

City of Escondido
Redevelopment Area Implementation and
Housing Production Plan
2009-2014



Approved by the CDC on 12/9/09

CDC Resolution No. 2009-11(R)
(City File PHG 2009-0038)

December 9, 2009



2009-2014 Redevelopment Area Implementation and Housing Production Plan

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EXECUTIVE SUMMARY

The Escondido Redevelopment Plan was adopted in 1984 and will expire on December 19, 2025. The general project objectives of the Redevelopment Plan included elimination of blight, development of property in the area with a coordinated land use pattern, development of public services and facilities, improving the employment opportunities and economic climate, and related objectives, as outlined in the Escondido Redevelopment Plan. More specific project goals included enhancing the economic climate of the City's Central Business District, and financing and construction of the Escondido Civic and Cultural Center. The Civic and Cultural project was completed in 1994 and numerous improvements have taken place and are ongoing to enhance the economic climate of the City's Central Business District. In recent years, most redevelopment revenues have been obligated to defray financial obligations incurred as a part of the Civic and Cultural Center project, to re-pay obligations to the City of Escondido incurred by the Community Development Commission, and to satisfy obligations towards tax sharing partners.

It is expected that certain economic development projects will continue to occur and be funded as revenues are available to the Community Development Commission. These projects are selected by the City and the Commission and are evaluated for consistency with the Redevelopment Plan. Repayment of obligations of the Community Development Commission to the City of Escondido will continue, as will ongoing sharing pursuant to applicable tax sharing agreements. It is expected that financial obligations related to the Civic and Cultural Center will be fully satisfied during the period of this 2009 Implementation Plan.

The remainder of this Implementation Plan will concentrate on required housing responsibilities.

California Redevelopment Law requires that 20% of tax increment revenue must be expended to increase, improve, and preserve the supply of low- and moderate-income housing in the community. In order to ensure that adequate planning results in production of affordable housing, the law was amended to require redevelopment agencies to adopt Implementation Plans for each Redevelopment Project Area every five years. The Plan should be designed to outline programs and policies aimed at meeting affordable inclusionary housing requirements. At least 30% of units built by the Redevelopment Agency and 15% of all other units built in the Redevelopment Area must be affordable units.

The Appendix contains data and tables describing housing units developed in the Redevelopment Project Area as well as affordable units developed outside the area. These units count toward the Agency's requirements to insure a percentage of housing produced meets the affordability tests for inclusionary housing. Currently the Agency has exceeded the minimum number of inclusionary units. This surplus will continue if past affordable housing production levels were to continue for the next ten years. However, it is expected that additional, affordable units will be necessary to keep pace with the affordability requirements associated with expected growth.

Replacement housing obligations are required when dwelling units housing low- and moderate-income families are destroyed or removed. The units must be replaced within four years and must be affordable to and occupied by the same income level of households as the destroyed units. The Community Development Commission (CDC) has provided funds for projects that removed units of low-income housing; however, those units will be replaced with units constructed on the same site that are deed restricted. All of the affordable housing projects that removed existing units met or exceeded the on-site replacement requirements as depicted in Table 6.

In October 2001, the Governor approved Assembly Bill 637, which amended certain inclusionary housing requirements of Redevelopment Law. The new statute imposes new minimum duration periods of affordability. Rental units developed after this date must have 55-year affordability covenants and owner-occupied housing must have 45-year affordability covenants. All units developed after 2002 that were counted toward affordable housing meet these requirements.

BACKGROUND ON THE CITY OF ESCONDIDO'S REDEVELOPMENT PLAN

The objective of the Escondido Redevelopment Plan is to promote development that is viable, both physically and economically, within the Project Area boundaries. A major goal of the Redevelopment Plan was also to facilitate the financing and construction of the Escondido Civic and Cultural Center, which was completed in 1994. Other goals included the elimination of blight, facilitating development consistent with the General Plan, the elimination of infrastructure deficiencies, improved circulation, beautification activities, business development, and the provision and maintenance of very-low-, low- and moderate-income housing units. Since the plan's adoption, a significant number of activities have resulted to facilitate these goals.

THE REDEVELOPMENT AREA HOUSING IMPLEMENTATION PLAN

The requirement for an Implementation Plan was initiated by AB 1290 and the first plan for the Escondido Community Development Commission was completed and adopted in 1994. It will expire in 2025. This Implementation Plan for the Escondido Redevelopment Project Area is the fourth report prepared to comply with Redevelopment Law Article 16.5, Section 33490. The law states that the Implementation Plan shall contain specific goals and objectives of the Agency (Community Development Commission) for the project area, specific programs, and estimated proposed expenditures during the five years covered by the Plan. A portion of the Implementation Plan must address the agency's housing responsibilities and affordable housing production.

This Housing oriented Plan will consist of two primary components. The first component evaluates:

1. The current status of affordable housing production in the Project Area since the adoption of the Redevelopment Plan;
2. The expected future residential production;
3. The Commission's existing and future inclusionary housing production requirements.

The second component does the following:

1. Sets forth a strategy for achieving these production requirements, beginning with an evaluation of financial resources available for assistance;
2. Establishes how the Community Development Commission (CDC) intends to fulfill inclusionary requirements for housing produced over the next ten-year period.

Previous law allowed for a shortfall to be met over the life of the Plan, but new legislation passed in 2002 has altered the time frame. The requirement for periodic compliance was intended to prevent agencies from having shortfalls at the expiration of the Redevelopment Plan. Any shortfall in inclusionary units incurred since Redevelopment Plan adoption (1984-2009) must be made up by the end of each ten-year period. If deficiencies continue to exist, they must be addressed annually until eliminated.

The components of the Implementation Plan contain the following:

- Estimates of the number of units that have been developed since the adoption of the Redevelopment Plan and those that will be developed by the Commission and others during the next ten years. The plan must also account for the replacement of any affordable units if the redevelopment activities would result in their removal.
- How the Commission is planning to meet its inclusionary obligations during the next ten years. This would include program(s) and estimates of the number of units to be assisted with the housing funds during the next five years.
- Amounts (present and future) in the Housing Set-Aside Fund.
- Identify remaining blighting conditions and describe programs to address those problems.

ESCONDIDO REDEVELOPMENT PROJECT AREA

The Project Area encompasses approximately 3,161 acres, or 20% of the City's total area, and includes the central business core and land areas extending out from the central core along major arterial roadways in a radial fashion. Residential land uses comprise approximately 12% of the Project Area, with additional residential uses permitted in certain commercial districts as part of the Downtown Specific Plan (See Appendix Tables 1 and 3).

INCLUSIONARY REQUIREMENTS

A total of 3,055 residential units have been created within the project area since the adoption of the Escondido Redevelopment Plan (1984-2009 – See Table 2). The vast majority were privately developed. Although the Commission has played an active role in producing many affordable units, none of these units were developed by the Commission. Inclusionary requirements are based on the cumulative number of units built, demolished, and rehabilitated. Inclusionary requirements are higher for units that are actually developed by the Agency as compared to those developed by others or assisted by the Commission.

15% of the units developed by others (including those assisted by the Commission) must be affordable to either moderate incomes or lower. A minimum 40% of this 15% total must be occupied by very-low-income households. Table 2 in the Appendix lists the Agency's inclusionary housing obligation pursuant to Redevelopment Law Section 33413 (b)(2)(i). If the Commission does directly develop or rehabilitate residential projects, a 30% requirement for low and moderate-income housing is required. A minimum 50% of the 30% must be affordable to very-low-income households.

REPLACEMENT REQUIREMENTS

When housing units are removed from the project area as part of a redevelopment project and the agency has provided financial assistance, Redevelopment Law requires replacement housing. The law indicates that when dwelling units housing low- and moderate-income families are destroyed or removed, they must be replaced within four years of removal. The replacement housing must be affordable to and occupied by the same income level of households as the destroyed units. The agency would be required to replace the same number of units or could replace with fewer units, if the total number of bedrooms in the replacement dwelling units equals or exceeds the number of bedrooms in the destroyed or removed units (Redevelopment Law Section 33413[f]) and affordability restrictions are in place for the "longest feasible time," which cannot be less than 55 years for rental units and 45 years for ownership units.

To date, the CDC has provided funds for several projects involving replacement units. In 2004, the Via Roble project removed 36 very-low income units with 39 bedrooms and replaced them in 2005 with a lower unit total of 25, but increased the bedroom count to 49. In 2007, the Agency also provided funds for the Las Ventanas project that removed

19 very-low income units with 23 bedrooms and replaced them in 2008 with a new 19 unit project with 57 bedrooms. Therefore, the on-site replacement requirement was met for both of these projects. (See Table 6).

RESIDENTIAL PRODUCTION POTENTIAL IN PROJECT AREA

The Escondido Redevelopment Project Area encompasses approximately 3,161 acres of land, of which 386 acres are currently designated for residential uses. Parts of these residential properties are either vacant or underdeveloped. Potential residential development will most likely occur either on vacant or underdeveloped properties. In 2004, the number of anticipated housing units at the General Plan's buildout was estimated at 2,390 units. By 2009, 266 additional units have been built/finished in the Redevelopment Area. This total does not include those units that have been partially completed. Therefore, the potential buildout projection has been revised to 2,124 new units. This buildout figure is only used for planning purposes. Affordable housing requirements are only triggered by units that are actually constructed.

The Redevelopment Plan still has a remaining life of 16 years (2009-2025). The life of the Redevelopment Plan was extended by one year per State legislative action relating to ERAF payments. The most current SANDAG projections assume the Escondido General Plan will build out by 2030, five years after the end of the Redevelopment Plan. It is estimated that approximately 76% of the General Plan buildout will occur by the end of the Redevelopment Plan. Should development occur at a more rapid pace, affordable housing will also be provided at a commensurate rate.

Over the remaining life of the Redevelopment Plan (2009 to 2025 or 16 years), an estimated 1,616 units (annual rate of 101 units times the remaining years) are projected to be added to the Project Area. A greater annual unit total would have resulted had the buildout number been divided by the remaining number of years left in the Redevelopment Plan (16) as compared to the SANDAG buildout date of 2030(21). Staff felt that 2030 was a more realistic buildout date than the expiration of the Redevelopment Plan.

AFFORDABLE HOUSING PRODUCTION IN PROJECT AREA

Other than identifying policies and programs to address how the Commission meets its inclusionary requirements, Redevelopment Law does not require a specific listing of projects or sites that would be developed to meet these obligations. The purpose of inventorying the City's production of affordable housing (in and outside the redevelopment area) is to quantify the City's affordable housing efforts to meet the statutory inclusionary housing obligation. The following sections inventory new housing production and Commission assisted rehabilitated housing units within the Project Area, Commission-assisted housing outside the project Area, existing deed-restricted affordable housing units, and non-Commission-assisted projects within the project area.

Since the adoption of the Escondido Redevelopment Project Area (July 1984 through October 2009), a total of 3,055 residential units have been constructed in the Project Area (2,789 per the previous Implementation Plan plus 266 built since October of 2004).

Since the adoption of the Redevelopment Plan, a net total of 458 affordable units have been produced in the redevelopment area (See Appendix Table 5) and a net total 47 additional affordable units are anticipated to be built in the redevelopment area during the time frame of this Plan (2009-2014). A total of 80 units have been rehabilitated within the Project Area (See Appendix Table 8). In addition, 309 affordable units (2 manager units) have been provided (rehabilitation plus new construction) outside of the redevelopment area. Fifty percent of those units that could be counted toward the City inclusionary housing requirement, for an additional 153 units (see Appendix – Table 7 and 9). This would bring the total number of affordable completed units to 691 of which 345 are very-low income units and 346 are low/moderate (Tables 5, 7, 8, and 9).

REHABILITATED UNITS

In October of 2001, the Governor approved Assembly Bill 637, which amended certain inclusionary requirements of Community Redevelopment Law. Changes resulting from the adoption of AB 637 affect affordability periods and the definition of "substantial rehabilitation." Prior to January 1, 2002, Redevelopment Law required that affordability covenants remain in effect for a minimum of 15 years and/or the duration of the Redevelopment Plan. The most current statute imposes new minimum duration periods of 55 years for rental units and 45 years for owner-occupied units.

“Substantial Rehabilitation” means rehabilitation to the value of which constitutes 25 percent of the after rehabilitation value of the dwelling unit, inclusive of the land. The requirement is that “at least 15% of all new or substantially rehabilitated dwelling units developed within the project area shall be available at affordable housing cost to, and occupied by, persons and families of low- or moderate-income.” Of that 15%, 40% must be available at affordable housing cost and occupied by very-low-income households as defined by the State. As of January 1, 2002, the definition of "Substantial Rehabilitation" includes only those dwellings that have been substantially rehabilitated with agency assistance. Prior to 2002, the definition of “Substantial Rehabilitation” also included substantially rehabilitated multi-family units (3 or more) with or without agency assistance.

Single-Family Owner-Occupied Rehab Program: The City of Escondido Housing Division administers a Single-Family Rehabilitation Program for owner occupants. The program provides a low-interest loan for home repairs for eligible low- and very-low-income homeowners. The program does not require affordability restrictions on the rehabilitated units, so these units cannot be used toward meeting the statutory inclusionary requirements.

DEED-RESTRICTED UNITS

As a means of insuring availability of affordable housing units, deed restrictions are imposed on Commission-assisted units (new construction/rehabilitation). The deed restriction carries affordability terms requiring all or a certain number of units to be made available to low- and very-low-income households. In order to count these units toward meeting the Commission's inclusionary requirements, the affordability for rental units is 55 years and homeowner units is 45 years.

IMPLEMENTATION PLAN SHORTFALL/SURPLUS IN PRODUCTION REQUIREMENT

The Implementation Plan is required to demonstrate how existing policies, programs and goals will respond to the Commission's inclusionary housing obligations. This would include any program(s) and estimates of the number of units to be assisted from the housing funds during the next five years. The Plan must also demonstrate how the Commission is planning to meet its inclusionary obligations every ten years. If the inclusionary requirements are not met by the end of the 10-year period, the agency must meet these goals on an annual basis until the requirements for the 10-year period are met. If the Commission exceeds the requirements, the excess number of units produced may be counted during the next 10-year period.

Estimates regarding deficit or surplus in affordable housing production and whether the Commission has met its inclusionary housing obligation are based on the net result of the housing production and the inclusionary housing requirements.

FIVE- AND TEN-YEAR PROJECTION 2004-2009

Based on past affordable housing supply and pending projects, it is anticipated that a total of 116 affordable housing units will be provided by the year 2014. These units are provided as follows:

- Juniper Senior Village– 61 (60 affordable) units
- The Crossing-55 (54 affordable) units

Based on an estimated build out of 2,124 new units (2,390 – 266) in the Redevelopment Project Area during the life of the Redevelopment Plan (2009-2025), it is anticipated that there could be an annual housing production of 101 units within the area. The 10-year housing projection for the Project Area would be 1,010 units under this scenario. This rate of development would require that a total of 152 affordable units must be provided within the Project Area during the next 10 years. (Please refer to Table 4) The income breakdown for these units would be 91 units for low- and moderate-income households, and 61 units for very-low-income households.

By projecting past production (1984-2009) over the next 10 years, a total of 280 affordable housing units would be provided by year 2014. This would exceed the

anticipated inclusionary requirements of the area's buildout at that time. At the end of the term of this Implementation Plan (2009-2014), a surplus of 128 affordable housing units would occur, if past annual production continues over the next 10 years (See Table #10).

These 5- and 10-year projections are very general and highly variable. Although past performance is the best indicator of future production we have, economic conditions could have a serious impact on future housing construction. The projections have been included in the Implementation Plan to enable the City/Commission to develop an appropriate strategy to fulfill inclusionary requirements. However, the Commission's only commitment is to ensure that the required type and number of affordable units have been met for the last 10 year period based on the number of units that have been constructed, rehabilitated, and demolished within the Redevelopment Area.

Several approved, yet not constructed, projects have been included in the anticipated 5 year total. They include the 116 unit Paramount project on North Escondido Boulevard, the 49 unit Richardson project on South Escondido Boulevard, 84 remaining units in the City Square project at Orange and Second Avenue, 125 units in the Tuck project between Fourth and Fifth Avenue on South Escondido Boulevard, 61 units proposed on Washington Avenue by SoCal Housing, 55 units at Third Avenue and Escondido Boulevard developed by Nathan Adler, and the 82 unit Venue project on Washington Avenue just east of Center City Parkway. These units would result in a total of 572 units. They have been factored into the unit totals expected for the next 5 years. (See Table 4)

IMPLEMENTATION PLAN STRATEGIES

Based on the 10-year estimate of residential growth in the Escondido Project Area, a total of 1,010 units could be built in the next 10 years. Fifteen percent of that number (152 units) would be required to be set aside for low-income residents with 40% of that number (61 units) set aside for very-low-income residents in order to fulfill the Commission's inclusionary housing requirements. Although past performance (1984-2009 affordable housing production) will help in meeting future needs, this section presents those major program options the Escondido Community Development Commission will pursue to address inclusionary requirements.

A. DEED-RESTRICT EXISTING PROJECTS

The City has numerous multi-family projects in the Project Area that are currently occupied by lower income tenants. The City/Commission may negotiate deed restrictions with owners of these existing projects to restrict rental rates to levels affordable to lower income households. Set-aside funds for rehabilitation of the buildings may be offered as an incentive in exchange for deed restrictions. Assistance available to the existing rental stock should be publicly advertised to solicit applications from existing owners.

As an example, several senior housing projects within the Redevelopment Project Area were developed under the City's Senior Housing Ordinance. The Ordinance requires a

percentage of the project units to be reserved for elderly households earning low incomes (no more than 80% of area median income). While these units are income-restricted, there is no provision in the ordinance to impose any affordability control on the rent levels. These units may be deed-restricted and contribute to the fulfillment of the Commission's affordable housing production requirements.

B. EXTEND EXISTING DEED RESTRICTIONS

There are a few low-income projects (Serenity House and Fellowship Center) in the Project Area whose deed restrictions expire prior to the term of the Redevelopment Plan (2025). The Commission will work with these property owners to provide incentives to extend these deed restrictions to the life of the Redevelopment Plan. The fact that two of these projects are owned by non-profit housing developers should make the extension of restrictions more acceptable.

In addition, the City currently has several projects developed under the Multi-Family Mortgage Revenue Bond Program. Regulations for this program require that 20% of a project's units be set aside for low-income tenants for a period of 10 years. The City/Commission could work with the project owners to refinance the bond and extend the low-income use restrictions for the life of the Redevelopment Plan.

C. SUBSIDIZE NEW CONSTRUCTION

New construction of rental housing for lower income households represents one of the Commission's primary options to fulfill its inclusionary housing production requirements. Given the current gap between market rents and rents affordable to very-low- and low-income households, unit subsidies will be necessary to achieve affordability. The amount of subsidy required depends on the type and size of housing to be developed as part of the Housing Element Implementation Programs.

IMPLEMENTATION PLAN STRATEGY FOR ELIMINATION OF BLIGHT IN THE REDEVELOPMENT AREA

As indicated in the Redevelopment Plan, project area blight conditions at plan adoption represented physical, social, economic, and environmental liabilities to the community and the Project Area. The Redevelopment Plan provides for development consistent with the health, safety, and general welfare of the people and property owners within the Project Area and the community.

BLIGHT CHARACTERISTICS

The definition of Blight has been amended since the adoption of the City’s Redevelopment Plans. The amended definition of blight is not applicable to the Escondido Plan since the only proposed project involves pre-existing debt obligations. AB 1290 does, however, require the Implementation Plan to contain a definition of blight and an analysis of how redevelopment activities planned for the next five years will eliminate it.

The specific characteristics of blight as defined in the Redevelopment Plan are based on the following considerations:

BLIGHT CHARACTERISTICS

BLIGHT CONDITION	HEALTH AND SAFETY CODE	DESCRIPTION
Unfit or Unsafe Buildings	33025	<ul style="list-style-type: none"> • Defective design and character of physical construction • Faulty interior arrangement and exterior spacing • High density of population and overcrowding • Inadequate provisions for ventilation, light, sanitation, open space and recreation facilities • Age, obsolescence, deterioration or disuse from faulty planning
Faulty Planning	33032	<ul style="list-style-type: none"> • Economic dislocation, deterioration, or disuse resulting from faulty planning • Subdividing and sale of lots of irregular form, shape, and inadequate size for proper usefulness and development • The laying out of lots in disregard of the contours and other physical characteristics • The existence of inadequate streets, open space, and utilities
Unproductive Land	33036	<ul style="list-style-type: none"> • A lack of incentive to the person to improve or rehabilitate their property • Deterioration of unproductive land which cannot be corrected except through redevelopment.
New Community Development	330	<ul style="list-style-type: none"> • Outmoded design • Inadequate fire or safety protection • Excessive land coverage • Illegal uses and conversions • Inadequate maintenance

ELIMINATION OF BLIGHT BY REDEVELOPMENT ACTIVITY

Since adoption of the Redevelopment Plan in 1984, the Redevelopment Agency has worked to eliminate the characteristics of blight identified in the Plan. Toward this effort, the Redevelopment Agency has developed a variety of physical, social, economic, and environmental

projects to ensure that the goals of the Redevelopment Plan to eliminate blight are fulfilled. The following table provides a list, which shows how the redevelopment activities currently being implemented or anticipated implementation during the course of a five-year period from 2009 to 2014 will increase the Redevelopment Agency's efforts to eliminate and prevent the spread of blight and deterioration.

ELIMINATION OF BLIGHT BY REDEVELOPMENT ACTIVITY

ACTIVITY / PROGRAM	DESCRIPTION	BLIGHT CHARACTERISTIC TO BE ELIMINATED
Property Acquisition	Acquire real property by purchase, gift, devise, and other lawful interest.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land
Site Preparation	Combining of parcels or properties, site preparation and construction of off-site improvements.	(33032) Faulty Planning (33036) Unproductive Land (330) New Community Development
Owner Participation	Owner participation in redevelopment of property.	(33036) Unproductive Land (330) New Community Development
Business Owner Preference	Preference to persons engaging in business in Project Area.	(33036) Unproductive Land (330) New Community Development
Redevelopment of Land	Redevelopment of land by private enterprise or public agencies for use in accordance with Plan.	(33036) Unproductive Land
Open Space	Providing for open space and recreational land use.	(33025) Unfit or Unsafe Buildings
Public/Private Improvements	Encouraging public and private improvements to prevent, mitigate, or eliminate existing/anticipated blight conditions in Project Area.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land (330) New Community Development
Disposition of Property	Disposition of property including lease/sale of land for reuse.	(33036) Unproductive Land
Relocation Assistance	Relocation assistance to displaced residential and nonresidential occupants.	(33032) Faulty Planning (330) New Community Development
Demolition	Demolishing or removing certain existing buildings and improvements on land acquired by the Agency.	(33025) Unfit or Unsafe Buildings (330) New Community Development
Demolition and Alternatives	Demolition, removal, rehabilitation, alterations, modernization of existing structures in Project Area.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (330) New Community Development

ELIMINATION OF BLIGHT BY REDEVELOPMENT ACTIVITY
Continued

ACTIVITY/PROGRAM	DESCRIPTION	BLIGHT CHARACTERISTIC TO BE ELIMINATED
Preparation of Acquired Land	The preparation by the Agency of acquired land for building sites.	(33032) Faulty Planning (33036) Unproductive Land
Affordable Housing	Provide for use of 20% of tax increment for increase and improving supply of housing for very-low- to moderate-income households.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land (330) New Community Development
Replacement Housing	Provide replacement housing or dwelling units for families of low- and moderate-income destroyed or removed within Project Area.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land (330) New Community Development
Taxing	Negotiate arrangements with taxing jurisdictions to alleviate financial burden/detriment caused by the Plan.	(33032) Faulty Planning

ELIMINATION OF BLIGHT BY HOUSING PROGRAM

The table below identifies a list of programs that are currently carried by the Redevelopment Agency to eliminate blight in the Redevelopment Area.

ELIMINATION OF BLIGHT BY HOUSING PROGRAM

PROGRAM	DESCRIPTION⁽¹⁾	BLIGHT CHARACTERISTIC TO BE ELIMINATED – AB 1290
Project Development	Increase supply of low-cost units for low-income households. Provide loans and grants to increase supply of low-cost rental units.	(33025) Unfit or Unsafe Buildings <ul style="list-style-type: none"> • High density population and overcrowding (33032) Faulty Planning <ul style="list-style-type: none"> • Subdividing and sale of lots of irregular form, shape, and inadequate size (33036) Unproductive Land <ul style="list-style-type: none"> • Lack of incentive to improve/rehabilitate property • Deterioration of unproductive land which cannot be corrected except through redevelopment
Mortgage Revenue Bonds	Credit support for issuance of revenue bonds for purpose of developing affordable housing.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land (330) New Community Development
First-Time Homebuyers	Assistance to qualified households for purposes of homeownership.	(33025) Unfit or Unsafe Buildings <ul style="list-style-type: none"> • High density population and overcrowding

(1) Consult the Housing Element for a more detailed description of these programs.

ELIMINATION OF BLIGHT BY HOUSING PROGRAM
Continued

PROGRAM	DESCRIPTION⁽¹⁾	BLIGHT CHARACTERISTIC TO BE ELIMINATED – AB 1290
Emergency Shelter Program	Rehabilitation or acquisition of shelters, equipment, and administrative costs related to program.	(33025) Unfit or Unsafe Buildings <ul style="list-style-type: none"> • High density population and overcrowding (33032) Faulty Planning <ul style="list-style-type: none"> • Economic dislocation, deterioration, or disuse resulting from faulty planning
Inclusionary Zoning	Provisions for affordable housing as part of a <u>planned residential</u> development.	(33025) Unfit or Unsafe Buildings <ul style="list-style-type: none"> • High density population and overcrowding (33032) Faulty Planning <ul style="list-style-type: none"> • Subdividing and sale of lots of irregular form, shape, and inadequate size for proper usefulness and development
Mortgage Credit Certificates	Provision of mortgage certificates for homebuyers.	(33025) Unfit or Unsafe Buildings
Section 202 Development	Development of HUD-Assisted Housing under Section 202 Program.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land (330) New Community Development
In-Fill New Construction	Support construction of new housing for homeownership and rental units on in-fill sites.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land (330) New Community Development
City-Owned Sites	Use City ownership as potential inducement for development of affordable housing.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land (330) New Community Development
Density Bonus	Provide bonus in form of density increase of % above land-use designation or other incentives for provision of affordable housing units.	(33025) Unfit or Unsafe Buildings <ul style="list-style-type: none"> • High density population and overcrowding (33032) Faulty Planning <ul style="list-style-type: none"> • Subdividing and sale of lots of irregular form, shape, and inadequate size for proper usefulness and development (330) Excessive Land Coverage
Housing Rehabilitation Owner-Occupied	Residential rehabilitation to homeowners.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning
Housing Rehabilitation Renter-Occupied	Rehabilitation assistance for eligible project owners.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning
Recycling Existing Structures	Recycle deteriorated older structures for affordable housing opportunities.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning
Focus on Neighborhoods	Use of variety of resources to target neighborhoods for activities such as proactive code enforcement, housing rehabilitation, capital improvements, and social services.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land (330) New Community Development
Transitional Housing/Project Development	Provide shelter for households for up to six months for a nominal cost to tenant.	(33025) Unfit or Unsafe Buildings <ul style="list-style-type: none"> • High density population and overcrowding
Rental Subsidy	Guaranteed subsidies to ensure households earning less than 80% of median would spend 30% or less of income for rent.	(33025) Unfit or Unsafe Buildings
Mobilehome Park Conversion	Assistance to occupants involved in conversion of mobilehome parks.	(33032) Faulty Planning <ul style="list-style-type: none"> • Subdividing and sale of lots of irregular form, shape, and inadequate size for proper usefulness and development
Mobilehome Rent Review	Review proposed increases in rents in mobilehome parks.	Not applicable
Existing Subsidized Housing Development Assistance	Continue affordability for low-income households impacted by conversion of existing subsidized projects.	(33025) Unfit or Unsafe Buildings

(1) Consult the Housing Element for a more detailed description of these programs.

ELIMINATION OF BLIGHT BY HOUSING PROGRAM
Continued

PROGRAM	DESCRIPTION⁽¹⁾	BLIGHT CHARACTERISTIC TO BE ELIMINATED – AB 1290
Fair Housing	Programs to educate property owners and managers in area of fair housing counseling and mediation services	Not applicable
Nonconforming Use Ordinance Implementation	Nonconforming Use Ordinance allowing for maintenance of affordable housing.	(330) New Community Development
Senior Housing Ordinance Enforcement	Enforcement of provisions of Senior Housing Ordinance.	(330) New Community Development
Housing Information and Referral	Continued update of "Blue Book" which identifies City's housing programs.	Not applicable
Housing Element Update	Continued revisions and updates of Housing Element to incorporate new data and to evaluate implementation efforts.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land (330) New Community Development
Land Use Policies	Review revisions to land use policies to ensure Housing Element goals are being met.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land (330) New Community Development
Landlord/Tenant Assistance	Provisions of services to landlord and tenants in city.	Not applicable
Congregate Care	Continue to use the permit review or Conditional Use Permit to process requests for congregate care facilities.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (330) New Community Development
Regional Planning and Cooperation	Sharing of information and ideas with other jurisdictions in county.	Not applicable
Nonprofit Corporation Support	Support ability of nonprofit corporations to participate in various housing programs.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land (330) New Community Development
Ordinance Review	Review various housing and housing-related ordinances for impacts on Housing Element.	(33025) Unfit or Unsafe Buildings (33032) Faulty Planning (33036) Unproductive Land (330) New Community Development

(1) Consult the Housing Element for more detailed description of these programs.

FINANCIAL RESOURCES

The City's philosophy with regard to providing financial assistance in the development of affordable housing has been to leverage Set-Aside funds with other sources of funds. This section evaluates various financial resources available to facilitate affordable housing development in the Project Area.

In order for the Commission to estimate the number of units it could develop in the next five years, a projection of the unallocated 20% Set-Aside revenues has been developed. These monies, in addition to other sources, will be allocated toward the preservation, development and/or rehabilitation of very-low, low/moderate-income housing units. Consistent with past practices, these funds will continue to be leveraged in conjunction with the identified housing programs.

REDEVELOPMENT SET-ASIDE PROJECTIONS

All redevelopment Set-Aside funds to date have been allocated to a variety of programs, including new construction, acquisition, and rehabilitation.

All 20% set-aside monies are used to assist in the production of affordable housing as required by California Health and Safety Code. In addition to the annual increment, the City receives repayment income from various completed projects. Repayment income varies from year to year; any funds received from loan repayments are deposited into the housing fund and used to produce additional affordable units. The following chart indicates the amounts that are anticipated to be received as an annual increment. Because of the uncertainty regarding anticipated repayments, no repayment income is included in the projections. The projections are based on a historical growth in set-aside income of approximately 2.5%.

ANNUALIZED TAX INCREMENT PROJECTIONS – 2009-2019

FISCAL YEAR	GROSS HOUSING SET-ASIDE
2009-2010	\$5,343,700
2010-2011	\$5,450,600
2011-2012	\$5,559,600
2012-2013	\$5,670,800
2013-2014	\$5,784,200
2014-2015	\$6,038,700
2015-2016	\$6,304,400
2016-2017	\$6,575,500
2017-2018	\$6,858,300
2018-2019	\$7,153,200

OTHER FUNDING SOURCES

A. HOME FUND PROJECTIONS

The HOME Investment Partnership Program is a federal housing program, which allocates funds by a formula directly to state and local governments to undertake affordable housing programs. This includes rehabilitation of existing housing, construction of new housing, assistance to tenants, and assistance to homebuyers and homeowners. Cities that receive HOME funds are also required to set aside at least 15% of their HOME funds for use by Community Housing Organizations (CHDO). A CHDO is a special type of non-profit organization that has among its purposes a commitment to providing decent housing, which is affordable to low-income residents and has a history of serving the community.

The City of Escondido was officially designated a “Participating Jurisdiction” (PJ) in the HOME Program as of March 1994. PJ status entitles the City to an allocation of HOME funds from the U.S. Department of Housing and Urban Development (HUD) on an annual basis. The allocation for fiscal year 2008/2009 is \$ 916,594. It is anticipated that

the City will continue to receive this funding source (or higher) for the next 10 years, unless federal resources are no longer allocated to the program.

B. CALIFORNIA COMMUNITY REINVESTMENT CORPORATION (CCRC)

CCRC is a non-profit mortgage-banking consortium specifically designed to provide long-term debt financing for affordable housing developments. Created in 1989, the CCRC is comprised of 56 banks representing all areas of the state. The CCRC finances loans by pooling funds from each of its member banks. CCRC has its own staff, which screens applications and provides technical assistance to developers. A loan committee, consisting of senior credit officers from member banks, approves all loans on behalf of member banks. When the loan committee approves a loan, CCRC draws funds from each bank in proportion to their size.

CCRC enters into “partnership” with cities to leverage public monies (redevelopment set-aside, CDBG, etc.) with CCRC private funds to construct low- and moderate-income housing. Five different 30-year fixed rate loan products are offered, with affordability required to be maintained for the life of the loan. Below market interest rates are provided to both non-profit and for-profit sponsors.

C. FEDERAL HOME LOAN BANK (FHLB)

The affordable housing programs mandated by the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989 and the Community Reinvestment Act are no longer being implemented through the 12 Federal Home Loan Banks. By law, the affordable housing provisions call for, among other things, a requirement for interest-subsidized loans to be extended to low-income homebuyers, as well as a variety of lending activities that fall under the “community investment” heading.

Through the Affordable Housing Program, the FHLB provides interest rate subsidies on advances to member banks that engage in lending for long-term low- to moderate-income owner-occupied or affordable rental housing. Loans that qualify for the program include those used to finance homeownership by low-income families and loans which finance the purchase, construction or rehabilitation of rental housing, of which at least 20% will be occupied by very-low-income households.

In addition to the Affordable Housing Program, the FHLB also implements a Community Investment Program. Through this program, each district bank appoints a community investment officer and provides “community-oriented” mortgage loans to members at its own cost of funds. Loans that qualify for the program include those used to finance the purchase or rehabilitation of homes by borrowers earning 115% or less of the area median income, and those that finance commercial or economic development projects that benefit low- and moderate-income families.

D. STATE/FEDERAL LOW-INCOME TAX CREDITS

The low-income housing tax credit was originally enacted as part of the Federal Tax Reform Act of 1986. Each state has an annual housing credit ceiling of \$1.75 federal tax credit per capita per year for eligible housing projects. The tax credit gives private organizations incentives to work with state and local governments to meet the serious need of affordable housing.

The credit is allocated to states which review applications and select projects to receive allocations according to considerations in the state's tax credit allocation plan. California also operates state tax credit programs in conjunction with the federal program.

Federal law requires that projects claiming tax credits must be rented to low-income tenants for a minimum period of time, the State of California generally requires 55 years. The projects must meet either of the following requirements for low-income use:

- At least 20% of the residential rental units must be rent-restricted and occupied by individuals whose income is 50% or less of area median gross income, adjusted for family size; or
- At least 40% of the residential rental units must be rent-restricted and occupied by individuals whose income is 60% or less of area median gross income, adjusted for family size.

E. CALIFORNIA HOUSING FINANCE AGENCY (CalHFA)– HELP PROGRAM

The CalHFA HELP Program is temporarily not being funded. However, the HELP Program (Housing Enabled by Local Partnerships) offers a 3% interest rate loan to local government agencies for their locally determined affordable housing activities and priorities. HELP Program funds must be used to directly provide affordable housing units. Housing units must be affordable for at least 10 years, with “affordable” being defined in the context of the unmet housing needs and priorities of the locality. Activities that are eligible under the HELP Program include acquisition, rehabilitation, infill, predevelopment, development, construction, code enforcement and other housing-related development and revitalization efforts. HELP Program funds may not be used for technical assistance or administrative costs.

Annually, there are two funding rounds. Open application periods are announced each spring and fall. Local government agencies compete for approximately \$10 million of HELP Program funding in each round.

F. CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT – Multi-family Housing Program (MHP)

The MHP program offers a 3% simple interest loan for new construction, rehabilitation, or acquisitions and rehabilitation of permanent or transitional rental housing, and the

conversion of nonresidential structures to rental housing. Projects are not eligible if construction has commenced as of the application date, or if they are receiving 9% federal low-income housing tax credits.

MHP funds will be provided for post-construction permanent financing only. Eligible costs include the cost of childcare, after-school care and social service facilities integrally linked to the assisted housing units; real property acquisition; refinancing to retain affordable rents; necessary on-site and off-site improvements, reasonable fees and consulting costs; and capitalized reserves.

Eligible applicants include local public entities, for-profit and non-profit corporations, limited equity housing cooperatives, individuals, and limited partnerships in which an eligible applicant is a general partner.

It is uncertain whether or not this program will continue to be funded in light of the current economy.

APPENDIX

DATA/TABLES

DEFINITION OF TERMS:

The following definitions of terms used in the Implementation Plan are based on the Health and Safety Code. Where terms are not clearly delineated in the Health and Safety Code, the Commission may adopt a local definition in consultation with the state and other agencies.

Affordability Requirements: Pursuant to Section 33334.2(a), affordability requirements are based on the income categories of very-low-income, low- and moderate-income households as defined by Sections 50052.5, 550079.5, 50093, 50105 and 50106 of the Health and Safety Code.

Duration of Affordability: Health and Safety Code Section 33413(c) requires that inclusionary units shall remain available at affordable housing cost to, and occupied by, persons and families of low-income, moderate-income, and very-low-income for the longest feasible time, but for not less than 55 years for rental units, 45 years for home ownership units, and 15 years for a mutual self-help housing unit (as defined by Section 33334.3 and counted as one-third of a unit).

The agency may permit sales of owner-occupied units or self-help units prior to the expiration of the 45-year period, for owner-occupied, and 15-year period for the self – help unit, for a price that is not considered affordable in accordance with an adopted program that protects the agency’s Housing Set-Aside fund investment. The seller may retain a portion of the excess proceeds. The remainder of the excess proceeds from the sale shall be returned to the agency’s Housing Set-Aside fund. Within three years from the date of sale, the agency must make an equal number of units affordable at the same income level as the sold units. Only the originally-assisted units may be counted toward the agency’s inclusionary obligations.

Affordability in relation to outside/inside the project area: Health and Safety Code Section 33413(b)(2)(ii) states that an Agency may count affordable housing units produced outside the Redevelopment Project Area on a 2 to 1 ratio. That is, two affordable units created within the city, but outside the Redevelopment Project Area, will count the same as one unit created inside the project area.

Agency Developed Units: Housing “developed by an Agency” is housing constructed by the Agency itself whether inside or outside a project area. These units include housing constructed by the Agency pursuant to a public works contract.

Replacement Housing: Low- and moderate-income housing, which is constructed to meet the housing production requirements of Section 33413 can also serve as replacement housing.

Underdeveloped Properties: For the purpose of housing unit production, the term underdeveloped properties refers to those parcels where the total assessed value of improvements does not exceed \$10,000.

RESIDENTIAL ACREAGE IN THE REDEVELOPMENT AREA

The following table presents the net residential land use distribution of the Project Area according to the City’s General Plan residential land use classifications.

Table 1

Residential Land Use in the Project Area – Net Acreage (Excluding streets’ right-of-ways)

Land Use Designation	Acreage
Suburban	7.04
Urban 1	16.78
Urban 2	164.48
Urban 3	170.84
Urban 4	26.68
Total	385.82

INCLUSIONARY HOUSING REQUIREMENTS 1984-PRESENT

Table 2

Inclusionary Housing Requirements – Redevelopment Project Area

<u>Total of New Residential Units</u> = 3,055 (2,789 units built prior to 2004 + 266 units built in the Redevelopment Area since January 2005).	
Inclusionary requirements of affordable housing units = 458 (15% of 3,055 units) *	
Low/Moderate-Income (60% of 458 units)	275
Very-Low-Income (40% of 458 Units)	183

* See Definition of Terms – These numbers reflect units required, not units provided. See Table #10.

POTENTIAL RESIDENTIAL DEVELOPMENT IN THE REDEVELOPMENT AREA

Table 3

– Potential Units: The projections for the Redevelopment Project Area were determined based on the City’s tracking program and augmented by a review of the GIS breakdown of available sites for housing. The projections were initially determined in 2004 and were updated in 2009 by subtracting out the units that were built since 2004 (266).

Potential Units in the Downtown Area	Potential Units in the Redevelopment Area Outside the Downtown Area	Total
749*	1,375*	2,124*

* Projected in 2004 minus the number of units built since then.

INCLUSIONARY AFFORDABLE HOUSING REQUIREMENTS

Table 4

– Projected Inclusionary Housing Requirements

Period/Projected Build Out Units	Projected Inclusionary Requirements	Units by Income Categories	
		Low/Moderate	Very-low
Five-Year Projection 2009-2014	86 ¹	52 (60%)	34 (40%)
Ten-Year Projection 2009-2019	162 ²	97 (60%)	65 (40%)

¹Assumes development of 572 units approved to date times 15%.

²Ten years times the anticipated 5 year total of 572 plus the projected annual rate (101) times 15% for the second five years

³See page four for explanation of the projected number (101).

AFFORDABLE HOUSING PRODUCTION

The following tables list affordable housing production in and outside the Redevelopment Area. All units listed meet the inclusionary criteria. The affordability restrictions on these units meet the requirements of Redevelopment Law.

A. NEW CONSTRUCTION

Table 5

– Affordable Housing Production – Redevelopment Area – 1984-2009

–

Completed

Project/# of Units	Number of Units Per Income Categories # of Units	
	Moderate/Low	Very-low
Sunrise Place/8 units	---	8
The Terraces/190 units	114	76
Orange Place Co-op/32 units	---	32
Salvation Army/74 units	---	74
Emerald Gardens (11 th Ave.)/16 units	---	16
Eucalyptus View/24 units	---	24
Via Roble	46	0 (25-25 ¹)
Las Ventanas Village/80 units	20	41 (60-19 ¹)
Orangewood/7 units	7	
Total Units	187	271 (315-44¹)

¹ Replacement units

– Affordable Housing Production – Redevelopment Area – 1984-2014

Anticipated

Project/# of Units	Number of Units Per Income Categories # of Units	
	Moderate/Low	Very-low
Juniper Senior Village (under construction)	26 (Net) (29-3)*	21 (Net) (31-10)*

*Refer to Table 6 for explanation of Replacement Requirements

Table 6

Affordable Housing Production/Replacement Housing – Redevelopment Area

Completed

Project/# of Units	Number of Units Per Income Categories # of Units	
	Moderate/Low	Very-low
Via Roble – This project involves displacement of 36 very-low-income units (39 bedrooms). Units were replaced on site with 25 units (49 bedrooms) for very-low-income residents. (Completed.)	46	25 total (25 replacement) 0 (Net)
Las Ventanas-This project involves displacement of 19 very-low-income units (23 bedrooms). Units were replaced on site with 19 units (57 bedrooms) for very-low-income residents. (Completed.)	20	60 (Total) 19 (Replacement) 41 (Net)
Total Replacement Units	0	44
Net Increase (#produced-#replaced)	66(66-0)	41 (85-44)

Affordable Housing Production/Replacement Housing – Redevelopment Area

Anticipated

Project/# of Units	Number of Units Per Income Categories # of Units	
	Moderate/Low	Very-low
Juniper Senior Village-This project involves displacement of 10 very-low-income units (10 bedrooms) and 3 low/moderate-income units (3 bedrooms). Units will be replaced with 10 very-low-income units (10 bedrooms) and 3 low-income units (3 bedrooms).	29 (Total) 3 (Replacement) 26 (Net)	31 (Total) 10 (Replacement) 21 (Net)
Total Anticipated Replacement Units	3	10
Net Increase (#produced-#replaced)	26 (29-3)	21 (31-10)

Table 7

- Affordable Housing Production-New Construction- **Outside** Redevelopment Area 1984 - 2009

Completed

Project/# of Units	Number of Units Per Income Categories # of Units	
	Moderate/Low	Very-low
Milane Lane Ownership/7 x 50%		3 (7 Total)
Hickory Heights Condos/12 x 50%		6 (12 Total)
Brotherton/22* x 50%	9 (17 Total)	2 (5 Total)
Total Units	9	11

Different number from what was anticipated in 2004.

Anticipated

Project/# of Units	Number of Units Per Income Categories # of Units	
	Moderate/Low	Very-low
The Crossings /15 x 50%, 39 x 50%	7 (15 total)	0 (39 Total-39 Replacement**)

B. REHABILITATION

Table 8

Affordable Housing Production – Rehabilitation Projects – **Redevelopment Area 1984-2009**

Project/# of Units	Number of Units Per Income Categories # of Units	
	Moderate/Low	Very-low
15 th Avenue Co-op/16 units		16
Las Casitas/6 units		6
Orange Place Apartments/15 units	15	
Cobblestone Village/44 units	29	14
Total Units	44	36

Table 9

– Affordable Housing Production – Rehabilitation Projects **Outside** the Redevelopment Area

Project/# of Units	Number of Units Per Income Categories # of Units	
	Moderate/Low	Very-low
Sonoma Court Total Units 60 50% counted/30	17	13
Aster Street Total Units 8 50% counted/4		4
Cypress Cove Total Units 200 (2 manager units) 50% counted 178 low- x 50%=89 20 very-low x 50%=10	89	10
Total Units	106	27

AFFORDABLE HOUSING INCLUSIONARY REQUIREMENTS – SURPLUS/DEFICIT

Table 10

– Inclusionary Requirements – Surplus/Deficit

Table 10 describes three different scenarios for production of units within the Redevelopment Area during the next ten years. These scenarios have been constructed to help indicate what steps the city must take to meet inclusionary requirements.

Total Inclusionary Requirements	Income Category	Units Required	Units Provided	Surplus/Deficit By Income Category	Overall Surplus/Deficit
1984-2009	Moderate/Low	275 ¹	346 ²	71	+233
	Very-low	183 ¹	345 ²	162	
2009-2019 155 units <i>Scenario A:</i> No new affordable units added	Moderate/Low	368 ³	346 ²	-22	+88
	Very-low	245 ³	345 ²	100	
2009-2019 155 units <i>Scenario B:</i> If currently approved projects were built	Moderate/Low	368 ³	379 ⁴	11	+132
	Very-low	245 ³	366 ⁴	121	
2009-2019 359 units <i>Scenario C:</i> Past 1984-2009 affordable production carried out into the future	Units Required from 1984-2019 620 ³	Units Provided 1984-2019 based on past performance 691 ² (to date) + 270 ⁵ (next 10-years) = 961 Past production would indicate 27 units per year would be constructed in the next 10 years (270).	341 unit surplus with production continuing as in the past		

¹ See Table 2 (Inclusionary Requirements)

² See Tables 5, 7, 8 and 9 (Sum of completed units)

³ See Tables 2 and 4 (Sum 458+162)

⁴ See Tables 5 and 7 (sum of anticipated units) plus Tables 5, 7, 8 and 9 (Sum of existing units) plus Table 6 (Moderate of Via Roble only. Was not counted in 2004, but should have been)

⁵ 270 (27 x 10-year time frame), (691 affordable units provided to date/25 years since plan adoption)

