding at specified levels. Contributions have been required for fiscal years 1993-94, 1994-95 and in each of the last three years. The amount of the contribution required each year has varied from about 3 percent in 1993-94 to about 7 percent of tax increment revenue in 2004-05.

"General Plan" means the "City of Stockton General Plan". California planning law requires each city to develop and maintain a General Plan that includes a statement of policies for the city relating to land use, transportation, and housing, among other issues.

"Housing Element" means that part of the General Plan that identifies and provides an analysis of existing and projected housing needs and a statement of goals, policies, objectives, and programs for the preservation, improvement and development of housing.

“Housing Fund” in general means the 20 percent of tax increment revenue generated from redevelopment project areas that must be set-aside in a separate fund to be used for the purpose of increasing, improving, and preserving the community’s supply of low and moderate income housing.

“housing programs or projects” means programs which are funded from monies in the Housing Fund or other similar funding sources.

“non-housing programs or projects” means programs which are funded from monies other than the Housing Fund or other monies restricted to low and moderate income housing purposes. Non-Housing Programs could include market-rate housing or other housing related expenditures not eligible for funding from the Housing Fund.

“Project Area” or “redevelopment project area” means a specific geographical area within which the Redevelopment Agency has initiated a redevelopment project pursuant to the Community Redevelopment Law, and for purposes of this Implementation Plan includes: Merged Midtown (Eastland and Midtown); North Stockton, Port Industrial; Rough & Ready, Merged South Stockton (All Nations, McKinley, Sharps Lane and South Stockton) and the West End.

“Report to Council” is the report required to be submitted to the legislative body in preparation for the redevelopment plan adoption public hearing and which contains certain statutorily required elements. The Report to Council often will contain the redevelopment agency’s comprehensive assessment of the purpose and projected impacts of the Redevelopment Plan.

“Redevelopment Plan” means the legal document adopted at the time the Project was last amended that governs the redevelopment process for that project area.

“Redevelopment Plans” refers to the current operative Redevelopment Plan for each of the Agency’s four redevelopment projects.

“Replacement Housing Requirement” means the California Redevelopment Law requirement that the Agency replace all low and moderate income housing units that are destroyed through its redevelopment program.

“tax increment” means that portion of property tax revenues received from the property tax levy against all assessed value within a project area in excess of the assessed value of the project area in the applicable base year, as set forth in Section 33670(b) of the California Redevelopment Law.

Appendix B

APPENDIX C: STOCKTON REDEVELOPMENT AGENCY PROJECT AREAS MAP